

# Parkes Shire Council

ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 June 2021

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# Parkes Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2021

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# Parkes Shire Council

## General Purpose Financial Statements

for the year ended 30 June 2021

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### Overview

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

2 Cecile Street  
PARKES NSW 2870

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

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

A description of the nature of Council's operations and its principal activities are provided in Note B1-2.

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 2021

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### Statement by Councillors and Management made pursuant to Section 413(2)(c) of the *Local Government Act 1993 (NSW)*

The attached general purpose financial statements have been prepared in accordance with:

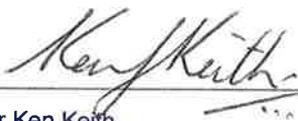
- the *Local Government Act 1993* and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the Local Government Code of Accounting Practice and Financial Reporting.

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 21 September 2021.



Cr Ken Keith  
**Mayor**  
21 September 2021



Cr Barbara Newton  
**Councillor**  
21 September 2021



Kent Boyd  
**General Manager**  
21 September 2021



Jaco Barnard  
**Responsible Accounting Officer**  
21 September 2021



## Parkes Shire Council

### Statement of Comprehensive Income

for the year ended 30 June 2021

\$ '000	Notes	2021	2020
<b>Net operating result for the year – from Income Statement</b>		<b>13,276</b>	<b>9,750</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	<u>7,034</u>	<u>13,389</u>
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>7,034</b>	<b>13,389</b>
<b>Total other comprehensive income for the year</b>		<b>7,034</b>	<b>13,389</b>
<b>Total comprehensive income for the year attributable to Council</b>		<b>20,310</b>	<b>23,139</b>

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

## Parkes Shire Council

### Statement of Financial Position

as at 30 June 2021

\$ '000	Notes	2021	2020
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	C1-1	20,569	13,998
Investments	C1-2	7,500	4,165
Receivables	C1-4	7,481	8,029
Inventories	C1-5	2,244	1,459
Contract assets and contract cost assets	C1-6	1,682	2,052
Other	C1-9	407	224
<b>Total current assets</b>		<b>39,883</b>	<b>29,927</b>
<b>Non-current assets</b>			
Investments	C1-2	2,014	3,512
Inventories	C1-5	3,198	4,247
Infrastructure, property, plant and equipment	C1-7	735,020	713,801
Intangible Assets	C1-8	3,395	2,989
<b>Total non-current assets</b>		<b>743,627</b>	<b>724,549</b>
<b>Total assets</b>		<b>783,510</b>	<b>754,476</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	C3-1	5,382	3,660
Contract liabilities	C3-2	7,705	1,304
Borrowings	C3-3	988	947
Employee benefit provisions	C3-4	5,156	5,464
Provisions	C3-5	280	260
<b>Total current liabilities</b>		<b>19,511</b>	<b>11,635</b>
<b>Non-current liabilities</b>			
Borrowings	C3-3	18,208	19,195
Employee benefit provisions	C3-4	303	428
Provisions	C3-5	6,799	4,839
<b>Total non-current liabilities</b>		<b>25,310</b>	<b>24,462</b>
<b>Total liabilities</b>		<b>44,821</b>	<b>36,097</b>
<b>Net assets</b>		<b>738,689</b>	<b>718,379</b>
<b>EQUITY</b>			
Accumulated surplus	C4-1	549,170	535,894
IPPE revaluation reserve	C4-1	189,519	182,485
<b>Council equity interest</b>		<b>738,689</b>	<b>718,379</b>
<b>Total equity</b>		<b>738,689</b>	<b>718,379</b>

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

## Parkes Shire Council

### Statement of Changes in Equity

for the year ended 30 June 2021

\$ '000	Notes	as at 30/06/21			as at 30/06/20		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
Opening balance at 1 July		535,894	182,485	718,379	527,095	175,806	702,901
Correction of prior period errors		-	-	-	558	(6,710)	(6,152)
Changes due to AASB 1058 and AASB 15 adoption		-	-	-	(1,509)	-	(1,509)
<b>Restated opening balance</b>		<b>535,894</b>	<b>182,485</b>	<b>718,379</b>	<b>526,144</b>	<b>169,096</b>	<b>695,240</b>
Net operating result for the year		13,276	-	13,276	9,750	-	9,750
<b>Restated net operating result</b>		<b>13,276</b>	<b>-</b>	<b>13,276</b>	<b>9,750</b>	<b>-</b>	<b>9,750</b>
<b>Other comprehensive income</b>							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	-	7,034	7,034	-	13,389	13,389
<b>Other comprehensive income</b>		<b>-</b>	<b>7,034</b>	<b>7,034</b>	<b>-</b>	<b>13,389</b>	<b>13,389</b>
<b>Total comprehensive income</b>		<b>13,276</b>	<b>7,034</b>	<b>20,310</b>	<b>9,750</b>	<b>13,389</b>	<b>23,139</b>
<b>Closing balance at 30 June</b>		<b>549,170</b>	<b>189,519</b>	<b>738,689</b>	<b>535,894</b>	<b>182,485</b>	<b>718,379</b>

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

## Parkes Shire Council

### Statement of Cash Flows

for the year ended 30 June 2021

Original unaudited budget 2021	\$ '000	Notes	Actual 2021	Actual 2020
<b>Cash flows from operating activities</b>				
<i>Receipts:</i>				
20,974	Rates and annual charges		21,745	20,779
18,831	User charges and fees		15,337	12,934
670	Investment and interest revenue received		106	547
33,349	Grants and contributions		30,957	25,061
–	Bonds, deposits and retention amounts received		43	26
825	Other		2,221	1,812
<i>Payments:</i>				
(15,789)	Employee benefits and on-costs		(16,021)	(15,444)
(19,428)	Materials and services		(18,033)	(18,839)
(873)	Borrowing costs		(771)	(889)
(606)	Other		(689)	(2,204)
37,953	<b>Net cash flows from operating activities</b>	G1-1	<b>34,895</b>	<b>23,783</b>
<b>Cash flows from investing activities</b>				
<i>Receipts:</i>				
–	Sale of investment securities		23,044	35,319
–	Sale of real estate assets		278	602
–	Sale of infrastructure, property, plant and equipment		796	158
<i>Payments:</i>				
–	Purchase of investment securities		(21,512)	(25,782)
–	Acquisition of term deposits		(3,350)	–
(30,290)	Purchase of infrastructure, property, plant and equipment		(26,026)	(26,926)
–	Purchase of intangible assets		(608)	(349)
(30,290)	<b>Net cash flows from investing activities</b>		<b>(27,378)</b>	<b>(16,978)</b>
<b>Cash flows from financing activities</b>				
<i>Payments:</i>				
(946)	Repayment of borrowings		(946)	(902)
(946)	<b>Net cash flows from financing activities</b>		<b>(946)</b>	<b>(902)</b>
6,717	<b>Net change in cash and cash equivalents</b>		<b>6,571</b>	<b>5,903</b>
13,998	Cash and cash equivalents at beginning of year		13,998	8,095
20,715	<b>Cash and cash equivalents at end of year</b>	C1-1	<b>20,569</b>	<b>13,998</b>
–	plus: Investments on hand at end of year	C1-2	9,514	7,677
20,715	<b>Total cash, cash equivalents and investments</b>		<b>30,083</b>	<b>21,675</b>

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

# Parkes Shire Council

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## A About Council and these financial statements

### A1-1 Basis of preparation

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These financial statements were authorised for issue by Council on 21 September 2021.

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 (Act)* and *Local Government (General) Regulation 2005 (Regulation)*, and the Local Government Code of Accounting Practice and Financial Reporting.

Council is a not for-profit entity.

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

#### 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.

#### 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 C1-7
- (ii) estimated tip remediation provisions – refer Note C3-5
- (iii) employee benefit provisions – refer Note C3-4

#### Covid 19 Impacts

Covid 19 has caused a disruption to council's business practices with a number of staff working remotely from home or at other council facilities away from the main administration building. Whilst this has caused some inconvenience it has not resulted in significant additional cost.

Council has provided some rent relief to compensate for lost income due to the compulsory lockdown and some additional costs have been incurred in cleaning of council facilities.

Rate collections are marginally less than the previous year's however it is not known if this is a consequence of Covid or attributable to the prolonged drought. Other receivables have not been impacted.

Overall the financial impact has not been significant and is not anticipated to increase in future years.

Council is of the view that physical non-current assets will not experience substantial declines in value due to covid. Fair value for the majority of Council's non-current assets is determined by replacement cost where there is no anticipated material change in value due to covid. For assets where fair value is determined by market value Council has no evidence of material changes to these values.

#### Significant judgements in applying the Council's accounting policies

- (i) Impairment of receivables

## A1-1 Basis of preparation (continued)

Council has made a significant judgement about the impairment of a number of its receivables – refer Note C1-4.

### Monies and other assets received by Council

#### 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

#### 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.

### Volunteer services

In accordance with AASB 1058, Parkes Shire Council does not record volunteer services as revenue as it cannot be reliably measured and the services would not be purchased or externally contracted if not donated to council.

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

Certain new accounting standards and interpretations (ie. pronouncements) have been published by the Australian Accounting Standards Board that are not mandatory for the 30 June 2021 reporting period.

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

As at the date of authorisation of these financial statements Council does not consider that any of these new (and still to be applied) standards and interpretations are likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows.

### New accounting standards adopted during the year

During the year Council adopted all accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective from the first time at 30 June 2021.

None of these standards had an impact on the reported position or performance.

## B Financial Performance

### B1 Functions or activities

#### B1-1 Functions or activities – income, expenses and assets

Income, expenses and assets have been directly attributed to the following functions or activities. Details of those functions or activities are provided in Note B1-2.

\$ '000	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
<b>Functions or activities</b>										
Governance	283	89	2,261	3,070	(1,978)	(2,981)	506	13	–	–
Administration	1,316	764	8,772	7,313	(7,456)	(6,549)	167	311	13,243	10,820
Public order and safety	567	1,181	1,153	868	(586)	313	545	1,162	5,529	5,030
Health	60	301	800	1,438	(740)	(1,137)	59	268	8,367	468
Environment	3,527	4,218	3,994	3,643	(467)	575	93	329	326	689
Community services and education	2,789	2,018	2,003	2,154	786	(136)	2,546	1,710	9,466	5,350
Housing and community amenities	541	673	952	1,845	(411)	(1,172)	155	380	31,769	38,219
Water supplies	13,055	10,827	9,544	8,870	3,511	1,957	1,478	1,109	179,655	147,871
Sewerage services	3,823	3,449	3,442	3,472	381	(23)	145	114	62,061	59,863
Recreation and culture	3,149	2,815	5,570	5,013	(2,421)	(2,198)	2,890	2,666	60,769	48,947
Mining, manufacturing and construction	342	297	457	34	(115)	263	–	–	23	1,386
Transport and communication	10,344	9,456	7,825	7,660	2,519	1,796	6,465	7,564	388,844	379,673
Economic affairs	5,000	6,491	3,275	5,878	1,725	613	4,280	4,933	6,944	5,376
General purpose income	18,538	18,441	10	12	18,528	18,429	5,476	4,386	16,514	50,784
<b>Total functions and activities</b>	<b>63,334</b>	<b>61,020</b>	<b>50,058</b>	<b>51,270</b>	<b>13,276</b>	<b>9,750</b>	<b>24,805</b>	<b>24,945</b>	<b>783,510</b>	<b>754,476</b>

## B1-2 Components of functions or activities

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Details relating to the Council's functions or activities as reported in B1-1 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.

## B1-2 Components of functions or activities (continued)

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### **Economic affairs**

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

## B2 Sources of income

### B2-1 Rates and annual charges

\$ '000	2021	2020
<b>Ordinary rates</b>		
Residential	5,869	5,935
Farmland	4,038	3,869
Mining	1,453	1,416
Business	2,942	2,881
Less: pensioner rebates (mandatory)	(206)	(208)
Less: pensioner rebates (Council policy)	(85)	(95)
<b>Rates levied to ratepayers</b>	<b>14,011</b>	<b>13,798</b>
Pensioner rate subsidies received	152	156
<b>Total ordinary rates</b>	<b>14,163</b>	<b>13,954</b>
<b>Annual charges</b>		
<small>(pursuant to s.496, s.496A, s.496B, s.501 &amp; s.611)</small>		
Domestic waste management services	2,318	2,254
Stormwater management services	175	174
Water supply services	1,418	1,391
Sewerage services	3,122	2,756
Waste management services (non-domestic)	391	376
Less: pensioner rebates (mandatory)	(263)	(263)
<b>Annual charges levied</b>	<b>7,161</b>	<b>6,688</b>
Pensioner subsidies received:		
– Water	52	53
– Sewerage	45	46
– Domestic waste management	1	2
<b>Total annual charges</b>	<b>7,259</b>	<b>6,789</b>
<b>Total rates and annual charges</b>	<b>21,422</b>	<b>20,743</b>

Council has used 2019 year valuations provided by the NSW Valuer General in calculating its rates.

#### Accounting policy

Rates and annual charges are recognised as revenue when the Council obtains control over the assets comprising these receipts which is the beginning of the rating period to which they relate. Prepaid rates are recognised as a financial liability until the beginning of the rating period.

Pensioner rebates relate to reductions in rates and certain annual charges for eligible pensioners' place of residence in the local government council area that are not subsidised by the NSW Government.

Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates and are in substance a rates payment.

## B2-2 User charges and fees

\$ '000	Timing	2021	2020
<b>Specific user charges</b>			
(per s.502 - specific 'actual use' charges)			
Water supply services	2	9,954	8,115
Sewerage services	2	474	576
Waste management services (non-domestic)	2	541	1,011
<b>Total specific user charges</b>		<b>10,969</b>	<b>9,702</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	2	490	366
Private works – section 67	2	160	284
Section 10.7 certificates (EP&A Act)	2	42	32
Section 603 certificates	2	43	27
<b>Total fees and charges – statutory/regulatory</b>		<b>735</b>	<b>709</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Aerodrome	2	71	276
Cemeteries	2	196	187
Caravan park	2	562	595
Elvis festival revenue (excl sponsorships)	2	6	606
Leaseback fees – Council vehicles	2	109	111
Library and art gallery	2	9	9
Transport For NSW (formerly RMS) charges (state roads not controlled by Council)	2	2,445	1,106
Tourism	2	56	19
Waste disposal tipping fees	2	10	9
Swimming centres & recreation	2	240	187
Family day care	2	173	267
Water connection fees	2	25	19
Admission and service fees	2	–	17
<b>Total fees and charges – other</b>		<b>3,902</b>	<b>3,408</b>
<b>Total user charges and fees</b>		<b>15,606</b>	<b>13,819</b>
<b>Timing of revenue recognition for user charges and fees</b>			
User charges and fees recognised over time (1)		–	–
User charges and fees recognised at a point in time (2)		15,606	13,819
<b>Total user charges and fees</b>		<b>15,606</b>	<b>13,819</b>

### Accounting policy

Revenue arising from user charges and fees is recognised when or as the performance obligation is completed and the customer receives the benefit of the goods / services being provided.

The performance obligation relates to the specific services which are provided to the customers and generally the payment terms are within 30 days of the provision of the service or in some cases such as caravan parks, the customer is required to pay on arrival. There is no material obligation for Council in relation to refunds or returns.

