

# Parke's Shire Council

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2019

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# Parkes Shire Council

## GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2019

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# General Purpose Financial Statements

for the year ended 30 June 2019

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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:

Street address  
suburb NSW 9999

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](http://www.parkes.nsw.gov.au).

# Parkes Shire Council

## General Purpose Financial Statements

for the year ended 30 June 2019

### Understanding Council's Financial Statements

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#### Introduction

Each year, individual Local Governments across NSW 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 2019.

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

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 greater detail and additional information on the five primary financial statements.

#### About the Auditor's Reports

Council's financial statements are required to be audited by the NSW Audit Office.

In NSW the auditor provides 2 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.

General Purpose Financial Statements

for the year ended 30 June 2019

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 statements:

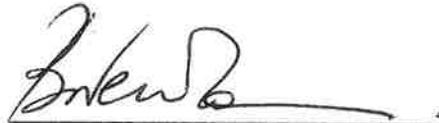
- present fairly the Council's operating result and financial position for the year
- accord with Council's accounting and other records.

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 22 October 2019.



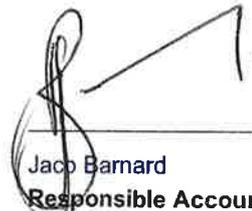
Cr Ken Keith  
**Mayor**  
22 October 2019



Cr Barbara Newtown  
**Councillor**  
22 October 2019



Kent Boyd  
**General Manager**  
22 October 2019



Jaco Barnard  
**Responsible Accounting Officer**  
22 October 2019

## Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018 <sup>1</sup>
<b>Income from continuing operations</b>				
<b>Revenue:</b>				
19,861	Rates and annual charges	3a	20,230	19,787
11,720	User charges and fees	3b	11,660	10,993
1,202	Interest and investment revenue	3c	928	1,073
2,428	Other revenues	3d	1,703	851
11,492	Grants and contributions provided for operating purposes	3e,3f	11,764	11,199
15,019	Grants and contributions provided for capital purposes	3e,3f	15,492	10,221
<b>61,722</b>	<b>Total income from continuing operations</b>		<b>61,777</b>	<b>54,124</b>
<b>Expenses from continuing operations</b>				
16,072	Employee benefits and on-costs	4a	17,360	16,172
672	Borrowing costs	4b	844	797
11,031	Materials and contracts	4c	14,877	11,167
10,873	Depreciation and amortisation	4d	13,032	11,351
5,065	Other expenses	4e	5,704	4,452
–	Net losses from the disposal of assets	5	914	1,815
–	Revaluation decrement / impairment of IPP&E	4d	10	–
<b>43,713</b>	<b>Total expenses from continuing operations</b>		<b>52,741</b>	<b>45,754</b>
<b>18,009</b>	<b>Operating result from continuing operations</b>		<b>9,036</b>	<b>8,370</b>
<b>18,009</b>	<b>Net operating result for the year</b>		<b>9,036</b>	<b>8,370</b>
18,009	Net operating result attributable to council		9,036	8,370
<b>2,990</b>	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>(6,456)</b>	<b>(1,851)</b>

(1) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

The above Income Statement should be read in conjunction with the accompanying notes.

## Statement of Comprehensive Income

for the year ended 30 June 2019

\$ '000	Notes	2019	2018 <sup>1</sup>
<b>Net operating result for the year (as per Income Statement)</b>		<b>9,036</b>	<b>8,370</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9(a)	3,409	959
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>3,409</b>	<b>959</b>
<b>Total other comprehensive income for the year</b>		<b>3,409</b>	<b>959</b>
<b>Total comprehensive income for the year</b>		<b>12,445</b>	<b>9,329</b>
Total comprehensive income attributable to Council		12,445	9,329

(1) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

## Statement of Financial Position

as at 30 June 2019

\$ '000	Notes	2019	2018 <sup>1</sup>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalent assets	6(a)	8,095	8,252
Investments	6(b)	12,000	21,458
Receivables	7	10,501	9,000
Inventories	8a	1,961	6,066
Other	8b	76	161
<b>Total current assets</b>		<b>32,633</b>	<b>44,937</b>
<b>Non-current assets</b>			
Investments	6(b)	5,188	6,932
Inventories	8a	4,069	–
Infrastructure, property, plant and equipment	9(a)	695,484	668,675
Intangible assets	10	2,834	2,826
<b>Total non-current assets</b>		<b>707,575</b>	<b>678,433</b>
<b>TOTAL ASSETS</b>		<b>740,208</b>	<b>723,370</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	11	3,460	3,739
Income received in advance	11	735	700
Borrowings	11	901	858
Provisions	12	6,318	5,728
<b>Total current liabilities</b>		<b>11,414</b>	<b>11,025</b>
<b>Non-current liabilities</b>			
Payables	11	–	74
Borrowings	11	20,143	21,044
Provisions	12	5,750	771
<b>Total non-current liabilities</b>		<b>25,893</b>	<b>21,889</b>
<b>TOTAL LIABILITIES</b>		<b>37,307</b>	<b>32,914</b>
<b>Net assets</b>		<b>702,901</b>	<b>690,456</b>
<b>EQUITY</b>			
Accumulated surplus	13a	527,095	518,059
Revaluation reserves	13a	175,806	172,397
<b>Council equity interest</b>		<b>702,901</b>	<b>690,456</b>
<b>Total equity</b>		<b>702,901</b>	<b>690,456</b>

(1) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity  
for the year ended 30 June 2019

\$ '000	Notes	2019			2018 <sup>1</sup>		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		518,059	172,397	690,456	509,689	171,438	681,127
<b>Opening balance</b>		<b>518,059</b>	<b>172,397</b>	<b>690,456</b>	<b>509,689</b>	<b>171,438</b>	<b>681,127</b>
Net operating result for the year		9,036	–	9,036	8,370	–	8,370
<b>Net operating result for the period</b>		<b>9,036</b>	<b>–</b>	<b>9,036</b>	<b>8,370</b>	<b>–</b>	<b>8,370</b>
<b>Other comprehensive income</b>							
– Gain (loss) on revaluation of IPP&E	9(a)	–	3,409	3,409	–	959	959
<b>Other comprehensive income</b>		<b>–</b>	<b>3,409</b>	<b>3,409</b>	<b>–</b>	<b>959</b>	<b>959</b>
<b>Total comprehensive income</b>		<b>9,036</b>	<b>3,409</b>	<b>12,445</b>	<b>8,370</b>	<b>959</b>	<b>9,329</b>
<b>Equity – balance at end of the reporting period</b>		<b>527,095</b>	<b>175,806</b>	<b>702,901</b>	<b>518,059</b>	<b>172,397</b>	<b>690,456</b>

(1) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under *AASB 139 Financial Instruments: Recognition and Measurement*

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

## Statement of Cash Flows

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
<b>Cash flows from operating activities</b>				
<u>Receipts</u>				
19,710	Rates and annual charges		18,752	19,705
11,403	User charges and fees		13,255	9,487
1,202	Investment and interest revenue received		1,105	1,246
26,509	Grants and contributions		25,954	20,255
2,428	Other		1,207	5,499
<u>Payments</u>				
(16,072)	Employee benefits and on-costs		(16,587)	(15,774)
(10,849)	Materials and contracts		(13,768)	(10,505)
(672)	Borrowing costs		(862)	(791)
–	Bonds, deposits and retention amounts refunded		(1,479)	(26)
(4,934)	Other		(5,704)	(9,210)
28,725	<b>Net cash provided (or used in) operating activities</b>		21,873	19,886
<b>Cash flows from investing activities</b>				
<u>Receipts</u>				
36,809	Sale of investment securities		39,930	50,662
100	Sale of real estate assets		142	200
–	Sale of infrastructure, property, plant and equipment		1,137	648
<u>Payments</u>				
(27,641)	Purchase of investment securities		(28,690)	(29,355)
(38,804)	Purchase of infrastructure, property, plant and equipment		(33,388)	(37,832)
–	Purchase of real estate assets		(119)	(82)
–	Purchase of intangible assets		(184)	–
(29,536)	<b>Net cash provided (or used in) investing activities</b>		(21,172)	(15,759)
<b>Cash flows from financing activities</b>				
<u>Receipts</u>				
–	Proceeds from borrowings and advances		–	3,000
<u>Payments</u>				
(727)	Repayment of borrowings and advances		(858)	(814)
(727)	<b>Net cash flow provided (used in) financing activities</b>		(858)	2,186
(1,538)	<b>Net increase/(decrease) in cash and cash equivalents</b>		(157)	6,313
31,119	Plus: cash and cash equivalents – beginning of year		8,252	1,939
29,581	<b>Cash and cash equivalents – end of the year</b>		8,095	8,252
Additional Information:				
–	plus: Investments on hand – end of year	6(b)	17,188	28,390
29,581	<b>Total cash, cash equivalents and investments</b>		25,283	36,642

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

## Notes to the Financial Statements

for the year ended 30 June 2019

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## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 1. Basis of preparation

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These financial statements were authorised for issue by Council on 22 October 2019.

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

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

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 19 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 17 – Material budget variations

and are clearly marked.

#### (a) New and amended standards adopted by Council

During the year, Council adopted all standards which were mandatorily effective for the first time at 30 June 2019.

#### (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.

#### 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

- (i) Impairment of receivables

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 1. Basis of preparation (continued)

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Council has made a significant judgement about the impairment of a number of its receivables – refer 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 property 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.

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.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities 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

##### New accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods (and which have not been early adopted by Council). The new standards AASB 16, AASB 15 & AASB 1058 are all effective for Council for the 30 June 2020 reporting period, with transition on 1 July 2019.

As at the date of authorisation of these financial statements, Council does not consider that any of those standards are likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows. Following Council's assessment of these new standards and interpretations are listed below.

Council has not elected to apply any pronouncements before their operative date in these financial statements.

##### AASB 16 Leases

AASB 16 requires that all leases should be accounted for on the lessee's accounts similar to the finance lease accounting treatment. This means that the recognition of right-of-use assets with the corresponding liability for the present value of minimum lease payments. Accounting treatment of assets leased out to external parties (lessor's perspective) have not changed and is treated similar to the currently used AASB 117.

Council has assessed the impact of adopting this new accounting standard and determined that there is not material impact from adoption on 1 July 2019.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 1. Basis of preparation (continued)

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#### **AASB 15 Revenue from Contracts with Customers and associated amending standards**

AASB15 introduces a five-step process for revenue recognition, with the core principle of the new standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

Accounting policy changes will arise in the timing of revenue recognition, treatment of contracts costs and contracts which contain a financing element.

Council has assessed each revenue stream particularly the impact expected for grant income and rates which are paid before the commencement of the rating period.

The changes in revenue recognition requirements in AASB 15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as the additional disclosures.

AASB 15 will have no impact on rates and charges paid in advance as council was always accounted for these as a liability. It is likely there will be minor impacts in relation to grants as council is currently auspicing several Stronger Country Communities and Drought Communities funding where the goods/services will not be retained by council on completion.

#### **AASB 1058 Income from NFP Entities**

AASB 1058 supersedes all the income recognition requirements relating to councils, previously in AASB 1004 Contributions.

Under AASB 1058 the future timing of income recognition will depend on whether the transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service) related to an asset (such as cash or another asset) received by an entity.

AASB 1058 also applies when a council receives volunteer services or enters into other transactions in which the consideration to acquire an asset is significantly less than the fair value of the asset, and where the council's objective is principally to enable the asset to further the council's objectives.

Upon initial recognition of the asset, this standard requires council to consider whether any other financial statement elements (called 'related amounts') should be recognised in accordance with the applicable accounting standard, such as:

- (a) contributions by owners
- (b) revenue, or a contract liability arising from a contract with a customer
- (c) a lease liability
- (d) a financial instrument, or
- (e) a provision.

If the transaction is a transfer of a financial asset to enable council to acquire or construct a recognisable non-financial asset to be controlled by council (i.e. an in-substance acquisition of a non-financial asset), the council recognises a liability for the excess of the fair value of the transfer over any related amounts recognised. Council will then recognise income as it satisfies its obligations under the transfer similarly to income recognition in relation to performance obligations under AASB 15.

If the transaction does not enable council to acquire or construct a recognisable non-financial asset to be controlled by council, then any excess of the initial carrying amount of the recognised asset over the related amounts is recognised as income.

The majority of capital grants are paid in arrears based on actual expenditure and therefore council will have satisfied all obligations prior to receiving the grant payment.

Notes to the Financial Statements  
for the year ended 30 June 2019

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

Income, expenses and assets have been directly attributed to the following functions or activities.  
Details of those functions or activities are provided in Note 2(b).

\$ '000	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)	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
<b>Functions or activities</b>										
Governance	157	110	2,779	2,219	(2,622)	(2,109)	–	–	9,971	8,168
Administration	1,415	1,014	6,594	4,380	(5,179)	(3,366)	135	–	21,643	18,178
Public order and safety	227	825	851	1,194	(624)	(369)	165	636	4,642	5,052
Health	144	37	946	1,211	(802)	(1,174)	132	–	412	475
Environment	3,706	3,298	4,271	3,731	(565)	(433)	136	263	368	267
Community services and education	1,764	1,409	1,930	1,538	(166)	(129)	1,538	1,191	4,750	5,437
Housing and community amenities	1,120	464	1,487	985	(367)	(521)	66	57	29,980	28,386
Water supplies	13,377	10,711	9,203	8,307	4,174	2,404	5,781	3,042	171,466	171,063
Sewerage services	3,312	3,323	4,207	3,422	(895)	(99)	85	48	60,911	57,671
Recreation and culture	3,455	1,765	5,638	5,493	(2,183)	(3,728)	3,281	1,250	53,571	50,451
Mining, manufacturing and construction	211	190	(4)	(394)	215	584	–	–	852	493
Transport and communication	11,958	11,862	11,081	9,866	877	1,996	5,942	7,016	368,700	368,187
Economic affairs	2,867	1,669	3,758	3,802	(891)	(2,133)	1,008	75	12,943	9,542
General purpose income	18,064	17,447	–	–	18,064	17,447	6,392	5,842	(1)	–
<b>Total functions and activities</b>	<b>61,777</b>	<b>54,124</b>	<b>52,741</b>	<b>45,754</b>	<b>9,036</b>	<b>8,370</b>	<b>24,661</b>	<b>19,420</b>	<b>740,208</b>	<b>723,370</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

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

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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 policymaking 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**

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 2(b). Council functions/activities - component descriptions (continued)

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.

## Note 3. Income from continuing operations

\$ '000	2019	2018
<b>(a) Rates and annual charges</b>		
<b>Ordinary rates</b>		
Residential	5,778	5,644
Farmland	3,787	3,708
Mining	1,383	1,352
Business	2,754	2,702
Less: pensioner rebates (mandatory)	(208)	(214)
Less: pensioner rebates (Council policy)	(103)	(114)
<b>Rates levied to ratepayers</b>	<b>13,391</b>	<b>13,078</b>
Pensioner rate subsidies received	155	215
<b>Total ordinary rates</b>	<b>13,546</b>	<b>13,293</b>
<b>Annual charges</b>		
<small>(pursuant to s.496, s.496A, s.496B, s.501 &amp; s.611)</small>		
Domestic waste management services	2,199	2,078
Stormwater management services	174	174
Water supply services	1,378	1,430
Sewerage services	2,728	2,620
Waste management services (non-domestic)	365	247
Less: pensioner rebates (mandatory)	(267)	(268)
<b>Annual charges levied</b>	<b>6,577</b>	<b>6,281</b>
Pensioner subsidies received:		
– Water	54	55
– Sewerage	47	48
– Domestic waste management	6	110
<b>Total annual charges</b>	<b>6,684</b>	<b>6,494</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>	<b>20,230</b>	<b>19,787</b>

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

**Accounting policy for rates and 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, by 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.

