

Parkes Shire Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2020



Parkes Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2020



General Purpose Financial Statements

for the year ended 30 June 2020

Contents	Page
1. Understanding Council's Financial Statements	3
2. Statement by Councillors & Management	4
3. Primary Financial Statements:	
Income Statement	5
Statement of Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
4. Notes to the Financial Statements	10
5. Independent Auditor's Reports:	
On the Financial Statements (Sect 417 [2])	79
On the Financial Statements (Sect 417 [3])	89

Overview

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

2 Cecile Stree
PARKES NSW 2870

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

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

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

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

Parkes Shire Council

General Purpose Financial Statements

for the year ended 30 June 2020

Understanding Council's Financial Statements

Introduction

Each year, individual Local Governments across NSW are required to present a set of audited financial statements to their council and community.

What you will find in the Statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2020.

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

Summarises Council's financial performance for the year, listing all income and expenses. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

2. The Statement of Comprehensive Income

Primarily records changes in the fair value of Council's Infrastructure, property, plant and equipment.

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

General Purpose Financial Statements

for the year ended 30 June 2020

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 25 September 2020.



Cr Ken Keith
Mayor
25 September 2020



Cr Barbara Newton
Councillor
25 September 2020



Kent Boyd
General Manager
25 September 2020



Jaco Barnard
Responsible Accounting Officer
25 September 2020

Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Restated Actual 2019
Income from continuing operations				
20,384	Rates and annual charges	3a	20,743	20,230
12,706	User charges and fees	3b	13,819	11,660
2,254	Other revenues	3c	759	1,703
10,467	Grants and contributions provided for operating purposes	3d,3e	15,295	11,764
13,913	Grants and contributions provided for capital purposes	3d,3e	9,650	15,492
1,107	Interest and investment income	4	401	928
–	Rental income	13	353	–
60,831	Total income from continuing operations		61,020	61,777
Expenses from continuing operations				
16,877	Employee benefits and on-costs	5a	14,769	16,816
641	Borrowing costs	5b	881	844
12,278	Materials and contracts	5c	13,665	14,877
10,277	Depreciation and amortisation	5d	13,396	12,764
5,259	Other expenses	5e	6,179	6,248
–	Net losses from the disposal of assets	6	2,380	914
–	Revaluation decrement / impairment of IPP&E	5d	–	10
45,332	Total expenses from continuing operations		51,270	52,473
15,499	Operating result from continuing operations		9,750	9,304
15,499	Net operating result for the year		9,750	9,304
15,499	Net operating result attributable to council		9,750	9,304
1,585	Net operating result for the year before grants and contributions provided for capital purposes		100	(6,188)

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	Restated 2019
Net operating result for the year (as per Income Statement)		9,750	9,304
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10	13,389	3,409
Total items which will not be reclassified subsequently to the operating result		13,389	3,409
Total other comprehensive income for the year		13,389	3,409
Total comprehensive income for the year		23,139	12,713
Total comprehensive income attributable to Council		23,139	12,713

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	Restated 2019	Restated 2018
ASSETS				
Current assets				
Cash and cash equivalents	7(a)	13,998	8,095	8,252
Investments	7(b)	4,165	12,000	21,458
Receivables	8	8,029	10,501	9,000
Inventories	9a	1,459	1,961	6,066
Contract assets	12a	2,052	–	–
Other	9b	224	76	161
Total current assets		<u>29,927</u>	<u>32,633</u>	<u>44,937</u>
Non-current assets				
Investments	7(b)	3,512	5,188	6,932
Inventories	9a	4,247	4,069	–
Infrastructure, property, plant and equipment	10	713,801	689,332	662,255
Intangible Assets	11	2,989	2,834	2,826
Total non-current assets		<u>724,549</u>	<u>701,423</u>	<u>672,013</u>
Total assets		<u>754,476</u>	<u>734,056</u>	<u>716,950</u>
LIABILITIES				
Current liabilities				
Payables	14	3,660	3,460	3,739
Income received in advance	14	–	735	700
Contract liabilities	12b	1,304	–	–
Borrowings	14	947	901	858
Provisions	15	5,724	6,318	5,728
Total current liabilities		<u>11,635</u>	<u>11,414</u>	<u>11,025</u>
Non-current liabilities				
Payables	14	–	–	74
Borrowings	14	19,195	20,143	21,044
Provisions	15	5,267	5,750	771
Total non-current liabilities		<u>24,462</u>	<u>25,893</u>	<u>21,889</u>
Total liabilities		<u>36,097</u>	<u>37,307</u>	<u>32,914</u>
Net assets		<u>718,379</u>	<u>696,749</u>	<u>684,036</u>
EQUITY				
Accumulated surplus	16	535,894	527,653	518,349
Revaluation reserves	16	182,485	169,096	165,687
Council equity interest		<u>718,379</u>	<u>696,749</u>	<u>684,036</u>
Total equity		<u>718,379</u>	<u>696,749</u>	<u>684,036</u>

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

Statement of Changes in Equity
for the year ended 30 June 2020

	Notes	as at 30/06/20			as at 30/06/19		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
\$ '000					Restated	Restated	Restated
Opening balance		527,095	175,806	702,901	518,059	172,397	690,456
Correction of prior period errors	16b	558	(6,710)	(6,152)	290	(6,710)	(6,420)
Changes due to AASB 1058 and AASB 15 adoption	16	(1,509)	–	(1,509)	–	–	–
Restated opening balance		526,144	169,096	695,240	518,349	165,687	684,036
Net operating result for the year		9,750	–	9,750	9,036	–	9,036
Correction of prior period errors	16b	–	–	–	268	–	268
Restated net operating result		9,750	–	9,750	9,304	–	9,304
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	10	–	13,389	13,389	–	3,409	3,409
Other comprehensive income		–	13,389	13,389	–	3,409	3,409
Total comprehensive income		9,750	13,389	23,139	9,304	3,409	12,713
Equity – balance at end of the reporting period		535,894	182,485	718,379	527,653	169,096	696,749

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

Statement of Cash Flows

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Cash flows from operating activities				
Receipts:				
20,384	Rates and annual charges		20,779	18,752
12,706	User charges and fees		12,934	13,255
1,107	Investment and interest revenue received		547	1,105
10,467	Grants and contributions		25,061	25,954
13,913	Bonds, deposits and retention amounts received		26	–
2,254	Other		1,812	1,207
Payments:				
(16,877)	Employee benefits and on-costs		(15,444)	(16,587)
(12,278)	Materials and contracts		(13,515)	(13,768)
(641)	Borrowing costs		(889)	(862)
–	Bonds, deposits and retention amounts refunded		–	(1,479)
(5,259)	Other		(7,528)	(5,704)
25,776	Net cash provided (or used in) operating activities	17b	23,783	21,873
Cash flows from investing activities				
Receipts:				
–	Sale of investment securities		35,319	39,930
–	Sale of real estate assets		602	142
–	Sale of infrastructure, property, plant and equipment		158	1,137
Payments:				
–	Purchase of investment securities		(25,782)	(28,690)
(17,753)	Purchase of infrastructure, property, plant and equipment		(26,926)	(33,388)
–	Purchase of real estate assets		–	(119)
–	Purchase of intangible assets		(349)	(184)
(17,753)	Net cash provided (or used in) investing activities		(16,978)	(21,172)
Cash flows from financing activities				
Payments:				
(900)	Repayment of borrowings and advances		(902)	(858)
(900)	Net cash flow provided (used in) financing activities		(902)	(858)
7,123	Net increase/(decrease) in cash and cash equivalents		5,903	(157)
8,095	Plus: cash and cash equivalents – beginning of year	17a	8,095	8,252
15,218	Cash and cash equivalents – end of the year	17a	13,998	8,095
–	plus: Investments on hand – end of year	7(b)	7,677	17,188
15,218	Total cash, cash equivalents and investments		21,675	25,283

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Contents of the Notes accompanying the General Purpose Financial Statements

Note	Details	Page
1	Basis of preparation	11
2(a)	Council functions/activities – financial information	14
2(b)	Council functions/activities – component descriptions	15
3	Revenue from continuing operations	16
4	Interest and investment income	22
5	Expenses from continuing operations	23
6	Gain or loss from disposal of assets	27
7(a)	Cash and cash equivalents	27
7(b)	Investments	28
7(c)	Restricted cash, cash equivalents and investments	29
8	Receivables	30
9	Inventories and other assets	31
10	Infrastructure, property, plant and equipment	33
11	Intangible assets	37
12	Contract assets and liabilities	38
13	Leases	39
14	Payables and borrowings	40
15	Provisions	42
16	Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	45
17	Statement of cash flow information	50
18	Commitments	51
19	Contingencies	52
20	Financial risk management	55
21	Material budget variations	59
22	Fair Value Measurement	60
23	Related party disclosures	69
24	Events occurring after the reporting date	71
25	Statement of developer contributions	71
26	Result by fund	72
27(a)	Statement of performance measures – consolidated results	74
27(b)	Statement of performance measures – by fund	75
	Additional Council disclosures (unaudited)	
27(c)	Statement of performance measures – consolidated results (graphs)	76
28	Council information and contact details	78

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 15 September 2020.

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

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

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

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (NSW)* and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting.

Council is a not for-profit entity.

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

(a) 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.

(b) 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 10
- (ii) estimated tip remediation provisions – refer Note 15
- (iii) employee benefit provisions – refer Note 15

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. With covid emerging late in the financial reporting cycle it is not practical to obtain external valuations of these assets at 30 June 2020.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

Significant judgements in applying the council's accounting policies

(i) Impairment of receivables

Council has made a significant judgement about the impairment of a number of its receivables – refer Note 8.

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

- General purpose operations
- Water service
- Sewerage service

(b) The Trust Fund

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

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

Goods and Services Tax (GST)

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

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

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

Volunteer services

Parkes Shire Council had a number of volunteers assisting with the 2020 Parkes Elvis Festival. These volunteers were engaged to assist across the festival weekend. 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 2020 reporting period.

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

Council's assessment of these new standards and interpretations (where they have been deemed as having a material impact on Council's future financial performance, financial position and cash flows) are set out below:

AASB 1059 Service Concession Arrangements: Grantors

AASB 2018-5 Amendments to Australian Accounting Standards - Deferral of AASB 1059

AASB 2019-2 Amendments to Australian Accounting Standards – Implementation of AASB 1059

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

This standard provides guidance for public sector entities (grantors) who have entered into service concession arrangements with private sector operators.

AASB 1059 requires grantors to recognise a service concession asset and, in most cases, a corresponding liability on the balance sheet.

A control approach is used to assess the service concession arrangements in place.

On initial recognition the asset is measured at current replacement cost based on AASB 13 Fair Value Measurement and existing assets of the grantors are reclassified at the date of transition.

After initial recognition, the grantor accounts for the assets under either AASB 116 Property, Plant and Equipment or AASB 138 Intangible Assets.

The nature of the consideration given to the operator will affect whether the grantor applies either the 'financial liability' or the 'grant of right' model for the recognition of the liability.