**B2-3 Other revenue**

<b>\$ '000</b>	Timing	<b>2021</b>	2020
Fines	2	<b>13</b>	14
Legal fees recovery – other	2	<b>100</b>	27
Diesel rebate	2	<b>107</b>	96
Sales of inventories	2	<b>80</b>	49
Sales – general	2	<b>19</b>	71
Elvis festival	2	<b>66</b>	166
Employment scheme	2	<b>4</b>	7
Legal recoveries	2	<b>–</b>	3
Insurance Claims	2	<b>290</b>	6
Other	2	<b>172</b>	238
WHS Incentive	2	<b>51</b>	81
Mobile Phone Usage	2	<b>–</b>	1
<b>Total other revenue</b>		<b>902</b>	<b>759</b>
<b>Timing of revenue recognition for other revenue</b>			
Other revenue recognised over time (1)		<b>–</b>	–
Other revenue recognised at a point in time (2)		<b>902</b>	759
<b>Total other revenue</b>		<b>902</b>	<b>759</b>

**Accounting policy for other revenue**

Where the revenue is earned for the provision of specified goods / services under an enforceable contract, revenue is recognised when or as the obligations are satisfied.

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

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

## B2-4 Grants and contributions

\$ '000	Timing	Operating 2021	Operating 2020	Capital 2021	Capital 2020
<b>General purpose grants and non-developer contributions (untied)</b>					
<b>General purpose (untied)</b>					
<b>Current year allocation</b>					
Financial assistance – general component	2	2,108	2,129	–	–
Financial assistance – local roads component	2	1,086	1,049	–	–
<b>Payment in advance - future year allocation</b>					
Financial assistance – general component	2	2,257	2,257	–	–
Financial assistance – local roads component	2	1,164	1,112	–	–
<b>Amount recognised as income during current year</b>		<b>6,615</b>	<b>6,547</b>	<b>–</b>	<b>–</b>
<b>Special purpose grants and non-developer contributions (tied)</b>					
<b>Cash contributions</b>					
<b>Previously specific grants:</b>					
<b>Pensioners' rates subsidies:</b>					
Water supplies	1	–	9	1,059	886
Sewerage services	2	–	–	–	40
Bushfire and emergency services	1	95	94	–	892
Child care	2	–	–	939	93
Community care	2	1,652	1,717	–	–
Community centres	2	–	–	100	154
Economic development	1	1,260	2,154	2,570	2,674
Environmental programs	2	–	26	–	–
Heritage and cultural	2	15	12	–	–
Library	2	100	98	334	1,509
LIRS subsidy	2	32	43	–	–
Noxious weeds	2	57	63	–	–
NSW rural fire services	2	46	23	–	–
Recreation and culture	1	8	7	266	439
Storm/flood damage	2	656	372	–	–
Shire Waste Facilities	2	–	–	–	225
Road safety	2	214	88	90	–
Waste recycling	2	–	–	30	15
Street lighting	2	57	57	–	–
Footpaths	1	–	–	–	23
Health Centres	1	–	–	50	268
Other specific grants	2	127	–	366	45
Transport (roads to recovery)	2	2,006	2,006	–	–
Transport (other roads and bridges funding)	1	–	–	1,119	1,810
Drought Communities	1	250	–	650	–
Local Roads & Community Infrastructure (LRCI)	1	–	–	1,245	–
Town Planning	1	–	–	9	–
<b>Previously contributions:</b>					
Recreation and culture	2	–	59	27	53
Business development	2	102	100	–	–
Aerodromes	2	–	–	22	–
Other contributions	2	198	21	–	–
Roads and bridges	2	71	63	–	30
Transport for NSW contributions (regional roads, block grant)	2	1,362	1,362	–	–
Tourism	2	48	5	–	–
Community services	2	84	165	–	–
Economic affairs	2	166	204	–	–

## B2-4 Grants and contributions (continued)

\$ '000	Timing	Operating 2021	Operating 2020	Capital 2021	Capital 2020
<b>Total special purpose grants and non-developer contributions – cash</b>		<b>8,606</b>	8,748	<b>8,876</b>	9,156
<b>Total special purpose grants and non-developer contributions (tied)</b>		<b>8,606</b>	8,748	<b>8,876</b>	9,156
<b>Total grants and non-developer contributions</b>		<b>15,221</b>	15,295	<b>8,876</b>	9,156
<b>Comprising:</b>					
– Commonwealth funding		8,998	8,554	3,685	3,444
– State funding		5,735	4,756	4,539	5,629
– Other funding		488	1,985	652	83
		<b>15,221</b>	15,295	<b>8,876</b>	9,156

## Developer contributions

\$ '000	Notes	Timing	Operating 2021	Operating 2020	Capital 2021	Capital 2020
<b>Developer contributions: (s7.4 &amp; s7.11 - EP&amp;A Act, s64 of the LGA):</b>	G4					
<b>Cash contributions</b>						
S 7.4 – contributions using planning agreements		2	–	–	144	193
S 64 – water supply contributions		2	–	–	419	224
S 64 – sewerage service contributions		2	–	–	145	75
<b>Total developer contributions – cash</b>			<b>–</b>	–	<b>708</b>	492
<b>Non-cash contributions</b>						
S 7.4 – contributions using planning agreements		2	–	–	–	2
<b>Total developer contributions non-cash</b>			<b>–</b>	–	–	2
<b>Total developer contributions</b>			<b>–</b>	–	<b>708</b>	494
<b>Total contributions</b>			<b>–</b>	–	<b>708</b>	494
<b>Total grants and contributions</b>			<b>15,221</b>	15,295	<b>9,584</b>	9,650
<b>Timing of revenue recognition for grants and contributions</b>						
Grants and contributions recognised over time (1)			1,613	2,264	6,560	6,992
Grants and contributions recognised at a point in time (2)			13,608	13,031	3,024	2,658
<b>Total grants and contributions</b>			<b>15,221</b>	15,295	<b>9,584</b>	9,650

## B2-4 Grants and contributions (continued)

### Unspent grants and contributions

Certain grants and contributions are obtained by Council on the condition they be spent in a specified manner or in a future period but which are not yet spent in accordance with those conditions are as follows:

\$ '000	Operating 2021	Operating 2020	Capital 2021	Capital 2020
<b>Unspent grants and contributions</b>				
Unspent funds at 1 July	3,369	3,308	–	–
<b>Add:</b> Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	1,431	–	–	–
<b>Add:</b> Funds received and not recognised as revenue in the current year	–	3,369	7,705	–
<b>Less:</b> Funds recognised as revenue in previous years that have been spent during the reporting year	(3,369)	(3,308)	–	–
<b>Unspent funds at 30 June</b>	<b>1,431</b>	<b>3,369</b>	<b>7,705</b>	<b>–</b>

### Accounting policy

#### Grants and contributions – enforceable agreement with sufficiently specific performance obligations

Grant and contribution revenue from an agreement which is enforceable and contains sufficiently specific performance obligations is recognised as or when control of each performance obligations is transferred.

The performance obligations vary according to the agreement but include evidence of the event taking place or satisfactory achievement of milestones. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

Performance obligations may be satisfied either at a point in time or over time and this is reflected in the revenue recognition pattern. Point in time recognition occurs when the beneficiary obtains control of the goods / services at a single time (e.g. completion of the project when a report / outcome is provided), whereas over time recognition is where the control of the services is ongoing throughout the project (e.g. provision of community health services through the year).

Where control is transferred over time, generally the input methods being either costs or time incurred are deemed to be the most appropriate methods to reflect the transfer of benefit.

#### Capital grants

Capital grants received by Council under an enforceable contract for the acquisition or construction of infrastructure, property, plant and equipment to identified specifications which will be under Council's control on completion are recognised as revenue as and when the obligation to construct or purchase is completed.

For construction projects, this is generally as the construction progresses in accordance with costs incurred since this is deemed to be the most appropriate measure of the completeness of the construction project.

For acquisitions of assets, the revenue is recognised when the asset is acquired and controlled by the Council.

#### Developer contributions

Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of sections 7.4, 7.11 and 7.12 of the *Environmental Planning and Assessment Act 1979* (EP&A Act).

While Council generally incorporates these amounts as part of a Development Consents Order, such developer contributions are only recognised as income upon receipt by Council, due to the possibility that individual development consents may not be acted upon by the applicant and, accordingly, would not be payable to Council.

Developer contributions may only be expended for the purposes for which the contributions were required, but Council may apply contributions according to the priorities established in work schedules for the contribution plan.

#### Other grants and contributions

## B2-4 Grants and contributions (continued)

Assets, including cash, received from other grants and contributions are recognised at fair value when the asset is received. Council considers whether there are any related liability or equity items associated with the asset which are recognised in accordance with the relevant accounting standard.

Once the assets and liabilities have been recognised then income is recognised for any remaining asset value at the time that the asset is received.

## B2-5 Interest and investment income

\$ '000	2021	2020
<b>Interest on financial assets measured at amortised cost</b>		
– Overdue rates and annual charges (incl. special purpose rates)	–	76
– Overdue user fees and charges	–	53
– Cash and investments	100	246
<b>Fair value adjustments</b>		
– Movements in investments at fair value through profit and loss	19	26
<b>Total interest and investment income</b>	<b>119</b>	<b>401</b>

### Interest and investment income is attributable to:

#### Unrestricted investments/financial assets:

Overdue rates and annual charges (general fund)	–	75
General Council cash and investments	87	192

#### Restricted investments/funds – external:

Development contributions		
- S7.12 Levies under a plan	2	3
– Section 64: water	13	45
– Section 64: sewer	1	1
Water fund operations	12	57
Sewerage fund operations	3	8
Domestic waste management operations	1	20
<b>Total interest and investment income</b>	<b>119</b>	<b>401</b>

### Accounting policy

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

## B2-6 Other income

\$ '000	Notes	2021	2020
<b>Rental income</b>			
<b>Other lease income</b>			
Commercial Buildings		109	240
Aerodrome Hangers		20	38
Health Centres		17	33
Road Reserves		9	13
Dining Platform		1	1
Council Land		60	24
Pool Residence		–	4
<b>Total Other lease income</b>		<b>216</b>	<b>353</b>
<b>Total rental income</b>	C2-2	<b>216</b>	<b>353</b>
<b>Total other income</b>		<b>216</b>	<b>353</b>

## B3 Costs of providing services

### B3-1 Employee benefits and on-costs

\$ '000	2021	2020
Salaries and wages	13,686	13,074
Employee termination costs (where material – other than vested leave paid)	156	90
Travel expenses	1	–
Employee leave entitlements (ELE)	1,838	1,926
Superannuation	1,638	1,388
Workers' compensation insurance	419	274
Fringe benefit tax (FBT)	44	52
Payroll tax	102	80
Training costs (other than salaries and wages)	26	–
Protective clothing	60	50
Other	76	92
<b>Total employee costs</b>	<b>18,046</b>	<b>17,026</b>
Less: capitalised costs	(2,409)	(2,257)
<b>Total employee costs expensed</b>	<b>15,637</b>	<b>14,769</b>
Number of 'full-time equivalent' employees (FTE) at year end	197	182
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	211	193

#### Accounting policy

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

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.

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 E3-1 for more information.

## B3-2 Materials and services

\$ '000	Notes	2021	2020
Raw materials and consumables		13,315	12,250
<b>Contractor and consultancy costs:</b>			
– Caravan park		219	239
– Contractor and consultancy costs (Centroc)		265	128
– Garbage collection contract		1,381	1,364
– Investment advisory service		10	23
Audit Fees <sup>1</sup>	F2-1	63	67
<b>Previously other expenses:</b>			
Councillor and Mayoral fees and associated expenses	F1-2	175	176
Advertising		135	181
Bank charges		112	107
Cleaning		166	109
Computer software charges		654	480
Electricity and heating		1,491	2,143
Insurance		588	508
Postage		63	88
Printing and stationery		187	204
Street lighting		168	296
Telephone and communications		287	278
Valuation fees		74	61
Audit committee costs		26	47
Events & Marketing		31	100
Memberships & Subscriptions		131	95
Training Costs		197	145
Travel Expenses		30	150
Water licences		76	156
<b>Legal expenses:</b>			
– Legal expenses: planning and development		80	39
– Legal expenses: debt recovery		103	21
– Legal expenses: other		84	34
<b>Total materials and services</b>		<b>20,111</b>	<b>19,489</b>
Less: capitalised costs		<b>(678)</b>	<b>(500)</b>
<b>Total materials and services</b>		<b>19,433</b>	<b>18,989</b>

### Accounting policy

Expenses are recorded on an accruals basis as the council receives the goods or services.

## B3-3 Borrowing costs

\$ '000	Notes	2021	2020
<b>(i) Interest bearing liability costs</b>			
Interest on loans		758	803
<b>Total interest bearing liability costs</b>		<b>758</b>	<b>803</b>
<b>Total interest bearing liability costs expensed</b>		<b>758</b>	<b>803</b>
<b>(ii) Other borrowing costs</b>			
Remediation liabilities	C3-5	47	78
<b>Total other borrowing costs</b>		<b>47</b>	<b>78</b>
<b>Total borrowing costs expensed</b>		<b>805</b>	<b>881</b>

### Accounting policy

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 as incurred.

## B3-4 Depreciation, amortisation and impairment of non-financial assets

\$ '000	Notes	2021	2020
<b>Depreciation and amortisation</b>			
Plant and equipment		1,366	1,368
Office equipment		267	244
Furniture and fittings		70	64
<b>Infrastructure:</b>			
	C1-7		
– Buildings – non-specialised		441	446
– Buildings – specialised		296	242
– Roads		4,006	4,144
– Bridges		115	101
– Footpaths		166	146
– Stormwater drainage		240	195
– Water supply network		3,042	2,999
– Sewerage network		1,414	1,424
– Swimming pools		181	179
– Airport assets		187	461
– Other open space/recreational assets		701	663
<b>Other assets:</b>			
– Library books		138	82
<b>Reinstatement, rehabilitation and restoration assets:</b>			
– Tip assets	C3-5,C1-7	39	29
Present Closure Obligation Assets		420	415
Intangible assets	C1-8	202	194
<b>Total depreciation and amortisation costs</b>		<b>13,291</b>	<b>13,396</b>
<b>Total depreciation, amortisation and impairment for non-financial assets</b>		<b>13,291</b>	<b>13,396</b>

### Accounting policy

#### 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.

#### 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.

**B3-5 Other expenses**

<b>\$ '000</b>	Notes	<b>2021</b>	2020
<b>Impairment of receivables</b>			
Other		<b>126</b>	105
<b>Total impairment of receivables</b>	C1-4	<b>126</b>	<b>105</b>
<b>Other</b>			
Contributions/levies to other levels of government			
– Emergency services levy (includes FRNSW, SES, and RFS levies)		<b>29</b>	23
– LGNSW subscription		<b>35</b>	34
– NSW fire brigade levy		<b>48</b>	43
– NSW rural fire service levy		<b>546</b>	385
Donations, contributions and assistance to other organisations (Section 356)			
– Donations, contributions and assistance		<b>47</b>	156
– Sports council contribution		<b>51</b>	87
<b>Total other expenses</b>		<b>892</b>	<b>855</b>

**Accounting policy**

Other expenses are recorded on an accruals basis when Council has an obligation for the expenses. Impairment expenses are recognised when identified.