\$ '000	2019	2018
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**(b) User charges and fees**

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
<b>Specific user charges</b>		
(per s.502 - specific 'actual use' charges)		
Water supply services	5,824	5,785
Sewerage services	516	567
Waste management services (non-domestic)	760	516
<b>Total specific user charges</b>	<b>7,100</b>	<b>6,868</b>
<b>Other user charges and fees</b>		
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>		
Planning and building regulation	338	406
Private works – section 67	30	58
Section 10.7 certificates (EP&A Act)	37	36
Section 603 certificates	32	52
<b>Total fees and charges – statutory/regulatory</b>	<b>437</b>	<b>552</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>		
Aerodrome	299	291
Caravan park	462	427
Cemeteries	192	240
Elvis festival revenue (excl sponsorships)	599	593
Family day care	146	130
Leaseback fees – Council vehicles	124	97
Library and art gallery	20	14
RMS (formerly RTA) charges (state roads not controlled by Council)	2,058	1,373
Swimming centres	115	311
Waste disposal tipping fees	82	97
Admission and service fees	26	–
<b>Total fees and charges – other</b>	<b>4,123</b>	<b>3,573</b>
<b>TOTAL USER CHARGES AND FEES</b>	<b>11,660</b>	<b>10,993</b>

**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 on financial assets measured at amortised cost**

– Overdue rates and annual charges (incl. special purpose rates)	55	18
– Overdue user fees and charges	58	–
– Cash and investments	777	1,013
– Other	–	2

**Fair value adjustments**

– Movements in investments at fair value through profit and loss	38	40
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**TOTAL INTEREST AND INVESTMENT REVENUE**

<b>928</b>	<b>1,073</b>
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**Interest revenue is attributable to:****Unrestricted investments/financial assets:**

Overdue rates and annual charges (general fund)	73	18
General Council cash and investments	545	702

**Restricted investments/funds – external:**

Development contributions		
– Section 64: water	80	76

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
– Section 64: sewer	1	37
Water fund operations	187	230
Sewerage fund operations	34	2
Domestic waste management operations	8	8
<b>Total interest and investment revenue</b>	<b>928</b>	<b>1,073</b>

**Accounting policy for interest and investment revenue**

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

**(d) Other revenues**

Rental income – other council properties	351	233
Fines	23	19
Legal fees recovery – other	156	7
Diesel rebate	131	65
Recycling income (non-domestic)	–	64
Sales – general	307	230
Elvis festival	207	147
Insurance rebate	23	32
Legal recoveries	–	7
Insurance Claims	115	–
Statecover Incentive	24	–
WHS Incentive	75	–
Mobile Phone Usage	6	–
Other	285	47
<b>TOTAL OTHER REVENUE</b>	<b>1,703</b>	<b>851</b>

**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 revenue is recorded when the payment is due, the value of the payment is notified, or the payment is received, 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.

\$ '000	Operating 2019	Operating 2018	Capital 2019	Capital 2018
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## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 3. Income from continuing operations (continued)

\$ '000	Operating 2019	Operating 2018	Capital 2019	Capital 2018
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
<b>Current year allocation</b>				
Financial assistance – general component	2,113	1,975	–	–
Financial assistance – local roads component	1,077	1,014	–	–
<b>Other</b>				
<b>Payment in advance - future year allocation</b>				
Financial assistance – general component	2,190	2,026	–	–
Financial assistance – local roads component	1,118	1,043	–	–
<b>Total general purpose</b>	<b>6,498</b>	<b>6,058</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Water supplies	150	–	5,576	2,989
Sewerage services	–	–	38	–
Bushfire and emergency services	29	90	19	546
Community care	1,538	1,191	–	–
Community centres	210	–	369	88
Economic development	–	5	880	–
Environmental programs	41	12	–	50
Heritage and cultural	12	12	109	–
Library	55	57	1,800	200
LIRS subsidy	55	97	–	–
Noxious weeds	65	70	–	–
Recreation and culture	70	–	668	826
Storm/flood damage	–	–	169	1,690
Street lighting	57	57	–	–
Transport (roads to recovery)	886	1,772	–	–
Transport (other roads and bridges funding)	–	238	1,598	2,910
Shire Waste Facilities	23	–	–	20
Parkes Regional Airport Redevelopment	–	–	2,504	372
Peak Hill Main Street Redevelopment	–	–	60	70
Road safety	117	–	–	–
Tourism	–	–	150	–
Footpaths	–	–	669	–
Health Centres	–	–	132	–
Spicer Caravan Park	–	–	60	–
Other	54	–	–	–
<b>Total specific purpose</b>	<b>3,362</b>	<b>3,601</b>	<b>14,801</b>	<b>9,761</b>
<b>Total grants</b>	<b>9,860</b>	<b>9,659</b>	<b>14,801</b>	<b>9,761</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	7,744	8,259	7,281	2,961
– State funding	2,075	1,400	7,468	6,218
– Other funding	41	–	52	582
	<b>9,860</b>	<b>9,659</b>	<b>14,801</b>	<b>9,761</b>

\$ '000	Notes	Operating 2019	Operating 2018	Capital 2019	Capital 2018
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## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 3. Income from continuing operations (continued)

\$ '000	Notes	Operating 2019	Operating 2018	Capital 2019	Capital 2018
<b>(f) Contributions</b>					
<b>Developer contributions:</b>					
<b>(s7.4 &amp; s7.11 - EP&amp;A Act, s64 of the LGA):</b>					
<b>Cash contributions</b>					
S 7.4 – contributions using planning agreements		–	–	438	59
S 64 – water supply contributions		–	–	147	209
S 64 – sewerage service contributions		–	–	47	67
<b>Total developer contributions – cash</b>		<b>–</b>	<b>–</b>	<b>632</b>	<b>335</b>
<b>Total developer contributions</b>	21	<b>–</b>	<b>–</b>	<b>632</b>	<b>335</b>
<b>Other contributions:</b>					
<b>Cash contributions</b>					
Business development		110	100	–	–
Community services		83	143	2	–
Heritage/cultural		4	6	–	–
Recreation and culture		58	–	45	31
Roads and bridges		206	67	12	–
RMS contributions (regional roads, block grant)		1,335	1,224	–	–
Economic affairs		103	–	–	75
Other – Public Cemeteries		5	–	–	–
Other – landfill consolidation		–	–	–	19
<b>Total other contributions – cash</b>		<b>1,904</b>	<b>1,540</b>	<b>59</b>	<b>125</b>
<b>Total other contributions</b>		<b>1,904</b>	<b>1,540</b>	<b>59</b>	<b>125</b>
<b>Total contributions</b>		<b>1,904</b>	<b>1,540</b>	<b>691</b>	<b>460</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>		<b>11,764</b>	<b>11,199</b>	<b>15,492</b>	<b>10,221</b>

**Accounting policy for grants and 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.

\$ '000	2019	2018
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**(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	3,069	7,925
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## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
<b>Add:</b> operating grants recognised in the current period but not yet spent	–	–
<b>Add:</b> operating grants received for the provision of goods and services in a future period	3,308	3,069
<b>Less:</b> operating grants recognised in a previous reporting period now spent	(3,069)	(7,925)
<b>Unexpended and held as restricted assets (operating grants)</b>	<u>3,308</u>	<u>3,069</u>

## Note 4. Expenses from continuing operations

\$ '000	2019	2018
<b>(a) Employee benefits and on-costs</b>		
Salaries and wages	13,655	14,189
Travel expenses	191	141
Employee leave entitlements (ELE)	2,360	1,660
Superannuation	1,830	1,471
Workers' compensation insurance	597	736
Fringe benefit tax (FBT)	22	55
Payroll tax	90	125
Training costs (other than salaries and wages)	353	252
Protective clothing	5	3
Other (pre-employment medicals)	53	23
<b>Total employee costs</b>	<u>19,156</u>	<u>18,655</u>
Less: capitalised costs	(1,796)	(2,483)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>	<u>17,360</u>	<u>16,172</u>
Number of 'full-time equivalent' employees (FTE) at year end	187	185
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	190	190

**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, 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 19 for more information.

\$ '000	Notes	2019	2018
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**(b) Borrowing costs****(i) Interest bearing liability costs**

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2019	2018
Interest on loans		844	783
<b>Total interest bearing liability costs expensed</b>		<b>844</b>	<b>783</b>
<b>(ii) Other borrowing costs</b>			
Fair value adjustments on recognition of advances and deferred debtors			
Remediation liabilities	12	–	14
<b>Total other borrowing costs</b>		<b>–</b>	<b>14</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>844</b>	<b>797</b>

**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.

\$ '000	2019	2018
<b>(c) Materials and contracts</b>		
Raw materials and consumables	13,710	10,239
<b>Contractor and consultancy costs:</b>		
– Caravan park	122	114
– Contractor and consultancy costs (Centroc)	106	76
– Garbage collection contract	1,465	1,345
– Investment advisory service	23	20
Auditors remuneration <sup>2</sup>	49	53
<b>Legal expenses:</b>		
– Legal expenses: planning and development	14	51
– Legal expenses: debt recovery	114	–
– Legal expenses: other	95	60
<b>Total materials and contracts</b>	<b>15,698</b>	<b>11,958</b>
Less: capitalised costs	(821)	(791)
<b>TOTAL MATERIALS AND CONTRACTS</b>	<b>14,877</b>	<b>11,167</b>

**Accounting policy for operating leases**

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

**2. Auditor remuneration**

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

**Auditors of the Council - NSW Auditor-General:****(i) Audit and other assurance services**

Audit and review of financial statements	49	53
<b>Remuneration for audit and other assurance services</b>	<b>49</b>	<b>53</b>
<b>Total Auditor-General remuneration</b>	<b>49</b>	<b>53</b>

**Non NSW Auditor-General audit firms**

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
<b>Total remuneration of non NSW Auditor-General audit firms</b>	–	–
<b>Total Auditor remuneration</b>	49	53

\$ '000	Notes	2019	2018
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## (d) Depreciation, amortisation and impairment of intangible assets and IPP&amp;E

**Depreciation and amortisation**

Plant and equipment		1,442	1,344
Office equipment		178	146
Furniture and fittings		80	87
Capital - Works In Progress		–	–
<b>Infrastructure:</b>			
– Buildings – non-specialised		451	547
– Buildings – specialised		225	510
– Roads		4,060	3,957
– Bridges		100	96
– Footpaths		139	135
– Stormwater drainage		191	182
– Water supply network		3,317	2,399
– Sewerage network		1,603	852
– Swimming pools		168	163
– Airport assets		240	184
– Other open space/recreational assets		620	600
<b>Other assets:</b>			
– Library books		13	10
<b>Reinstatement, rehabilitation and restoration assets:</b>			
– Tip assets	9(a),12	29	29
Intangible assets	10	176	110
<b>Total gross depreciation and amortisation costs</b>		<b>13,032</b>	<b>11,351</b>
<b>Total depreciation and amortisation costs</b>		<b>13,032</b>	<b>11,351</b>
<b>Impairment / revaluation decrement of IPP&amp;E</b>			
<b>Infrastructure:</b>			
– Swimming pools		10	–
<b>Total gross IPP&amp;E impairment / revaluation decrement costs / (reversals)</b>		<b>10</b>	<b>–</b>
Total IPP&E impairment / revaluation decrement costs / (reversals) charged to Income Statement		10	–
<b>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&amp;E</b>		<b>13,042</b>	<b>11,351</b>

**Accounting policy for depreciation, amortisation and impairment expenses of intangibles and IPP&E**

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 4. Expenses from continuing operations (continued)

**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 10 for IPPE assets and Note 12 for intangible assets.

**Impairment of non-financial assets**

Intangible assets that have an indefinite useful life, or are not yet available for use, are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets that do not meet the criteria above 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.

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.

\$ '000	2019	2018
<b>(e) Other expenses</b>		
Advertising	253	114
Audit committee costs	40	33
Bad and doubtful debts	(8)	8
Bank charges	79	172
Cleaning	124	102
Computer software charges	119	115
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	20	26
– LGNSW subscription	33	36
– NSW fire brigade levy	39	40
– NSW rural fire service levy	304	313
Councillor expenses – mayoral fee	25	27
Councillor expenses – councillors' fees	117	116
Councillors' expenses (incl. mayor) – other (excluding fees above)	44	64
Donations, contributions and assistance to other organisations (Section 356)	10	3
– Donations, contributions and assistance	157	2
– Sports council contribution	51	21
Electricity and heating	2,267	1,638
Events & Marketing	295	–
Insurance	438	503
Memberships & Subscriptions	102	–
Postage	124	113
Printing and stationery	180	197
Street lighting	309	321
Telephone and communications	311	286
Valuation fees	65	92
Water licences	170	110
Other	36	–
<b>Total other expenses</b>	<b>5,704</b>	<b>4,452</b>
<b>TOTAL OTHER EXPENSES</b>	<b>5,704</b>	<b>4,452</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 4. Expenses from continuing operations (continued)

**Accounting policy for other expenses**

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

## Note 5. Gains or losses from the disposal, replacement and de-recognition of assets

\$ '000	Notes	2019	2018
<b>Plant and equipment</b>	9(a)		
Proceeds from disposal – plant and equipment		1,137	648
Less: carrying amount of plant and equipment assets sold/written off		(821)	(449)
<b>Net gain/(loss) on disposal</b>		<u>316</u>	<u>199</u>
<b>Infrastructure</b>	9(a)		
Less: carrying amount of infrastructure assets sold/written off		(1,287)	(2,195)
<b>Net gain/(loss) on disposal</b>		<u>(1,287)</u>	<u>(2,195)</u>
<b>Real estate assets held for sale</b>	8		
Proceeds from disposal – real estate assets		142	200
Less: carrying amount of real estate assets sold/written off		(85)	(19)
<b>Net gain/(loss) on disposal</b>		<u>57</u>	<u>181</u>
<b>Investments</b>	6(b)		
Proceeds from disposal/redemptions/maturities – investments		39,930	50,662
Less: carrying amount of investments sold/redeemed/matured		(39,930)	(50,662)
<b>Net gain/(loss) on disposal</b>		<u>–</u>	<u>–</u>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<u>(914)</u>	<u>(1,815)</u>

**Accounting policy for disposal of assets**

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

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 de-recognised.

## Note 6(a). Cash and cash equivalent assets

\$ '000	2019	2018
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	363	440
Cash-equivalent assets		
– Deposits at call	7,721	801
– Managed funds	11	7,011
<b>Total cash and cash equivalents</b>	<u>8,095</u>	<u>8,252</u>

**Accounting policy for cash and cash equivalents**

For Statement of Cash Flow presentation purposes, cash and cash equivalents include: 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.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 6(b). Investments

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Investments</b>				
a. 'Financial assets at fair value through profit and loss'				
b. 'Financial assets at amortised cost' / 'held to maturity' (2018)	12,000	5,188	21,458	6,932
<b>Total Investments</b>	<b>12,000</b>	<b>5,188</b>	<b>21,458</b>	<b>6,932</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>	<b>20,095</b>	<b>5,188</b>	<b>29,710</b>	<b>6,932</b>
<b>Financial assets at amortised cost / held to maturity (2018)</b>				
Long term deposits	12,000	2,650	20,450	4,900
NCD's, FRN's (with maturities > 3 months)	–	2,538	1,008	2,032
<b>Total</b>	<b>12,000</b>	<b>5,188</b>	<b>21,458</b>	<b>6,932</b>

**Accounting policy for investments****Accounting policy under AASB 9 – applicable from 1 July 2018**

Financial instruments are recognised initially on the date that the Council becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

**Financial assets**

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

**Classification**

On initial recognition, Council classifies its financial assets into the following categories – those measured at:

- amortised cost
- fair value through profit and loss (FVTPL)
- fair value through other comprehensive income – equity instrument (FVOCI-equity)

Financial assets are not reclassified subsequent to their initial recognition.

**Amortised cost**

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows, and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Council's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the Statement of Financial Position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, impairment and gains or loss on de-recognition are recognised in profit or loss.