AASB 2019-2 makes amendments to the recognition and measurement of the asset and liability where the modified retrospective approach to transition is being used and provides a practical expedient due to the different effective dates of AASB 16 and AASB 1059.

Council does not expect any material impact to future financial statements as we do not generally enter into service concession arrangements.

This standard has an effective date for the 30 June 2021 reporting period.

New accounting standards adopted during the year

During the year Council adopted the following accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective from 1 July 2019:

- AASB 16 Leases
- AASB 15 Revenue from contracts with customers and associated amending standards.
- AASB 1058 Income of Not-for-profit entities

Further information on the newly adopted standards which had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures can be found at Note 16.

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Carrying amount of assets	
	2020	2019	2020	2019 Restated	2020	2019 Restated	2020	2019	2020	2019 Restated
Functions or activities										
Governance	89	157	3,070	2,779	(2,981)	(2,622)	–	–	–	9,971
Administration	764	1,415	7,313	6,594	(6,549)	(5,179)	45	135	10,820	21,643
Public order and safety	1,181	227	868	851	313	(624)	1,101	165	5,030	4,642
Health	301	144	1,438	946	(1,137)	(802)	268	132	468	412
Environment	4,218	3,706	3,643	4,271	575	(565)	329	136	689	368
Community services and education	2,018	1,764	2,154	1,930	(136)	(166)	1,670	1,538	5,350	4,750
Housing and community amenities	673	1,120	1,845	1,487	(1,172)	(367)	186	66	38,219	29,980
Water supplies	10,827	13,377	8,870	8,935	1,957	4,442	1,473	5,781	147,871	165,324
Sewerage services	3,449	3,312	3,472	4,207	(23)	(895)	40	85	59,863	60,911
Recreation and culture	2,815	3,455	5,013	5,638	(2,198)	(2,183)	1,199	3,281	48,947	53,571
Mining, manufacturing and construction	297	211	34	(4)	263	215	–	–	1,386	852
Transport and communication	9,456	11,958	7,660	11,081	1,796	877	6,221	5,942	379,673	368,700
Economic affairs	6,491	2,867	5,878	3,758	613	(891)	4,828	1,008	5,376	12,943
General purpose income	18,441	18,064	12	–	18,429	18,064	5,029	6,392	50,784	(11)
Total functions and activities	61,020	61,777	51,270	52,473	9,750	9,304	22,389	24,661	754,476	734,056

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

Governance

Includes costs relating to Council's role as a component of demographic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of Council and 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.

Notes to the Financial Statements

for the year ended 30 June 2020

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

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.

Note 3. Revenue from continuing operations

\$ '000	AASB	2020	2019
(a) Rates and annual charges			
Ordinary rates			
Residential	1058 (1)	5,935	5,778
Farmland	1058 (1)	3,869	3,787
Mining	1058 (1)	1,416	1,383
Business	1058 (1)	2,881	2,754
Less: pensioner rebates (mandatory)	1058 (1)	(208)	(208)
Less: pensioner rebates (Council policy)	1058 (1)	(95)	(103)
Rates levied to ratepayers		13,798	13,391
Pensioner rate subsidies received	1058 (1)	156	155
Total ordinary rates		13,954	13,546
Annual charges			
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>			
Domestic waste management services	1058 (1)	2,254	2,199
Stormwater management services	1058 (1)	174	174
Water supply services	1058 (1)	1,391	1,378
Sewerage services	1058 (1)	2,756	2,728
Waste management services (non-domestic)	1058 (1)	376	365
Less: pensioner rebates (mandatory)	1058 (1)	(263)	(267)
Annual charges levied		6,688	6,577
Pensioner subsidies received:			
– Water	1058 (1)	53	54
– Sewerage	1058 (1)	46	47
– Domestic waste management	1058 (1)	2	6
Total annual charges		6,789	6,684
TOTAL RATES AND ANNUAL CHARGES		20,743	20,230

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

15 (1) indicates income recognised under AASB 15 “at a point in time”,

15 (2) indicates income recognised under AASB 15 “over time”,

1058 (1) indicates income recognised under AASB 1058 “at a point in time”, while

1058 (2) indicates income recognised under AASB 1058 “over time”.

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

Accounting policy for rates and charges

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

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.

2019 accounting policy

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

\$ '000	AASB	2020	2019
(b) User charges and fees			
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Water supply services	15 (1)	8,115	5,824
Sewerage services	15 (1)	576	516
Waste management services (non-domestic)	15 (1)	1,011	760
Total specific user charges		9,702	7,100
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Planning and building regulation	15 (1)	366	338
Private works – section 67	15 (1)	284	30
Section 10.7 certificates (EP&A Act)	15 (1)	32	37
Section 603 certificates	15 (1)	27	32
Total fees and charges – statutory/regulatory		709	437
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome	15 (1)	276	299
Cemeteries	1058 (1)	187	192
Caravan park	1058 (1)	595	462
Elvis festival revenue (excl sponsorships)	1058 (1)	606	599
Leaseback fees – Council vehicles	1058 (1)	111	124
Library and art gallery	1058 (1)	9	20
Transport For NSW (formerly RMS) charges (state roads not controlled by Council)	15 (1)	1,106	2,058
Tourism	1058 (1)	19	–
Waste disposal tipping fees	15 (1)	9	82
Swimming centres & recreation	1058 (1)	187	115
Family day care	1058 (1)	267	146
Water connection fees	1058 (1)	19	–
Admission and service fees	1058 (1)	17	26
Total fees and charges – other		3,408	4,123
TOTAL USER CHARGES AND FEES		13,819	11,660

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

15 (1) indicates income recognised under AASB 15 “at a point in time”,

15 (2) indicates income recognised under AASB 15 “over time”,

1058 (1) indicates income recognised under AASB 1058 “at a point in time”, while

1058 (2) indicates income recognised under AASB 1058 “over time”.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

Accounting policy for user charges and fees

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.

2019 accounting policy

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

\$ '000	AASB	2020	2019
(c) Other revenues			
Rental income – other council properties (2019 only)		–	351
Fines	1058 (1)	14	23
Legal fees recovery – other	1058 (1)	27	156
Diesel rebate	1058 (1)	96	131
Sales of inventories	15 (1)	49	–
Sales – general	1058 (1)	71	307
Elvis festival	1058 (1)	166	207
Employment scheme	1058 (1)	7	–
Insurance rebate	1058 (1)	–	23
Legal recoveries	1058 (1)	3	–
Other	1058 (1)	238	285
Insurance Claims	1058 (1)	6	115
Statecover Incentive	1058 (1)	–	24
WHS Incentive	1058 (1)	81	75
Mobile Phone Usage	1058 (1)	1	6
<u>TOTAL OTHER REVENUE</u>		<u>759</u>	<u>1,703</u>

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

15 (1) indicates income recognised under AASB 15 “at a point in time”,

1058 (1) indicates income recognised under AASB 1058 “at a point in time”.

Accounting policy for other revenue

Where the revenue relates to a contract with a customer, the revenue is recognised when or as the performance obligation is completed and the customer receives the benefit of the goods / services being provided.

Where the revenue relates to a contract which is not enforceable or does not contain sufficiently specific performance obligations then revenue is recognised when an unconditional right to a receivable arises or the cash is received which is earlier.

2020 Accounting policy:

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

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

Rental income is accounted for on a straight-line basis over the lease term. Miscellaneous sales are recognised when physical possession has transferred to the customer which is deemed to be the point of transfer of risks and rewards. Other revenue is recorded when the payment is due, the value of the payment is notified, or the payment is received, whichever occurs first.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(d) Grants					
General purpose (untied)					
Current year allocation					
Financial assistance – general component	1058 (1)	2,129	2,113	–	–
Financial assistance – local roads component	1058 (1)	1,049	1,077	–	–
Payment in advance - future year allocation					
Financial assistance – general component	1058 (1)	2,257	2,190	–	–
Financial assistance – local roads component	1058 (1)	1,112	1,118	–	–
Total general purpose		6,547	6,498	–	–
Specific purpose					
Water supplies	1058 (2)	9	150	886	5,576
Sewerage services	1058 (1)	–	–	40	38
Bushfire and emergency services	1058 (2)	94	29	892	19
Child care	1058 (1)	–	–	93	–
Community care	1058 (1)	1,717	1,538	–	–
Community centres	1058 (1)	–	210	154	369
Economic development	1058 (2)	2,154	–	2,674	880
Environmental programs	1058 (1)	26	41	–	–
Heritage and cultural	1058 (1)	12	12	–	109
Library	1058 (2)	98	55	1,509	1,800
LIRS subsidy	1058 (1)	43	55	–	–
Noxious weeds	1058 (1)	63	65	–	–
NSW rural fire services	1058 (1)	23	–	–	–
Recreation and culture	1058 (2)	7	70	439	668
Storm/flood damage	1058 (1)	372	–	–	169
Street lighting	1058 (1)	57	57	–	–
Transport (roads to recovery)	1058 (1)	2,006	886	–	–
Transport (other roads and bridges funding)	1058 (2)	–	–	1,810	1,598
Shire Waste Facilities	1058 (1)	–	23	225	–
Parkes Regional Airport Redevelopment	1058 (2)	–	–	–	2,504
Peak Hill Main Street Redevelopment	1058 (1)	–	–	–	60
Road safety	1058 (1)	88	117	–	–
Waste recycling	1058 (1)	–	–	15	–
Tourism	1058 (1)	–	–	–	150
Footpaths	1058 (2)	–	–	23	669
Health Centres	1058 (2)	–	–	268	132
Spicer Caravan Park	1058 (1)	–	–	–	60
Other	1058 (1)	–	54	45	–
Total specific purpose		6,769	3,362	9,073	14,801
Total grants		13,316	9,860	9,073	14,801
Grant revenue is attributable to:					
– Commonwealth funding		8,554	7,744	3,444	7,281
– State funding		4,756	2,075	5,629	7,468
– Other funding		6	41	–	52
		13,316	9,860	9,073	14,801

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

15 (1) indicates income recognised under AASB 15 “at a point in time”,

15 (2) indicates income recognised under AASB 15 “over time”,

1058 (1) indicates income recognised under AASB 1058 “at a point in time”, while

1058 (2) indicates income recognised under AASB 1058 “over time”.

\$ '000	Notes	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(e) Contributions						
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):						
Cash contributions						
S 7.4 – contributions using planning agreements		1058 (1)	–	–	193	438
S 64 – water supply contributions		1058 (1)	–	–	224	147
S 64 – sewerage service contributions		1058 (1)	–	–	75	47
Total developer contributions – cash			–	–	492	632
Non-cash contributions						
S 7.4 – contributions using planning agreements		1058 (1)	–	–	2	–
Total developer contributions non-cash			–	–	2	–
Total developer contributions	25		–	–	494	632
Other contributions:						
Cash contributions						
Business development		1058 (1)	100	110	–	–
Community services		1058 (1)	165	83	–	2
Heritage/cultural			–	4	–	–
Recreation and culture		1058 (1)	59	58	53	45
Roads and bridges		1058 (1)	63	206	30	12
RMS contributions (regional roads, block grant)		1058 (1)	1,362	1,335	–	–
Tourism		1058 (1)	5	–	–	–
Other		1058 (1)	21	–	–	–
Economic affairs		1058 (1)	204	103	–	–
Other – Public Cemeteries			–	5	–	–
Total other contributions – cash			1,979	1,904	83	59
Total other contributions			1,979	1,904	83	59
Total contributions			1,979	1,904	577	691
TOTAL GRANTS AND CONTRIBUTIONS			15,295	11,764	9,650	15,492

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

1058 (1) indicates income recognised under AASB 1058 “at a point in time”.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

Accounting policy for grants and contributions

Accounting policy from 1 July 2019

Grant income under AASB 15

Where grant income arises from an agreement which is enforceable and contains sufficiently specific performance obligations then the revenue are recognised when control of each performance obligations is satisfied.