**B4 Gains or losses****B4-1 Gain or loss from the disposal, replacement and de-recognition of assets**

\$ '000	Notes	2021	2020
<b>Gain (or loss) on disposal of plant and equipment</b>	C1-7		
Proceeds from disposal – plant and equipment		333	155
Less: carrying amount of plant and equipment assets sold/written off		(268)	(36)
<b>Gain (or loss) on disposal</b>		<b>65</b>	<b>119</b>
<b>Gain (or loss) on disposal of infrastructure</b>	C1-7		
Proceeds from disposal – infrastructure		463	3
Less: carrying amount of infrastructure assets sold/written off		(417)	(2,608)
<b>Gain (or loss) on disposal</b>		<b>46</b>	<b>(2,605)</b>
<b>Gain (or loss) on disposal of real estate assets held for sale</b>	C1-5		
Proceeds from disposal – real estate assets		278	602
Less: carrying amount of real estate assets sold/written off		(125)	(496)
<b>Gain (or loss) on disposal</b>		<b>153</b>	<b>106</b>
<b>Gain (or loss) on disposal of investments</b>	C1-2		
Proceeds from disposal/redemptions/maturities – investments		23,044	23,546
Less: carrying amount of investments sold/redeemed/matured		(23,044)	(23,546)
<b>Gain (or loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>Gain (or loss) on disposal of term deposits</b>	C1-2		
Proceeds from disposal/redemptions/maturities – term deposits		–	–
Less: carrying amount of term deposits sold/redeemed/matured		–	–
<b>Gain (or loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>Net gain (or loss) on disposal of assets</b>		<b>264</b>	<b>(2,380)</b>

**Accounting policy**

Gains and losses on disposals are determined by comparing proceeds with carrying amount. 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.

## B5 Performance against budget

### B5-1 Material budget variations

Council's original budget was adopted by the Council on 23/06/2020 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

While these General Purpose Financial Statements include the original budget adopted by Council, the Act requires Council to review its financial budget on a quarterly basis, so it is able to manage the variation between actuals and budget that invariably occur during the year.

**Material variations of more than 10%** between original budget and actual results or where the variance is considered material by nature are explained below.

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

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----	
<b>REVENUES</b>				
Other revenues	825	902	77	9% <b>F</b>
Interest and investment revenue	670	119	(551)	(82)% <b>U</b>
The variance was due to a substantial decrease associated with the low interest rate environment. Council was also required to hold significant cash at call to ensure sufficient liquidity to fund capital works across the Parkes Shire.				
Net gains from disposal of assets	-	264	264	∞ <b>F</b>
Other income	-	216	216	∞ <b>F</b>
<b>EXPENSES</b>				
Employee benefits and on-costs	15,789	15,637	152	1% <b>F</b>
Materials and services	19,428	19,433	(5)	0% <b>U</b>
Borrowing costs	873	805	68	8% <b>F</b>
Depreciation, amortisation and impairment of non-financial assets	15,134	13,291	1,843	12% <b>F</b>
Decrease in depreciation expense in comparison to the budget was recorded following delays in completing the capital works program and consequently delaying asset capitalisation.				
Other expenses	606	892	(286)	(47)% <b>U</b>
Council incurred a significant increase in relation to the Emergency Services Levy of 38%, equating to an increase of \$172k in expenditure				
Net losses from disposal of assets	-	-	-	∞ <b>F</b>
<b>STATEMENT OF CASH FLOWS</b>				
Cash flows from operating activities	37,953	34,895	(3,058)	(8)% <b>U</b>
Cash flows from investing activities	(30,290)	(27,378)	2,912	(10)% <b>F</b>
Cash flows from financing activities	(946)	(946)	-	0% <b>F</b>

## C Financial position

### C1 Assets we manage

#### C1-1 Cash and cash equivalents

\$ '000	2021	2020
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	504	186
Cash-equivalent assets		
– Deposits at call	20,065	13,812
<b>Total cash and cash equivalents</b>	<b>20,569</b>	<b>13,998</b>

#### Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	20,569	13,998
<b>Balance as per the Statement of Cash Flows</b>	<b>20,569</b>	<b>13,998</b>

#### Accounting policy

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.

## C1-2 Financial investments

\$ '000	2021	2021	2020	2020
	Current	Non-current	Current	Non-current
<b>Financial assets at fair value through the profit and loss</b>				
NCD's, FRN's (with maturities > 3 months)	-	1,014	1,515	1,012
<b>Total</b>	<b>-</b>	<b>1,014</b>	<b>1,515</b>	<b>1,012</b>
<b>Debt securities at amortised cost</b>				
Long term deposits	7,500	1,000	2,650	2,500
<b>Total</b>	<b>7,500</b>	<b>1,000</b>	<b>2,650</b>	<b>2,500</b>
<b>Total financial investments</b>	<b>7,500</b>	<b>2,014</b>	<b>4,165</b>	<b>3,512</b>
<b>Total cash assets, cash equivalents and investments</b>	<b>28,069</b>	<b>2,014</b>	<b>18,163</b>	<b>3,512</b>

### Accounting policy

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, term deposits and cash and cash equivalents in the Statement of Financial Position. Term deposits with an initial term of more than 3 months are classified as investments rather than cash and cash equivalents.

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.

### 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.

## C1-3 Restricted cash, cash equivalents and investments

\$ '000	2021	2021	2020	2020
	Current	Non-current	Current	Non-current

**C1-3 Restricted cash, cash equivalents and investments (continued)**

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Total cash, cash equivalents and investments	<b>28,069</b>	<b>2,014</b>	18,163	3,512

\$ '000	2021	2020
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**Details of restrictions****External restrictions – included in liabilities**

Specific purpose unexpended grants – general fund	<b>7,705</b>	1,304
<b>External restrictions – included in liabilities</b>	<b>7,705</b>	1,304

**External restrictions – other**

External restrictions included in cash, cash equivalents and investments above comprise:

Developer contributions – general	<b>481</b>	335
Developer contributions – water fund	<b>4,908</b>	4,476
Developer contributions – sewer fund	<b>269</b>	123
Specific purpose unexpended grants (recognised as revenue) – general fund	<b>1,431</b>	2,065
Water fund	<b>6,196</b>	6,292
Sewer fund	<b>3,045</b>	1,406
Domestic waste management	<b>1,036</b>	832
Stormwater Management	<b>402</b>	227
<b>External restrictions – other</b>	<b>17,768</b>	15,756
<b>Total external restrictions</b>	<b>25,473</b>	17,060

**Internal restrictions**

Council has internally restricted cash, cash equivalents and investments as follows:

Employees leave entitlement	<b>579</b>	454
Risk Management Fund	<b>100</b>	100
Shire development	<b>2,367</b>	2,077
Parkes Plus	<b>916</b>	1,293
Town Improvement Fund	<b>517</b>	579
Childcare Services	<b>–</b>	43
Special Infrastructure Fund	<b>20</b>	–
<b>Total internal restrictions</b>	<b>4,499</b>	4,546
<b>Total restrictions</b>	<b>29,972</b>	21,606

Internal restrictions over cash, cash equivalents and investments are those assets restricted only by a resolution of the elected Council.

## C1-4 Receivables

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
<b>Purpose</b>				
Rates and annual charges	3,160	-	3,339	-
User charges and fees	2,877	-	2,484	-
Accrued revenues				
– Interest on investments	70	-	96	-
Government grants and subsidies	1,021	-	402	-
Net GST receivable	454	-	1,034	-
Other debtors	343	-	992	-
<b>Total</b>	<b>7,925</b>	<b>-</b>	<b>8,347</b>	<b>-</b>
<b>Less: provision of impairment</b>				
Rates and annual charges	(230)	-	(208)	-
Interest and extra charges	(51)	-	(71)	-
User charges and fees	(163)	-	(39)	-
<b>Total provision for impairment – receivables</b>	<b>(444)</b>	<b>-</b>	<b>(318)</b>	<b>-</b>
<b>Total net receivables</b>	<b>7,481</b>	<b>-</b>	<b>8,029</b>	<b>-</b>

\$ '000	2021	2020
<b>Movement in provision for impairment of receivables</b>		
Balance at the beginning of the year (calculated in accordance with AASB 139)	318	213
+ new provisions recognised during the year	126	105
<b>Balance at the end of the year</b>	<b>444</b>	<b>318</b>

### Accounting policy

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.

### Impairment

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

When estimating ECL, Council considers reasonable and supportable information that is relevant and available without undue 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.

Council uses the simplified approach for trade receivables where the expected lifetime credit losses are recognised on day 1.

When considering the ECL for rates and annual charges 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.

Credit losses are measured at 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.

Council writes off a receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

Where 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.

## C1-5 Inventories

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
<b>(i) Inventories at cost</b>				
Real estate for resale	1,079	3,198	156	4,246
Stores and materials	1,096	–	1,240	–
Trading stock	69	–	63	1
<b>Total inventories at cost</b>	<b>2,244</b>	<b>3,198</b>	<b>1,459</b>	<b>4,247</b>
<b>Total inventories</b>	<b>2,244</b>	<b>3,198</b>	<b>1,459</b>	<b>4,247</b>

### (i) Other disclosures

\$ '000	Notes	2021 Current	2021 Non-current	2020 Current	2020 Non-current
<b>(a) Details for real estate development</b>					
Residential		–	1,613	–	1,614
Industrial/commercial		1,079	1,585	156	2,632
<b>Total real estate for resale</b>		<b>1,079</b>	<b>3,198</b>	<b>156</b>	<b>4,246</b>

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

#### Represented by:

Acquisition costs	923	65	–	988
Development costs	156	3,133	156	3,258
<b>Total costs</b>	<b>1,079</b>	<b>3,198</b>	<b>156</b>	<b>4,246</b>
<b>Total real estate for resale</b>	<b>1,079</b>	<b>3,198</b>	<b>156</b>	<b>4,246</b>

#### Movements:

Real estate assets at beginning of the year		156	4,246	829	4,069
– Purchases and other costs		–	–	(177)	177
– WDV of sales (expense)	B4-1	(125)	–	(496)	–
– Transfer between current/non-current		1,048	(1,048)	–	–
<b>Total real estate for resale</b>		<b>1,079</b>	<b>3,198</b>	<b>156</b>	<b>4,246</b>

### (b) Current inventories 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	2021	2020
Real estate for resale	1,079	156
	<b>1,079</b>	<b>156</b>

### Accounting policy

#### Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on 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.

#### Land held for resale

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.

## C1-5 Inventories (continued)

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.

## C1-6 Contract assets and Contract cost assets

\$ '000	Notes	2021	2020
Contract assets	C1-6	1,682	2,052
<b>Total contract assets and contract cost assets</b>		<b>1,682</b>	<b>2,052</b>

### Contract assets

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Roadworks	360	-	381	-
Construction of Community Infrastructure	1,010	-	627	-
Construction of Logistics Hub	109	-	1,044	-
Water Infrastructure	203	-	-	-
<b>Total contract assets</b>	<b>1,682</b>	<b>-</b>	<b>2,052</b>	<b>-</b>

#### **Significant changes in contract assets**

Council has received funding to construct assets including roads, community infrastructure, national logistics hub and water infrastructure. The funds received are under an enforceable contract which requires Council to construct an identified asset which will be under Council's control on completion.

### Accounting policy

#### **Contract assets**

Contract assets represent Council's right to payment in exchange for goods or services the Council has transferred to a customer when that right is conditional on something other than the passage of time.

Contract assets arise when the amounts billed to customers are based on the achievement of various milestones established in the contract and therefore the amounts recognised as revenue in a given period do not necessarily coincide with the amounts billed to or certified by the customer. Once an invoice or payment claim is raised or the relevant milestone is reached, Council recognises a receivable.

Impairment of contract assets is assessed using the simplified expected credit loss model where lifetime credit losses are recognised on initial recognition.

## C1-7 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2020			Asset movements during the reporting period								At 30 June 2021		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000														
Capital work in progress	14,736	–	14,736	–	–	–	–	(6,284)	–	–	–	8,452	–	8,452
Plant and equipment	23,714	(12,732)	10,982	–	1,160	(268)	(1,366)	–	–	–	–	23,938	(13,430)	10,508
Office equipment	5,711	(4,406)	1,305	179	6	–	(267)	–	–	–	–	5,889	(4,666)	1,223
Furniture and fittings	1,075	(855)	220	206	12	–	(70)	–	–	–	–	1,083	(715)	368
<b>Land:</b>														
– Operational land	12,244	–	12,244	–	2,200	(99)	–	–	922	–	–	15,267	–	15,267
– Community land	11,039	–	11,039	–	128	–	–	–	(963)	–	3,325	13,529	–	13,529
– Land under roads (post 30/6/08)	64	–	64	–	–	–	–	–	41	–	–	105	–	105
<b>Infrastructure:</b>														
– Buildings – non-specialised	21,926	(8,515)	13,411	1,480	–	–	(441)	2,684	–	–	–	26,091	(8,957)	17,134
– Buildings – specialised	30,454	(12,505)	17,949	1,135	3,365	(250)	(296)	2,949	–	–	–	37,468	(12,616)	24,852
– Roads	420,658	(76,977)	343,681	7,711	988	(35)	(4,006)	107	–	–	–	428,068	(79,622)	348,446
– Bridges	15,731	(4,098)	11,633	–	19	–	(115)	–	–	–	–	15,750	(4,213)	11,537
– Footpaths	11,710	(3,303)	8,407	37	117	–	(166)	–	–	–	–	11,864	(3,469)	8,395
– Stormwater drainage	31,072	(7,008)	24,064	144	147	–	(240)	–	303	–	223	35,756	(11,115)	24,641
– Water supply network	225,560	(83,872)	141,688	962	3,090	–	(3,042)	544	–	–	1,314	232,243	(87,687)	144,556
– Sewerage network	88,067	(32,341)	55,726	133	16	(1)	(1,414)	–	–	–	501	89,025	(34,064)	54,961
– Swimming pools	7,838	(3,008)	4,830	6	–	–	(181)	–	(10)	–	395	8,808	(3,768)	5,040
– Airport assets	15,011	(3,335)	11,676	34	241	–	(187)	–	–	–	1,256	16,395	(3,375)	13,020
– Other open space/recreational assets	34,175	(10,601)	23,574	1,579	669	(30)	(701)	–	(303)	–	426	35,459	(10,245)	25,214
<b>Other assets:</b>														
– Library books	1,377	(861)	516	44	–	–	(138)	–	–	(49)	–	979	(606)	373
<b>Reinstatement, rehabilitation and restoration assets (refer Note C3-5):</b>														
– Tip assets	2,944	(366)	2,578	–	226	–	(39)	–	–	(357)	–	2,755	(347)	2,408
– Present Closure Obligations (Landfills, Treatment Plants & Gravel Quarries)	3,890	(412)	3,478	–	–	–	(420)	–	1,933	–	–	5,823	(832)	4,991
<b>Total infrastructure, property, plant and equipment</b>	<b>978,996</b>	<b>(265,195)</b>	<b>713,801</b>	<b>13,650</b>	<b>12,384</b>	<b>(683)</b>	<b>(13,089)</b>	<b>–</b>	<b>1,923</b>	<b>(406)</b>	<b>7,440</b>	<b>1,014,747</b>	<b>(279,727)</b>	<b>735,020</b>