**Fair value through other comprehensive income – equity instruments**

Council has a number of strategic investments in entities over which they do not have significant influence nor control. Council has made an irrevocable election to classify these equity investments as fair value through other comprehensive income as they are not held for trading purposes.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 6(b). Investments (continued)

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These investments are carried at fair value with changes in fair value recognised in other comprehensive income (financial asset reserve). On disposal any balance in the financial asset reserve is transferred to accumulated surplus and is not reclassified to profit or loss.

Other net gains and losses excluding dividends are recognised in Other Comprehensive Income Statement.

#### Financial assets through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss.

Net gains or losses, including any interest or dividend income, are recognised in profit or loss.

Council's financial assets measured at fair value through profit or loss comprise investments in FRNs and NCDs in the Statement of Financial Position.

#### Accounting policy under AASB 139 – applicable for 2018 comparatives only

##### 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.

##### (c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They 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.

##### (d) Available for sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term. Assets in this category are held at fair value with changes in fair value taken to other comprehensive income.

##### 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.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 6(b). Investments (continued)

#### 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.

#### Impairment of available for sale investments

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

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

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	20,095	5,188	29,710	6,932
<b>attributable to:</b>				
External restrictions	13,189	5,188	24,186	6,932
Internal restrictions	6,873	–	5,415	–
Unrestricted	33	–	109	–
	20,095	5,188	29,710	6,932

\$ '000	2019	2018
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#### Details of restrictions

##### External restrictions – other

Developer contributions – general	280	22
Developer contributions – water fund	4,207	4,059
Developer contributions - sewer fund	47	–
Specific purpose unexpended grants	1,212	3,069
Water supplies	10,580	21,657
Sewerage services	601	633
Domestic waste management	1,377	1,678
Stormwater Management	73	–

##### External restrictions – other

18,377 31,118

##### Total external restrictions

18,377 31,118

##### Internal restrictions

Plant and vehicle replacement	160	155
Infrastructure replacement	–	247
Employees leave entitlement	987	727
Carry over works	1,336	1,220
Risk Management Fund	100	600
Buildings	279	266
Shire development	2,077	2,200
Parkes Plus	1,928	–
Other	6	–

##### Total internal restrictions

6,873 5,415

## Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019	2018
<b>TOTAL RESTRICTIONS</b>	<u>25,250</u>	<u>36,533</u>

## Note 7. Receivables

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Purpose</b>				
Rates and annual charges	2,620	–	1,105	–
Interest and extra charges	–	–	126	–
User charges and fees	2,328	–	3,877	–
Accrued revenues				
– Interest on investments	265	–	325	–
Government grants and subsidies	2,775	–	1,473	–
Net GST receivable	1,122	–	841	–
Other debtors	1,604	–	1,389	–
<b>Total</b>	<u>10,714</u>	<u>–</u>	<u>9,136</u>	<u>–</u>
<b>Less: provision of impairment</b>				
Rates and annual charges	(112)	–	(75)	–
Interest and extra charges	(68)	–	(39)	–
User charges and fees	(33)	–	(22)	–
<b>Total provision for impairment – receivables</b>	<u>(213)</u>	<u>–</u>	<u>(136)</u>	<u>–</u>
<b>TOTAL NET RECEIVABLES</b>	<u>10,501</u>	<u>–</u>	<u>9,000</u>	<u>–</u>

\$ '000	2019	2018
<b>Movement in provision for impairment of receivables</b>		
Balance at the beginning of the year (calculated in accordance with AASB 139)	136	134
+ new provisions recognised during the year	77	(6)
– amounts already provided for and written off this year	–	8
<b>Balance at the end of the period</b>	<u>213</u>	<u>136</u>

## 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 are the reporting which are classified as non-current assets. Loans and receivables are included in (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.

## Accounting policy under AASB 9 applicable from 1 July 2018

Impairment of financial assets measured at amortised cost is recognised on an expected credit loss (ECL) basis.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, and when estimating ECL, the Council considers reasonable and supportable information that is relevant and available without undue

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 7. Receivables (continued)

cost or effort. This includes both quantitative and qualitative information and analysis based on Council's historical experience and informed credit assessment, and including forward-looking information.

When considering the ECL for rates debtors, Council takes into account that unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold. For non-rates debtors, Council uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Council uses the presentation that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Council in full, without recourse by the Council to actions such as realising security (if any is held) or
- the financial assets (for non-rates debtors) are more than 90 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to the entity in accordance with the contract, and the cash flows expected to be received. This is applied using a probability weighted approach.

On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over 2 years past due, whichever occurs first.

None of the receivables that have been written off are subject to enforcement activity.

Where the Council renegotiates the terms of receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

**Accounting policy under AASB 139 – applicable for 2018 comparatives only**

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 ongoing basis. Debts that are known to be uncollectable 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 the 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.

Rates and annual charges outstanding are secured against the property.

## Note 8. Inventories and other assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>(a) Inventories</b>				
<b>(i) Inventories at cost</b>				
Real estate for resale	829	4,069	4,864	–
Stores and materials	1,075	–	1,106	–
Trading stock	57	–	96	–
<b>Total inventories at cost</b>	<b>1,961</b>	<b>4,069</b>	<b>6,066</b>	<b>–</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 8. Inventories and other assets (continued)

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>TOTAL INVENTORIES</b>	1,961	4,069	6,066	–

## (b) Other assets

Prepayments	76	–	161	–
<b>TOTAL OTHER ASSETS</b>	<b>76</b>	<b>–</b>	<b>161</b>	<b>–</b>

## Externally restricted assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Water</b>				
Stores and materials	41	–	48	–
<b>Total water</b>	<b>41</b>	<b>–</b>	<b>48</b>	<b>–</b>
<b>Sewerage</b>				
Stores and materials	20	–	19	–
<b>Total sewerage</b>	<b>20</b>	<b>–</b>	<b>19</b>	<b>–</b>

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Total externally restricted assets</b>	61	–	67	–
<b>Total internally restricted assets</b>	–	–	–	–
<b>Total unrestricted assets</b>	1,976	4,069	6,160	–
<b>TOTAL INVENTORIES AND OTHER ASSETS</b>	<b>2,037</b>	<b>4,069</b>	<b>6,227</b>	<b>–</b>

## (i) Other disclosures

\$ '000	Notes	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>(a) Details for real estate development</b>					
Residential		–	1,613	1,578	–
Industrial/commercial		829	2,456	3,286	–
<b>Total real estate for resale</b>		<b>829</b>	<b>4,069</b>	<b>4,864</b>	<b>–</b>

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

## Represented by:

Acquisition costs	–	988	3,081	–	
Development costs	829	3,081	1,783	–	
<b>Total costs</b>	<b>829</b>	<b>4,069</b>	<b>4,864</b>	<b>–</b>	
<b>Total real estate for resale</b>		<b>829</b>	<b>4,069</b>	<b>4,864</b>	<b>–</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 8. Inventories and other assets (continued)

\$ '000	Notes	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Movements:</b>					
Real estate assets at beginning of the year		4,864	–	4,801	–
– Purchases and other costs		(3,950)	4,069	82	–
– WDV of sales (expense)	5	(85)	–	(19)	–
<b>Total real estate for resale</b>		<u>829</u>	<u>4,069</u>	<u>4,864</u>	<u>–</u>

**(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;

\$ '000	2019	2018
Real estate for resale	829	4,864
	<u>829</u>	<u>4,864</u>

**Accounting policy for inventories and other assets****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 the 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.

Notes to the Financial Statements  
for the year ended 30 June 2019

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

\$ '000	as at 30/6/2018			Asset movements during the reporting period							as at 30/6/2019		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	WIP transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	1,239	–	1,239	2,829	11,680	–	–	–	(1,239)	–	14,509	–	14,509
Plant and equipment	23,317	(11,753)	11,564	1,856	247	(821)	(1,442)	–	–	–	23,137	(11,733)	11,404
Office equipment	4,924	(3,986)	938	627	12	–	(178)	–	–	–	5,561	(4,162)	1,399
Furniture and fittings	1,045	(711)	334	2	–	–	(80)	–	–	–	1,047	(791)	256
<b>Land:</b>													
– Operational land	10,581	–	10,581	117	253	–	–	–	–	–	10,951	–	10,951
– Community land	12,320	–	12,320	–	–	–	–	–	–	–	12,320	–	12,320
– Land under roads (post 30/6/08)	61	–	61	–	–	–	–	–	–	–	61	–	61
<b>Infrastructure:</b>													
– Buildings – non-specialised	23,818	(8,184)	15,634	127	87	–	(451)	–	–	–	24,032	(8,635)	15,397
– Buildings – specialised	27,514	(12,040)	15,474	871	52	–	(225)	–	538	–	28,972	(12,262)	16,710
– Roads	409,403	(83,347)	326,056	6,360	16	(958)	(4,060)	–	415	–	413,904	(86,075)	327,829
– Bridges	13,964	(3,682)	10,282	235	–	–	(100)	–	35	–	14,215	(3,763)	10,452
– Footpaths	10,012	(2,178)	7,834	37	607	–	(139)	–	–	–	10,651	(2,312)	8,339
– Stormwater drainage	27,866	(5,210)	22,656	169	85	(6)	(191)	–	–	359	28,555	(5,483)	23,072
– Water supply network	220,006	(81,823)	138,183	674	2,058	(2)	(3,317)	–	–	2,182	226,304	(86,526)	139,778
– Sewerage network	83,819	(28,569)	55,250	1,059	418	(71)	(1,603)	–	–	868	86,538	(30,617)	55,921
– Swimming pools	7,620	(2,662)	4,958	48	–	(4)	(168)	(10)	–	–	7,654	(2,830)	4,824
– Airport assets	12,351	(3,184)	9,167	–	2,600	(111)	(240)	–	125	–	14,415	(2,874)	11,541
– Other open space/recreational assets	32,519	(9,410)	23,109	234	406	(135)	(620)	–	126	–	33,062	(9,942)	23,120
<b>Other assets:</b>													
– Library books	1,197	(765)	432	109	–	–	(13)	–	–	–	1,306	(778)	528
<b>Reinstatement, rehabilitation and restoration assets (refer Note 14):</b>													
– Tip assets	2,910	(307)	2,603	–	–	–	(29)	–	–	–	2,910	(336)	2,574
- Present Closure Obligations (Landfills, Treatment Plants & Gravel Quarries)	–	–	–	4,499	–	–	–	–	–	–	4,499	–	4,499
<b>Total Infrastructure, property, plant and equipment</b>	<b>926,486</b>	<b>(257,811)</b>	<b>668,675</b>	<b>19,853</b>	<b>18,521</b>	<b>(2,108)</b>	<b>(12,856)</b>	<b>(10)</b>	<b>–</b>	<b>3,409</b>	<b>964,603</b>	<b>(269,119)</b>	<b>695,484</b>

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

Notes to the Financial Statements  
for the year ended 30 June 2019

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

\$ '000	as at 30/6/2017			Asset movements during the reporting period										as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals <sup>1</sup>	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	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
<b>Land:</b>																
– 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
<b>Infrastructure:</b>																
– 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
– Other open space/recreational assets	31,492	(8,867)	22,625	572	676	–	(129)	(600)	–	(35)	–	–	–	32,519	(9,410)	23,109
– Airport assets	12,258	(3,000)	9,258	93	–	–	–	(184)	–	–	–	–	–	12,351	(3,184)	9,167
<b>Other assets:</b>																
– Library books	1,092	(755)	337	105	–	–	–	(10)	–	–	–	–	–	1,197	(765)	432
<b>Reinstatement, rehabilitation and restoration assets (refer Note 14):</b>																
– Tip assets	2,910	(278)	2,632	–	–	–	–	(29)	–	–	–	–	–	2,910	(307)	2,603
<b>Total Infrastructure, property, plant and equipment</b>	<b>902,013</b>	<b>(256,439)</b>	<b>645,574</b>	<b>19,606</b>	<b>15,962</b>	<b>1,410</b>	<b>(2,644)</b>	<b>(11,241)</b>	<b>–</b>	<b>–</b>	<b>(951)</b>	<b>(7,062)</b>	<b>8,021</b>	<b>926,486</b>	<b>(257,811)</b>	<b>668,675</b>

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## 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 comprehensive valuations are performed at least every five years, however the carrying amount of assets is assessed by Council 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 Department of Industry (DoI) – Water.

Increases in the carrying amounts arising on revaluation are credited to the 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:

<b>Plant and equipment</b>	Years	<b>Other equipment</b>	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	<b>Buildings</b>	
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
<b>Water and sewer assets</b>		<b>Stormwater assets</b>	
Dams and reservoirs	80 to 100	Drains	100
Bores	30	Culverts	100
Reticulation pipes: PVC	60 to 80		
Reticulation pipes: other	40 to 100	<b>Other Assets</b>	
Pumps and telemetry	25 to 75	Library Books	10
<b>Transportation assets</b>		<b>Other infrastructure assets</b>	
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		

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.

## Notes to the Financial Statements

for the year ended 30 June 2019

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

**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 firefighting 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 firefighting 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.

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

\$ '000	2019			2018		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
<b>Water supply</b>						
WIP & PCO	15,947	–	15,947	–	–	–
Plant and equipment	1,851	715	1,136	962	582	380
Office equipment	201	83	118	83	83	–
Land						
– Operational land	1,838	–	1,838	2,140	–	2,140
– Community land	616	–	616	307	–	307
– Improvements non-depreciable	–	–	–	20	–	20
Buildings	223	41	182	223	34	189
Infrastructure	226,304	86,526	139,778	220,006	81,823	138,183
<b>Total water supply</b>	<b>246,980</b>	<b>87,365</b>	<b>159,615</b>	<b>223,741</b>	<b>82,522</b>	<b>141,219</b>
<b>Sewerage services</b>						
WIP	696	–	696	–	–	–
Plant and equipment	530	356	174	676	417	259
Office equipment	79	79	–	79	79	–
Land						
– Operational land	182	–	182	182	–	182
– Community land	146	–	146	146	–	146
Buildings	1,350	101	1,249	153	79	74
Infrastructure	86,538	30,617	55,921	83,819	28,569	55,250
<b>Total sewerage services</b>	<b>89,521</b>	<b>31,153</b>	<b>58,368</b>	<b>85,055</b>	<b>29,144</b>	<b>55,911</b>
<b>Domestic waste management</b>						
Land						
– Improvements – depreciable	2,910	336	2,574	2,910	307	2,603
<b>Total DWM</b>	<b>2,910</b>	<b>336</b>	<b>2,574</b>	<b>2,910</b>	<b>307</b>	<b>2,603</b>
<b>TOTAL RESTRICTED I,PP&amp;E</b>	<b>339,411</b>	<b>118,854</b>	<b>220,557</b>	<b>311,706</b>	<b>111,973</b>	<b>199,733</b>

## Note 10. Intangible assets

continued on next page ...

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 10. Intangible assets (continued)

\$ '000	2019	2018
<b>Intangible assets are as follows:</b>		
<b>Opening values at 1 July</b>		
Gross book value	2,936	1,261
Accumulated amortisation	(110)	–
<b>Net book value – opening balance</b>	<b>2,826</b>	<b>1,261</b>
<b>Movements for the year</b>		
– Purchases	35	1,377
– Amortisation charges	(176)	(110)
<b>Closing values at 30 June</b>		
Gross book value	3,120	2,936
Accumulated amortisation	(286)	(110)
<b>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</b>	<b>2,834</b>	<b>2,826</b>
<b>The net book value of intangible assets represents:</b>		
– Other assets – water licences	1,296	1,261
– Software	1,538	1,565
	<b>2,834</b>	<b>2,826</b>

### 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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Payables and borrowings

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Payables</b>				
Goods and services – operating expenditure	2,103	–	2,054	–
Accrued expenses:				
– Borrowings	175	–	193	–
– Salaries and wages	257	–	67	–
– Other expenditure accruals	905	–	–	–
Security bonds, deposits and retentions	20	–	1,425	74
<b>Total payables</b>	<b>3,460</b>	<b>–</b>	<b>3,739</b>	<b>74</b>
<b>Income received in advance</b>				
Payments received in advance	735	–	700	–
<b>Total income received in advance</b>	<b>735</b>	<b>–</b>	<b>700</b>	<b>–</b>
<b>Borrowings</b>				
Loans – secured <sup>1</sup>	901	20,143	858	21,044
<b>Total borrowings</b>	<b>901</b>	<b>20,143</b>	<b>858</b>	<b>21,044</b>
<b><u>TOTAL PAYABLES AND BORROWINGS</u></b>	<b><u>5,096</u></b>	<b><u>20,143</u></b>	<b><u>5,297</u></b>	<b><u>21,118</u></b>

(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 20.