The performance obligations are varied based on the agreement but include completion 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.

Each performance obligation is considered to ensure that the revenue recognition reflects the transfer of control and within grant agreements there may be some performance obligations where control transfers at a point in time and others which have continuous transfer of control over the life of the contract.

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.

Grant income

Assets arising from grants in the scope of AASB 1058 is recognised at the assets fair value when the asset is received. Councils 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

Capital grants

Capital grants received to enable Council to acquire or construct an item of infrastructure, property, plant and equipment to identified specifications which will be under Council's control and which is enforceable 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 as there is no profit margin.

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

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*.

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 the Council may apply contributions according to the priorities established in work schedules

Accounting policy prior to 1 July 2019

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

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

\$ '000	2020	2019
(f) Unspent grants and contributions – external restrictions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner due to externally imposed restrictions.		
Operating grants		
Unexpended at the close of the previous reporting period	3,308	3,069
Add: operating grants received for the provision of goods and services in a future period	3,369	3,308
Less: operating grants recognised in a previous reporting period now spent (2019 only)	(3,308)	(3,069)
Unexpended and held as externally restricted assets (operating grants)	3,369	3,308

Note 4. Interest and investment income

\$ '000	2020	2019
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	76	55
– Overdue user fees and charges	53	58
– Cash and investments	246	777
Fair value adjustments		
– Movements in investments at fair value through profit and loss	26	38
Total Interest and investment income	401	928
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	75	73
General Council cash and investments	192	545
Restricted investments/funds – external:		
Development contributions		
- S7.12 Levies under a plan	3	–
– Section 64: water	45	80
– Section 64: sewer	1	1
Water fund operations	57	187
Sewerage fund operations	8	34
Domestic waste management operations	20	8
Total interest and investment revenue	401	928

Accounting policy for interest and investment revenue

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations

\$ '000	2020	2019
(a) Employee benefits and on-costs		
Salaries and wages	13,074	13,655
Employee termination costs (where material – other than vested leave paid)	90	–
Employee leave entitlements (ELE)	1,926	2,360
Superannuation	1,388	1,830
Workers' compensation insurance	274	597
Fringe benefit tax (FBT)	52	22
Payroll tax	80	90
Protective clothing	50	5
Other	92	53
Total employee costs	17,026	18,612
Less: capitalised costs	(2,257)	(1,796)
TOTAL EMPLOYEE COSTS EXPENSED	14,769	16,816
Number of 'full-time equivalent' employees (FTE) at year end	182	187
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	193	190

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

Council participates in a defined benefit plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 19 for more information.

\$ '000	Notes	2020	2019
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		803	844
Total interest bearing liability costs		803	844
Total interest bearing liability costs expensed		803	844
(ii) Other borrowing costs			
Remediation liabilities	15	78	–
Total other borrowing costs		78	–
TOTAL BORROWING COSTS EXPENSED		881	844

Accounting policy for borrowing costs

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
(c) Materials and contracts		
Raw materials and consumables	12,250	13,710
Contractor and consultancy costs:		
– Caravan park	239	122
– Contractor and consultancy costs (Centroc)	128	106
– Garbage collection contract	1,364	1,465
– Investment advisory service	23	23
Auditors remuneration ¹	67	49
Legal expenses:		
– Legal expenses: planning and development	39	14
– Legal expenses: debt recovery	21	114
– Legal expenses: other	34	95
Total materials and contracts	<u>14,165</u>	<u>15,698</u>
Less: capitalised costs	(500)	(821)
TOTAL MATERIALS AND CONTRACTS	<u>13,665</u>	<u>14,877</u>

Accounting policy for materials and contracts

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

1. Auditor remuneration

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

Auditors of the Council - NSW Auditor-General:

(i) Audit and other assurance services

Audit and review of financial statements	67	49
Remuneration for audit and other assurance services	<u>67</u>	<u>49</u>
Total Auditor-General remuneration	<u>67</u>	<u>49</u>
Total Auditor remuneration	<u>67</u>	<u>49</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019 Restated
(d) Depreciation, amortisation and impairment of non-financial assets			
Depreciation and amortisation			
Plant and equipment		1,368	1,442
Office equipment		244	178
Furniture and fittings		64	80
Infrastructure:	10		
– Buildings – non-specialised		446	451
– Buildings – specialised		242	225
– Roads		4,144	4,060
– Bridges		101	100
– Footpaths		146	139
– Stormwater drainage		195	191
– Water supply network		2,999	3,049
– Sewerage network		1,424	1,603
– Swimming pools		179	168
– Airport assets		461	240
– Other open space/recreational assets		663	620
Other assets:			
– Library books		82	13
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	15,10	444	29
Intangible assets	11	194	176
Total depreciation and amortisation costs		13,396	12,764
Impairment / revaluation decrement of IPP&E			
Infrastructure:	10		
– Swimming pools		–	10
Total gross IPP&E impairment / revaluation decrement costs / (reversals)		–	10
Total IPP&E impairment / revaluation decrement costs / (reversals) charged to Income Statement		–	10
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS</u>		<u>13,396</u>	<u>12,774</u>

Accounting policy for depreciation, amortisation and impairment expenses of non-financial assets**Depreciation and amortisation**

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 10 for IPPE assets and Note 11 for intangible assets.

Impairment of non-financial assets

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

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

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

\$ '000	2020	2019
(e) Other expenses		
Advertising	181	253
Audit committee costs	47	40
Bad and doubtful debts	105	(8)
Bank charges	107	79
Cleaning	109	124
Computer software charges	480	119
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	23	20
– LGNSW subscription	34	33
– NSW fire brigade levy	43	39
– NSW rural fire service levy	385	304
Councillor expenses – mayoral fee	27	25
Councillor expenses – councillors' fees	122	117
Councillors' expenses (incl. mayor) – other (excluding fees above)	27	44
Donations, contributions and assistance to other organisations (Section 356)	22	10
– Donations, contributions and assistance	156	157
– Sports council contribution	87	51
Electricity and heating	2,143	2,267
Events & Marketing	100	295
Insurance	508	438
Memberships & Subscriptions	95	102
Postage	88	124
Printing and stationery	204	180
Street lighting	296	309
Telephone and communications	278	311
Training Costs	145	353
Travel Expenses	150	191
Valuation fees	61	65
Water licences	156	170
Other	–	36
<u>TOTAL OTHER EXPENSES</u>	<u>6,179</u>	<u>6,248</u>

Accounting policy for other expenses

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 6. Gain or loss from disposal of assets

\$ '000	Notes	2020	2019
Plant and equipment	10		
Proceeds from disposal – plant and equipment		155	1,137
Less: carrying amount of plant and equipment assets sold/written off		(36)	(821)
Net gain/(loss) on disposal		<u>119</u>	<u>316</u>
Infrastructure	10		
Proceeds from disposal – infrastructure		3	–
Less: carrying amount of infrastructure assets sold/written off		(2,608)	(1,287)
Net gain/(loss) on disposal		<u>(2,605)</u>	<u>(1,287)</u>
Real estate assets held for sale	9		
Proceeds from disposal – real estate assets		602	142
Less: carrying amount of real estate assets sold/written off		(496)	(85)
Net gain/(loss) on disposal		<u>106</u>	<u>57</u>
Investments	7(b)		
Proceeds from disposal/redemptions/maturities – investments		23,546	39,930
Less: carrying amount of investments sold/redeemed/matured		(23,546)	(39,930)
Net gain/(loss) on disposal		<u>–</u>	<u>–</u>
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		<u>(2,380)</u>	<u>(914)</u>

Accounting policy for disposal of assets

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

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

Note 7(a). Cash and cash equivalents

\$ '000	2020	2019
Cash and cash equivalents		
Cash on hand and at bank	186	363
Cash-equivalent assets		
– Deposits at call	13,812	7,721
– Managed funds	–	11
Total cash and cash equivalents	<u>13,998</u>	<u>8,095</u>

Accounting policy for cash and cash equivalents

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

Parkes Shire Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(b). Investments

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Investments				
'Financial assets at amortised cost'	4,165	3,512	12,000	5,188
Total Investments	4,165	3,512	12,000	5,188
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	18,163	3,512	20,095	5,188
Financial assets at amortised cost				
Long term deposits	2,650	2,500	12,000	2,650
NCD's, FRN's (with maturities > 3 months)	1,515	1,012	–	2,538
Total	4,165	3,512	12,000	5,188

Accounting policy for investments

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.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment. Interest income, impairment and gains or loss on de-recognition are recognised in profit or loss.

Fair value through other comprehensive income – equity instruments

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

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

Financial assets through profit or loss

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(b). Investments (continued)

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.

Note 7(c). Restricted cash, cash equivalents and investments

\$ '000	2020		2019	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	18,163	3,512	20,095	5,188
attributable to:				
External restrictions	13,548	3,512	13,189	5,188
Internal restrictions	4,546	–	6,873	–
Unrestricted	69	–	33	–
	18,163	3,512	20,095	5,188

\$ '000	2020	2019
---------	------	------

Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended grants – general fund (2020 only)	1,304	–
External restrictions – included in liabilities	1,304	–

External restrictions – other

Developer contributions – general	335	280
Developer contributions – water fund	4,476	4,207
Developer contributions – sewer fund	123	47
Specific purpose unexpended grants (recognised as revenue) – general fund	2,065	1,212
Water supplies	6,292	10,580
Sewerage services	1,406	601
Domestic waste management	832	1,377
Stormwater Management	227	73
External restrictions – other	15,756	18,377

Total external restrictions

	17,060	18,377
--	--------	--------

Internal restrictions

Plant and vehicle replacement	–	160
Employees leave entitlement	454	987
Carry over works	–	1,336
Risk Management Fund	100	100
Buildings	–	279
Shire development	2,077	2,077
Parkes Plus	1,293	1,928
Town Improvement Fund	579	–
Childcare Services	43	–
Other	–	6
Total internal restrictions	4,546	6,873

TOTAL RESTRICTIONS

	21,606	25,250
--	--------	--------

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Purpose				
Rates and annual charges	3,339	–	2,620	–
User charges and fees	2,484	–	2,328	–
Accrued revenues				
– Interest on investments	96	–	265	–
Net investment in finance lease	–	–	–	–
Government grants and subsidies	402	–	2,775	–
Net GST receivable	1,034	–	1,122	–
Other debtors	992	–	1,604	–
Total	8,347	–	10,714	–
Less: provision of impairment				
Rates and annual charges	(208)	–	(112)	–
Interest and extra charges	(71)	–	(68)	–
User charges and fees	(39)	–	(33)	–
Total provision for impairment – receivables	(318)	–	(213)	–
TOTAL NET RECEIVABLES	8,029	–	10,501	–

\$ '000	2020	2019
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	213	136
+ new provisions recognised during the year	105	77
Balance at the end of the year	318	213

Accounting policy for receivables

Recognition and measurement

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

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

Impairment

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables (continued)

Accounting policy under AASB 9 applicable from 1 July 2019

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

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, and when estimating ECL, the Council considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on Council's historical experience and informed credit assessment, and including forward-looking information.