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

## C1-7 Infrastructure, property, plant and equipment (continued)

By aggregated asset class	At 1 July 2019			Asset movements during the reporting period							At 30 June 2020		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
<b>\$ '000</b>													
Capital work in progress	14,509	–	14,509	314	–	(87)	–	–	–	–	14,736	–	14,736
Plant and equipment	23,137	(11,733)	11,404	47	935	(36)	(1,368)	–	–	–	23,714	(12,732)	10,982
Office equipment	5,561	(4,162)	1,399	123	27	–	(244)	–	–	–	5,711	(4,406)	1,305
Furniture and fittings	1,047	(791)	256	4	24	–	(64)	–	–	–	1,075	(855)	220
<b>Land:</b>													
– Operational land	10,951	–	10,951	95	122	(15)	–	1,091	–	–	12,244	–	12,244
– Community land	12,226	–	12,226	–	–	(92)	–	(1,095)	–	–	11,039	–	11,039
– Land under roads (post 30/6/08)	61	–	61	–	3	–	–	–	–	–	64	–	64
<b>Infrastructure:</b>													
– Buildings – non-specialised	24,032	(8,635)	15,397	196	–	(1,736)	(446)	–	–	–	21,926	(8,515)	13,411
– Buildings – specialised	28,972	(12,262)	16,710	871	610	–	(242)	–	–	–	30,454	(12,505)	17,949
– Roads	413,904	(86,075)	327,829	9,683	–	(507)	(4,144)	–	–	10,820	420,658	(76,977)	343,681
– Bridges	14,215	(3,763)	10,452	142	–	(9)	(101)	–	–	1,149	15,731	(4,098)	11,633
– Footpaths	10,651	(2,312)	8,339	1,427	99	(83)	(146)	–	(1,229)	–	11,710	(3,303)	8,407
– Stormwater drainage	28,555	(5,483)	23,072	318	–	(3)	(195)	–	–	872	31,072	(7,008)	24,064
– Water supply network	213,817	(80,097)	133,720	–	9,732	(21)	(2,999)	2	–	1,254	225,560	(83,872)	141,688
– Sewerage network	86,538	(30,617)	55,921	312	395	(1)	(1,424)	–	–	523	88,067	(32,341)	55,726
– Swimming pools	7,654	(2,830)	4,824	185	–	–	(179)	–	–	–	7,838	(3,008)	4,830
– Other open space/recreational assets	33,062	(9,942)	23,120	950	171	(4)	(663)	–	–	–	34,175	(10,601)	23,574
– Airport assets	14,415	(2,874)	11,541	537	59	–	(461)	–	–	–	15,011	(3,335)	11,676
<b>Other assets:</b>													
– Library books	1,306	(778)	528	70	–	–	(82)	–	–	–	1,377	(861)	516
<b>Reinstatement, rehabilitation and restoration assets (refer Note 15):</b>													
– Tip assets	2,910	(336)	2,574	–	33	–	(29)	–	–	–	2,944	(366)	2,578
- Present Closure Obligations (Landfills, Treatment Plants & Gravel Quarries)	4,499	–	4,499	–	–	(46)	(415)	(560)	–	–	3,890	(412)	3,478
<b>Total infrastructure, property, plant and equipment</b>	<b>952,022</b>	<b>(262,690)</b>	<b>689,332</b>	<b>15,274</b>	<b>12,210</b>	<b>(2,640)</b>	<b>(13,202)</b>	<b>(562)</b>	<b>(1,229)</b>	<b>14,618</b>	<b>978,996</b>	<b>(265,195)</b>	<b>713,801</b>

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

## C1-7 Infrastructure, property, plant and equipment (continued)

### Accounting policy

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.

### 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.

## C1-7 Infrastructure, property, plant and equipment (continued)

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### **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.

## C1-8 Intangible assets

Intangible assets are as follows:

\$ '000	2021	2020
<b>Software</b>		
<b>Opening values at 1 July</b>		
Gross book value	1,884	1,824
Accumulated amortisation	(480)	(286)
<b>Net book value – opening balance</b>	<b>1,404</b>	<b>1,538</b>
<b>Movements for the year</b>		
Purchases	12	60
Amortisation charges	(202)	(194)
<b>Closing values at 30 June</b>		
Gross book value	1,896	1,884
Accumulated amortisation	(682)	(480)
<b>Total software – net book value</b>	<b>1,214</b>	<b>1,404</b>
<b>Water Licences</b>		
<b>Opening values at 1 July</b>		
<b>Opening values at 1 July</b>		
Gross book value	1,585	1,296
<b>Net book value – opening balance</b>	<b>1,585</b>	<b>1,296</b>
<b>Movements for the year</b>		
Purchases	596	286
Other movements	–	1,296
<b>Closing values at 30 June</b>		
Gross book value	2,181	1,585
<b>Total Water Licences – net book value</b>	<b>2,181</b>	<b>1,585</b>
<b>Total intangible assets – net book value</b>	<b>3,395</b>	<b>2,989</b>

### Accounting policy

#### 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.

##### Water Licences

Costs capitalised include external direct costs associated with the purchase of the licence. These rights are valued each year and any associated impairment or fair revaluation increment are included.

## C1-9 Other

### Other assets

<b>\$ '000</b>	<b>2021 Current</b>	<b>2021 Non-current</b>	<b>2020 Current</b>	<b>2020 Non-current</b>
Prepayments	407	-	224	-
<b>Total other assets</b>	<b>407</b>	<b>-</b>	<b>224</b>	<b>-</b>

## C2 Leasing activities

### C2-1 Council as a lessee

Council has no leases associated with assets.

#### Leases at significantly below market value – concessionary / peppercorn leases

Council has a number of leases at significantly below market for land and buildings which are used for:

- community centres/groups
- cultural centre
- health services

The leases are generally between 1 and 5 years and require payments of a maximum amount of \$1,000 per year. The use of the right-to-use asset is restricted by the lessors to specified community services which Council must provide, these services are detailed in the leases.

None of the leases in place are individually material from a Statement of Financial Position or performance perspective.

### C2-2 Council as a lessor

#### Operating leases

Council leases out a number of properties for community groups and emergency services; these leases have been classified as operating leases for financial reporting purposes and the assets are included as IPP&E.

The amounts recognised in the Income Statement relating to operating leases where Council is a lessor are shown below:

\$ '000	2021	2020
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#### (i) Assets held as property, plant and equipment

Council provides operating leases on Council buildings for a variety of purposes including Commercial Buildings, Council Land, Aerodrome Hangers and Health Centres, the table below relates to operating leases on assets disclosed in C1-7.

Lease income	216	353
<b>Total income relating to operating leases for Council assets</b>	<b>216</b>	<b>353</b>

#### Amount of IPPE leased out by Council under operating leases

\$ '000	2021
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Buildings Specialised	1,164
Buildings Non-Specialised	2,131
Other Open Space/Recreational Assets	144
<b>Total amount of IPPE leased out by Council under operating leases</b>	<b>3,439</b>

\$ '000	2021	2020
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#### (ii) Maturity analysis of contractual lease income

Maturity analysis of future lease income receivable showing the undiscounted lease payments to be received after reporting date for operating leases:

< 1 year	135	175
1–2 years	47	63
2–3 years	17	48
3–4 years	8	22

continued on next page ...

**C2-2 Council as a lessor (continued)**

<b>\$ '000</b>	<b>2021</b>	<b>2020</b>
4–5 years	–	13
<b>Total undiscounted lease payments to be received</b>	<b>207</b>	<b>321</b>

**Accounting policy**

When Council is a lessor, the lease is classified as either an operating or finance lease at inception date, based on whether substantially all of the risks and rewards incidental to ownership of the asset have been transferred to the lessee. If the risks and rewards have been transferred then the lease is classified as a finance lease, otherwise it is an operating lease.

When Council has a sub-lease over an asset and is the intermediate lessor then the head lease and sub-lease are accounted for separately. The classification of the sub-lease is based on the right-of-use asset which arises from the head lease rather than the useful life of the underlying asset.

If the lease contains lease and non-lease components, the non-lease components are accounted for in accordance with AASB 15 *Revenue from Contracts with Customers*.

The lease income is recognised on a straight-line basis over the lease term for an operating lease and as finance income using amortised cost basis for finance leases.

## C3 Liabilities of Council

### C3-1 Payables

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
<b>Payables</b>				
Goods and services – operating expenditure	3,686	–	2,425	–
Accrued expenses:				
– Borrowings	154	–	167	–
– Salaries and wages	164	–	115	–
– Other expenditure accruals	508	–	248	–
Prepaid rates & receivables	781	–	659	–
Security bonds, deposits and retentions	89	–	46	–
<b>Total payables</b>	<b>5,382</b>	<b>–</b>	<b>3,660</b>	<b>–</b>
<b>Total payables</b>	<b>5,382</b>	<b>–</b>	<b>3,660</b>	<b>–</b>

#### Accounting policy

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.

#### Payables

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

### C3-2 Contract Liabilities

\$ '000	Notes	2021 Current	2021 Non-current	2020 Current	2020 Non-current
<b>Grants and contributions received in advance:</b>					
Unexpended capital grants (to construct Council controlled assets)	(i)	7,705	–	1,054	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	–	–	250	–
<b>Total grants received in advance</b>		<b>7,705</b>	<b>–</b>	<b>1,304</b>	<b>–</b>
<b>Total contract liabilities</b>		<b>7,705</b>	<b>–</b>	<b>1,304</b>	<b>–</b>

#### Notes

(i) Council has received funding to construct assets including roads, community infrastructure & logistics hubs. The funds received are under an enforceable contract which require Council to construct an identified asset which will be under Council's control on completion. The revenue is recognised as Council constructs the asset and the contract liability reflects the funding received which cannot yet be recognised as revenue. The revenue is expected to be recognised in the next 12 months.

(ii) The contract liability relates to grants received prior to the revenue recognition criteria in AASB 15 being satisfied since the performance obligations are ongoing.

#### Revenue recognised that was included in the contract liability balance at the beginning of the period

\$ '000	2021	2020
<b>Grants and contributions received in advance:</b>		
Capital grants (to construct Council controlled assets)	1,304	1,509

## C3-2 Contract Liabilities (continued)

<b>Total revenue recognised that was included in the contract liability balance at the beginning of the period</b>	<b>1,304</b>	<b>1,509</b>
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### Significant changes in contract liabilities

Council recorded a significant increase in contract liabilities as grant funding was received in advance. The grant funding will be used to upgrade roads and construct community infrastructure.

Significant contract liabilities are associated with the following;

- Spicer Oval Clubhouse Construction (Resources for Regions)
- Currajong Street Rehabilitation, Cookamidgera Road & East Street Upgrades (Fixing Local Roads)
- Trundle Main Street Upgrade (Your High Street)
- Trundle Pool Upgrade (Crown Land Reserves)

The recognition of this income will occur once the performance obligations are satisfied.

### Accounting policy

Contract liabilities are recorded when consideration is received from a customer / fund provider prior to Council transferring a good or service to the customer, Council presents the funds which exceed revenue recognised as a contract liability.

## C3-3 Borrowings

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Loans – secured <sup>1</sup>	988	18,208	947	19,195
<b>Total borrowings</b>	<b>988</b>	<b>18,208</b>	<b>947</b>	<b>19,195</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.

### (a) Changes in liabilities arising from financing activities

\$ '000	2020		Non-cash movements			2021
	Opening Balance	Cash flows	Acquisition	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	20,142	(946)	–	–	–	19,196
<b>Total liabilities from financing activities</b>	<b>20,142</b>	<b>(946)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>19,196</b>

\$ '000	2019		Non-cash movements			2020
	Opening Balance	Cash flows	Acquisition	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	21,044	(902)	–	–	–	20,142
<b>Total liabilities from financing activities</b>	<b>21,044</b>	<b>(902)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>20,142</b>

### C3-3 Borrowings (continued)

#### (b) Financing arrangements

\$ '000	2021	2020
<b>Total facilities</b>		
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</b>		
– Credit cards/purchase cards	28	6
<b>Total drawn financing arrangements</b>	<b>28</b>	<b>6</b>
<b>Undrawn facilities</b>		
– Bank overdraft facilities	100	100
– Credit cards/purchase cards	122	144
<b>Total undrawn financing arrangements</b>	<b>222</b>	<b>244</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

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.

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.

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

### C3-4 Employee benefit provisions

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Annual leave	1,402	–	1,523	–
Long service leave	3,487	303	3,692	417
RDO's & ELE WC On-Costs	267	–	249	11
<b>Total employee benefit provisions</b>	<b>5,156</b>	<b>303</b>	<b>5,464</b>	<b>428</b>

#### Current employee benefit provisions not anticipated to be settled within the next twelve months

\$ '000	2021	2020
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	3,099	3,377
	<b>3,099</b>	<b>3,377</b>

## C3-4 Employee benefit provisions (continued)

### Description of and movements in provisions

#### Accounting policy

Employee benefit provisions are presented as current liabilities in the Statement of Financial Position if 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 and therefore all annual leave and vested long service leave (or that which vests within 12 months) is presented as current.

#### 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.

## C3-5 Provisions

\$ '000	2021 Current	2021 Non-Current	2020 Current	2020 Non-Current
<b>Asset remediation/restoration:</b>				
Asset remediation/restoration (future works)	280	6,799	260	4,839
<b>Sub-total – asset remediation/restoration</b>	<b>280</b>	<b>6,799</b>	<b>260</b>	<b>4,839</b>
<b>Total provisions</b>	<b>280</b>	<b>6,799</b>	<b>260</b>	<b>4,839</b>

### Description of and movements in provisions

\$ '000	Other provisions	
	Asset remediation	Net carrying amount
<b>2021</b>		
At beginning of year	5,099	5,099
Unwinding of discount	47	47
Present Closure Obligation (Assets)	1,933	1,933
Total other provisions at end of year	<b>7,079</b>	<b>7,079</b>
<b>2020</b>		
At beginning of year	5,643	5,643
Present Closure Obligation (Assets)	(544)	(544)
Total other provisions at end of year	<b>5,099</b>	<b>5,099</b>

## C3-5 Provisions (continued)

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### Nature and purpose of provisions

#### Asset remediation

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

#### Accounting policy

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.

#### Asset remediation – tips and quarries

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 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.

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 infrastructure, property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate.

## C4 Reserves

### C4-1 Nature and purpose of reserves

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#### Infrastructure, property, plant and equipment revaluation reserve

The infrastructure, property, plant and equipment (IPPE) revaluation reserve is used to record increments and decrements in the revaluation of infrastructure, property, plant and equipment.

## D Council structure

### D1 Results by fund

General fund refers to all Council activities other than water and sewer. All amounts disclosed in this note are gross i.e. inclusive of 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.