\$ '000	2019	2018
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**(a) Current payables and borrowings not anticipated to be settled within the next twelve months**

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

Payables – security bonds, deposits and retentions	20	212
<b>Total payables and borrowings</b>	<b>20</b>	<b>212</b>

**(b) Changes in liabilities arising from financing activities**

\$ '000	as at 30/6/2018					as at 30/6/2019
	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	21,902	(858)	–	–	–	21,044
<b>TOTAL</b>	<b>21,902</b>	<b>(858)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>21,044</b>

\$ '000	as at 30/6/2017					as at 30/6/2018
	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	19,716	2,186	–	–	–	21,902

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 11. Payables and borrowings (continued)

\$ '000	as at 30/6/2017		Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	as at 30/6/2018	
	Opening Balance	Cash flows				Closing balance	
<b>TOTAL</b>	19,716	2,186	–	–	–	21,902	

\$ '000	2019	2018
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**(c) Financing arrangements****(i) Unrestricted access was available at balance date to the following lines of credit:**

Bank overdraft facilities <sup>1</sup>	100	100
Credit cards/purchase cards	150	150
<b>Total financing arrangements</b>	<b>250</b>	<b>250</b>
<b>Drawn facilities as at balance date:</b>		
– Credit cards/purchase cards	31	33
<b>Total drawn financing arrangements</b>	<b>31</b>	<b>33</b>
<b>Undrawn facilities as at balance date:</b>		
– Bank overdraft facilities	100	100
– Credit cards/purchase cards	119	117
<b>Total undrawn financing arrangements</b>	<b>219</b>	<b>217</b>

**Additional financing arrangements information****Breaches and defaults**

During the current and prior year, there were no defaults or breaches on any of the loans.

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

**Accounting policy for payables and borrowings**

Council measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Council comprise trade payables, bank and other loans and finance lease liabilities.

**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 drawdown occurs. To the extent that 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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 11. Payables and borrowings (continued)

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 assets 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.

## Note 12. Provisions

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Provisions</b>				
<b>Employee benefits</b>				
Annual leave	1,576	–	1,691	–
Long service leave	4,058	368	3,852	289
RDO's & ELE WC On-Costs	423	–	10	–
<b>Sub-total – aggregate employee benefits</b>	<b>6,057</b>	<b>368</b>	<b>5,553</b>	<b>289</b>
<b>Asset remediation/restoration:</b>				
Asset remediation/restoration (future works)	261	5,382	175	482
<b>Sub-total – asset remediation/restoration</b>	<b>261</b>	<b>5,382</b>	<b>175</b>	<b>482</b>
<b><u>TOTAL PROVISIONS</u></b>	<b><u>6,318</u></b>	<b><u>5,750</u></b>	<b><u>5,728</u></b>	<b><u>771</u></b>

\$ '000	2019	2018
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**(a) 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	3,764	2,630
	<b><u>3,764</u></b>	<b><u>2,630</u></b>

**(b) Description of and movements in provisions**

\$ '000	Other provisions	
	Asset remediation	Total
<b>2019</b>		
At beginning of year	657	657
Present Closure Obligation (Assets)	4,986	4,986
<b>Total other provisions at end of period</b>	<b><u>5,643</u></b>	<b><u>5,643</u></b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 12. Provisions (continued)

\$ '000	Other provisions	
	Asset remediation	Total
<b>2018</b>		
At beginning of year	643	643
Unwinding of discount	14	14
Total other provisions at end of period	657	657

**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.

**On-costs**

The employee benefit provisions include the aggregate on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

These amounts include superannuation, payroll tax and workers compensation expenses which will be payable upon the future payment of certain leave liabilities which employees are entitled to at the reporting period.

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.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 12. Provisions (continued)

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#### 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, e.g. 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.

### Note 13. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

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#### (a) 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.

##### Fair value through other comprehensive income reserve (FVOCI)

Changes in the fair value of financial assets are taken through the fair value through other comprehensive income revaluation reserve. The accumulated changes in fair value are transferred to profit or loss when the financial asset is derecognised or impaired.

#### (b) Changes in accounting policies due to adoption of new accounting standards (not-retrospective)

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 13. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

During the year, Council adopted a number of new accounting standards. The impact of the adoption and associated transition disclosures are shown below.

The Council has adopted AASB 9 Financial Instruments for the first time in the current year with a date of initial adoption of 1 July 2017. As part of the adoption of AASB 9, the Council adopted consequential amendments to other accounting standards arising from the issue of AASB 9 as follows:

- AASB 101 Presentation of Financial Statements requires the impairment of financial assets to be presented in a separate line item in the income statement. In prior year, this information was presented as part of other expenses.
- AASB 7 Financial Instruments: Disclosures requires amended disclosures due to changes arising from AASB 9. These disclosures have been provided for the current year.

The key changes to Council's accounting policy and the impact on these financial statements from applying AASB 9 are described below.

Changes in accounting policies resulting from the adoption of AASB 9 have been applied retrospectively except Council has not restated any amounts relating to classification and measurement requirements, including impairment, which have been applied from 1 July 2018.

#### Classification of financial assets

The financial assets of Council have been reclassified into one of the following categories on adoption of AASB 9, based primarily on the business model in which a financial asset is managed and its contractual cash flow characteristics are:

- measured at amortised cost
- fair value through profit or loss
- fair value through other comprehensive income – equity instruments

#### Measurement of equity instruments

All equity instruments of the Council are measured at fair value under AASB 9 whereas there was a cost exception under AASB 139 that allowed certain unlisted investments to be carried at amortised cost in the absence of a reliable measurement of fair value. Any difference in the previous carrying amount and the fair value is recognised in the opening retained earnings (or other component of equity, as appropriate) at 1 July 2018.

Equity instruments are no longer subject to impairment testing and therefore all movements on equity instruments, classified as fair value through other comprehensive income, are taken to the relevant reserve.

#### Impairment of financial assets

The incurred loss model from AASB 139 has been replaced with an expected credit loss model in AASB 9 for assets measured at amortised cost. This has resulted in the earlier recognition of credit loss (bad debt provisions).

### Note 14. Commitments

\$ '000	2019	2018
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#### 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	431	60
Plant and equipment	38	581
Roads & Footpaths	55	204
Water	212	427
Airports	37	15
Sewer	10	316

continued on next page ...

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 14. Commitments (continued)

\$ '000	2019	2018
Drainage	–	243
Open Space & Recreation	23	340
Other – Economic Affairs	44	129
Other – Rural Fire Service	24	17
<b>Total commitments</b>	<b>874</b>	<b>2,332</b>
<b>These expenditures are payable as follows:</b>		
Within the next year	874	2,332
<b>Total payable</b>	<b>874</b>	<b>2,332</b>
<b>Sources for funding of capital commitments:</b>		
Unrestricted general funds	11	524
Unexpended grants	373	228
Externally restricted reserves	190	744
Internally restricted reserves	300	836
<b>Total sources of funding</b>	<b>874</b>	<b>2,332</b>

**Details of capital commitments**

Capital commitments for at the reporting date but not recognised in the financial statements as liabilities included works on the Recycled Water Scheme, Parkes Regional Airport Redevelopment, Revitalisation of Lower Clarinda Street, Parkes and the Expansion of Parks Shire Library.

## Note 15. Contingencies and other assets/liabilities 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 benefit 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:

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 15. Contingencies and other assets/liabilities not recognised (continued)

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 million per annum from 1 July 2018 for 3 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2018. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2018.

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

As stated above, each sponsoring employer (Council) 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 Council.

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 the superannuation expenses at Note 4 (a) for the year ended 30 June 2019 was \$171,000

The last valuation of the Fund was by the Actuary, Mr Richard Boyfield, FIAA on 31 December 2018, relating to the period ended 30 June 2018.

Council's expected contribution to the fund for the next annual reporting period is \$175,500

The estimated employer reserves financial position for the Pooled Employers at 30 June 2019 is:

Employer reserves only *	\$millions	Asset Coverage
Assets	1,798.7	
Past Service Liabilities	1,784.2	100.8%
Vested Benefits	1,792.0	100.4%

\* 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	5.75% per annum
Salary inflation *	3.50% per annum
Increase in CPI	2.50% per annum

\* Plus promotional increases

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 2019 triennial review will be completed around December 2019.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 15. Contingencies and other assets/liabilities not recognised (continued)

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Council's additional lump sum contribution is around 0.44% of the total additional lump sum contributions for all Pooled Employers (of \$40m each year from 1 July 2018 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.

#### (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.

#### (iii) Other guarantees

Council has provided no other guarantees other than those listed above.

### 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.

### 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.

#### (ii) 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.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 16. Financial risk management

## 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.

\$ '000	Carrying value 2019	Carrying value 2018	Fair value 2019	Fair value 2018
<b>Financial assets</b>				
<b>Measured at amortised cost</b>				
Cash and cash equivalents	8,095	8,252	8,095	8,252
Receivables	10,501	9,000	10,501	9,000
Investments				
– 'Financial assets at amortised cost' / 'held to maturity' (2018)	17,188	28,390	17,226	28,390
<b>Total financial assets</b>	<b>35,784</b>	<b>45,642</b>	<b>35,822</b>	<b>45,642</b>
<b>Financial liabilities</b>				
Payables	2,725	3,813	2,725	4,267
Loans/advances	21,044	21,902	21,044	21,902
<b>Total financial liabilities</b>	<b>23,769</b>	<b>25,715</b>	<b>23,769</b>	<b>26,169</b>

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.

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 Minister's investment order 625. This policy is regularly reviewed by Council and its staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance as required by Local Government regulations.

The risks associated with the instruments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether these 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.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 16. Financial risk management (continued)

- **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due.
  - **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 impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2019</b>				
Possible impact of a 10% movement in market values	254	254	(254)	(254)
Possible impact of a 1% movement in interest rates	25	25	(25)	(25)
<b>2018</b>				
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)

## (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 the credit risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery procedures.

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.

## Credit risk profile

## Receivables – rates and annual charges

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.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 16. Financial risk management (continued)

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
<b>2019</b>						
Gross carrying amount	899	1,079	370	231	41	2,620
<b>2018</b>						
Gross carrying amount	–	1,105	–	–	–	1,105

#### Receivables - non-rates and annual charges

Council applies the simplified approach for non-rates and annual charges debtors to provide for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision. To measure the expected credit losses, non-rates and annual charges debtors have been grouped based on shared credit risk characteristics and the days past due.

The loss allowance provision as at 30 June 2019 is determined as follows. The expected credit losses incorporate forward-looking information.

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
<b>2019</b>						
Gross carrying amount	5,600	9	1,279	71	1,135	8,094
Expected loss rate (%)	0.00%	0.00%	0.00%	6.50%	8.50%	1.25%
<b>ECL provision</b>	–	–	–	5	96	101
<b>2018</b>						
Gross carrying amount	6,806	1,058	12	32	123	8,031
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>ECL provision</b>	–	–	–	–	–	–

#### (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 through diversification of borrowing types, maturities and interest rate structures. The finance team regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

The timing of cash flows presented in the table below to settle financial liabilities reflects the earliest contractual settlement dates. The timing of expected outflows is not expected to be materially different from contracted cashflows.

The amounts disclosed in the table are the undiscounted contracted cash flows and therefore the balances in the table may not equal the balances in the statement of financial position due to the effect of discounting.

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 - 5 Years	> 5 Years		
<b>2019</b>							
Trade/other payables	0.00%	20	3,440	–	–	3,460	3,460
Loans and advances	3.89%	–	1,722	6,215	19,386	27,323	21,044

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 16. Financial risk management (continued)

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
<b>Total financial liabilities</b>		20	5,162	6,215	19,386	30,783	24,504
<b>2018</b>							
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
<b>Total financial liabilities</b>		1,499	4,033	6,576	20,696	32,804	25,715

**Loan agreement breaches**

There were no breaches to loan agreements during the reporting period.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 17. Material budget variations

Council's original financial budget for 18/19 was adopted by the Council on 15/05/2018 and is unaudited.

While the Income Statement included in this General Purpose Financial Statements 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.

Material variations represent those variances between the original budget figure and the actual result that amount to **10%** or more.

**Variation Key:** **F** = Favourable budget variation, **U** = Unfavourable budget variation.

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
<b>REVENUES</b>				
<b>Interest and investment revenue</b>	1,202	928	(274)	(23)% <b>U</b>
The Interest and Investment revenue was down on budget due to the lower interest rate environment during 2018/19 and due to the drawdown of investments to fund major water supply and sewerage network infrastructure.				
<b>Other revenues</b>	2,428	1,703	(725)	(30)% <b>U</b>
Other revenues were significantly down on budget due to lower sales and planned works not proceeding as initially planned.				
<b>EXPENSES</b>				
<b>Employee benefits and on-costs</b>	16,072	17,360	(1,288)	(8)% <b>U</b>
<b>Borrowing costs</b>	672	844	(172)	(26)% <b>U</b>
The borrowing costs exceeded budget as it was planned to refinance the higher interest loans during 2017/18. However, it was not beneficial to break the fixed term loans hence the higher interest cost which were not budgeted for.				
<b>Materials and contracts</b>	11,031	14,877	(3,846)	(35)% <b>U</b>
There was a significant increase in roads related expenditure, consultants and child daycare educators. The increase in consultants relate to coverage for staff on maternity leave and staff acting in higher positions, while the educators relates to an expansion in the service. A clean-up of a significant storm event and an unbudgeted increase in the waste collection charges contributed as well. There was also a sizable increase in IT related expenditure due to the new ERP system and additional operational cost for the swimming pools due to increased attendance.				
<b>Depreciation and amortisation</b>	10,873	13,032	(2,159)	(20)% <b>U</b>
The increase is due to the commissioning of new water supply and sewerage network infrastructure assets which resulted in a 18% variance on the original budget allocation.				
<b>Other expenses</b>	5,065	5,704	(639)	(13)% <b>U</b>
The increase relates primarily to an increase in electricity cost due to pumping related to the new infrastructure and the drought as well as an increase in the electricity price due to network and environmental charges.				
<b>Net losses from disposal of assets</b>	-	914	(914)	∞ <b>U</b>
Gains on sales from the result of council industrial land and plant totalling \$373k has been offset by the disposal of infrastructure assets totalling \$1,287k.				