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

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

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

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

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

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

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

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

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

Note 9. Inventories and other assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Inventories				
(i) Inventories at cost				
Real estate for resale	156	4,246	829	4,069
Stores and materials	1,240	–	1,075	–
Trading stock	63	1	57	–
Total inventories at cost	1,459	4,247	1,961	4,069
TOTAL INVENTORIES	1,459	4,247	1,961	4,069
(b) Other assets				
Prepayments	224	–	76	–
TOTAL OTHER ASSETS	224	–	76	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Inventories and other assets (continued)

(i) Other disclosures

\$ '000	Notes	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Details for real estate development					
Residential		–	1,614	–	1,613
Industrial/commercial		156	2,632	829	2,456
Total real estate for resale		156	4,246	829	4,069

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

Represented by:

Acquisition costs		–	988	–	988
Development costs		156	3,258	829	3,081
Total costs		156	4,246	829	4,069
Total real estate for resale		156	4,246	829	4,069
Movements:					
Real estate assets at beginning of the year		829	4,069	4,864	–
– Purchases and other costs		(177)	177	(3,950)	4,069
– WDV of sales (expense)	6	(496)	–	(85)	–
Total real estate for resale		156	4,246	829	4,069

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

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

\$ '000	2020	2019
Real estate for resale	156	829
	156	829

Accounting policy for inventories and other assets**Raw materials and stores, work in progress and finished goods**

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

Land held for resale/capitalisation of borrowing costs

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

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

Notes to the Financial Statements
for the year ended 30 June 2020

Note 10. Infrastructure, property, plant and equipment

	as at 30/06/19			Asset movements during the reporting period							as at 30/06/20		
	Gross carrying amount Restated	Accumulated depreciation Restated	Net carrying amount Restated	Additions renewals ¹	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	Net carrying amount
\$ '000													
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
Land:													
– 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
Infrastructure:													
– 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
– Airport assets	14,415	(2,874)	11,541	537	59	–	(461)	–	–	–	15,011	(3,335)	11,676
– Other open space/recreational assets	33,062	(9,942)	23,120	950	171	(4)	(663)	–	–	–	34,175	(10,601)	23,574
Other assets:													
– Library books	1,306	(778)	528	70	–	–	(82)	–	–	–	1,377	(861)	516
Reinstatement, rehabilitation and restoration assets (refer Note 15):													
– 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
Total Infrastructure, property, plant and equipment	952,022	(262,690)	689,332	15,274	12,210	(2,640)	(13,202)	(562)	(1,229)	14,618	978,996	(265,195)	713,801

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

Notes to the Financial Statements
for the year ended 30 June 2020

Note 10. Infrastructure, property, plant and equipment (continued)

	as at 30/06/18			Asset movements during the reporting period							as at 30/06/19		
	Gross carrying amount Restated	Accumulated depreciation Restated	Net carrying amount Restated	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	WIP transfers	Revaluation increments to equity (ARR)	Gross carrying amount Restated	Accumulated depreciation Restated	Net carrying amount Restated
\$ '000													
Capital work in progress	1,239	–	1,239	2,829	11,680	–	–	–	(1,239)	–	14,509	–	14,509
Plant and equipment	23,317	(11,753)	11,564	1,856	247	(821)	(1,442)	–	–	–	23,137	(11,733)	11,404
Office equipment	4,924	(3,986)	938	627	12	–	(178)	–	–	–	5,561	(4,162)	1,399
Furniture and fittings	1,045	(711)	334	2	–	–	(80)	–	–	–	1,047	(791)	256
Land:													
– Operational land	10,581	–	10,581	117	253	–	–	–	–	–	10,951	–	10,951
– Community land	12,226	–	12,226	–	–	–	–	–	–	–	12,226	–	12,226
– Land under roads (post 30/6/08)	61	–	61	–	–	–	–	–	–	–	61	–	61
Infrastructure:													
– Buildings – non-specialised	23,818	(8,184)	15,634	127	87	–	(451)	–	–	–	24,032	(8,635)	15,397
– Buildings – specialised	27,514	(12,040)	15,474	871	52	–	(225)	–	538	–	28,972	(12,262)	16,710
– Roads	409,403	(83,347)	326,056	6,360	16	(958)	(4,060)	–	415	–	413,904	(86,075)	327,829
– Bridges	13,964	(3,682)	10,282	235	–	–	(100)	–	35	–	14,215	(3,763)	10,452
– Footpaths	10,012	(2,178)	7,834	37	607	–	(139)	–	–	–	10,651	(2,312)	8,339
– Stormwater drainage	27,866	(5,210)	22,656	169	85	(6)	(191)	–	–	359	28,555	(5,483)	23,072
– Water supply network	207,519	(75,662)	131,857	674	2,058	(2)	(3,049)	–	–	2,182	213,817	(80,097)	133,720
– Sewerage network	83,819	(28,569)	55,250	1,059	418	(71)	(1,603)	–	–	868	86,538	(30,617)	55,921
– Swimming pools	7,620	(2,662)	4,958	48	–	(4)	(168)	(10)	–	–	7,654	(2,830)	4,824
– Other open space/recreational assets	32,519	(9,410)	23,109	234	406	(135)	(620)	–	126	–	33,062	(9,942)	23,120
– Airport assets	12,351	(3,184)	9,167	–	2,600	(111)	(240)	–	125	–	14,415	(2,874)	11,541
Other assets:													
– Library books	1,197	(765)	432	109	–	–	(13)	–	–	–	1,306	(778)	528
Reinstatement, rehabilitation and restoration assets (refer Note 15):													
– Tip assets	2,910	(307)	2,603	–	–	–	(29)	–	–	–	2,910	(336)	2,574
- Present Closure Obligations (Landfills, Treatment Plants & Gravel Quarries)	–	–	–	4,499	–	–	–	–	–	–	4,499	–	4,499
Total Infrastructure, property, plant and equipment	913,905	(251,650)	662,255	19,853	18,521	(2,108)	(12,588)	(10)	–	3,409	952,022	(262,690)	689,332

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 10. Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment

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

Water and sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by Department of Industry (DoI) – Water.

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred.

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

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

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

Land under roads

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 10. Infrastructure, property, plant and equipment (continued)

Crown reserves

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

Rural Fire Service assets

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Intangible assets

Intangible assets are as follows:

\$ '000	2020	2019
Software & Water Licences		
Opening values at 1 July		
Gross book value	3,120	2,936
Accumulated amortisation	(286)	(110)
Net book value – opening balance	2,834	2,826
Movements for the year		
– Purchases	349	35
– Amortisation charges	(194)	(176)
– Other movements	–	149
Closing values at 30 June		
Gross book value	3,469	3,120
Accumulated amortisation	(480)	(286)
Total software & water licences – net book value	2,989	2,834
TOTAL INTANGIBLE ASSETS – NET BOOK VALUE	2,989	2,834

Accounting policy for intangible assets

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Contract assets and liabilities

\$ '000		2020 Current	2020 Non-current
(a) Contract assets			
Roadworks		381	–
Construction of Community Infrastructure		627	–
Construction of Logistics Hub		1,044	–
Total Contract assets		2,052	–

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

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.

\$ '000	2020
(ii) Revenue recognised (during the financial year) from opening contract liability balances	
Grants and contributions received in advance:	
Capital grants (to construct Council controlled assets)	1,509
Total Revenue recognised during the financial year that was included in the contract liability balance at the beginning of the period	1,509

Significant changes in contract assets and liabilities

The contract liabilities have arisen on adoption of AASB 15 and AASB 1058. Previously income received in advance was recognised for reciprocal contracts. The increase in a contract liability is primarily due to grants in the scope of AASB 15 and capital grants received by Council to acquire or construct assets which will be under Council's control. Previously, revenue was recognised on receipt of the funds.

Accounting policy for contract assets and liabilities

Where the amounts billed to customers are based on the achievement of various milestones established in the contract, the amounts recognised as revenue in a given period do not necessarily coincide with the amounts billed to or certified by the customer.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Contract assets and liabilities (continued)

When a performance obligation is satisfied by transferring a promised good or service to the customer before the customer pays consideration or before the payment is due, Council presents the work in progress as a contract asset, unless the rights to that amount of consideration are unconditional, in which case Council recognises a receivable.

When an amount of 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.

Note 13. Leases

The Council has applied AASB 16 using the modified retrospective (cumulative catch-up) method and therefore the comparative information has not been restated and continues to be reported under AASB 117 and related Interpretations.

(i) Council as a lessee

Council has no leases associated with assets.

(ii) 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	2020
(i) Operating lease income	
Commercial Buildings	240
Aerodrome Hangers	38
Health Centres	33
Road Reserves	13
Dining Platform	1
Council Land	24
Pool Residence	4
Total income relating to operating leases	353

(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	175
1-2 Years	63
2-3 Years	48
3-4 Years	22
4-5 Years	13
> 5 Years	-
Total undiscounted contractual lease income receivable	321

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Leases (continued)

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 then 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.

Note 14. Payables and borrowings

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Payables				
Goods and services – operating expenditure	2,425	–	2,103	–
Accrued expenses:				
– Borrowings	167	–	175	–
– Salaries and wages	115	–	257	–
– Other expenditure accruals	248	–	905	–
Prepaid rates	659	–	–	–
Security bonds, deposits and retentions	46	–	20	–
Total payables	3,660	–	3,460	–
Income received in advance (2019 only)				
Payments received in advance	–	–	735	–
Total income received in advance	–	–	735	–
Borrowings				
Loans – secured ¹	947	19,195	901	20,143
Total borrowings	947	19,195	901	20,143
TOTAL PAYABLES AND BORROWINGS	4,607	19,195	5,096	20,143

(1) Loans are secured over the general rating income of Council.

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 20.