#### D1-1 Income Statement by fund

\$ '000	General 2021	Water 2021	Sewer 2021
<b>Income from continuing operations</b>			
Rates and annual charges	16,785	1,470	3,167
User charges and fees	5,084	10,046	476
Interest and investment revenue	90	25	4
Other revenues	881	5	16
Grants and contributions provided for operating purposes	15,221	–	–
Grants and contributions provided for capital purposes	7,961	1,478	145
Net gains from disposal of assets	248	17	(1)
Other income	187	14	15
<b>Total income from continuing operations</b>	<b>46,457</b>	<b>13,055</b>	<b>3,822</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	13,652	1,397	588
Materials and services	13,576	4,701	1,156
Borrowing costs	471	218	116
Depreciation, amortisation and impairment of non-financial assets	8,562	3,148	1,581
Other expenses	812	80	–
<b>Total expenses from continuing operations</b>	<b>37,073</b>	<b>9,544</b>	<b>3,441</b>
<b>Operating result from continuing operations</b>	<b>9,384</b>	<b>3,511</b>	<b>381</b>
<b>Net operating result for the year</b>	<b>9,384</b>	<b>3,511</b>	<b>381</b>
<b>Net operating result attributable to each council fund</b>	<b>9,384</b>	<b>3,511</b>	<b>381</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>1,423</b>	<b>2,033</b>	<b>236</b>

## D1-2 Statement of Financial Position by fund

\$ '000	General 2021	Water 2021	Sewer 2021
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	10,709	7,593	2,267
Investments	3,421	3,142	937
Receivables	4,043	2,302	1,136
Inventories	2,187	51	6
Contract assets and contract cost assets	1,479	203	–
Other	407	–	–
<b>Total current assets</b>	<b>22,246</b>	<b>13,291</b>	<b>4,346</b>
<b>Non-current assets</b>			
Investments	1,535	369	110
Inventories	3,198	–	–
Infrastructure, property, plant and equipment	528,901	148,610	57,509
Intangible assets	1,214	2,181	–
<b>Total non-current assets</b>	<b>534,848</b>	<b>151,160</b>	<b>57,619</b>
<b>TOTAL ASSETS</b>	<b>557,094</b>	<b>164,451</b>	<b>61,965</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	4,794	563	25
Contract liabilities	7,705	–	–
Borrowings	628	360	–
Employee benefit provision	4,403	532	221
Provisions	91	73	116
<b>Total current liabilities</b>	<b>17,621</b>	<b>1,528</b>	<b>362</b>
<b>Non-current liabilities</b>			
Borrowings	7,559	6,649	4,000
Employee benefit provision	258	32	13
Provisions	2,208	1,776	2,815
<b>Total non-current liabilities</b>	<b>10,025</b>	<b>8,457</b>	<b>6,828</b>
<b>TOTAL LIABILITIES</b>	<b>27,646</b>	<b>9,985</b>	<b>7,190</b>
<b>Net assets</b>	<b>529,448</b>	<b>154,466</b>	<b>54,775</b>
<b>EQUITY</b>			
Accumulated surplus	396,713	115,531	36,926
Revaluation reserves	132,735	38,935	17,849
<b>Council equity interest</b>	<b>529,448</b>	<b>154,466</b>	<b>54,775</b>
<b>Total equity</b>	<b>529,448</b>	<b>154,466</b>	<b>54,775</b>

## E Risks and accounting uncertainties

### E1-1 Risks relating to financial instruments held

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's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital. The finance team manages the cash and Investments portfolio with the assistance of independent advisors. Council has an investment policy which complies with the s 625 of the Act and the Ministerial Investment Order. The policy is regularly reviewed by Council and a monthly investment report is provided to Council setting out the make-up performance of the portfolio as required by local government regulations.

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 the finance team under policies approved by the Councillors.

The fair value of Council's financial assets and financial liabilities approximates their carrying amount.

The risks associated with the financial instruments held are:

- interest rate risk – the risk that movements in interest rates could affect returns
- 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 a contracting entity will not complete its obligations under a financial instrument, resulting in a financial loss to the Council.

Council manages these risks 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 cash and investments.

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

\$ '000	2021	2020
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.		
Impact of a 1% movement in interest rates		
– Equity / Income Statement	10	25
Impact of a 10% movement in price of investments		
– Equity / Income Statement	101	253

#### (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.

## E1-1 Risks relating to financial instruments held (continued)

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

## E1-1 Risks relating to financial instruments held (continued)

### Credit risk profile

#### Receivables – rates and annual charges

Credit risk on rates and annual charges is minimised by the ability of Council to recover these debts as a secured charge over the land; 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 payment.

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
<b>2021</b>						
Gross carrying amount	974	1,050	590	469	77	3,160
2020						
Gross carrying amount	891	1,454	180	745	69	3,339

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

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

The loss allowance provision 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>2021</b>						
Gross carrying amount	3,877	2	5	34	847	4,765
Expected loss rate (%)	0.00%	0.00%	0.00%	7.00%	25.00%	4.49%
<b>ECL provision</b>	–	–	–	<b>2</b>	<b>212</b>	<b>214</b>
2020						
Gross carrying amount	4,260	3	20	239	486	5,008
Expected loss rate (%)	0.00%	0.00%	0.00%	5.50%	20.00%	2.20%
<b>ECL provision</b>	–	–	–	<b>13</b>	<b>97</b>	<b>110</b>

## E1-1 Risks relating to financial instruments held (continued)

### (c) Liquidity risk

Payables, lease liabilities and borrowings are both subject to liquidity risk; that is, 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 by maintaining an adequate cash buffer. Payment terms can be extended, and overdraft facilities drawn upon in extenuating circumstances.

Borrowings are also subject to interest rate risk: the risk that movements in interest rates could adversely affect funding costs. 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 for non-lease liabilities (refer to Note C2-1(b) for lease liabilities) 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	payable in: ≤ 1 Year	1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
<b>2021</b>							
Trade/other payables	0.00%	89	4,512	–	–	4,601	4,601
Loans and advances	3.85%	–	1,708	9,222	12,881	23,811	19,196
<b>Total financial liabilities</b>		<b>89</b>	<b>6,220</b>	<b>9,222</b>	<b>12,881</b>	<b>28,412</b>	<b>23,797</b>
<b>2020</b>							
Trade/other payables	0.00%	46	3,614	–	–	3,660	3,660
Loans and advances	3.90%	–	1,713	5,703	18,108	25,524	20,142
<b>Total financial liabilities</b>		<b>46</b>	<b>5,327</b>	<b>5,703</b>	<b>18,108</b>	<b>29,184</b>	<b>23,802</b>

### Loan agreement breaches

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

## E2-1 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).

\$ '000	Notes	Fair value measurement hierarchy					
		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2021	2020	2021	2020	2021	2020
<b>Recurring fair value measurements</b>							
At fair value through profit or loss							
	C1-7	–	–	1,014	2,527	1,014	2,527
<b>Infrastructure, property, plant and equipment</b>							
Plant and equipment		–	–	10,508	10,982	10,508	10,982
Office equipment		–	–	1,223	1,305	1,223	1,305
Furniture and fittings		–	–	368	220	368	220
Operational land		–	–	15,267	12,244	15,267	12,244
Community land		913	–	12,616	11,039	13,529	11,039
Land under roads		–	–	105	64	105	64
Buildings non-specialised		–	–	17,134	13,411	17,134	13,411
Buildings specialised		–	–	24,852	17,949	24,852	17,949
Roads		–	–	348,446	343,681	348,446	343,681
Bridges		–	–	11,537	11,633	11,537	11,633
Footpaths		–	–	8,395	8,407	8,395	8,407
Tips		–	–	2,408	2,578	2,408	2,578
Library books		–	–	373	516	373	516
Storm water drainage		–	–	24,641	24,064	24,641	24,064
Water supply network		–	–	144,556	141,688	144,556	141,688
Capital work in progress		–	–	8,452	14,736	8,452	14,736
Sewerage network		–	–	54,961	55,726	54,961	55,726
Swimming pools		–	–	5,040	4,830	5,040	4,830
Airport assets		–	–	13,020	11,676	13,020	11,676
Other open space / recreational assets		–	–	25,214	23,574	25,214	23,574
Present Closure Obligations		–	–	4,991	3,478	4,991	3,478
<b>Total infrastructure, property, plant and equipment</b>		<b>913</b>	<b>–</b>	<b>734,107</b>	<b>713,801</b>	<b>735,020</b>	<b>713,801</b>

## E2-1 Fair value measurement (continued)

### Valuation techniques

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 (IPPE)

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.

#### 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, 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" (Heinza Lindemann C.P.V. Registered Valuer) in April 2021 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, 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 2 & 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.

## E2-1 Fair value measurement (continued)

### 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 2020. Talis Consulting were engaged to provide a condition assessment for sealed roads, footpaths and kerb and gutter. Condition rating has been based on the IPWEA Practice Note 9 2016 (IPWEA PN9). Pitt & Sherry were engaged a consultant to undertake thorough conditions assessment of all bridge structures as per RMS Bridge Inspection Procedures. Condition assessment and rating for other transport assets have been undertaken by trained Council staff as per council procedures.

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 2019/20 encompassing 100% of the network. The assets have been given a condition index based on visual and measured data. There has been no change to the valuation process during the reporting period.

### Drainage Infrastructure

Assets within this class comprise pits, pipes, open channels, headwalls and various types of water quality devices.

The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. The Level of componentisation adopted by Council is in accordance with OLG Circular 09- 09 and the Institute of Public Works Engineers Australia's International Infrastructure Management Manual (IIMM). While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar could be supported from market evidence, 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 2019/20.

### 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.

## E2-1 Fair value measurement (continued)

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" (Heinza Lindemann C.P.V. Registered Valuer) in April 2021 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.

### Other Open Space/Recreational Assets

Other Open Space/Recreational Assets were valued by "AssetVal" (Heinza Lindemann C.P.V. Registered Valuer) in April 2021 using a cost approach. Assets within this class comprise Tennis Courts, Cricket Nets, Synthetic Surfaces, BBQs, Regional Sporting Facilities, Parkes and Gardens and Playgrounds. 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.

### 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 2016/17 to 2020/21 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 2016/17 to 2020/21 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 2065 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.

## E2-1 Fair value measurement (continued)

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

#### 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 E2-1)	<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 E2-1)	<ul style="list-style-type: none"> <li>• Price /Sq. Metre</li> <li>• Impact of Restrictions</li> </ul>
Community land	Market & Cost Approach - Land values obtained from the Valuers Report (Refer Note E2-1)	<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 E2-1)	<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 E2-1)	<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 E2-1)	<ul style="list-style-type: none"> <li>• Gross Replacement Cost</li> <li>• Asset Condition</li> <li>• Remaining Useful Life</li> </ul>
Bridges	Cost Approach - Unit Rates per m2 or length (Refer Note E2-1)	<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 E2-1)	<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 E2-1)	<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 E2-1)	<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 E2-1)	<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 E2-1)	<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 E2-1)	<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 E2-1)	<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 E2-1)	<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 E2-1)	<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>

## E2-1 Fair value measurement (continued)

A reconciliation of the movements in recurring fair value measurements allocated to Level 3 of the hierarchy is provided below:

\$ '000	Office equipment		Furniture and fittings		Operational Land		Community Land	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>Opening balance</b>	<b>1,305</b>	1,399	<b>220</b>	256	<b>12,244</b>	10,951	<b>11,039</b>	12,226
<b>Total gains or losses for the period</b>								
<b>Other movements</b>								
Transfers from/(to) level 2 FV hierarchy	-	-	-	-	-	-	(913)	-
Transfers from/(to) another asset class	-	-	-	-	922	1,091	(963)	(1,095)
Purchases (GBV)	185	150	218	28	2,200	217	128	-
Disposals (WDV)	-	-	-	-	(99)	(15)	-	(92)
Depreciation and impairment	(267)	(244)	(70)	(64)	-	-	-	-
Revaluation Adjustments	-	-	-	-	-	-	3,325	-
<b>Closing balance</b>	<b>1,223</b>	1,305	<b>368</b>	220	<b>15,267</b>	12,244	<b>12,616</b>	11,039

\$ '000	Land under Roads		Buildings non-specialised		Buildings specialised		Roads, bridges and footpaths	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>Opening balance</b>	<b>64</b>	61	<b>13,411</b>	15,397	<b>17,949</b>	16,710	<b>363,721</b>	346,620
<b>Total gains or losses for the period</b>								
<b>Other movements</b>								
Transfers from/(to) another asset class	41	-	4,164	-	-	-	-	-
Purchases (GBV)	-	3	-	196	7,449	1,481	8,979	11,351
Disposals (WDV)	-	-	-	(1,736)	(250)	-	(35)	(599)
Depreciation and impairment	-	-	(441)	(446)	(296)	(242)	(4,287)	(4,391)
Revaluation Adjustments	-	-	-	-	-	-	-	10,740
<b>Closing balance</b>	<b>105</b>	64	<b>17,134</b>	13,411	<b>24,852</b>	17,949	<b>368,378</b>	363,721

## E2-1 Fair value measurement (continued)

\$ '000	Stormwater drainage		Water supply network		Sewerage network		Airport assets	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>Opening balance</b>	<b>24,064</b>	23,072	<b>141,688</b>	133,720	<b>55,726</b>	55,921	<b>11,676</b>	11,541
<b>Total gains or losses for the period</b>								
<b>Other movements</b>								
Transfers from/(to) another asset class	303	–	–	2	–	–	–	–
Purchases (GBV)	291	318	4,596	9,732	149	707	275	596
Disposals (WDV)	–	(3)	–	(21)	(1)	(1)	–	–
Depreciation and impairment	(240)	(195)	(3,042)	(2,999)	(1,414)	(1,424)	(187)	(461)
Revaluation Adjustments	223	872	1,314	1,254	501	523	1,256	–
<b>Closing balance</b>	<b>24,641</b>	24,064	<b>144,556</b>	141,688	<b>54,961</b>	55,726	<b>13,020</b>	11,676

\$ '000	Library books		Other assets		Swimming pools		Tip assets	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>Opening balance</b>	<b>516</b>	528	<b>23,574</b>	23,120	<b>4,830</b>	4,824	<b>2,578</b>	2,574
<b>Total gains or losses for the period</b>								
<b>Other movements</b>								
Transfers from/(to) another asset class	–	–	(303)	–	(10)	–	–	–
Purchases (GBV)	44	70	2,248	1,121	6	185	226	33
Disposals (WDV)	–	–	(30)	(4)	–	–	–	–
Depreciation and impairment	(138)	(82)	(701)	(663)	(181)	(179)	(39)	(29)
Revaluation Adjustments	(49)	–	426	–	395	–	(357)	–
<b>Closing balance</b>	<b>373</b>	516	<b>25,214</b>	23,574	<b>5,040</b>	4,830	<b>2,408</b>	2,578

## E2-1 Fair value measurement (continued)

\$ '000	Plant and equipment		Capital Works in Progress		Present Closure Obligations		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
<b>Opening balance</b>	<b>10,982</b>	11,404	<b>14,736</b>	14,509	<b>3,478</b>	4,499	<b>713,801</b>	<b>689,332</b>
Transfers from/(to) level 2 FV hierarchy	-	-	-	-	-	-	<b>(913)</b>	-
Transfers from/(to) another asset class	-	-	-	-	-	(560)	<b>4,154</b>	<b>(562)</b>
Purchases (GBV)	<b>1,160</b>	982	<b>(6,284)</b>	314	<b>1,933</b>	-	<b>23,803</b>	<b>27,484</b>
Disposals (WDV)	<b>(268)</b>	(36)	-	(87)	<b>(420)</b>	(46)	<b>(1,103)</b>	<b>(2,640)</b>
Depreciation and impairment	<b>(1,366)</b>	(1,368)	-	-	-	(415)	<b>(12,669)</b>	<b>(13,202)</b>
Revaluation Adjustments	-	-	-	-	-	-	<b>7,034</b>	<b>13,389</b>
<b>Closing balance</b>	<b>10,508</b>	10,982	<b>8,452</b>	14,736	<b>4,991</b>	3,478	<b>734,107</b>	<b>713,801</b>

### 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.

## E3-1 Contingencies

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:

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 2019. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2019.