## STATEMENT OF CASH FLOWS

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 17. Material budget variations (continued)

\$ '000	2019	2019	2019	
	Budget	Actual	----- Variance -----	
Net cash provided from (used in) operating activities	28,725	21,873	(6,852)	(24)% U
Net cash provided from (used in) investing activities	(29,536)	(21,172)	8,364	(28)% F
Net cash provided from (used in) financing activities	(727)	(858)	(131)	18% U

## Note 18. Fair Value Measurement

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) Assets and liabilities that have been measured and recognised at fair values

2019	Notes	Fair value measurement hierarchy			Total	
		Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs		Level 3 Significant unobservable inputs
<b>Recurring fair value measurements</b>						
<b>Infrastructure, property, plant and equipment</b>						
	9(a)					
Plant and equipment		30/06/18	–	–	11,404	11,404
Office equipment		30/06/18	–	–	1,399	1,399
Furniture and fittings		30/06/18	–	–	256	256
Operational land		30/06/18	–	–	10,951	10,951
Community land		30/06/16	–	–	12,320	12,320
Land under roads		30/06/14	–	–	61	61
Buildings non-specialised		30/06/18	–	–	15,397	15,397
Buildings specialised		30/06/18	–	–	16,710	16,710
Roads		30/06/15	–	–	327,829	327,829
Bridges		30/06/15	–	–	10,452	10,452
Footpaths		30/06/15	–	–	8,339	8,339
Tips		30/06/15	–	–	2,574	2,574
Library books		30/06/16	–	–	528	528
Storm water drainage		30/06/15	–	–	23,072	23,072

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 18. Fair Value Measurement (continued)

2019	Notes	Fair value measurement hierarchy				Total
		Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Water supply network		30/06/17	–	–	139,778	139,778
Capital work in progress		30/06/19	–	–	14,509	14,509
Sewerage network		30/06/17	–	–	55,921	55,921
Swimming pools		30/06/16	–	–	4,824	4,824
Airport assets		30/06/16	–	–	11,541	11,541
Other open space / recreational assets		30/06/16	–	–	23,120	23,120
Present Closure Obligations		30/06/19	–	–	4,499	4,499
<b>Total infrastructure, property, plant and equipment</b>			–	–	<b>695,484</b>	<b>695,484</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 18. Fair Value Measurement (continued)

2018	Notes	Date of latest valuation	Fair value measurement hierarchy			Total
			Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>						
<b>Infrastructure, property, plant and equipment</b>						
	9(a)					
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
Present Closure Obligations		30/06/19	–	–	–	–
<b>Total infrastructure, property, plant and equipment</b>			–	–	<b>668,675</b>	<b>668,675</b>

Note that capital WIP is not included above since it is carried at cost.

## (2) 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 (ie. 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:

**Infrastructure, property, plant and equipment (IPP&E)**

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.

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.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 18. Fair Value Measurement (continued)

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#### 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.

#### 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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 18. Fair Value Measurement (continued)

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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, 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. 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, 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, 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.

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 18. Fair Value Measurement (continued)

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.

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.

**(3) Fair value measurements using significant unobservable inputs (level 3)**

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

\$ '000	Office equipment	Furniture and fittings	Operational Land	Community Land	Land under Roads
<b>2018</b>					
<b>Opening balance</b>	805	411	8,274	20,364	61
Transfers from/(to) another asset class	–	–	982	(982)	–
Purchases (GBV)	279	10	111	–	–
Depreciation and impairment	(146)	(87)	–	–	–
Revaluation Adjustments	–	–	1,214	(7,062)	–
<b>Closing balance</b>	<b>938</b>	<b>334</b>	<b>10,581</b>	<b>12,320</b>	<b>61</b>
<b>2019</b>					
<b>Opening balance</b>	938	334	10,581	12,320	61
Purchases (GBV)	639	2	370	–	–

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Fair Value Measurement (continued)

\$ '000	Office equipment	Furniture and fittings	Operational Land	Community Land	Land under Roads
Depreciation and impairment	(178)	(80)	–	–	–
<b>Closing balance</b>	<b>1,399</b>	<b>256</b>	<b>10,951</b>	<b>12,320</b>	<b>61</b>

\$ '000	Buildings non-specialised	Buildings specialised	Roads, bridges and footpaths	Stormwater drainage	Water supply network
<b>2018</b>					
<b>Opening balance</b>	14,324	13,241	338,798	21,844	93,326
Transfers from/(to) another asset class	(6)	35	–	–	31,697
Purchases (GBV)	172	477	11,628	543	13,673
Disposals (WDV)	–	–	(2,066)	–	–
Depreciation and impairment	(547)	(510)	(4,188)	(182)	(2,399)
Revaluation Adjustments	1,691	2,231	–	451	1,886
<b>Closing balance</b>	<b>15,634</b>	<b>15,474</b>	<b>344,172</b>	<b>22,656</b>	<b>138,183</b>

<b>2019</b>					
<b>Opening balance</b>	15,634	15,474	344,172	22,656	138,183
Transfers from/(to) another asset class	–	538	450	–	–
Purchases (GBV)	214	923	7,255	254	2,732
Disposals (WDV)	–	–	(958)	(6)	(2)
Depreciation and impairment	(451)	(225)	(4,299)	(191)	(3,317)
Revaluation Adjustments	–	–	–	359	2,182
<b>Closing balance</b>	<b>15,397</b>	<b>16,710</b>	<b>346,620</b>	<b>23,072</b>	<b>139,778</b>

\$ '000	Sewerage network	Airport assets	Library books	Other assets	Swimming pools
<b>2018</b>					
<b>Opening balance</b>	27,967	9,258	337	22,625	4,964
Transfers from/(to) another asset class	23,246	–	–	(35)	6
Purchases (GBV)	4,341	93	105	1,248	151
Disposals (WDV)	–	–	–	(129)	–
Depreciation and impairment	(852)	(184)	(10)	(600)	(163)
Revaluation Adjustments	548	–	–	–	–
<b>Closing balance</b>	<b>55,250</b>	<b>9,167</b>	<b>432</b>	<b>23,109</b>	<b>4,958</b>

<b>2019</b>					
<b>Opening balance</b>	55,250	9,167	432	23,109	4,958
Transfers from/(to) another asset class	–	125	–	126	–
Purchases (GBV)	1,477	2,600	109	640	48
Disposals (WDV)	(71)	(111)	–	(135)	(4)
Depreciation and impairment	(1,603)	(240)	(13)	(620)	(168)
Revaluation Adjustments	868	–	–	–	(10)
<b>Closing balance</b>	<b>55,921</b>	<b>11,541</b>	<b>528</b>	<b>23,120</b>	<b>4,824</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 18. Fair Value Measurement (continued)

\$ '000	Tip assets	Plant and equipment	Capital Works in Progress	Present Closure Obligations	Total
<b>2018</b>					
<b>Opening balance</b>	2,632	11,188	55,155	–	<b>645,574</b>
Transfers from/(to) another asset class	–	–	(54,943)	–	–
Purchases (GBV)	–	3,120	1,027	–	<b>36,978</b>
Disposals (WDV)	–	(449)	–	–	<b>(2,644)</b>
Depreciation and impairment	(29)	(1,344)	–	–	<b>(11,241)</b>
Revaluation Adjustments	–	–	–	–	<b>959</b>
Other movement (Transfer to Intangibles)	–	(951)	–	–	<b>(951)</b>
<b>Closing balance</b>	<b>2,603</b>	<b>11,564</b>	<b>1,239</b>	<b>–</b>	<b>668,675</b>
<b>2019</b>					
<b>Opening balance</b>	2,603	11,564	1,239	–	<b>668,675</b>
Transfers from/(to) another asset class	–	–	(1,239)	–	–
Purchases (GBV)	–	2,103	14,509	4,499	<b>38,374</b>
Disposals (WDV)	–	(821)	–	–	<b>(2,108)</b>
Depreciation and impairment	(29)	(1,442)	–	–	<b>(12,856)</b>
Revaluation Adjustments	–	–	–	–	<b>3,399</b>
<b>Closing balance</b>	<b>2,574</b>	<b>11,404</b>	<b>14,509</b>	<b>4,499</b>	<b>695,484</b>

## 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.

	Valuation technique/s	Unobservable inputs
<b>Infrastructure, property, plant and equipment</b>		
Capital Works in Progress	Cost Approach - Current Replacement Cost - Costs used to approximate Fair Value (Refer Note 20 (3))	<ul style="list-style-type: none"> <li>• Gross Replacement Cost</li> <li>• Asset Condition</li> <li>• Remaining Useful Life</li> </ul>
Operational Land	Market Approach - Land values obtained from the Valuers Report (Refer Note 20 (3))	<ul style="list-style-type: none"> <li>• Price /Sq. Metre</li> <li>• Impact of Restrictions</li> </ul>
Community land	Market Approach - Land values obtained from the Valuers Report (Refer Note 20 (3))	<ul style="list-style-type: none"> <li>• Price /Sq. Metre</li> <li>• Impact of Restrictions</li> </ul>
Land Under Roads	Market Approach - Adjoining blocks average m2 rate (Refer Note 20 (3))	<ul style="list-style-type: none"> <li>• Price /Sq. Metre</li> <li>• Impact of Restrictions</li> </ul>
Buildings	Cost Approach - Unit Rates per m2 or length (Refer Note 20 (3))	<ul style="list-style-type: none"> <li>• Gross Replacement Cost</li> <li>• Asset Condition</li> <li>• Remaining Useful Life</li> </ul>
Roads	Cost Approach - Unit Rates per m2 or length (Refer Note 20 (3))	<ul style="list-style-type: none"> <li>• Gross Replacement Cost</li> <li>• Asset Condition</li> <li>• Remaining Useful Life</li> </ul>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 18. Fair Value Measurement (continued)

	Valuation technique/s	Unobservable inputs
Bridges	Cost Approach - Unit Rates per m2 or length (Refer Note 20 (3))	<ul style="list-style-type: none"> <li>• Gross Replacement Cost</li> <li>• Asset Condition</li> <li>• Remaining Useful Life</li> </ul>
Footpaths	Cost Approach - Unit Rates per m2 or length (Refer Note 20 (3))	<ul style="list-style-type: none"> <li>• Gross Replacement Cost</li> <li>• Asset Condition</li> <li>• Remaining Useful Life</li> </ul>
Tips	Cost Approach - (Refer Note 20 (3))	<ul style="list-style-type: none"> <li>• Discounted Rate</li> <li>• Cost escalation rate</li> </ul>
Library Books	Cost Approach - Cost used to approximate Fair Value (Refer Note 20 (3))	<ul style="list-style-type: none"> <li>• Gross Replacement Cost</li> <li>• Asset Condition</li> <li>• Remaining Useful Life</li> </ul>
Stormwater Drainage	Cost Approach - Unit rates per m2 or length (Refer Note 20 (3))	<ul style="list-style-type: none"> <li>• Gross Replacement Cost</li> <li>• Asset Condition</li> <li>• Remaining Useful Life</li> </ul>
Water Supply Network	Cost Approach - Unit rates per m2 or length (Refer Note 20 (3))	<ul style="list-style-type: none"> <li>• Gross Replacement Cost</li> <li>• Asset Condition</li> <li>• Remaining Useful Life</li> </ul>
Sewerage Network	Cost Approach - Unit rates per m2 or length (Refer Note 20 (3))	<ul style="list-style-type: none"> <li>• Gross Replacement Cost</li> <li>• Asset Condition</li> <li>• Remaining Useful Life</li> </ul>
Airport Assets	Cost Approach - Unit rates per m2 or length (Refer Note 20 (3))	<ul style="list-style-type: none"> <li>• Gross Replacement Cost</li> <li>• Asset Condition</li> <li>• Remaining Useful Life</li> </ul>
Other open space / recreational assets (Incl. Swimming Pools)	Cost Approach - Cost used to approximate Fair Value (Refer Note 20 (3))	<ul style="list-style-type: none"> <li>• Gross Replacement Cost</li> <li>• Asset Condition</li> <li>• Remaining Useful Life</li> </ul>
Plant and Equipment / Office Equipment / Furniture and Fittings	Cost Approach - Current Replacement Cost - Costs used to approximate Fair Value (Refer Note 20 (3))	<ul style="list-style-type: none"> <li>• Gross replacement Cost</li> <li>• Asset Condition</li> <li>• Remaining Useful Life</li> <li>• Residual value</li> </ul>

## (4) Highest and best use

All of Council's non-financial assets are considered as being utilised for their highest and best use 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.

Notes to the Financial Statements  
for the year ended 30 June 2019

Note 19. Related Party Transactions

(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:

\$ '000	2019	2018
<b>Compensation:</b>		
Short-term benefits	863	929
Post-employment benefits	101	–
Other long-term benefits	114	112
<b>Total</b>	<b>1,078</b>	<b>1,041</b>

(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	Ref	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
\$ '000						
<b>2019</b>						
Lease	1	4	–	Property maintenance as required and annual payment of council rates and building insurance premium	–	–
Supplier of Goods	2	68	–	Normal payment terms in accordance with council's procurement process (121 transactions)	–	–
Supplier of Goods	3	67	–	Normal payment terms in accordance with council's procurement process (253 transactions)	–	–
Supplier of Services	4	–	–		–	–
<b>2018</b>						

Notes to the Financial Statements  
for the year ended 30 June 2019

Note 19. Related Party Transactions (continued)

Nature of the transaction	Ref	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
\$ '000						
Lease	1	7		– Property maintenance as required and annual payment of council rates and building insurance premium	–	–
Supplier of Goods	2	69		– Normal payment terms in accordance with council's procurement process (130 transactions)	–	–
Supplier of Goods	3	82		– Normal payment terms in accordance with council's procurement process (299 transactions)	–	–
Supplier of Services	4	8		– Supply Home Hosting Service for Annual Parkes Elvis Festival	–	–

1 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

2 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.

3 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 KPM and a close family member.

4 The Real Estate Agency (Ray White Real Estate) is wholly owned/controlled by a close member of the Council's KPM and was a 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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Related Party Transactions (continued)

Note 20. Events occurring after the reporting date

Council is unaware of any material or significant 'non-adjusting events' that should be disclosed.

Note 21. Statement of developer contributions

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

	as at 30/6/2018			Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/6/2019	
	Opening Balance	Contributions received during the year Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
<b>\$ '000</b>								
<b>S7.12 levies – under a plan</b>	23	438	–	–	(86)	–	375	–
<b>Total S7.11 and S7.12 revenue under plans</b>	23	438	–	–	(86)	–	375	–
S64 contributions	4,058	196	–	–	–	–	4,254	–
<b>Total contributions</b>	<b>4,081</b>	<b>634</b>	<b>–</b>	<b>–</b>	<b>(86)</b>	<b>–</b>	<b>4,629</b>	<b>–</b>

S7.12 Levies – under a plan

CONTRIBUTION PLAN NUMBER S94A - Established 5 August 2016

Notes to the Financial Statements  
for the year ended 30 June 2019

Note 21. Statement of developer contributions (continued)

	as at 30/6/2018			Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/6/2019	
	Opening Balance	Contributions received during the year					Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000		Cash	Non-cash					
Active Movement	18	131	–	–	–	(62)	87	–
Community facilities	–	131	–	–	(15)	18	134	–
Open space	–	131	–	–	(9)	(6)	116	–
Parking	5	45	–	–	(62)	50	38	–
<b>Total</b>	<b>23</b>	<b>438</b>	<b>–</b>	<b>–</b>	<b>(86)</b>	<b>–</b>	<b>375</b>	<b>–</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 22. Financial result and financial position by fund

\$ '000	General <sup>1</sup> 2019	Water 2019	Sewer 2019
<b>Income Statement by fund</b>			
<b>Income from continuing operations</b>			
Rates and annual charges	16,206	1,370	2,654
User charges and fees	5,300	5,834	526
Interest and investment revenue	626	267	35
Other revenues	1,644	45	14
Grants and contributions provided for operating purposes	11,614	150	–
Grants and contributions provided for capital purposes	9,683	5,724	85
<b>Total income from continuing operations</b>	<b>45,073</b>	<b>13,390</b>	<b>3,314</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	15,362	1,293	705
Borrowing costs	492	320	32
Materials and contracts	11,147	2,146	1,584
Depreciation and amortisation	8,112	3,317	1,603
Other expenses	3,367	2,125	212
Net losses from the disposal of assets	841	2	71
Revaluation decrement /impairment of IPPE	10	–	–
<b>Total expenses from continuing operations</b>	<b>39,331</b>	<b>9,203</b>	<b>4,207</b>
<b>Operating result from continuing operations</b>	<b>5,742</b>	<b>4,187</b>	<b>(893)</b>
<b>Net operating result for the year</b>	<b>5,742</b>	<b>4,187</b>	<b>(893)</b>
<b>Net operating result attributable to each council fund</b>	<b>5,742</b>	<b>4,187</b>	<b>(893)</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>(3,941)</b>	<b>(1,537)</b>	<b>(978)</b>

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

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

## Statement of Financial Position by fund

**ASSETS****Current assets**

Cash and cash equivalents	7,874	212	9
Investments	(3,167)	14,575	592
Receivables	6,913	2,568	1,020
Inventories	1,900	41	20
Other	76	–	–
<b>Total current assets</b>	<b>13,596</b>	<b>17,396</b>	<b>1,641</b>

**Non-current assets**

Investments	5,188	–	–
Inventories	4,069	–	–
Infrastructure, property, plant and equipment	477,501	159,615	58,368
Intangible assets	1,538	1,296	–
<b>Total non-current assets</b>	<b>488,296</b>	<b>160,911</b>	<b>58,368</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 22. Financial result and financial position by fund (continued)

\$ '000	General <sup>1</sup> 2019	Water 2019	Sewer 2019
<b>TOTAL ASSETS</b>	501,892	178,307	60,009
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	2,378	1,049	33
Income received in advance	646	89	–
Borrowings	562	339	–
Provisions	5,875	287	156
<b>Total current liabilities</b>	9,461	1,764	189
<b>Non-current liabilities</b>			
Borrowings	8,785	7,358	4,000
Provisions	1,922	1,495	2,333
<b>Total non-current liabilities</b>	10,707	8,853	6,333
<b>TOTAL LIABILITIES</b>	20,168	10,617	6,522
<b>Net assets</b>	481,724	167,690	53,487
<b>EQUITY</b>			
Accumulated surplus	379,881	110,648	36,566
Revaluation reserves	101,843	57,042	16,921
<b>Council equity interest</b>	481,724	167,690	53,487
<b>Total equity</b>	481,724	167,690	53,487

NB. All amounts disclosed above are gross – that is, they include internal charges and recoveries made between the funds. Assets and liabilities shown in the water and sewer columns are restricted for use for these activities.