\$ '000	2020	2019
(a) Current payables and borrowings not anticipated to be settled within the next twelve months		
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Payables – security bonds, deposits and retentions	46	20
Total payables and borrowings	46	20

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Payables and borrowings (continued)

(b) Changes in liabilities arising from financing activities

\$ '000	as at 30/06/19		Non-cash changes			as at 30/06/20
	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
TOTAL	21,044	(902)	–	–	–	20,142

\$ '000	as at 30/06/18		Non-cash changes			as at 30/06/19
	Opening Balance	Cash flows	Acquisition	Fair value changes	Other non-cash movement	Closing balance
Loans – secured	21,902	(858)	–	–	–	21,044
TOTAL	21,902	(858)	–	–	–	21,044

\$ '000	2020	2019
---------	------	------

(c) Financing arrangements**(i) Unrestricted access was available at balance date to the following lines of credit:**

Bank overdraft facilities ¹	100	100
Credit cards/purchase cards	150	150
Total financing arrangements	250	250

Drawn facilities as at balance date:

– Credit cards/purchase cards	6	31
Total drawn financing arrangements	6	31

Undrawn facilities as at balance date:

– Bank overdraft facilities	100	100
– Credit cards/purchase cards	144	119
Total undrawn financing arrangements	244	219

Additional financing arrangements information**Breaches and defaults**

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

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

Accounting policy for payables and borrowings

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Payables and borrowings (continued)

Payables

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

Borrowings

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

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

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

Note 15. Provisions

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Provisions				
Employee benefits				
Annual leave	1,523	–	1,576	–
Long service leave	3,692	417	4,058	368
RDO's & ELE WC On-Costs	249	11	423	–
Sub-total – aggregate employee benefits	5,464	428	6,057	368
Asset remediation/restoration:				
Asset remediation/restoration (future works)	260	4,839	261	5,382
Sub-total – asset remediation/restoration	260	4,839	261	5,382
TOTAL PROVISIONS	5,724	5,267	6,318	5,750

\$ '000	2020	2019
---------	------	------

(a) Current provisions not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	3,377	3,764
	3,377	3,764

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Provisions (continued)

(b) Description of and movements in provisions

\$ '000	Other provisions	
	Asset remediation	Total
2020		
At beginning of year	5,643	5,643
Present Closure Obligation (Assets)	(544)	(544)
Total other provisions at end of year	5,099	5,099
2019		
At beginning of year	657	657
Present Closure Obligation (Assets)	4,986	4,986
Total other provisions at end of year	5,643	5,643

Nature and purpose of non-employee benefit provisions**Asset remediation**

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

Accounting policy for provisions

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

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

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

Employee benefits**Short-term obligations**

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

Other long-term employee benefit obligations

The liability for long-service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

On-costs

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Provisions (continued)

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

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

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

Restoration

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

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

Rehabilitation

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

(b) Correction of errors relating to a previous reporting period

Nature of prior-period error

The adjustment relates to Northparkes Mine (CMOC Mining Pty Ltd) assets which were incorrectly revalued in the 2007 and 2009 revaluations for water assets. Parkes Shire Council does not control these assets and has made the correction to remove them from the fixed asset register.

Changes to the opening Statement of Financial Position at 1 July 2018**Statement of Financial Position**

\$ '000	Original Balance 1 July, 2018	Impact Increase/ (decrease)	Restated Balance 1 July, 2018
Infrastructure, property, plant & equipment	668,675	(6,420)	662,255
Total assets	723,370	(6,420)	716,950
Total liabilities	32,914	–	32,914
Accumulated surplus	518,059	290	518,349
Revaluation reserves	172,397	(6,710)	165,687
Total equity	690,456	(6,420)	684,036

Adjustments to the comparative figures for the year ended 30 June 2019**Statement of Financial Position**

\$ '000	Original Balance 30 June, 2019	Impact Increase/ (decrease)	Restated Balance 30 June, 2019
Infrastructure, property, plant & equipment	695,484	(6,152)	689,332
Total assets	740,208	(6,152)	734,056
Total liabilities	37,307	–	37,307
Accumulated surplus	527,095	558	527,653
Revaluation reserves	175,806	(6,710)	169,096
Total equity	702,901	(6,152)	696,749

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

Income Statement

\$ '000	Original Balance 30 June, 2019	Impact Increase/ (decrease)	Restated Balance 30 June, 2019
Total income from continuing operations	61,777	–	61,777
Depreciation and amortisation - Water supply network	13,032	(268)	12,764
Total expenses from continuing operations	52,741	(268)	52,473
Net operating result for the year	9,036	268	9,304

Statement of Comprehensive Income

\$ '000	Original Balance 30 June, 2019	Impact Increase/ (decrease)	Restated Balance 30 June, 2019
Net operating result for the year	9,036	268	9,304
Net operating result for the year	9,036	268	9,304
Other comprehensive income	3,409	–	3,409
Total comprehensive income for the year	12,445	268	12,713

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

During the year ended 30 June 2020, the Council has adopted AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not-for-profit Entities* and AASB 16 *Leases* using the modified retrospective (cumulative catch-up) method and therefore the comparative information for the year ended 30 June 2019 has not been restated and continues to comply with AASB 111 *Construction Contracts*, AASB 117 *Leases*, AASB 118 *Revenue*, AASB 1004 *Contributions* and associated Accounting Interpretations.

All adjustments on adoption of AASB 15 and AASB 1058 have been taken to retained earnings at 1 July 2019. The impacts of adopting these standards and associated transition disclosures are provided below:

Adjustments to the current year figures for the year ended 30 June 2020

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Total assets	740,208	–	740,208
Contract Liabilities	–	1,509	1,509
Total liabilities	37,307	1,509	38,816
Accumulated Surplus	527,095	(1,509)	525,586
Revaluation Reserve	175,806	–	175,806
Total equity	702,901	(1,509)	701,392

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

(i) AASB 15 and AASB 1058

Costs incurred in fulfilling customer contracts

Prior to adopting AASB 15 Council would recognise direct costs associated with fulfilling customer contracts as expenses when incurred, as they did not qualify for recognition as assets under any other accounting standards. Under AASB 15, as these costs relate directly to the contracts, generate resources used in satisfying the contracts, and are expected to be recovered, they are capitalised as 'costs to fulfil a contract' assets and released through profit and loss on the same basis as the revenue is recognised.

Upfront fees – Council leisure centre

Council adoption of AASB 15 does not affect the recognition of membership revenue of Council pools as the pool season falls within the financial year. At 30 June no pool memberships exist as pool facilities are open between October and April each year.

Transfer of control to a customer – over time or at a point in time

AASB 15 has specific criteria regarding whether control is transferred over time or at a point in time. The entity has reviewed its contracts and concluded that the criteria for recognition over time is not met in some circumstances. In such cases, revenue and related production costs will be recognised at the delivery of each separate performance obligation instead of over the contract using a single margin.

Principal v agent

Prior to adoption of AASB 15, the Council had assessed that they were a principal in transactions where another party was involved in providing the goods or services including pass-through grants.

Under AASB 15, the indicators of a principal have changed and there are now a number of performance obligations within grant agreements where the Council is acting as an agent since the only obligation is to transfer the funds to a third party. The result is that Council can only recognise the "commission" to which they are entitled rather than the gross revenue and expenses. There is no change to reported profit.

Prepaid rates

Under AASB 1004, rates were recorded as revenue at the earliest of receipt of the funds from the ratepayer and the beginning of the rating period. Under AASB 1058, prepaid rates are recognised as a financial liability until the beginning of the rating period.

Grants – operating

Under AASB 1004, most grant income was recognised as revenue on receipt. Under AASB 15, where an agreement is enforceable and contains sufficiently specific performance obligations, the revenue is either recognised over time as the work is performed, or recognised at the point in time that the control of the services passes to the customer.

Grants – capital

Under AASB 1004, most grant monies were recorded as revenue on receipt. Under AASB 1058, where Council has received assets (including cash) to acquire or construct a non-financial asset, the asset is to be controlled by Council and the contract is enforceable, then the asset is recognised as a contract liability on receipt and recorded as revenue as the performance obligation to acquire or construct the asset is completed.

Changes in presentation

The Council has not restated opening balances with adoption of AASB 15 and AASB 1058 as the financial statements were already being prepared.

Grant income has been consistently recognised once all performance obligations are met and where this is not the case, prepaid revenue recognised. At 30 June 2019 we did have a liability for prepaid revenue as we had an outstanding performance obligations for grant money at that time relating to the Parkes Library Expansion Project. We have therefore restated comparatives.

At 30 June 2020 we have recognised prepaid revenue for operation and capital grants which has been recorded as a contract liability under the new standards.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000	Balance at 1 July 2019
Opening contract balances at 1 July 2019	
Contract liabilities	
– Under AASB 1058	1,509
Total Contract liabilities	<u>1,509</u>

Comparison of financial statement line items under AASB 15 compared to previous standards for the current year

The following tables show the impact of adopting AASB 15 and AASB 1058 on the Council's financial statements for the year ended 30 June 2020.

Statement of Financial Position

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur-e ment	Carrying amount under previous revenue standards
Current assets				
Receivables	8,029	–	2,052	10,081
Contract assets	2,052	–	(2,052)	–
Total current assets	<u>29,927</u>	<u>–</u>	<u>–</u>	<u>29,927</u>
Current liabilities				
Contract liabilities	1,304	–	(1,304)	–
Total current liabilities	<u>11,635</u>	<u>–</u>	<u>(1,304)</u>	<u>10,331</u>
Net assets	<u>718,379</u>	<u>–</u>	<u>1,304</u>	<u>719,683</u>
Equity				
Accumulated surplus	535,894	–	1,304	537,198
Council equity interest	<u>718,379</u>	<u>–</u>	<u>1,304</u>	<u>719,683</u>
Total equity	<u>718,379</u>	<u>–</u>	<u>1,304</u>	<u>719,683</u>

Outstanding debtors revenue recognised under AASB 15 due to contractual obligations of grant funding to be received.
Prepaid revenue recognised under AASB 15 due to contractual obligations not yet met for grant funding received in advance.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)**Income Statement**

\$ '000	Income Statement and comprehensive income under AASB 15 and AASB 1058	Reclassification	Remeasurement	Income Statement and comprehensive income under previous revenue standards
<u>Income from continuing operations</u>				
Rates and annual charges	20,743	–	–	20,743
User charges and fees	13,819	–	–	13,819
Other revenues	759	–	–	759
Grants and contributions provided for operating purposes	15,295	–	250	15,545
Grants and contributions provided for capital purposes	9,650	–	1,054	10,704
Interest and investment income	401	–	–	401
Rental income	353	–	–	353
Total Income from continuing operations	61,020	–	1,304	62,324
<u>Expenses from continuing operations</u>				
Employee benefits and on-costs	14,769	–	–	14,769
Borrowing costs	881	–	–	881
Materials and contracts	13,665	–	–	13,665
Depreciation and amortisation	13,396	–	–	13,396
Other expenses	6,179	–	–	6,179
Net losses from the disposal of assets	2,380	–	–	2,380
Total Expenses from continuing operations	51,270	–	–	51,270
Total Operating result from continuing operations	9,750	–	1,304	11,054
Net operating result for the year	9,750	–	1,304	11,054
Total comprehensive income	23,139	–	1,304	24,443

Although the impact of disclosures for AASB 15/AASB 1058 are included, no adjustments to comparatives have been made as no prepaid revenue existed at 30 June 2019. AASB 1058 requires income to be recognised only when the performance obligations relating to that income are met, construction progress for grant funding as an example.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Statement of cash flow information