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 2021 was \$299,010.30.

The last formal valuation of the Fund was by the Actuary, Mr Richard Boyfield, relating to the period ended 30 June 2020.

## E3-1 Contingencies (continued)

Council's expected contribution to the fund for the next annual reporting period is \$342,437.28

The estimated employer reserves financial position for the Pooled Employers at 30 June 2021 is:

<b>Employer reserves only *</b>	<b>\$millions</b>	<b>Asset Coverage</b>
Assets	2,620.50	
Past Service Liabilities	2,445.60	107.2%
Vested Benefits	2,468.70	106.2%

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

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

Investment return	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 final end of year triennial review will be completed around November/ December 2021.

Council's additional lump sum contribution is around 0.53% 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.

## E3-1 Contingencies (continued)

---

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.

## F People and relationships

### F1 Related party disclosures

#### F1-1 Key management personnel (KMP)

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	2021	2020
<b>Compensation:</b>		
Short-term benefits	999	1,066
Post-employment benefits	92	80
Other long-term benefits	124	104
<b>Total</b>	<b>1,215</b>	<b>1,250</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	Transactions during the year	Outstanding balances including commitments	Terms and conditions	Impairment provision on outstanding balances	Impairment expense
\$ '000						
<b>2021</b>						
<b>Lease</b>	1	-	-	Property maintenance as required and annual payment of council rates and building insurance premium	-	-
<b>Supplier of Goods</b>	2	76	-	Normal payment terms in accordance with council's procurement process (76 transactions)	-	-
<b>Supplier of Goods</b>	3	82	-	Normal payment terms in accordance with council's procurement process (82 transactions)	-	-
<b>Supplier of Services</b>	4	19	-	Normal payment terms in accordance with council's procurement process (19 transactions)	-	-
<b>2020</b>						

continued on next page ...

## F1-1 Key management personnel (KMP) (continued)

Nature of the transaction	Ref	Transactions during the year	Outstanding balances including commitments	Terms and conditions	Impairment provision on outstanding balances	Impairment expense
\$ '000						
Lease	1	4	–	Property maintenance as required and annual payment of council rates and building insurance premium	–	–
Supplier of Goods	2	55	–	Normal payment terms in accordance with council's procurement process (55 transactions)	–	–
Supplier of Goods	3	62	–	Normal payment terms in accordance with council's procurement process (62 transactions)	–	–
Supplier of Services	4	17	–	Normal payment terms in accordance with council's procurement process (17 transactions)	–	–

- 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 Council entered into a commercial lease agreement with Shon Pty Ltd for 257 Clarinda Street, Parkes. The company is jointly owned and controlled by a Council KPM and a close family member

## F1-2 Councillor and Mayoral fees and associated expenses

\$ '000	2021	2020
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	28	27
Councillors' fees	125	122
Other Councillors' expenses (including Mayor)	22	27
<b>Total</b>	<b>175</b>	<b>176</b>

## F2 Other relationships

### F2-1 Audit fees

\$ '000	2021	2020
During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms		
<b>Auditors of the Council - NSW Auditor-General:</b>		
<b>(i) Audit and other assurance services</b>		
Audit and review of financial statements	63	67
<b>Remuneration for audit and other assurance services</b>	<b>63</b>	<b>67</b>
<b>Total Auditor-General remuneration</b>	<b>63</b>	<b>67</b>
<b>Total audit fees</b>	<b>63</b>	<b>67</b>

## G Other matters

### G1-1 Statement of Cash Flows information

#### Reconciliation of net operating result to cash provided from operating activities

\$ '000	2021	2020
<b>Net operating result from Income Statement</b>	<b>13,276</b>	9,750
<b>Adjust for non-cash items:</b>		
Depreciation and amortisation	13,291	13,396
Net losses/(gains) on disposal of assets	(264)	2,380
Adoption of AASB 15/1058	–	(1,509)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investments classified as 'at fair value' or 'held for trading'	(19)	(26)
Unwinding of discount rates on reinstatement provisions	47	–
<b>+/- Movement in operating assets and liabilities and other cash items:</b>		
Decrease/(increase) in receivables	422	2,367
Increase/(decrease) in provision for impairment of receivables	126	105
Decrease/(increase) in inventories	139	(172)
Decrease/(increase) in other current assets	(183)	(148)
Decrease/(increase) in contract assets	370	(2,052)
Increase/(decrease) in payables	1,261	322
Increase/(decrease) in accrued interest payable	(13)	(8)
Increase/(decrease) in other accrued expenses payable	309	(799)
Increase/(decrease) in other liabilities	165	(50)
Increase/(decrease) in contract liabilities	6,401	1,304
Increase/(decrease) in provision for employee benefits	(433)	(533)
Increase/(decrease) in other provisions	–	(544)
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>	<b>34,895</b>	<b>23,783</b>

## G2-1 Commitments

### Capital commitments (exclusive of GST)

\$ '000	2021	2020
---------	------	------

Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

#### Property, plant and equipment

Buildings	337	359
Plant and equipment	634	4
Roads & Footpaths	395	116
Water	919	253
Sewer	80	12
Open Space & Recreation	240	37
Other – Rural Fire Service	–	54
Other - Economic Affairs	943	–
<b>Total commitments</b>	<b>3,548</b>	<b>835</b>

#### These expenditures are payable as follows:

Within the next year	3,548	835
<b>Total payable</b>	<b>3,548</b>	<b>835</b>

#### Sources for funding of capital commitments:

Unrestricted general funds	39	15
Unexpended grants	2,450	417
Externally restricted reserves	304	265
Internally restricted reserves	755	138
<b>Total sources of funding</b>	<b>3,548</b>	<b>835</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 Central West Children's Services Facility Upgrade, Upgrades to Shire Roads & Footpaths Network & Construction of the Parkes National Logistics Hub.

### G3-1 Events occurring after the reporting date

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

## G4 Statement of developer contributions as at 30 June 2021

### G4-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
<b>S7.12 levies – under a plan</b>	335	144	–	2	–	–	481	–
<b>Total S7.11 and S7.12 revenue under plans</b>	335	144	–	2	–	–	481	–
S64 contributions	4,599	564	–	14	–	–	5,177	–
<b>Total contributions</b>	<b>4,934</b>	<b>708</b>	<b>–</b>	<b>16</b>	<b>–</b>	<b>–</b>	<b>5,658</b>	<b>–</b>

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.

### S7.12 Levies – under a plan

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
<b>CONTRIBUTION PLAN NUMBER S94A - Established 5 August 2016</b>								
Active Movement	111	43	–	1	–	30	185	–
Community facilities	5	29	–	–	–	(30)	4	–
Open space	158	43	–	1	–	–	202	–
Parking	61	29	–	–	–	–	90	–
<b>Total</b>	<b>335</b>	<b>144</b>	<b>–</b>	<b>2</b>	<b>–</b>	<b>–</b>	<b>481</b>	<b>–</b>

## G5 Statement of performance measures

### G5-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2021	Indicator 2021	Indicator 2020	Benchmark
<b>1. Operating performance ratio</b>				
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>3,535</b>	<b>6.61%</b>	4.98%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>53,467</b>			
<b>2. Own source operating revenue ratio</b>				
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	<b>38,246</b>	<b>60.66%</b>	59.10%	> 60.00%
Total continuing operating revenue <sup>1</sup>	<b>63,051</b>			
<b>3. Unrestricted current ratio</b>				
Current assets less all external restrictions	<b>11,647</b>	<b>0.77x</b>	2.48x	> 1.50x
Current liabilities less specific purpose liabilities	<b>15,189</b>			
<b>4. Debt service cover ratio</b>				
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>17,631</b>	<b>10.07x</b>	9.44x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>1,751</b>			
<b>5. Rates and annual charges outstanding percentage</b>				
Rates and annual charges outstanding	<b>2,879</b>	<b>11.76%</b>	13.16%	< 10.00%
Rates and annual charges collectable	<b>24,482</b>			
<b>6. Cash expense cover ratio</b>				
Current year's cash and cash equivalents plus all term deposits	<b>29,069</b>	<b>9.57 mths</b>	6.00 mths	> 3.00 mths
Monthly payments from cash flow of operating and financing activities	<b>3,038</b>			

(1) Excludes fair value increments on investment properties, reversal of revaluation decrements, reversal of impairment losses on receivables, net gain on sale of assets and net share of interests in joint ventures and associates using the equity method and includes pensioner rate subsidies

(2) Excludes impairment/revaluation decrements of IPPE, fair value decrements on investment properties, net loss on disposal of assets and net loss on share of interests in joint ventures and associates using the equity method

## G5-2 Statement of performance measures by fund

\$ '000	General Indicators <sup>3</sup>		Water Indicators		Sewer Indicators		Benchmark
	2021	2020	2021	2020	2021	2020	
<b>1. Operating performance ratio</b>							
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>3.04%</b>	4.56%	<b>18.46%</b>	8.64%	<b>6.44%</b>	(4.02)%	> 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>49.77%</b>	49.23%	<b>88.70%</b>	89.75%	<b>96.21%</b>	96.69%	> 60.00%
Total continuing operating revenue <sup>1</sup>							
<b>3. Unrestricted current ratio</b>							
Current assets less all external restrictions	<b>0.77x</b>	1.83x	<b>8.70x</b>	12.41x	<b>12.01x</b>	11.16x	> 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>9.69x</b>	9.99x	<b>9.42x</b>	8.48x	<b>16.67x</b>	8.76x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
<b>5. Rates and annual charges outstanding percentage</b>							
Rates and annual charges outstanding	<b>7.98%</b>	10.05%	<b>23.27%</b>	21.38%	<b>30.09%</b>	31.02%	< 10.00%
Rates and annual charges collectable							
<b>6. Cash expense cover ratio</b>							
Current year's cash and cash equivalents plus all term deposits	<b>6.31</b>	4.28	<b>19.76</b>	19.29	<b>21.37</b>	8.72	> 3.00
Monthly payments from cash flow of operating and financing activities	<b>mths</b>	mths	<b>mths</b>	mths	<b>mths</b>	mths	mths

(1) - (2) Refer to Notes at Note G6-1 above.

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

## H Additional Council disclosures (unaudited)

### H1-1 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 Statement by Councillors and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2021, the Statement of Financial Position as at 30 June 2021, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

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 prepared, 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 2021, 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 (including Independence Standards)' (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 2021 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 statement 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.

### **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.

The scope of my audit does not include, nor 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 B5-1 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  
Delegate of the Auditor-General for New South Wales

27 October 2021  
SYDNEY



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

Contact: Karen Taylor  
Phone no: 02 9275 7311  
Our ref: D2028447/1775

27 October 2021

Dear Mayor

**Report on the Conduct of the Audit  
for the year ended 30 June 2021  
Parkes Shire Council**

I have audited the general purpose financial statements (GPFS) of the Parkes Shire Council (the Council) for the year ended 30 June 2021 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 2021 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

	2021	2020	Variance
	\$m	\$m	%
Rates and annual charges revenue	21.4	20.7	↑ 3.4
Grants and contributions revenue	24.8	24.9	↓ 0.4
Operating result from continuing operations	13.3	9.7	↑ 37.1
Net operating result before capital grants and contributions	3.7	0.1	↑ 3,600

Rates and annual charges revenue (\$21.4 million) increased by \$0.7 million (3.4 per cent) in 2020–21. This was due to rate peg of 2.6 per cent plus an overall increase of 10 per cent to sewerage charges compared to the prior year.

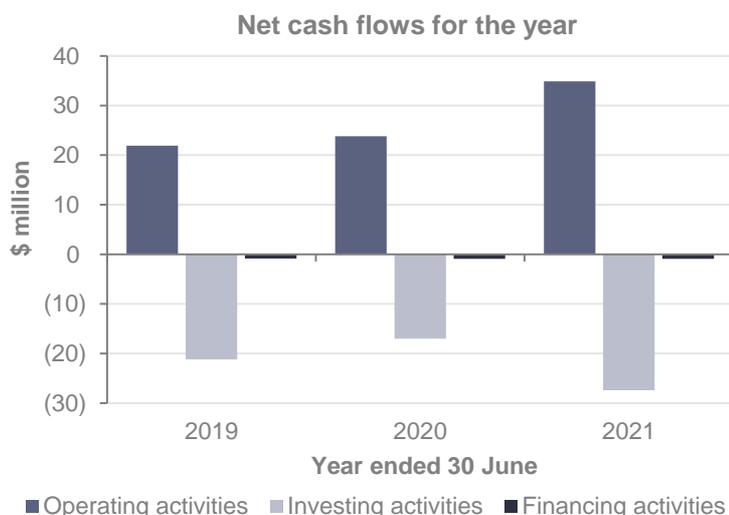
Grants and contributions revenue (\$24.8 million) decreased by \$0.1 million in 2020–21. Whilst there were some changes in the purposes for which funding was received during the year, the relative mix of operational and capital funding remained consistent.

The Council's operating result from continuing operations (\$13.3 million including depreciation and amortisation expense of \$13.3 million) was \$3.6 million higher than the 2019–20 result.

The net operating result before capital grants and contributions (\$3.7 million) was \$3.6 million higher than the 2019–20 result (\$0.1 million).

## STATEMENT OF CASH FLOWS

Cash receipts for grants and contributions during the year were \$5.9 million higher than the previous year, resulting in higher cashflows from operating activities.



## FINANCIAL POSITION

### Cash and investments

Cash and investments	2021	2020	Commentary
	\$m	\$m	
<b>Total cash, cash equivalents and investments</b>	<b>30.1</b>	<b>21.7</b>	Externally restricted balances included unexpended grants.
Restricted cash and investments:			Balances are internally restricted due to Council policy or decisions for forward plans including work programs
• External restrictions	25.5	17.1	
• Internal restrictions	4.5	4.5	

### Debt

At 30 June 2021, Council had external borrowings of \$19.2 million (2020: \$20.1 million). The loans are secured against Council's general rating income.

At 30 June 2021, Council had access to a \$100,000 (30 June 2020: \$100,000) bank overdraft facility and \$150,000 credit card facility (30 June 2020: \$150,000). At 30 June 2021, the overdraft facility was unused and the credit card facility had an unused balance of \$122,000.