## Details of individual internal loans for the year ended 30 June 2019

(in accordance with s410(3) of the *Local Government Act 1993*)

## Note 23(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2019	Indicator 2019	Prior period 2018	Benchmark
<b>1. Operating performance ratio</b>				
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	(5,570)	(12.04)%	(0.17)%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	46,247			
<b>2. Own source operating revenue ratio</b>				
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	34,221	55.43%	59.60%	>60.00%
Total continuing operating revenue <sup>1</sup>	61,739			
<b>3. Unrestricted current ratio</b>				
Current assets less all external restrictions	15,269	2.69x	1.99x	>1.50x
Current liabilities less specific purpose liabilities	5,677			

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 23(a). Statement of performance measures – consolidated results (continued)

\$ '000	Amounts 2019	Indicator 2019	Prior period 2018	Benchmark
<b>4. Debt service cover ratio</b>				
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>8,306</b>	<b>4.88x</b>	7.49x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>1,702</b>			
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>				
Rates, annual and extra charges outstanding	<b>2,440</b>	<b>11.54%</b>	5.40%	<10.00%
Rates, annual and extra charges collectible	<b>21,140</b>			
<b>6. Cash expense cover ratio</b>				
Current year's cash and cash equivalents plus all term deposits	<b>22,745</b>	<b>6.95 mths</b>	10.86 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	<b>3,271</b>			

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

(2) Excludes impairment/revaluation decrements, net loss on sale of assets, and net loss on share of interests in joint ventures and associates

Notes to the Financial Statements

for the year ended 30 June 2019

Note 23(b). Statement of performance measures – by fund

\$ '000	General Indicators <sup>3</sup>		Water Indicators		Sewer Indicators		Benchmark
	2019	2018	2019	2018	2019	2018	
<b>1. Operating performance ratio</b>							
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>(8.64)%</b>	2.66%	<b>(20.05)%</b>	(10.51)%	<b>(30.29)%</b>	(5.10)%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>							
<b>2. Own source operating revenue ratio</b>							
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>52.13%</b>	53.85%	<b>56.13%</b>	69.66%	<b>97.44%</b>	96.54%	>60.00%
Total continuing operating revenue <sup>1</sup>							
<b>3. Unrestricted current ratio</b>							
Current assets less all external restrictions	<b>2.69x</b>	1.99x	<b>9.86x</b>	11.99x	<b>8.68x</b>	11.07x	>1.50x
Current liabilities less specific purpose liabilities							
<b>4. Debt service cover ratio</b>							
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>4.11x</b>	10.06x	<b>6.56x</b>	3.36x	<b>20.53x</b>	7.35x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>							
Rates, annual and extra charges outstanding	<b>14.26%</b>	(10.42)%	<b>0.00%</b>	155.61%	<b>0.00%</b>	34.76%	<10.00%
Rates, annual and extra charges collectible							
<b>6. Cash expense cover ratio</b>							
Current year's cash and cash equivalents plus all term deposits	<b>6.88</b>	3.06	∞	50.01	∞	2.99	>3.00
Payments from cash flow of operating and financing activities	<b>mths</b>	mths		mths		mths	mths

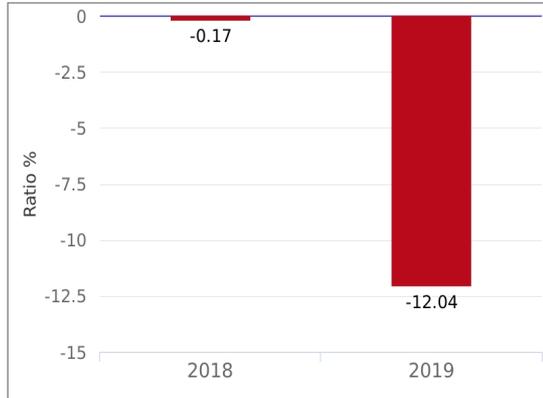
(1) - (2) Refer to Notes at Note 28a above.

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

Notes to the Financial Statements  
for the year ended 30 June 2019

Note 23(c). Statement of performance measures – consolidated results (graphs)

1. Operating performance ratio



**Purpose of operating performance ratio**

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

**Commentary on 2018/19 result**

2018/19 ratio (12.04)%

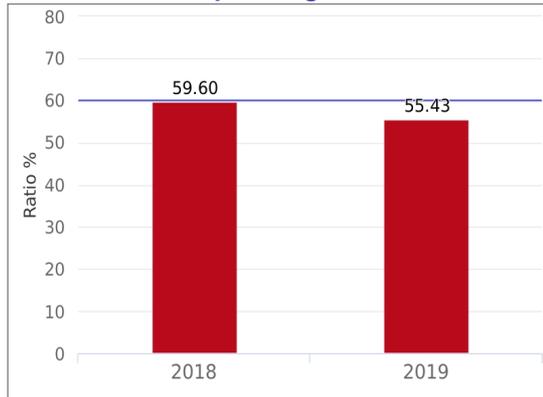
Council has recorded an operating performance ratio which falls outside the benchmark due to other revenue being 40% below budget and increases in operational expenditures across various items. This includes employee benefits, road materials, consultants, waste contractors, electricity and depreciation. A decision to supply free standpipe water to farmers and to provide free entrance to the swimming pools during the drought also impacted the results.

Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark  
Ratio is outside benchmark

2. Own source operating revenue ratio



**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 2018/19 result**

2018/19 ratio 55.43%

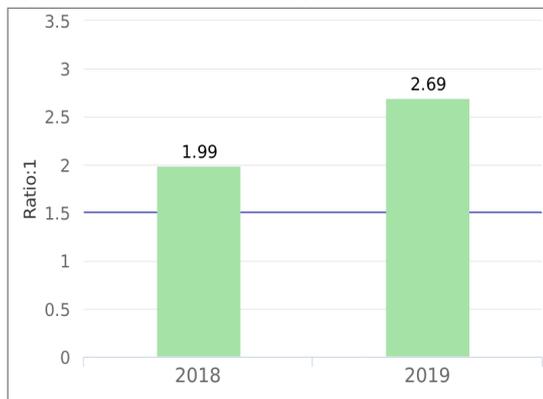
Council was below the benchmark as a direct result of the decrease in other income described above as well as securing increased grants and contributions used for operational purposes.

Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark  
Ratio is outside benchmark

3. Unrestricted current ratio



**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 2018/19 result**

2018/19 ratio 2.69x

The Unrestricted current ratio remains above the benchmark of 1.5:1 and indicates that council continues to be well positioned to satisfy obligations in the short term for the unrestricted activities of council.

Benchmark: — > 1.50x

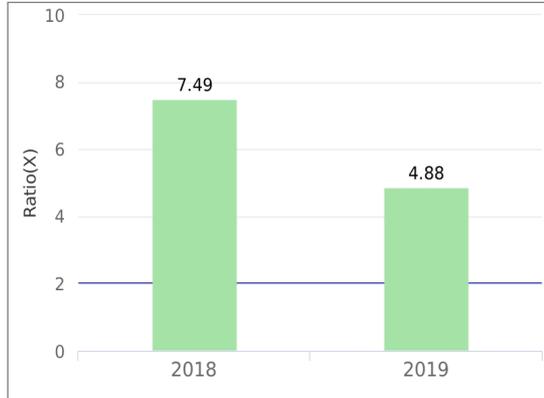
Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark  
Ratio is outside benchmark

Notes to the Financial Statements  
for the year ended 30 June 2019

Note 23(c). Statement of performance measures – consolidated results (graphs)

4. Debt service cover ratio



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 2018/19 result

2018/19 ratio 4.88x

The Debt service cover ratio remains above the benchmark if 2:00. This indicates that Council would be able to service its debts, including interest, principal and lease payments. Council did not increase its borrowings in 2018/19.

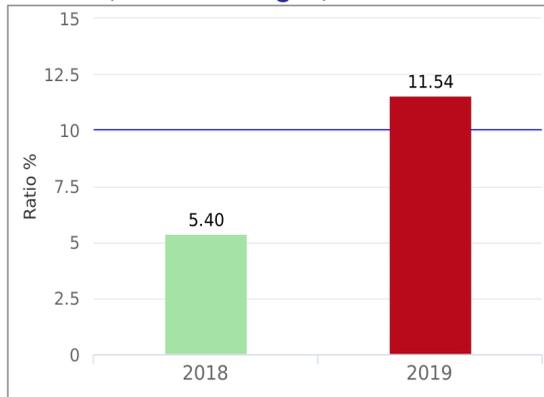
Benchmark: — > 2.00x

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio is outside benchmark

5. Rates, annual charges, interest and extra charges outstanding percentage



Purpose of rates, annual charges, interest and extra charges outstanding

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

Commentary on 2018/19 result

2018/19 ratio 11.54%

Council experienced an increase in this ratio during 2018/19. The current position of this ratio has council outside the benchmark of 10% for rural council's. A strong focus is required by council's rating staff around the recovery process to improve this ratio

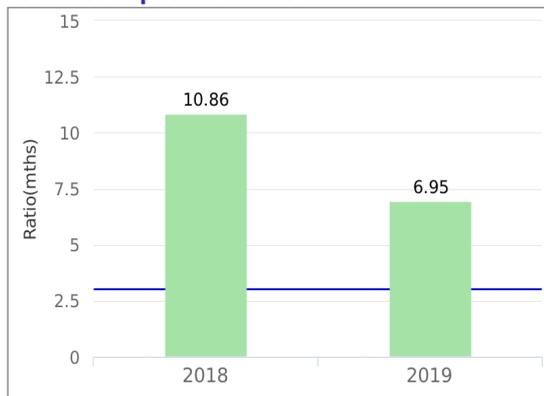
Benchmark: — < 10.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio is outside benchmark

6. Cash expense cover ratio



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 2018/19 result

2018/19 ratio 6.95 mths

The benchmarks for the Cash expense cover ratio is greater than 3.00 months. This allows council with 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 above the industry benchmark to meet its immediate obligations.

Benchmark: — > 3.00mths

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio is outside benchmark

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 24. Council information and contact details

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**Principal place of business:**

2 Cecile Street  
PARKES NSW 2870

**Contact details**

**Mailing Address:**

PO Box 337  
PARKES NSW 2870

**Telephone:** 02 6861 2333

**Facsimile:** 02 6862 3946

**Opening hours:**

8:30am - 5:00pm  
Monday to Friday

**Internet:** [www.parkes.nsw.gov.au](http://www.parkes.nsw.gov.au)

**Email:** [council@parkes.nsw.gov.au](mailto:council@parkes.nsw.gov.au)

**Officers**

**General Manager**

Kent Boyd

**Responsible Accounting Officer**

Jaco Barnard

**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 statements**  
**Parkes Shire Council**

To the Councillors of the Parkes Shire Council

## Opinion

I have audited the accompanying financial statements of Parkes Shire Council (the Council), which comprise the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, 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 statements:
  - have been presented, in all material respects, in accordance with the requirements of this Division
  - are consistent with the Council's accounting records
  - present fairly, in all material respects, the financial position of the Council as at 30 June 2019, 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 statements 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 Statements' 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**

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements 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 statements 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 - Permissible income for general rates.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements 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 Statements**

The Councillors are responsible for the preparation and fair presentation of the financial statements 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 statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, 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 Statements**

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are 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 statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://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 17 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Karen Taylor  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

26 November 2019  
SYDNEY



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

Contact: Karen Taylor  
 Phone no: 02 9275 7311  
 Our ref: D1927921/1775

26 November 2019

Dear Mayor

**Report on the Conduct of the Audit  
 for the year ended 30 June 2019  
 Parkes Shire Council**

I have audited the general purpose financial statements (GPFS) of Parkes Shire Council (the Council) for the year ended 30 June 2019 as required by section 415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's GPFS.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2019 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

**INCOME STATEMENT**

**Operating result**

	2019 \$m	2018 \$m	Variance %
Rates and annual charges revenue	20.23	19.79	↑ 2.2
Grants and contributions revenue	27.26	21.42	↑ 27.3
Operating result for the year	9.04	8.37	↑ 8.0
Net operating result before capital grants and contributions	(6.46)	(1.85)	↓ 249.2

Rates and annual charges revenue (\$20.23 million) increased by \$0.44 million (2.2 per cent) in 2018–19, consistent with the approved rate pegging of 2.3 per cent.

Grants and contributions revenue (\$27.26 million) increased by \$5.84 million in 2018–19 due to capital grants of:

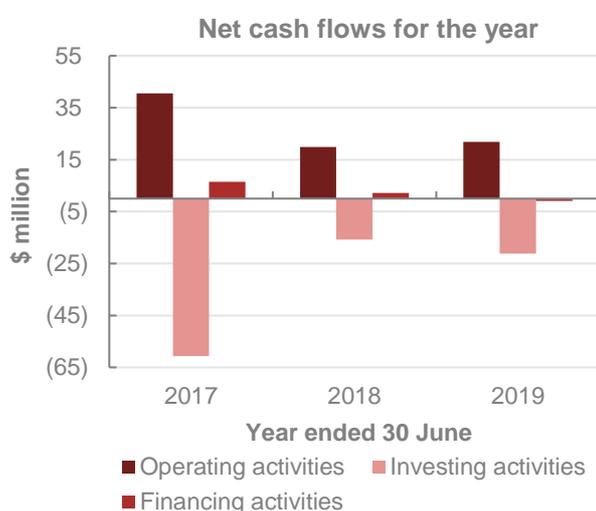
- \$5.57 million received in 2018–19 for the construction of a wastewater treatment plant and recycled water scheme (2017–18 received \$2.99 million)
- \$2.5 million received for the upgrade of the Parkes Regional Airport.

Council’s operating result (\$9.04 million including the effect of depreciation and amortisation expense of \$13.03 million) was \$0.67 million higher than the 2017–18 result. The operating surplus was generated equally from the General Fund (\$5.74 million) and Water Fund (\$4.19 million) with the Sewer Fund recording (\$0.89 million deficit).

The net operating result before capital grants and contributions (\$6.46 million deficit) was \$4.61 million lower than the 2017–18 result. This was impacted by the sizeable capital grant for water infrastructure.

## STATEMENT OF CASH FLOWS

The 2016–17 year saw major grant funding and capital expenditure to construct a water filtration plant. The subsequent two years have seen cash flows settle to a more consistent level.



## FINANCIAL POSITION

### Cash and investments

Cash and investments	2019	2018	Commentary
	\$m	\$m	
External restrictions	18.38	31.11	Externally restricted balances include unexpended specific purpose grants, developer contributions, water, sewer and domestic waste management charges.
Internal restrictions	6.87	5.42	
Unrestricted	0.03	0.11	
<b>Cash and investments</b>	<b>25.28</b>	<b>36.64</b>	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 2019, Council had external borrowings of \$21.0 million (30 June 2018: \$21.9 million). The loans are secured over Council's general rating income.