\$ '000	Notes	2020	2019
(a) Reconciliation of cash and cash equivalents			
Total cash and cash equivalents per Statement of Financial Position	7(a)	13,998	8,095
Balance as per the Statement of Cash Flows		13,998	8,095
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		9,750	9,304
Adjust for non-cash items:			
Depreciation and amortisation		13,396	12,764
Net losses/(gains) on disposal of assets		2,380	914
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’		(26)	(38)
– Revaluation decrements / impairments of IPP&E direct to P&L		–	10
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		2,367	(1,578)
Increase/(decrease) in provision for impairment of receivables		105	77
Decrease/(increase) in inventories		(172)	70
Decrease/(increase) in other current assets		(148)	85
Decrease/(increase) in contract assets		(2,052)	–
Increase/(decrease) in payables		322	49
Increase/(decrease) in accrued interest payable		(8)	(18)
Increase/(decrease) in other accrued expenses payable		(799)	1,095
Increase/(decrease) in other liabilities		(50)	(1,444)
Increase/(decrease) in contract liabilities		1,304	–
Increase/(decrease) in provision for employee benefits		(533)	583
Increase/(decrease) in other provisions		(544)	–
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		23,783	21,873

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Commitments

\$ '000	2020	2019
Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings	359	431
Plant and equipment	4	38
Roads & Footpaths	116	55
Water	253	212
Airports	–	37
Sewer	12	10
Open Space & Recreation	37	23
Other – Economic Affairs	–	44
Other – Rural Fire Service	54	24
Total commitments	835	874
These expenditures are payable as follows:		
Within the next year	835	874
Total payable	835	874
Sources for funding of capital commitments:		
Unrestricted general funds	15	11
Unexpended grants	417	373
Externally restricted reserves	265	190
Internally restricted reserves	138	300
Total sources of funding	835	874

Details of capital commitments

Capital commitments for at the reporting date but not recognised in the financial statements as liabilities included works on the Recycled Water Scheme, Revitalisation of Lower Clarinda Street, Parkes, Expansion of Parks Shire Library & Central West Children's Services Facility Upgrade

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Contingencies (continued)

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 2020 was \$175,500

The last formal valuation of the Fund was by the Actuary, Mr Richard Boyfield, relating to the period ended 30 June 2019.

Council's expected contribution to the fund for the next annual reporting period is \$326,554.28

The estimated employer reserves financial position for the Pooled Employers at 30 June 2020 is:

Employer reserves only *	\$millions	Asset Coverage
Assets	1,695.2	
Past Service Liabilities	1,773.2	95.6%
Vested Benefits	1,757.5	96.5%

* 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 2020.

Council's additional lump sum contribution is around 0.46% 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Contingencies (continued)

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

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

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

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

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

ASSETS NOT RECOGNISED

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Financial risk management

Risk management

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

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

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

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

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

\$ '000	Carrying value 2020	Carrying value 2019	Fair value 2020	Fair value 2019
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	13,998	8,095	13,998	8,095
Receivables	8,029	10,501	8,029	10,501
Investments				
– 'Financial assets at amortised cost'	7,677	17,188	7,703	17,226
Total financial assets	29,704	35,784	29,730	35,822
Financial liabilities				
Payables	3,660	2,725	3,660	2,725
Loans/advances	20,142	21,044	20,142	21,044
Total financial liabilities	23,802	23,769	23,802	23,769

Fair value is determined as follows:

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

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

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

Council has an investment policy which complies with the Local Government Act 1993 and Minister's investment order 625. This policy is regularly reviewed by Council and its staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance as required by Local Government regulations.

The risks associated with the instruments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Financial risk management (continued)

- **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

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

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

The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2020				
Possible impact of a 10% movement in market values	253	253	(253)	(253)
Possible impact of a 1% movement in interest rates	25	25	(25)	(25)
2019				
Possible impact of a 10% movement in market values	254	254	(254)	(254)
Possible impact of a 1% movement in interest rates	25	25	(25)	(25)

(b) Credit risk

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

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

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Financial risk management (continued)

Credit risk profile

Receivables – rates and annual charges

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2020						
Gross carrying amount	891	1,454	180	745	69	3,339
2019						
Gross carrying amount	899	1,079	370	231	41	2,620

Receivables - non-rates and annual charges

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

The loss allowance provision as at 30 June 2020 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
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%
ECL provision	–	–	–	13	97	110
2019						
Gross carrying amount	5,600	9	1,279	71	1,135	8,094
Expected loss rate (%)	0.00%	0.00%	0.00%	6.50%	8.50%	1.25%
ECL provision	–	–	–	5	96	101

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Financial risk management (continued)

(c) Liquidity risk

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

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

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

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk through diversification of borrowing types, maturities and interest rate structures. The finance team regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

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

The amounts disclosed in the table are the undiscounted contracted cash flows for non-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	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 - 5 Years	> 5 Years		
2020							
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
Total financial liabilities		46	5,327	5,703	18,108	29,184	23,802
2019							
Trade/other payables	0.00%	20	3,440	–	–	3,460	3,460
Loans and advances	3.89%	–	1,722	6,215	19,386	27,323	21,044
Total financial liabilities		20	5,162	6,215	19,386	30,783	24,504

Loan agreement breaches

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Material budget variations

Council's original financial budget for 19/20 was adopted by the Council on 19/05/2020 and is unaudited.

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

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

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

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

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
REVENUES				
Other revenues	2,254	759	(1,495)	(66)% U
The variance was due to incorrect budgeting assumptions.				
Interest and investment revenue	1,107	401	(706)	(64)% U
The variance was due to the decrease in the interest rates and incorrect budgeting assumptions regarding the cash and investment balances for 2020.				
Rental income	–	353	353	∞ F
EXPENSES				
Employee benefits and on-costs	16,877	14,769	2,108	12% F
The positive variance was due to procedures which were put in place to reduce overtime, rdo's, annual and long service leave balances.				
Borrowing costs	641	881	(240)	(37)% U
The variance was due to incorrect assumptions when determining the budget				
Materials and contracts	12,278	13,665	(1,387)	(11)% U
The variance was due to an increase in materials and contractor related expenses following a storm event and costs associated with the expansion of the Parkes Logistics Hub.				
Depreciation and amortisation	10,277	13,396	(3,119)	(30)% U
The variance was due to a number of major roads and water infrastructure projects which was completed during the last two years.				
Other expenses	5,259	6,179	(920)	(17)% U
The variance was due to increased electricity consumption across the water and sewer infrastructure network along with increased computer software charges.				
Net losses from disposal of assets	–	2,380	(2,380)	∞ U
STATEMENT OF CASH FLOWS				
Cash flows from operating activities	25,776	23,783	(1,993)	(8)% U
Cash flows from investing activities	(17,753)	(16,978)	775	(4)% F
Cash flows from financing activities	(900)	(902)	(2)	0% U

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement

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

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

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

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

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

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

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

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

2020	Fair value measurement hierarchy				Total
	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
\$ '000					
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/2018	–	–	10,982	10,982
Office equipment	30/06/2018	–	–	1,305	1,305
Furniture and fittings	30/06/2018	–	–	220	220
Operational land	30/06/2018	–	–	12,244	12,244
Community land	30/06/2016	–	–	11,039	11,039
Land under roads	30/06/2014	–	–	64	64
Buildings non-specialised	30/06/2018	–	–	13,411	13,411
Buildings specialised	30/06/2018	–	–	17,949	17,949
Roads	30/06/2020	–	–	343,681	343,681
Bridges	30/06/2020	–	–	11,633	11,633
Footpaths	30/06/2020	–	–	8,407	8,407
Tips	30/06/2015	–	–	2,578	2,578
Library books	30/06/2016	–	–	516	516
Storm water drainage	30/06/2020	–	–	24,064	24,064
Water supply network	30/06/2020	–	–	141,688	141,688
Capital work in progress	30/06/2020	–	–	14,736	14,736
Sewerage network	30/06/2020	–	–	55,726	55,726
Swimming pools	30/06/2016	–	–	4,830	4,830
Airport assets	30/06/2016	–	–	11,676	11,676
Other open space / recreational assets	30/06/2016	–	–	23,574	23,574
Present Closure Obligations	30/06/2019	–	–	3,478	3,478
Total infrastructure, property, plant and equipment		–	–	713,801	713,801

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

2019	Fair value measurement hierarchy				Total Restated
	Date of latest valuation	Level 1 Quoted prices in active mkt	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs Restated	
\$ '000					
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/18	–	–	11,404	11,404
Office equipment	30/06/18	–	–	1,399	1,399
Furniture and fittings	30/06/18	–	–	256	256
Operational land	30/06/18	–	–	10,951	10,951
Community land	30/06/16	–	–	12,226	12,226
Land under roads	30/06/19	–	–	61	61
Buildings non-specialised	30/06/18	–	–	15,397	15,397
Buildings specialised	30/06/18	–	–	16,710	16,710
Roads	30/06/20	–	–	327,829	327,829
Bridges	30/06/20	–	–	10,452	10,452
Footpaths	30/06/20	–	–	8,339	8,339
Tips	30/06/15	–	–	2,574	2,574
Library books	30/06/16	–	–	528	528
Storm water drainage	30/06/20	–	–	23,072	23,072
Water supply network	30/06/17	–	–	133,720	133,720
Capital work in progress	30/06/19	–	–	14,509	14,509
Sewerage network	30/06/17	–	–	55,921	55,921
Swimming pools	30/06/16	–	–	4,824	4,824
Airport assets	30/06/16	–	–	11,541	11,541
Other open space / recreational assets	30/06/16	–	–	23,120	23,120
Present Closure Obligations	30/06/19	–	–	4,499	4,499
Total infrastructure, property, plant and equipment		–	–	689,332	689,332

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

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

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

Operational Land

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

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

Community Land

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

Land Under Roads

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

Buildings – Non specialised and Specialised

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

Roads, Bridges & Footpaths

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

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.

Sewerage network assets are indexed annually using the Modern Engineering Equivalent Assets (MEERA) rates provided by the NSW Office of Water. There have been no change to the valuation process during the reporting period.

Swimming Pools

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

While some elements of gross replacement values could be supported from market evidence (Level 2 input) other inputs (such as estimates of pattern of consumption, asset condition and useful life) required extensive professional judgement and

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

impacted significantly on the final determination of fair value. There has been no change to the valuation process during the reporting period. There has been no change to the valuation process during the reporting period.