## PERFORMANCE

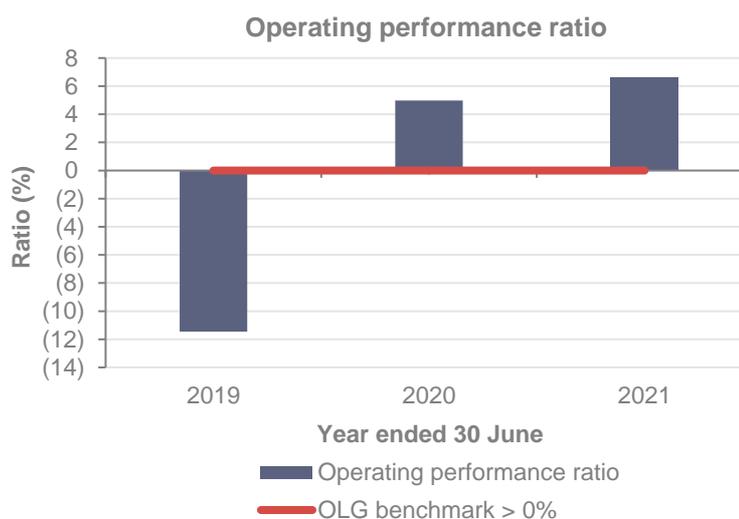
### Performance measures

The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning, Industry and Environment.

#### Operating performance ratio

The increase in user charges and fees compared to the prior year has contributed to the improvement in this ratio.

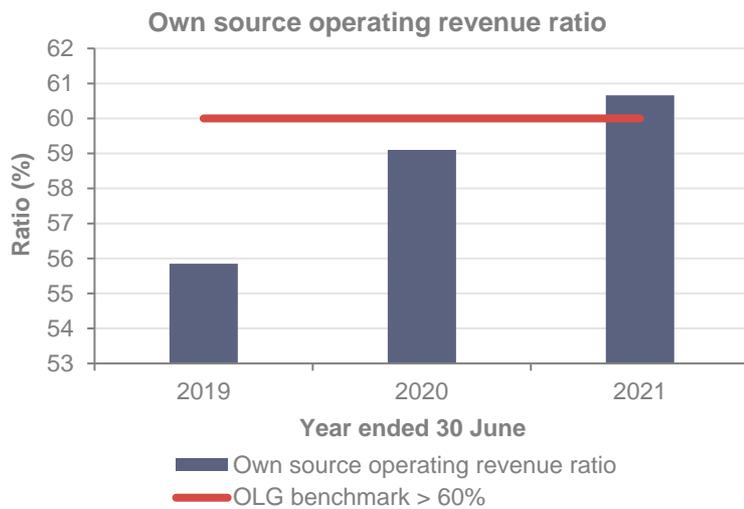
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by OLG is greater than zero per cent.



### Own source operating revenue ratio

Despite the proportionately high level of grants and contributions received by Council, they have exceeded the benchmark in the current year.

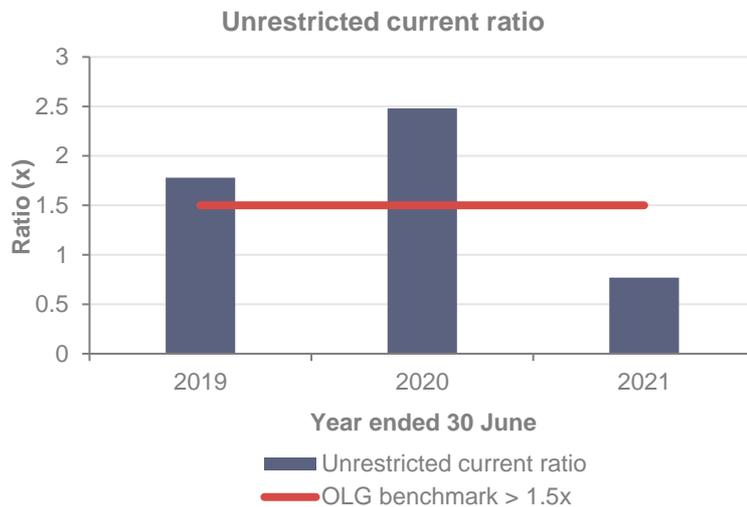
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



### Unrestricted current ratio

Council did not meet the benchmark for the current reporting period as higher grants funding also leads to higher externally restricted cash.

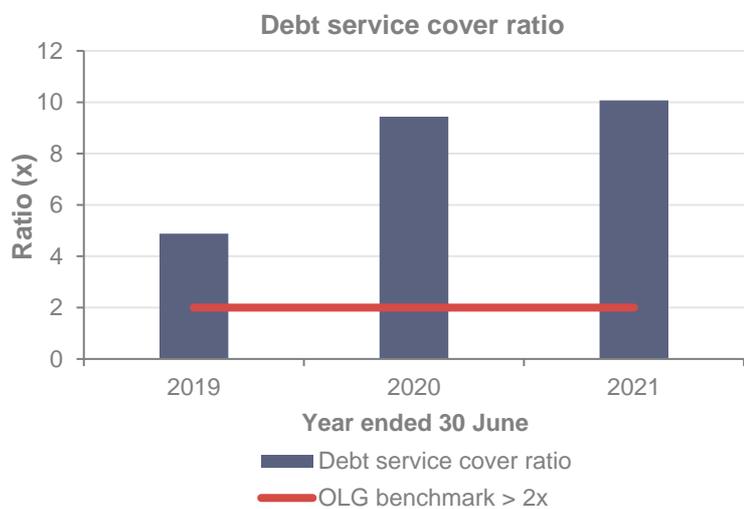
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



### Debt service cover ratio

Council continued to exceed the benchmark.

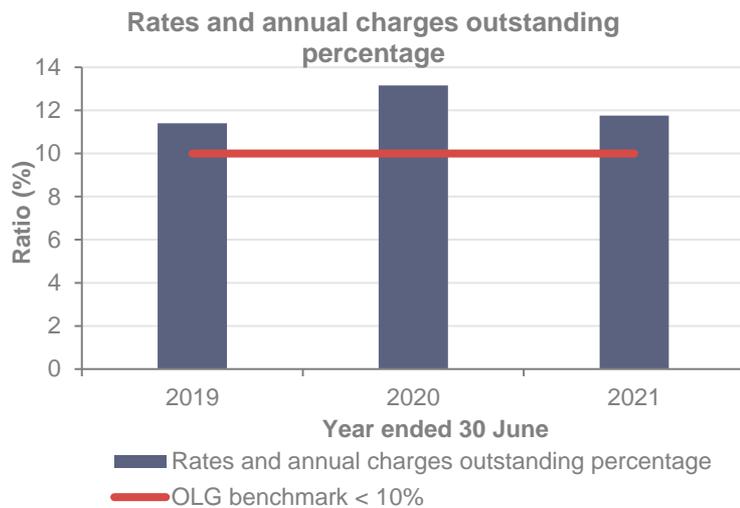
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



## Rates and annual charges outstanding percentage

Council's rates and annual charges outstanding ratio did not meet the benchmark, although there was an improvement over the prior year percentage.

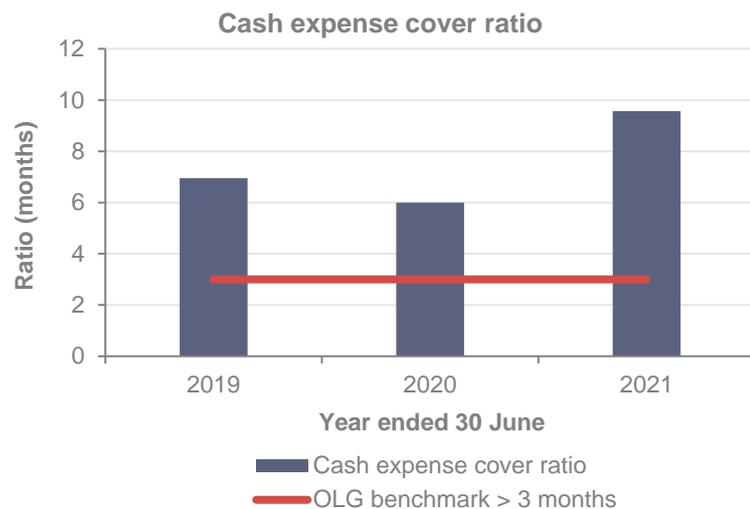
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional and rural councils.



## Cash expense cover ratio

Council continues to exceed the benchmark.

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



## Infrastructure, property, plant and equipment renewals

Council has renewed \$13.6 million of infrastructure assets in the 2020–21 financial year compared to \$15.3 million in the 2019–20 financial year. Roads infrastructure was the main asset class renewed during both financial years. A further \$12.4 million was spent on new assets during the 2020–21 financial year.

## OTHER MATTERS

### Impact of new accounting standards

The Council assessed the impact of adopting AASB 1059 Service Concession Arrangements and determined that it did not have any arrangements in place that fell within the scope of the new Standards.

## 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  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

# Parkes Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2021

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# Parkes Shire Council

## Special Purpose Financial Statements

for the year ended 30 June 2021

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### Background

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

Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.

- iii. For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).

- iv. In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).

## Parkes Shire Council

### Special Purpose Financial Statements

for the year ended 30 June 2021

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#### 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:

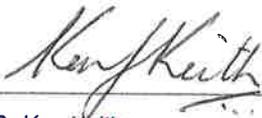
- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,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

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

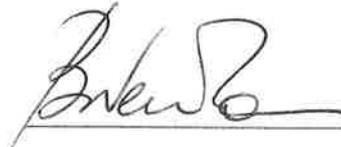
- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records,
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.

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 21 September 2021.



Cr Ken Keith  
Mayor  
21 September 2021



Cr Barbara Newton  
Councillor  
21 September 2021



Kent Boyd  
General Manager  
21 September 2021



Jaco Barnard  
Responsible Accounting Officer  
21 September 2021

## Parkes Shire Council

### Income Statement of water supply business activity

for the year ended 30 June 2021

\$ '000	2021	2020
<b>Income from continuing operations</b>		
Access charges	1,470	1,347
User charges	10,046	8,134
Interest	25	110
Profit from the sale of assets	17	–
Other income	19	126
<b>Total income from continuing operations</b>	<b>11,577</b>	<b>9,717</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	1,397	987
Borrowing costs	218	154
Materials and services	4,254	4,141
Depreciation, amortisation and impairment	3,148	3,197
Water purchase charges	447	320
Loss on sale of assets	–	20
Other expenses	80	78
<b>Total expenses from continuing operations</b>	<b>9,544</b>	<b>8,897</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>2,033</b>	<b>820</b>
Grants and contributions provided for capital purposes	1,478	1,110
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>3,511</b>	<b>1,930</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>3,511</b>	<b>1,930</b>
Less: corporate taxation equivalent [based on result before capital]	(529)	(226)
<b>Surplus (deficit) after tax</b>	<b>2,982</b>	<b>1,704</b>
<b>Plus accumulated surplus</b>	<b>112,020</b>	<b>110,090</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Corporate taxation equivalent	529	226
<b>Closing accumulated surplus</b>	<b>115,531</b>	<b>112,020</b>
<b>Return on capital %</b>	<b>1.5%</b>	<b>0.7%</b>
<b>Subsidy from Council</b>	<b>–</b>	<b>418</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	2,982	1,704
Less: capital grants and contributions (excluding developer contributions)	(1,059)	(1,110)
<b>Surplus for dividend calculation purposes</b>	<b>1,923</b>	<b>594</b>
<b>Potential dividend calculated from surplus</b>	<b>962</b>	<b>297</b>

## Parkes Shire Council

### Income Statement of sewerage business activity

for the year ended 30 June 2021

\$ '000	2021	2020
<b>Income from continuing operations</b>		
Access charges	3,167	2,718
User charges	444	490
Liquid trade waste charges	32	98
Interest	4	11
Other income	31	17
<b>Total income from continuing operations</b>	<b>3,678</b>	<b>3,334</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	588	661
Borrowing costs	116	190
Materials and services	1,156	1,008
Depreciation, amortisation and impairment	1,581	1,609
Loss on sale of assets	1	1
<b>Total expenses from continuing operations</b>	<b>3,442</b>	<b>3,469</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>236</b>	<b>(135)</b>
Grants and contributions provided for capital purposes	145	114
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>381</b>	<b>(21)</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>381</b>	<b>(21)</b>
Less: corporate taxation equivalent [based on result before capital]	(61)	–
<b>Surplus (deficit) after tax</b>	<b>320</b>	<b>(21)</b>
<b>Plus accumulated surplus</b>	<b>36,545</b>	36,566
– Corporate taxation equivalent	61	–
<b>Closing accumulated surplus</b>	<b>36,926</b>	36,545
<b>Return on capital %</b>	<b>0.6%</b>	0.1%
<b>Subsidy from Council</b>	<b>505</b>	456
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	320	(21)
Less: capital grants and contributions (excluding developer contributions)	–	(114)
<b>Surplus for dividend calculation purposes</b>	<b>320</b>	–
<b>Potential dividend calculated from surplus</b>	<b>160</b>	–

## Parkes Shire Council

### Statement of Financial Position of water supply business activity

as at 30 June 2021

\$ '000	2021	2020
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	7,593	8,465
Investments	3,142	1,244
Receivables	2,302	2,371
Inventories	51	57
Contract assets and contract cost assets	203	–
<b>Total current assets</b>	<b>13,291</b>	<b>12,137</b>
<b>Non-current assets</b>		
Investments	369	1,059
Infrastructure, property, plant and equipment <sup>1</sup>	148,610	143,012
Intangible assets	2,181	1,586
<b>Total non-current assets</b>	<b>151,160</b>	<b>145,657</b>
<b>Total assets</b>	<b>164,451</b>	<b>157,794</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	563	328
Contract liabilities	–	587
Borrowings	360	349
Employee benefit provisions	532	301
Provisions	73	–
<b>Total current liabilities</b>	<b>1,528</b>	<b>1,565</b>
<b>Non-current liabilities</b>		
Borrowings	6,649	7,008
Employee benefit provisions	32	–
Provisions	1,776	1,511
<b>Total non-current liabilities</b>	<b>8,457</b>	<b>8,519</b>
<b>Total liabilities</b>	<b>9,985</b>	<b>10,084</b>
<b>Net assets</b>	<b>154,466</b>	<b>147,710</b>
<b>EQUITY</b>		
Accumulated surplus	115,531	112,020
Revaluation reserves	38,935	35,690
<b>Total equity</b>	<b>154,466</b>	<b>147,710</b>

(1) Council identified that the carrying value of Infrastructure, Property, Plant and Equipment (IPPE) reflected in the Special Purpose Financial Statements did not reconcile to the underlying asset system. Whilst the total value of IPPE reported for council is correct, the distribution of the general ledger to the Special Purpose Financial Statements was concluded to be incorrect. Consequently, adjusting entries were posted against the Asset Revaluation Reserve at 30 June 2021 to resolve the discrepancy. Therefore, the distribution of the IPPE value for the water & sewer business activities are now currently stated in the Special Purpose Financial Statements.