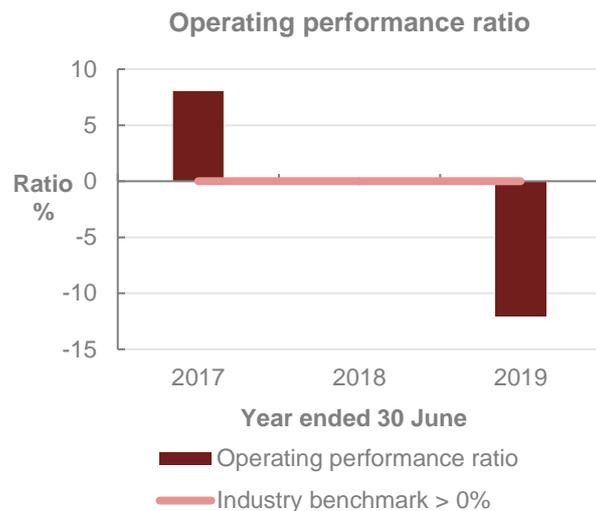
At 30 June 2019, Council also had access to a \$100,000 (30 June 2018: \$100,000) bank overdraft facility and a \$150,000 (30 June 2018: \$150,000) credit card facility. At 30 June 2019, none of the overdraft facility had been used and the credit card facility had \$119,000 (30 June 2018: \$117,000) unused at year end.

## PERFORMANCE

### Operating performance ratio

Council has fallen below the benchmark during the current year. Mainly because the mix of funding was more heavily weighted to capital grants and contributions.

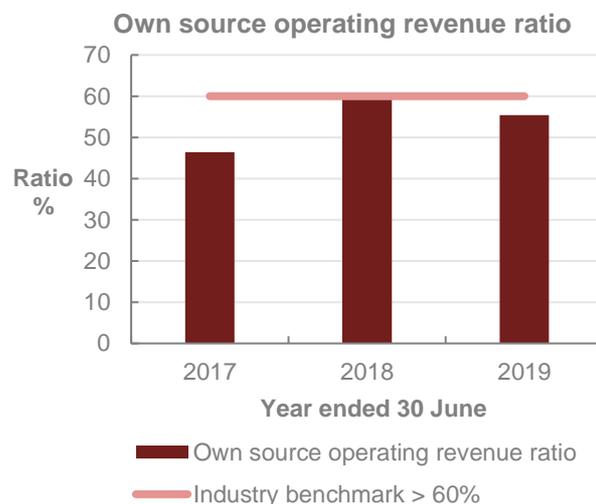
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the former Office of Local Government (OLG) is greater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



### Own source operating revenue ratio

The relatively high level of grants and contributions received by Council during the year have seen this ratio remain below the benchmark set by the OLG. Council's own source operating revenue has remained consistent in terms of dollar value.

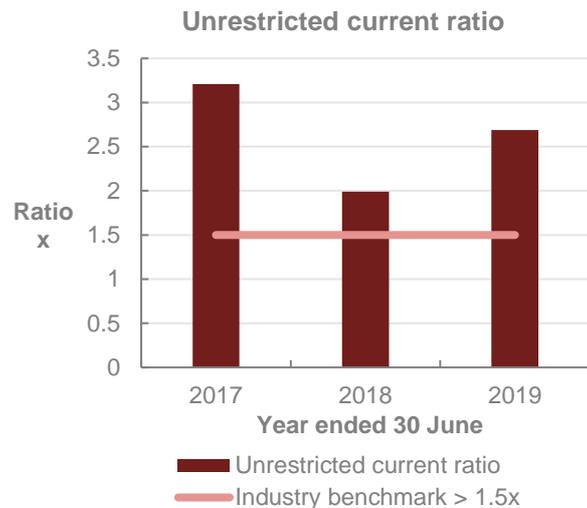
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by the former OLG is greater than 60 per cent.



## Unrestricted current ratio

Council's unrestricted current ratio of 2.69 times continues to exceed the industry benchmark

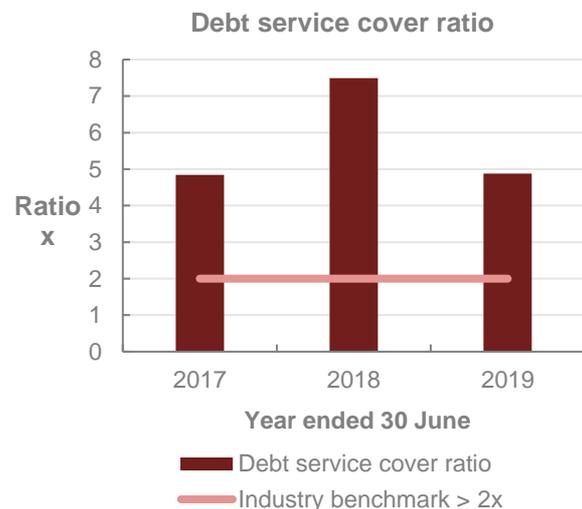
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by the OLG is greater than 1.5 times.



## Debt service cover ratio

Council has not drawn any new borrowings during the 2018–19 year compared to additional \$3.0 million in the 2017–18 year. The resultant full year of repayments has caused the decline in this ratio.

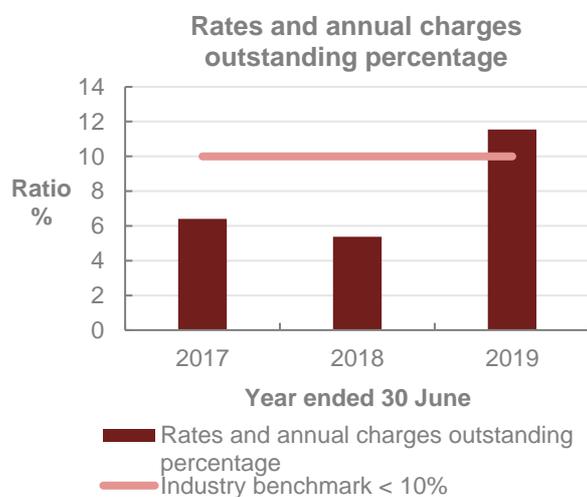
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by the former OLG is greater than two times.



## Rates and annual charges outstanding percentage

This ratio has increased significantly over the prior year.

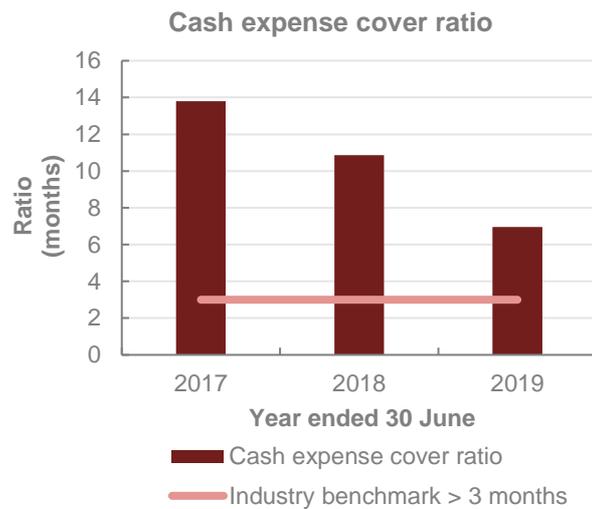
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by the former OLG is less than 10 per cent for regional and rural councils.



## Cash expense cover ratio

Council's strong liquidity is reflected by this measure. Council has comfortably exceeded the benchmark and has done so for several years.

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 the former OLG is greater than three months.



## Infrastructure, property, plant and equipment renewals

Council has renewed \$19.85 million of assets in 2018–19 compared to \$19.61 million in 2017–18.

## OTHER MATTERS

### New accounting standards implemented

Application period	Overview
<b>AASB 9 'Financial Instruments' and revised AASB 7 'Financial Instruments: Disclosures'</b>	
For the year ended 30 June 2019	<p>AASB 9 replaces AASB 139 'Financial Instruments: Recognition and Measurement' and changes the way financial instruments are treated for financial reporting.</p> <p>Key changes include:</p> <ul style="list-style-type: none"><li>• a simplified model for classifying and measuring financial assets</li><li>• a new method for calculating impairment</li><li>• a new type of hedge accounting that more closely aligns with risk management.</li></ul> <p>The revised AASB 7 includes new disclosures due to AASB 9.</p> <p>Council's disclosure of the impact of adopting AASB 9 is disclosed in Note 13.</p>

## 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 statements. The Council's:

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

Karen Taylor

Delegate of the Auditor-General for New South Wales

# Parkes Shire Council

## SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2019

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## Special Purpose Financial Statements

for the year ended 30 June 2019

Contents	Page
<b>Statement by Councillors &amp; Management</b>	<b>3</b>
<b>Special Purpose Financial Statements</b>	
Income Statement – Water Supply Business Activity	4
Income Statement – Sewerage Business Activity	5
Statement of Financial Position – Water Supply Business Activity	6
Statement of Financial Position – Sewerage Business Activity	7
Statement of Financial Position –	8
<b>Note 1 – Significant Accounting Policies</b>	<b>9</b>
<b>Auditor's Report on Special Purpose Financial Statements</b>	<b>12</b>

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

## 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).

Special Purpose Financial Statements

for the year ended 30 June 2019

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 statements:

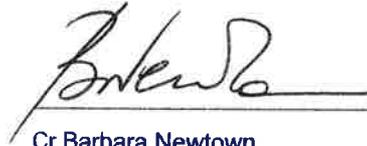
- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.

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 22 October 2019.



Cr Ken Keith  
Mayor  
22 October 2019



Cr Barbara Newtown  
Councillor  
22 October 2019



Kent Boyd  
General Manager  
22 October 2019



Jaco Barnard  
Responsible Accounting Officer  
22 October 2019

## Income Statement – Water Supply Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
<b>Income from continuing operations</b>		
Access charges	1,370	1,275
User charges	5,834	5,808
Interest	267	308
Grants and contributions provided for non-capital purposes	150	55
Other income	45	71
<b>Total income from continuing operations</b>	<b>7,666</b>	<b>7,517</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	1,293	1,521
Borrowing costs	320	252
Materials and contracts	2,146	2,770
Depreciation, amortisation and impairment	3,317	2,456
Water purchase charges	396	110
Loss on sale of assets	2	71
Other expenses	1,729	1,127
<b>Total expenses from continuing operations</b>	<b>9,203</b>	<b>8,307</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(1,537)</b>	<b>(790)</b>
Grants and contributions provided for capital purposes	5,724	3,195
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>4,187</b>	<b>2,405</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>4,187</b>	<b>2,405</b>
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>4,187</b>	<b>2,405</b>
<b>Plus accumulated surplus</b>	106,461	104,056
<b>Plus adjustments for amounts unpaid:</b>		
<b>Less:</b>		
<b>Closing accumulated surplus</b>	<b>110,648</b>	<b>106,461</b>
<b>Return on capital %</b>	<b>(0.8)%</b>	<b>(0.4)%</b>
<b>Subsidy from Council</b>	<b>3,324</b>	<b>4,252</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	4,187	2,405
Less: capital grants and contributions (excluding developer contributions)	(5,428)	(2,986)
<b>Surplus for dividend calculation purposes</b>	<b>-</b>	<b>-</b>
<b>Potential dividend calculated from surplus</b>	<b>-</b>	<b>-</b>

## Income Statement – Sewerage Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
<b>Income from continuing operations</b>		
Access charges	2,654	2,555
User charges	426	181
Liquid trade waste charges	100	416
Interest	35	39
Grants and contributions provided for non-capital purposes	–	48
Other income	14	13
<b>Total income from continuing operations</b>	<b>3,229</b>	<b>3,252</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	705	762
Borrowing costs	32	113
Materials and contracts	1,584	1,467
Depreciation, amortisation and impairment	1,603	884
Loss on sale of assets	71	16
Other expenses	212	176
<b>Total expenses from continuing operations</b>	<b>4,207</b>	<b>3,418</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(978)</b>	<b>(166)</b>
Grants and contributions provided for capital purposes	85	67
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(893)</b>	<b>(99)</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>(893)</b>	<b>(99)</b>
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(893)</b>	<b>(99)</b>
<b>Plus accumulated surplus</b>	<b>37,459</b>	<b>37,558</b>
<b>Plus adjustments for amounts unpaid:</b>		
<b>Less:</b>		
<b>Closing accumulated surplus</b>	<b>36,566</b>	<b>37,459</b>
<b>Return on capital %</b>	<b>(1.6)%</b>	<b>(0.1)%</b>
<b>Subsidy from Council</b>	<b>1,716</b>	<b>1,523</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	(893)	(99)
Less: capital grants and contributions (excluding developer contributions)	9	–
<b>Surplus for dividend calculation purposes</b>	<b>–</b>	<b>–</b>
<b>Potential dividend calculated from surplus</b>	<b>–</b>	<b>–</b>

## Statement of Financial Position – Water Supply Business Activity

as at 30 June 2019

\$ '000	2019	2018
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	212	5,081
Investments	14,575	20,635
Receivables	2,568	2,819
Inventories	41	48
<b>Total current assets</b>	<b>17,396</b>	<b>28,583</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	159,615	141,219
Intangible assets	1,296	1,261
<b>Total non-current assets</b>	<b>160,911</b>	<b>142,480</b>
<b>TOTAL ASSETS</b>	<b>178,307</b>	<b>171,063</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	1,049	1,351
Income received in advance	89	61
Borrowings	339	329
Provisions	287	305
<b>Total current liabilities</b>	<b>1,764</b>	<b>2,046</b>
<b>Non-current liabilities</b>		
Borrowings	7,358	7,696
Provisions	1,495	–
<b>Total non-current liabilities</b>	<b>8,853</b>	<b>7,696</b>
<b>TOTAL LIABILITIES</b>	<b>10,617</b>	<b>9,742</b>
<b>NET ASSETS</b>	<b>167,690</b>	<b>161,321</b>
<b>EQUITY</b>		
Accumulated surplus	110,648	106,461
Revaluation reserves	57,042	54,860
<b>TOTAL EQUITY</b>	<b>167,690</b>	<b>161,321</b>

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2019

\$ '000	2019	2018
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	9	87
Investments	592	545
Receivables	1,020	1,109
Inventories	20	19
<b>Total current assets</b>	<b>1,641</b>	<b>1,760</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	58,368	55,911
<b>Total non-current assets</b>	<b>58,368</b>	<b>55,911</b>
<b>TOTAL ASSETS</b>	<b>60,009</b>	<b>57,671</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	33	17
Provisions	156	142
<b>Total current liabilities</b>	<b>189</b>	<b>159</b>
<b>Non-current liabilities</b>		
Borrowings	4,000	4,000
Provisions	2,333	–
<b>Total non-current liabilities</b>	<b>6,333</b>	<b>4,000</b>
<b>TOTAL LIABILITIES</b>	<b>6,522</b>	<b>4,159</b>
<b>NET ASSETS</b>	<b>53,487</b>	<b>53,512</b>
<b>EQUITY</b>		
Accumulated surplus	36,566	37,459
Revaluation reserves	16,921	16,053
<b>TOTAL EQUITY</b>	<b>53,487</b>	<b>53,512</b>

Statement of Financial Position –  
as at 30 June 2019

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TOTAL EQUITY

_____	_____
_____	_____

## Parkes Shire Council

# Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

## 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 2005*, 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, Alelectown & Bogan Gate.

##### 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**

## Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

### Note 1. Significant Accounting Policies (continued)

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#### Monetary amounts

Amounts shown in the financial statements are in Australian dollars 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 – 27.5%

Land tax – the first \$692,000 of combined land values attracts 0%. For the combined land values in excess of \$692,001 up to \$4,231,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$4,231,000 a premium marginal rate of 2.0% applies.

Payroll tax – 5.45% on the value of taxable salaries and wages in excess of \$850,000.