Other Open Space/Recreational Assets

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

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

Library Books

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

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

Tip Remediation

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

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

Closure of the landfill will involve a wide range of activities including preparation of a Landfill Closure and Management Plan, final capping of the landfill waste and site re-vegetation, installation of a final landfill gas management system, revision of the surface water management system and leachate management infrastructure to suit post-closure operation, decommissioning and removing infrastructure and equipment that will not be required post-closure, and fencing sensitive infrastructure. The key unobservable inputs are the discount rate, cost escalation rate, actual timing of costs and future environmental management requirements.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

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

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

\$ '000	Office equipment	Furniture and fittings	Operational Land	Community Land Restated	Land under Roads
2019					
Opening balance	938	334	10,581	12,226	61
Purchases (GBV)	639	2	370	–	–
Depreciation and impairment	(178)	(80)	–	–	–
Closing balance	1,399	256	10,951	12,226	61
2020					
Opening balance	1,399	256	10,951	12,226	61
Transfers from/(to) another asset class	–	–	1,091	(1,095)	–
Purchases (GBV)	150	28	217	–	3
Disposals (WDV)	–	–	(15)	(92)	–
Depreciation and impairment	(244)	(64)	–	–	–
Closing balance	1,305	220	12,244	11,039	64

\$ '000	Buildings non-specialis ed	Buildings specialised	Roads, bridges and footpaths	Stormwater drainage	Water supply network Restated
2019					
Opening balance	15,634	15,474	344,172	22,656	132,125
Transfers from/(to) another asset class	–	538	450	–	–
Purchases (GBV)	214	923	7,255	254	2,732
Disposals (WDV)	–	–	(958)	(6)	(2)
Depreciation and impairment	(451)	(225)	(4,299)	(191)	(3,317)
Revaluation Adjustments	–	–	–	359	2,182
Closing balance	15,397	16,710	346,620	23,072	133,720
2020					
Opening balance	15,397	16,710	346,620	23,072	133,720
Transfers from/(to) another asset class	–	–	–	–	2
Purchases (GBV)	196	1,481	11,351	318	9,732
Disposals (WDV)	(1,736)	–	(599)	(3)	(21)
Depreciation and impairment	(446)	(242)	(4,391)	(195)	(2,999)
Revaluation Adjustments	–	–	10,740	872	1,254
Closing balance	13,411	17,949	363,721	24,064	141,688

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

\$ '000	Sewerage network	Airport assets	Library books	Other assets	Swimming pools
2019					
Opening balance	55,250	9,167	432	23,109	4,958
Transfers from/(to) another asset class	–	125	–	126	–
Purchases (GBV)	1,477	2,600	109	640	48
Disposals (WDV)	(71)	(111)	–	(135)	(4)
Depreciation and impairment	(1,603)	(240)	(13)	(620)	(168)
Revaluation Adjustments	868	–	–	–	(10)
Closing balance	55,921	11,541	528	23,120	4,824
2020					
Opening balance	55,921	11,541	528	23,120	4,824
Purchases (GBV)	707	596	70	1,121	185
Disposals (WDV)	(1)	–	–	(4)	–
Depreciation and impairment	(1,424)	(461)	(82)	(663)	(179)
Revaluation Adjustments	523	–	–	–	–
Closing balance	55,726	11,676	516	23,574	4,830

\$ '000	Tip assets	Plant and equipment	Capital Works in Progress	Present Closure Obligations	Total
2019					
Opening balance	2,603	11,564	1,239	–	662,523
Transfers from/(to) another asset class	–	–	(1,239)	–	–
Purchases (GBV)	–	2,103	14,509	4,499	38,374
Disposals (WDV)	–	(821)	–	–	(2,108)
Depreciation and impairment	(29)	(1,442)	–	–	(12,856)
Revaluation Adjustments	–	–	–	–	3,399
Closing balance	2,574	11,404	14,509	4,499	689,332
2020					
Opening balance	2,574	11,404	14,509	4,499	689,332
Transfers from/(to) another asset class	–	–	–	(560)	(562)
Purchases (GBV)	33	982	314	–	27,484
Disposals (WDV)	–	(36)	(87)	(46)	(2,640)
Depreciation and impairment	(29)	(1,368)	–	(415)	(13,202)
Revaluation Adjustments	–	–	–	–	13,389
Closing balance	2,578	10,982	14,736	3,478	713,801

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

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

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

	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment		
Capital Works in Progress	Cost Approach - Current Replacement Cost - Costs used to approximate Fair Value (Refer Note 22 (3))	<ul style="list-style-type: none"> • Gross Replacement Cost • Asset Condition • Remaining Useful Life
Operational Land	Market Approach - Land values obtained from the Valuers Report (Refer Note 22 (3))	<ul style="list-style-type: none"> • Price /Sq. Metre • Impact of Restrictions
Community land	Market Approach - Land values obtained from the Valuers Report (Refer Note 22 (3))	<ul style="list-style-type: none"> • Price /Sq. Metre • Impact of Restrictions
Land Under Roads	Market Approach - Adjoining blocks average m2 rate (Refer Note 22 (3))	<ul style="list-style-type: none"> • Price /Sq. Metre • Impact of Restrictions
Buildings	Cost Approach - Unit Rates per m2 or length (Refer Note 22 (3))	<ul style="list-style-type: none"> • Gross Replacement Cost • Asset Condition • Remaining Useful Life
Roads	Cost Approach - Unit Rates per m2 or length (Refer Note 22 (3))	<ul style="list-style-type: none"> • Gross Replacement Cost • Asset Condition • Remaining Useful Life
Bridges	Cost Approach - Unit Rates per m2 or length (Refer Note 22 (3))	<ul style="list-style-type: none"> • Gross Replacement Cost • Asset Condition • Remaining Useful Life
Footpaths	Cost Approach - Unit Rates per m2 or length (Refer Note 22 (3))	<ul style="list-style-type: none"> • Gross Replacement Cost • Asset Condition • Remaining Useful Life
Tips	Cost Approach - (Refer Note 22 (3))	<ul style="list-style-type: none"> • Discounted Rate • Cost escalation rate
Library Books	Cost Approach - Cost used to approximate Fair Value (Refer Note 22 (3))	<ul style="list-style-type: none"> • Gross Replacement Cost • Asset Condition • Remaining Useful Life
Stormwater Drainage	Cost Approach - Unit rates per m2 or length (Refer Note 22 (3))	<ul style="list-style-type: none"> • Gross Replacement Cost • Asset Condition • Remaining Useful Life
Water Supply Network	Cost Approach - Unit rates per m2 or length (Refer Note 22 (3))	<ul style="list-style-type: none"> • Gross Replacement Cost • Asset Condition • Remaining Useful Life
Sewerage Network	Cost Approach - Unit rates per m2 or length (Refer Note 22 (3))	<ul style="list-style-type: none"> • Gross Replacement Cost • Asset Condition • Remaining Useful Life
Airport Assets	Cost Approach - Unit rates per m2 or length (Refer Note 22 (3))	<ul style="list-style-type: none"> • Gross Replacement Cost • Asset Condition • Remaining Useful Life
Other open space / recreational assets (Incl. Swimming Pools)	Cost Approach - Cost used to approximate Fair Value (Refer Note 22 (3))	<ul style="list-style-type: none"> • Gross Replacement Cost • Asset Condition • Remaining Useful Life
Plant and Equipment / Office Equipment / Furniture and Fittings	Cost Approach - Current Replacement Cost - Costs used to approximate Fair Value (Refer Note 22 (3))	<ul style="list-style-type: none"> • Gross replacement Cost • Asset Condition • Remaining Useful Life • Residual value

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

(4) Highest and best use

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

Notes to the Financial Statements
for the year ended 30 June 2020

Note 23. Related party disclosures

(a) Key management personnel

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

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

\$ '000	2020	2019
Compensation:		
Short-term benefits	1,066	863
Post-employment benefits	80	101
Other long-term benefits	104	114
Total	1,250	1,078

(b) Other transactions with KMP and their related parties

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

Nature of the transaction	Ref	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
\$ '000						
2020						
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 (144 transactions)	–	–
Supplier of Goods	3	62	–	Normal payment terms in accordance with council's procurement process (261 transactions)	–	–

Notes to the Financial Statements
for the year ended 30 June 2020

Note 23. Related party disclosures (continued)

Nature of the transaction	Ref	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
\$ '000						
Supplier of Services	4	17	–	Normal payment terms in accordance with council's procurement process (2 transactions)	–	–
2019						
Lease	1	4	–	Property maintenance as required and annual payment of council rates and building insurance premium	–	–
Supplier of Goods	2	68	–	Normal payment terms in accordance with council's procurement process (121 transactions)	–	–
Supplier of Goods	3	67	–	Normal payment terms in accordance with council's procurement process (253 transactions)	–	–

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

Notes to the Financial Statements
for the year ended 30 June 2020

Note 24. Events occurring after the reporting date

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

Note 25. Statement of developer contributions

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

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

Summary of contributions and levies

\$ '000	as at 30/06/19			Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/06/20	
	Opening Balance	Contributions received during the year Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
S7.12 levies – under a plan	375	193	–	3	(236)	–	335	–
Total S7.11 and S7.12 revenue under plans	375	193	–	3	(236)	–	335	–
S64 contributions	4,254	299	–	46	–	–	4,599	–
Total contributions	4,629	492	–	49	(236)	–	4,934	–

S7.12 Levies – under a plan

CONTRIBUTION PLAN NUMBER S94A - Established 5 August 2016

Active Movement	87	96	–	1	–	(73)	111	–
Community facilities	134	28	–	–	(230)	73	5	–
Open space	116	41	–	1	–	–	158	–
Parking	38	28	–	1	(6)	–	61	–
Total	375	193	–	3	(236)	–	335	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26. Result by fund

\$ '000	General ¹ 2020	Water 2020	Sewer 2020
Income Statement by fund			
Income from continuing operations			
Rates and annual charges	16,678	1,347	2,718
User charges and fees	5,097	8,134	588
Interest and investment revenue	280	110	11
Other revenues	706	53	–
Grants and contributions provided for operating purposes	15,295	–	–
Grants and contributions provided for capital purposes	8,426	1,110	114
Rental income	263	73	17
Total income from continuing operations	46,745	10,827	3,448
Expenses from continuing operations			
Employee benefits and on-costs	13,121	987	661
Borrowing costs	537	154	190
Materials and contracts	10,310	2,563	792
Depreciation and amortisation	8,590	3,197	1,609
Other expenses	3,987	1,976	216
Net losses from the disposal of assets	2,359	20	1
Total expenses from continuing operations	38,904	8,897	3,469
Operating result from continuing operations	7,841	1,930	(21)
Net operating result for the year	7,841	1,930	(21)
Net operating result attributable to each council fund	7,841	1,930	(21)
Net operating result for the year before grants and contributions provided for capital purposes	(585)	820	(135)

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26. Result by fund (continued)

\$ '000	General ¹ 2020	Water 2020	Sewer 2020
Statement of Financial Position by fund			
ASSETS			
Current assets			
Cash and cash equivalents	4,388	8,465	1,145
Investments	2,714	1,244	207
Receivables	4,573	2,371	1,085
Inventories	1,396	57	6
Contract assets	2,052	–	–
Other	224	–	–
Total current assets	15,347	12,137	2,443
Non-current assets			
Investments	2,276	1,059	177
Inventories	4,247	–	–
Infrastructure, property, plant and equipment	497,524	158,189	58,088
Intangible assets	1,403	1,586	–
Total non-current assets	505,450	160,834	58,265
TOTAL ASSETS	520,797	172,971	60,708
LIABILITIES			
Current liabilities			
Payables	3,270	328	62
Contract liabilities	717	587	–
Borrowings	598	349	–
Provisions	5,266	301	157
Total current liabilities	9,851	1,565	219
Non-current liabilities			
Borrowings	8,187	7,008	4,000
Provisions	1,276	1,511	2,480
Total non-current liabilities	9,463	8,519	6,480
TOTAL LIABILITIES	19,314	10,084	6,699
Net assets	501,483	162,887	54,009
EQUITY			
Accumulated surplus	387,329	112,020	36,545
Revaluation reserves	114,154	50,867	17,464
Council equity interest	501,483	162,887	54,009
Total equity	501,483	162,887	54,009