## Parkes Shire Council

### Statement of Financial Position of sewerage business activity

as at 30 June 2021

\$ '000	2021	2020
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	2,267	1,145
Investments	937	207
Receivables	1,136	1,085
Inventories	6	6
<b>Total current assets</b>	<b>4,346</b>	<b>2,443</b>
<b>Non-current assets</b>		
Investments	110	177
Infrastructure, property, plant and equipment <sup>1</sup>	57,509	57,993
<b>Total non-current assets</b>	<b>57,619</b>	<b>58,170</b>
<b>Total assets</b>	<b>61,965</b>	<b>60,613</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	25	62
Employee benefit provisions	221	157
Provisions	116	–
<b>Total current liabilities</b>	<b>362</b>	<b>219</b>
<b>Non-current liabilities</b>		
Borrowings	4,000	4,000
Employee benefit provisions	13	–
Provisions	2,815	2,480
<b>Total non-current liabilities</b>	<b>6,828</b>	<b>6,480</b>
<b>Total liabilities</b>	<b>7,190</b>	<b>6,699</b>
<b>Net assets</b>	<b>54,775</b>	<b>53,914</b>
<b>EQUITY</b>		
Accumulated surplus	36,926	36,545
Revaluation reserves	17,849	17,369
<b>Total equity</b>	<b>54,775</b>	<b>53,914</b>

(1) Council identified that the carrying value of Infrastructure, Property, Plant and Equipment (IPPE) reflected in the Special Purpose Financial Statements did not reconcile to the underlying asset system. Whilst the total value of IPPE reported for council is correct, the distribution of the general ledger to the Special Purpose Financial Statements was concluded to be incorrect. Consequently, adjusting entries were posted against the Asset Revaluation Reserve at 30 June 2021 to resolve the discrepancy. Therefore, the distribution of the IPPE value for the water & sewer business activities are now currently stated in the Special Purpose Financial Statements.

## Note – 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, Alectown & 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**

### 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.

## Note – Significant Accounting Policies (continued)

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 – 26%

Land tax – the first \$755,000 of combined land values attracts 0%. For the combined land values in excess of \$755,000 up to \$4,616,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$4,616,000 a premium marginal rate of 2.0% applies.

Payroll tax – 4.85% on the value of taxable salaries and wages in excess of \$1,200,000.

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 26%.

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 26% is/is not the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

### Local government rates and charges

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

### Loan and debt guarantee fees

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

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

#### (i) Subsidies

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

## Note – Significant Accounting Policies (continued)

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.

### (ii) 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.

### (iii) 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 2021 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.

### (iv) Comparative information

Council identified that the carrying value of Infrastructure, Property, Plant and Equipment (IPPE) reflected in the Special Purpose Financial Statements did not reconcile to the underlying asset system. Whilst the total value of IPPE reported for council is correct, the distribution of the general ledger to the Special Purpose Financial Statements was concluded to be incorrect. Consequently, adjusting entries were posted against the Asset Revaluation Reserve at 30 June 2021 to resolve the discrepancy. Therefore, the distribution of the IPPE value for the water & sewer business activities are now currently stated in the Special Purpose Financial Statements.



**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 Statement by Councillors and Management, the Income Statement of each Declared Business Activity for the year ended 30 June 2021, the Statement of Financial Position of each Declared Business Activity as at 30 June 2021 and the Significant accounting policies note.

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 2021, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in the Significant accounting policies note and the Local Government Code of Accounting Practice and Financial Reporting 2020–21 (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 (including Independence Standards)' (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 the Significant accounting policies note 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 2021 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 the Significant accounting policies note 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.

## **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.

The scope of my audit does not include, nor 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

Delegate of the Auditor-General for New South Wales

27 October 2021  
SYDNEY

# Parkes Shire Council

SPECIAL SCHEDULES  
for the year ended 30 June 2021

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# Parkes Shire Council

## Special Schedules

for the year ended 30 June 2021

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### Background

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)

The financial data is collected for various uses including;

- the allocation of Financial Assistance Grants,
- the incorporation of Local Government financial figures in national statistics,
- the monitoring of loan approvals,
- the allocation of borrowing rights, and
- the monitoring of the financial activities of specific services.

## Parkes Shire Council

### Permissible income for general rates

\$ '000	Notes	Calculation 2020/21	Calculation 2021/22
<b>Notional general income calculation <sup>1</sup></b>			
Last year notional general income yield	a	14,104	14,435
Plus or minus adjustments <sup>2</sup>	b	(13)	(24)
<b>Notional general income</b>	c = a + b	<b>14,091</b>	<b>14,411</b>
<b>Permissible income calculation</b>			
Or rate peg percentage	e	2.60%	2.00%
Or plus rate peg amount	i = e x (c + g)	367	288
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>14,458</b>	<b>14,699</b>
Plus (or minus) last year's carry forward total	l	2	24
<b>Sub-total</b>	n = (l + m)	<b>2</b>	<b>24</b>
<b>Total permissible income</b>	o = k + n	<b>14,460</b>	<b>14,723</b>
Less notional general income yield	p	14,435	14,785
<b>Catch-up or (excess) result</b>	q = o - p	<b>25</b>	<b>(62)</b>
Plus income lost due to valuation objections claimed <sup>4</sup>	r	-	27
<b>Carry forward to next year <sup>6</sup></b>	t = q + r + s	<b>25</b>	<b>(35)</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.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (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 2022.

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 2020–21 (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 (including Independence Standards)' (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 2021 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 2021'.

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.

## 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.

The scope of my audit does not include, nor 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

Delegate of the Auditor-General for New South Wales

27 October 2021  
SYDNEY

## Parkes Shire Council

### Report on infrastructure assets as at 30 June 2021

Asset Class	Asset Category	Estimated cost		2020/21 Required maintenance <sup>a</sup>	2020/21 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	Estimated cost to bring to the agreed level of service set by Council					\$ '000	\$ '000	1	2	3
Buildings	Buildings	785	785	452	234	41,986	63,559	52.0%	30.0%	10.0%	7.0%	1.0%
	<b>Sub-total</b>	<b>785</b>	<b>785</b>	<b>452</b>	<b>234</b>	<b>41,986</b>	<b>63,559</b>	<b>52.0%</b>	<b>30.0%</b>	<b>10.0%</b>	<b>7.0%</b>	<b>1.0%</b>
Roads	Roads	4,126	4,126	2,193	2,533	348,446	428,068	64.0%	12.0%	19.0%	3.0%	2.0%
	Bridges	59	59	12	4	11,537	15,750	26.0%	50.0%	22.0%	1.0%	1.0%
	Footpaths	61	61	86	117	8,396	11,864	31.0%	37.0%	29.0%	3.0%	0.0%
	<b>Sub-total</b>	<b>4,246</b>	<b>4,246</b>	<b>2,291</b>	<b>2,654</b>	<b>368,378</b>	<b>455,682</b>	<b>61.8%</b>	<b>14.0%</b>	<b>19.4%</b>	<b>2.9%</b>	<b>1.9%</b>
Water supply network	Water supply network	5,011	1,360	900	1,032	144,556	232,243	37.0%	14.0%	41.0%	4.0%	4.0%
	<b>Sub-total</b>	<b>5,011</b>	<b>1,360</b>	<b>900</b>	<b>1,032</b>	<b>144,556</b>	<b>232,243</b>	<b>37.0%</b>	<b>14.0%</b>	<b>41.0%</b>	<b>4.0%</b>	<b>4.0%</b>
Sewerage network	Sewerage network	5,740	5,740	643	670	54,961	89,025	42.0%	18.0%	21.0%	9.0%	10.0%
	<b>Sub-total</b>	<b>5,740</b>	<b>5,740</b>	<b>643</b>	<b>670</b>	<b>54,961</b>	<b>89,025</b>	<b>42.0%</b>	<b>18.0%</b>	<b>21.0%</b>	<b>9.0%</b>	<b>10.0%</b>
Stormwater drainage	Stormwater drainage	907	907	215	202	24,641	35,756	21.0%	60.0%	6.0%	1.0%	12.0%
	<b>Sub-total</b>	<b>907</b>	<b>907</b>	<b>215</b>	<b>202</b>	<b>24,641</b>	<b>35,756</b>	<b>21.0%</b>	<b>60.0%</b>	<b>6.0%</b>	<b>1.0%</b>	<b>12.0%</b>
Open space / recreational assets	Swimming pools	252	252	210	227	25,214	8,817	45.0%	36.0%	16.0%	3.0%	0.0%
	Other Open Space / Recreational Assets	320	320	285	263	5,040	38,570	23.0%	46.0%	20.0%	11.0%	0.0%
	<b>Sub-total</b>	<b>572</b>	<b>572</b>	<b>495</b>	<b>490</b>	<b>30,254</b>	<b>47,387</b>	<b>27.1%</b>	<b>44.1%</b>	<b>19.3%</b>	<b>9.5%</b>	<b>0.0%</b>
Other infrastructure assets	Parkes Airport Infrastructure	84	84	75	67	13,020	16,395	82.0%	0.0%	16.0%	1.0%	1.0%
	<b>Sub-total</b>	<b>84</b>	<b>84</b>	<b>75</b>	<b>67</b>	<b>13,020</b>	<b>16,395</b>	<b>82.0%</b>	<b>0.0%</b>	<b>16.0%</b>	<b>1.0%</b>	<b>1.0%</b>
<b>Total – all assets</b>		<b>17,345</b>	<b>13,694</b>	<b>5,071</b>	<b>5,349</b>	<b>677,796</b>	<b>940,047</b>	<b>50.2%</b>	<b>18.5%</b>	<b>23.7%</b>	<b>4.3%</b>	<b>3.4%</b>

(a) Required maintenance is the amount identified in Council's asset management plans.

#### Infrastructure asset condition assessment 'key'

#	Condition	Integrated planning and reporting (IP&R) description
1	Excellent/very good	No work required (normal maintenance)
2	Good	Only minor maintenance work required
3	Satisfactory	Maintenance work required

continued on next page ...

## Parkes Shire Council

### Report on infrastructure assets as at 30 June 2021 (continued)

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4	Poor	Renewal required
5	Very poor	Urgent renewal/upgrading required

## Parkes Shire Council

### Report on infrastructure assets as at 30 June 2021

#### Infrastructure asset performance indicators (consolidated) \*

\$ '000	Amounts 2021	Indicator 2021	Indicator 2020	Benchmark
<b>Buildings and infrastructure renewals ratio</b>				
Asset renewals <sup>1</sup>	<b>16,441</b>	<b>155.07%</b>	144.93%	>= 100.00%
Depreciation, amortisation and impairment	<b>10,602</b>			
<b>Infrastructure backlog ratio</b>				
Estimated cost to bring assets to a satisfactory standard	<b>17,345</b>	<b>2.53%</b>	1.49%	< 2.00%
Net carrying amount of infrastructure assets	<b>686,248</b>			
<b>Asset maintenance ratio</b>				
Actual asset maintenance	<b>5,349</b>	<b>105.48%</b>	102.87%	> 100.00%
Required asset maintenance	<b>5,071</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>13,694</b>	<b>1.46%</b>	0.72%	
Gross replacement cost	<b>940,047</b>			

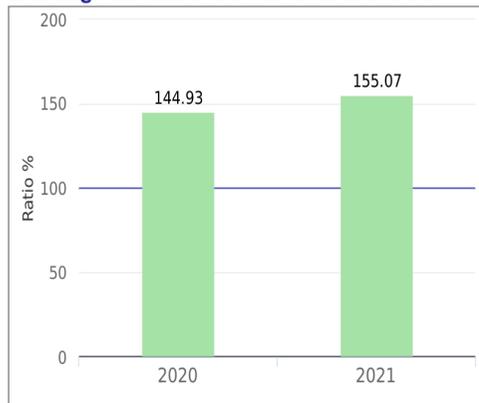
(\*) All asset performance indicators are calculated using classes identified in the previous table.

(1) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

# Parkes Shire Council

## Report on infrastructure assets as at 30 June 2021

### 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**

20/21 ratio 155.07%

The Building & Infrastructure Renewal Ratio continues to achieve the benchmark required for 2020/21. Council's strategy has been to concentrate on the renewal of its assets bringing them up to a satisfactory standard and thereby reducing the required maintenance and infrastructure backlog.

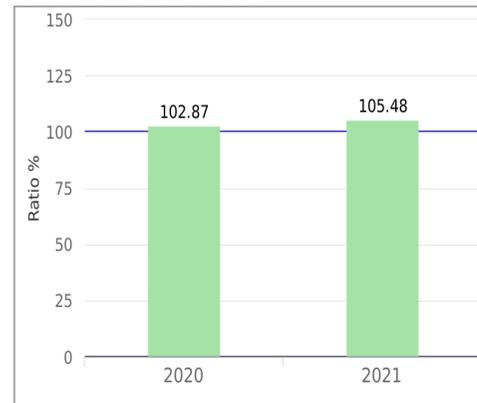
Benchmark: —  $\geq 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

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**

20/21 ratio 105.48%

In 2020/21, council has maintained the amount of maintenance required to be spent on Council's Infrastructure. This helps to ensure that the infrastructure backlog can be maintained and not increasing that unsustainable levels.

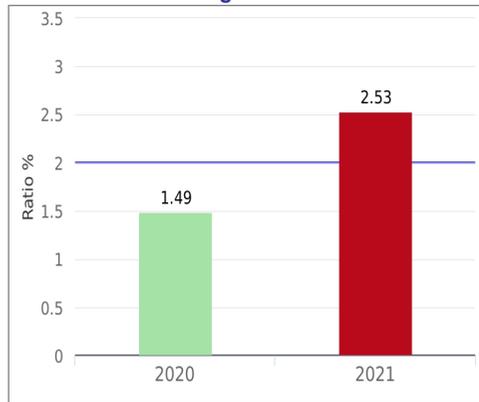
Benchmark: —  $> 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

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**

20/21 ratio 2.53%

Council's Infrastructure Backlog Ratio is currently outside the desired level. Council will be focusing future capital works programs on reducing the infrastructure backlog rather than constructing new assets.

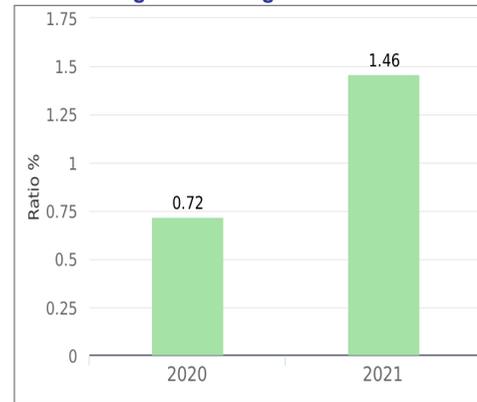
Benchmark: —  $< 2.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

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**

20/21 ratio 1.46%

Council continues to undertake considerable community consultation of its delivery program which assists in outlining and determining the level of service which is anticipated from council's available funding sources.

## Parkes Shire Council

### Report on infrastructure assets as at 30 June 2021

#### Infrastructure asset performance indicators (by fund)

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2021	2020	2021	2020	2021	2020	
<b>Buildings and infrastructure renewals ratio</b>							
Asset renewals <sup>1</sup>							
Depreciation, amortisation and impairment	<b>249.69%</b>	244.64%	<b>31.62%</b>	0.00%	<b>9.41%</b>	21.91%	>= 100.00%
<b>Infrastructure backlog ratio</b>							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	<b>1.35%</b>	1.19%	<b>3.47%</b>	1.25%	<b>10.44%</b>	4.52%	< 2.00%
<b>Asset maintenance ratio</b>							
Actual asset maintenance							
Required asset maintenance	<b>103.37%</b>	101.46%	<b>114.67%</b>	108.99%	<b>104.20%</b>	104.78%	> 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>1.07%</b>	0.84%	<b>0.59%</b>	0.04%	<b>6.45%</b>	1.67%	

(1) 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.