In accordance with the Department of Industry (DoI) – Water guidelines, 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 DoI – Water guidelines 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 DoI – Water guidelines is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

#### 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 27.5%.

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 27.5% 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.

## Parkes Shire Council

### Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

#### Note 1. Significant Accounting Policies (continued)

##### 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'.

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 1.32% at 30/6/19.

##### (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 Department of Industry – Water guidelines and must not exceed:

- 50% of this surplus in any one year, or
- the number of water supply or sewerage assessments at 30 June 2019 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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



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

To the Councillors of the Parkes Shire Council

## Opinion

I have audited the accompanying special purpose financial statements (the financial statements) 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 2019, the Statement of Financial Position of each declared business activity as at 30 June 2019, Note 1 Significant accounting policies 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 statements present fairly, in all material respects, the financial position of the Council's declared business activities as at 30 June 2019, 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 – update number 27 (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 Statements' 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.

## **Emphasis of Matter - Basis of Accounting**

Without modifying my opinion, I draw attention to Note 1 to the financial statements which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the Council's financial reporting responsibilities under the LG Code. As a result, the financial statements may not be suitable for another purpose.

## **Other Information**

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements 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 statements 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 'Permissible income for general rates'.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements 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 Statements**

The Councillors are responsible for the preparation and fair presentation of the financial statements and for determining that the accounting policies, described in Note 1 to the financial statements, 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 statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, 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 Statements**

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are 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 statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://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
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Karen Taylor  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

26 November 2019  
SYDNEY

# Parkes Shire Council

SPECIAL SCHEDULES  
for the year ended 30 June 2019

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## Special Schedules

for the year ended 30 June 2019

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Permissible income for general rates	3
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### Background

- i. These Special Schedules have been designed to meet the requirements of special 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)
- i. 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.

## Permissible income for general rates

\$ '000		Calculation 2019/20	Calculation 2018/19
<b>Notional general income calculation <sup>1</sup></b>			
Last year notional general income yield	a	13,718	13,387
Plus or minus adjustments <sup>2</sup>	b	15	20
<b>Notional general income</b>	<b>c = a + b</b>	<b>13,733</b>	<b>13,407</b>
<b>Permissible income calculation</b>			
Or rate peg percentage	e	2.70%	2.30%
Or plus rate peg amount	$i = e \times (c + g)$	371	308
<b>Sub-total</b>	<b>k = (c + g + h + i + j)</b>	<b>14,104</b>	<b>13,715</b>
Plus (or minus) last year's carry forward total	l	2	4
<b>Sub-total</b>	<b>n = (l + m)</b>	<b>2</b>	<b>4</b>
<b>Total permissible income</b>	<b>o = k + n</b>	<b>14,106</b>	<b>13,719</b>
Less notional general income yield	p	14,104	13,718
<b>Catch-up or (excess) result</b>	<b>q = o - p</b>	<b>2</b>	<b>1</b>
<b>Carry forward to next year <sup>6</sup></b>	<b>t = q + r + s</b>	<b>2</b>	<b>1</b>

**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.
- (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 Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



**INDEPENDENT AUDITOR'S REPORT**  
**Special Schedule - Permissible income for general rates**  
**Parkes Shire Council**

To the Councillors of Parkes Shire Council

### Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Parkes Shire Council (the Council) for the year ending 30 June 2020.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting – update number 27 (LG Code), 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.

### Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to the special purpose framework used to prepare the Schedule. The Schedule has been prepared for the purpose of fulfilling the Council's reporting obligations under the LG Code. As a result, the Schedule may not be suitable for another purpose.

## Other Information

The Council's annual report for the year ended 30 June 2019 includes other information in addition to 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 Special Schedule 'Report on infrastructure assets as at 30 June 2019'.

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](http://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

Delegate of the Auditor-General for New South Wales

26 November 2019  
SYDNEY

Report on Infrastructure Assets  
as at 30 June 2019

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance <sup>a</sup>	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
<b>(a) Report on Infrastructure Assets - Values</b>												
<b>Buildings</b>	Buildings – non-specialised	78	78	255	262	15,397	24,033	46.0%	41.0%	13.0%	0.0%	0.0%
	Buildings – specialised	1,120	1,120	176	180	16,710	28,972	46.0%	30.0%	12.0%	10.0%	2.0%
	<b>Sub-total</b>	<b>1,198</b>	<b>1,198</b>	<b>431</b>	<b>442</b>	<b>32,107</b>	<b>53,005</b>	<b>46.0%</b>	<b>35.0%</b>	<b>12.5%</b>	<b>5.5%</b>	<b>1.0%</b>
<b>Roads</b>	Sealed Roads Surface	123	123	1,000	893	17,810	26,664	51.0%	33.0%	14.0%	2.0%	0.0%
	Sealed Roads Structure	576	576	–	–	239,151	293,124	83.0%	12.0%	4.0%	1.0%	0.0%
	Unsealed roads	628	628	1,085	1,424	55,510	73,726	65.0%	18.0%	14.0%	3.0%	0.0%
	Bridges	244	244	12	146	10,452	14,215	38.0%	32.0%	23.0%	7.0%	0.0%
	Footpaths	60	60	82	101	8,339	10,651	29.0%	15.0%	54.0%	2.0%	0.0%
	Bus Stops	–	–	3	16	138	179	23.0%	77.0%	0.0%	0.0%	0.0%
	Kerb and Gutter	312	312	–	18	13,236	17,680	10.0%	46.0%	38.0%	6.0%	0.0%
	Car Parking	91	91	–	–	1,984	2,530	63.0%	16.0%	11.0%	5.0%	5.0%
<b>Sub-total</b>	<b>2,034</b>	<b>2,034</b>	<b>2,182</b>	<b>2,598</b>	<b>346,620</b>	<b>438,769</b>	<b>72.2%</b>	<b>16.4%</b>	<b>9.5%</b>	<b>1.8%</b>	<b>0.1%</b>	
<b>Water supply network</b>	Bores	95	95	142	78	1,840	3,214	23.0%	34.0%	31.0%	12.0%	0.0%
	Dams (Surface Storage)	–	–	30	3	15,650	24,761	37.0%	47.0%	16.0%	0.0%	0.0%
	Reservoirs & Storage	268	–	25	8	12,341	18,348	38.0%	25.0%	31.0%	6.0%	0.0%
	Main & Water Services	908	–	300	463	63,866	119,000	8.0%	12.0%	77.0%	3.0%	0.0%
	Treatment Plants	566	–	200	37	40,712	50,281	82.0%	11.0%	4.0%	2.0%	1.0%
	Pump Stations	–	–	159	131	5,369	10,698	25.0%	7.0%	14.0%	48.0%	6.0%
<b>Sub-total</b>	<b>1,837</b>	<b>95</b>	<b>856</b>	<b>720</b>	<b>139,778</b>	<b>226,302</b>	<b>31.1%</b>	<b>16.7%</b>	<b>46.7%</b>	<b>4.9%</b>	<b>0.6%</b>	
<b>Sewerage network</b>	Sewerage Treatment Plant	828	–	200	212	29,187	41,421	66.0%	5.0%	22.0%	4.0%	3.0%
	Sewer Mains	1,101	1,101	400	425	22,155	36,970	24.0%	24.0%	41.0%	10.0%	1.0%
	Sewer Nodes	213	213	–	–	3,329	5,665	7.0%	45.0%	33.0%	13.0%	2.0%
	Sewer Pump Stations	85	85	26	–	1,250	2,482	0.0%	41.0%	45.0%	14.0%	0.0%
<b>Sub-total</b>	<b>2,227</b>	<b>1,399</b>	<b>626</b>	<b>637</b>	<b>55,921</b>	<b>86,538</b>	<b>42.3%</b>	<b>16.8%</b>	<b>31.5%</b>	<b>7.4%</b>	<b>2.0%</b>	
<b>Stormwater drainage</b>	Retarding Basins	–	–	5	–	722	756	100.0%	0.0%	0.0%	0.0%	0.0%
	Open Drains	–	–	–	–	821	886	100.0%	0.0%	0.0%	0.0%	0.0%
	Pits– Inlet and Outlet Structures	–	–	–	–	2,240	3,068	31.0%	60.0%	9.0%	0.0%	0.0%
	Pipes	54	54	200	155	19,289	23,845	40.0%	59.0%	0.0%	1.0%	0.0%
<b>Sub-total</b>	<b>54</b>	<b>54</b>	<b>205</b>	<b>155</b>	<b>23,072</b>	<b>28,555</b>	<b>42.5%</b>	<b>55.7%</b>	<b>1.0%</b>	<b>0.8%</b>	<b>0.0%</b>	

Report on Infrastructure Assets - Values (continued)

as at 30 June 2019

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance <sup>a</sup>	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
<b>Open space / recreational assets</b>	Swimming pools	224	224	200	226	4,824	7,654	22.0%	47.0%	19.0%	12.0%	0.0%
	Public Cemeteries	–	–	140	148	528	656	58.0%	38.0%	4.0%	0.0%	0.0%
	Other Open Space / Recreational Assets	1,943	1,457	900	931	22,592	32,407	34.0%	34.0%	16.0%	8.0%	8.0%
	Parkes Airport Infrastructure	165	165	250	258	11,541	14,415	85.0%	0.0%	12.0%	0.0%	3.0%
	<b>Sub-total</b>	<b>2,332</b>	<b>1,846</b>	<b>1,490</b>	<b>1,563</b>	<b>39,485</b>	<b>55,132</b>	<b>46.0%</b>	<b>27.0%</b>	<b>15.2%</b>	<b>6.4%</b>	<b>5.4%</b>
<b>Other infrastructure assets</b>	Other - Present Closure Obligation Assets	–	–	–	–	4,499	4,499	100.0%	0.0%	0.0%	0.0%	0.0%
	Tip Assets	–	–	230	236	2,574	2,910	93.0%	7.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>230</b>	<b>236</b>	<b>7,073</b>	<b>7,409</b>	<b>97.3%</b>	<b>2.7%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>TOTAL - ALL ASSETS</b>		<b>9,682</b>	<b>6,626</b>	<b>6,020</b>	<b>6,351</b>	<b>644,056</b>	<b>895,710</b>	<b>55.0%</b>	<b>19.4%</b>	<b>21.2%</b>	<b>3.6%</b>	<b>0.8%</b>

(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

## Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	Amounts 2019	Indicator 2019	Prior period 2018	Benchmark
<b>Infrastructure asset performance indicators (consolidated) *</b>				
<b>Buildings and infrastructure renewals ratio <sup>1</sup></b>				
Asset renewals <sup>2</sup>	<b>17,024</b>	<b>156.41%</b>	200.60%	>=100.00%
Depreciation, amortisation and impairment	<b>10,884</b>			
<b>Infrastructure backlog ratio <sup>1</sup></b>				
Estimated cost to bring assets to a satisfactory standard	<b>9,682</b>	<b>1.55%</b>	1.16%	<2.00%
Net carrying amount of infrastructure assets	<b>625,442</b>			
<b>Asset maintenance ratio</b>				
Actual asset maintenance	<b>6,351</b>	<b>105.50%</b>	114.83%	>100.00%
Required asset maintenance	<b>6,020</b>			
<b>Cost to bring assets to agreed service level</b>				
Estimated cost to bring assets to an agreed service level set by Council	<b>6,626</b>	<b>0.74%</b>	0.46%	
Gross replacement cost	<b>895,710</b>			

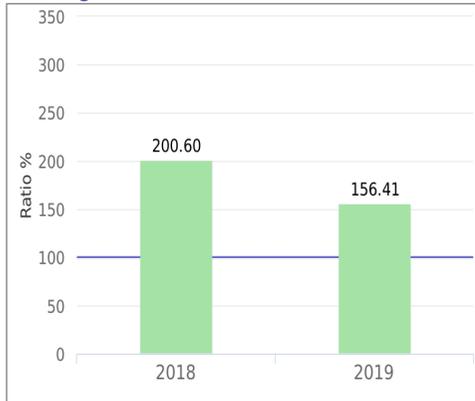
(\*) All asset performance indicators are calculated using classes identified in the previous table.

(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.

Report on Infrastructure Assets (continued)  
as at 30 June 2019

**Buildings and infrastructure renewals ratio**



**Buildings and infrastructure renewals ratio**

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

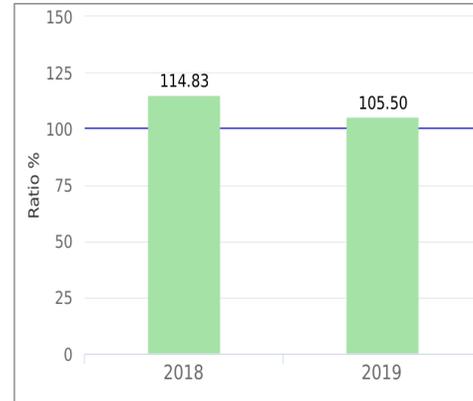
**Commentary on result**

18/19 ratio 156.41%

The Building & Infrastructure Renewal Ratio achieves the benchmark for 2018/19. 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.

Benchmark: —  $\geq 100.00\%$  ■ Ratio achieves benchmark  
 Source of benchmark: Code of Accounting Practice and Financial Reporting #27 ■ Ratio is outside benchmark

**Asset maintenance ratio**



**Asset maintenance ratio**

Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.

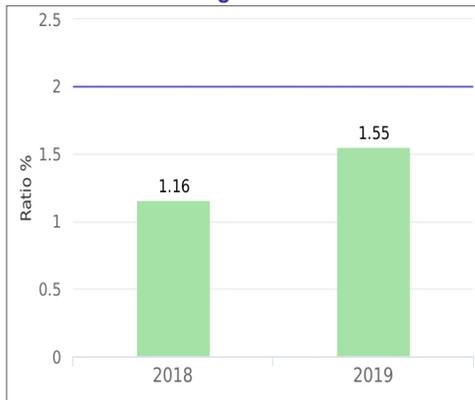
**Commentary on result**

18/19 ratio 105.50%

In 2018/19, council has maintained the amount of maintenance required to be spent on Council's infrastructure. This will ensure that the infrastructure backlog is not increasing.

Benchmark: —  $> 100.00\%$  ■ Ratio achieves benchmark  
 Source of benchmark: Code of Accounting Practice and Financial Reporting #27 ■ Ratio is outside benchmark

**Infrastructure backlog ratio**



**Infrastructure backlog ratio**

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

**Commentary on result**

18/19 ratio 1.55%

The benchmark for the proportion of the Infrastructure Backlog is less than 0.02x. Council is continuing to work towards reducing the backlog and ensuring that the ratio achieves the required benchmark.

Benchmark: —  $< 2.00\%$  ■ Ratio achieves benchmark  
 Source of benchmark: Code of Accounting Practice and Financial Reporting #27 ■ Ratio is outside benchmark

**Cost to bring assets to agreed service level**



**Cost to bring assets to agreed service level**

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.

**Commentary on result**

18/19 ratio 0.74%

This is the fourth 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.

Report on Infrastructure Assets (continued)  
as at 30 June 2019

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2019	2018	2019	2018	2019	2018	
<b>Infrastructure asset performance indicators (by fund)</b>							
<b>Buildings and infrastructure renewals ratio <sup>1</sup></b>							
Asset renewals <sup>2</sup>							
Depreciation, amortisation and impairment	<b>285.45%</b>	204.25%	–	152.15%	–	310.56%	>=100.00%
<b>Infrastructure backlog ratio <sup>1</sup></b>							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	<b>1.31%</b>	1.43%	<b>1.31%</b>	0.75%	<b>3.98%</b>	0.10%	<2.00%
<b>Asset maintenance ratio</b>							
Actual asset maintenance							
Required asset maintenance	<b>110.05%</b>	120.43%	<b>84.11%</b>	99.53%	<b>101.76%</b>	95.21%	>100.00%
<b>Cost to bring assets to agreed service level</b>							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	<b>0.88%</b>	0.68%	<b>0.04%</b>	0.04%	<b>1.62%</b>	0.07%	

(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.