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2020	Indicator 2020	Prior period 2019 Restated	Benchmark
1. Operating performance ratio				
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	<u>2,454</u>	4.78%	(11.46)%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	<u>51,344</u>			
2. Own source operating revenue ratio				
Total continuing operating revenue excluding all grants and contributions ¹	<u>36,049</u>	59.10%	55.85%	>60.00%
Total continuing operating revenue ¹	<u>60,994</u>			
3. Unrestricted current ratio				
Current assets less all external restrictions	<u>12,704</u>	2.48x	1.78x	>1.50x
Current liabilities less specific purpose liabilities	<u>5,124</u>			
4. Debt service cover ratio				
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	<u>16,731</u>	9.38x	4.88x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>1,783</u>			
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	<u>3,060</u>	13.16%	11.40%	<10.00%
Rates, annual and extra charges collectible	<u>23,259</u>			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	<u>19,148</u>	6.00 mths	6.95 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	<u>3,190</u>			

(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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27(b). Statement of performance measures – by fund

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2020	2019 Restated	2020	2019 Restated	2020	2019	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	4.56%	(8.85)%	8.64%	(16.53)%	(4.02)%	(28.09)%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	49.23%	52.71%	89.75%	56.13%	96.69%	97.44%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	1.83x	1.78x	12.41x	1.48x	11.16x	5.25x	>1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	9.90x	5.36x	8.48x	3.24x	8.76x	22.75x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	10.05%	7.57%	21.38%	24.89%	31.02%	29.54%	<10.00%
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	4.28	8.88	19.29	0.41	8.72	0.04	>3.00
Payments from cash flow of operating and financing activities	mths	mths	mths	mths	mths	mths	mths

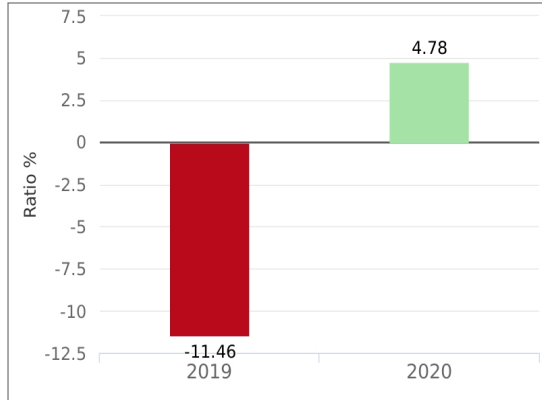
(1) - (2) Refer to Notes at Note 31a above.

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

Notes to the Financial Statements
for the year ended 30 June 2020

Note 27(c). Statement of performance measures – consolidated results (graphs)

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2019/20 result

2019/20 ratio 4.78%

The main contributors to the improvement were an increase in operating grants, an adjustment to the industrial water price, tighter purchasing and credit card controls, increased controls around overtime, leave and staff costings and the implementation of a zero-based budget to focus on core activities.

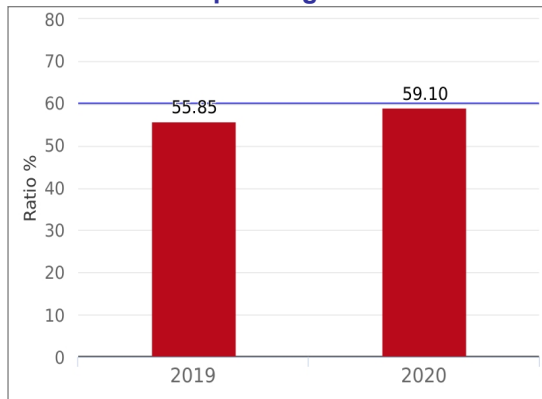
Benchmark: — > 0.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2019/20 result

2019/20 ratio 59.10%

The main contributors to the improvement were an adjustment to the industrial water price. Additionally council was successful in securing considerable grant funding which impacts on the ability to reach the target ratio.

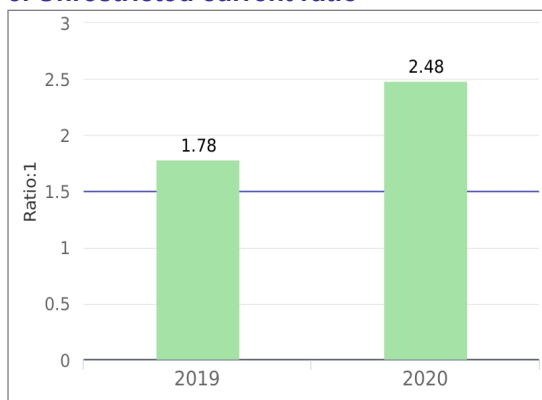
Benchmark: — > 60.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2019/20 result

2019/20 ratio 2.48x

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

Benchmark: — > 1.50x

Ratio achieves benchmark

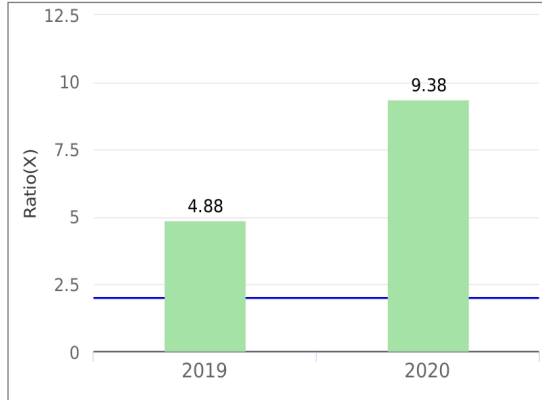
Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio is outside benchmark

Notes to the Financial Statements
for the year ended 30 June 2020

Note 27(c). Statement of performance measures – consolidated results (graphs)

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2019/20 result

2019/20 ratio 9.38x

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

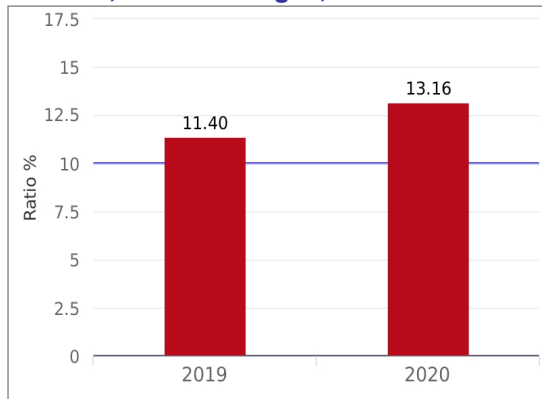
Benchmark: — > 2.00x

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio is outside benchmark

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



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

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

Commentary on 2019/20 result

2019/20 ratio 13.16%

During 2020 the focus on debt recovery was scaled back as a result of the ongoing COVID 19 pandemic and drought conditions which impacted council's rural rating base.

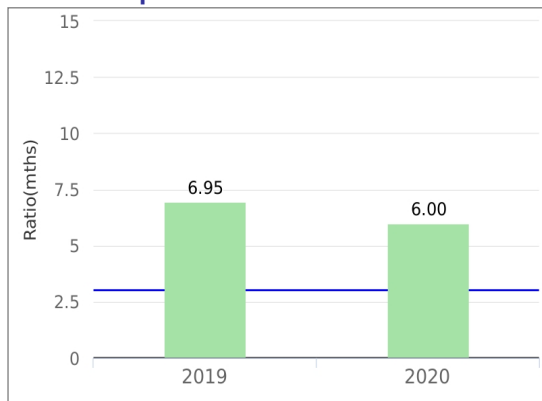
Benchmark: — < 10.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2019/20 result

2019/20 ratio 6.00 mths

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

Benchmark: — > 3.00mths

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio is outside benchmark

Parkes Shire Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 28. Council information and contact details

Principal place of business:

2 Cecile Street
PARKES NSW 2870

Contact details**Mailing Address:**

PO Box 337
PARKES NSW 2870

Telephone: 02 6861 2333

Facsimile: 02 6862 3946

Opening hours:

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

Internet: www.parkes.nsw.gov.au

Email: 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 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 2020, the Statement of Financial Position as at 30 June 2020, 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 2020, 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 2020 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

In preparing the financial statements, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

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. 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 21 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Karen Taylor
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

3 December 2020
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

3 December 2020

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2020
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 2020 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 2020 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

	2020	2019*	Variance
	\$m	\$m	%
Rates and annual charges revenue	20.7	20.2	 2.5
Grants and contributions revenue	24.9	27.2	 8.5
Operating result from continuing operations	9.7	9.3	 4.8
Net operating result before capital grants and contributions	0.1	(6.2)	 101.6

* The 2019 comparatives have been restated to correct a prior period error. Note 16 of the financial statements provides details of the prior period error.

The Council's operating result from continuing operations (\$9.7 million including depreciation and amortisation expense of \$13.4 million) was \$0.4 million higher than the 2018–19 result.

The net operating result before capital grants and contributions (\$0.1 million) was \$6.3 million higher than the 2018–19 result (\$6.2 million deficit). The main reason for this increase was higher operating grants, commercial water pricing changes and lower operating expenses.

Rates and annual charges revenue (\$20.7 million) increased by \$0.5 million (2.5 per cent) in 2019–20. This is comparable to the approved rate pegging of 2.7 per cent.

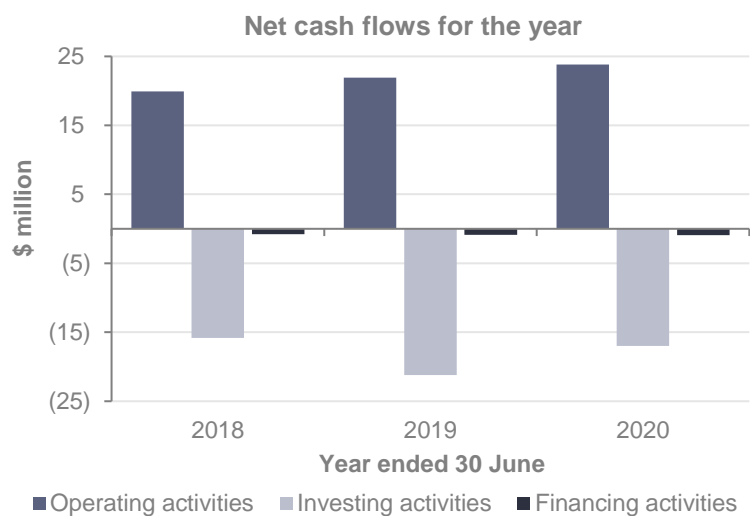
Grants and contributions revenue (\$24.9 million) decreased by \$2.3 million in 2019–20. There was a change in the mix of capital and operating grants, with the combined effect being a \$5.8 million decrease in capital grants partially offset by a \$3.5 million increase in operating grants. Grants received during the year included:

- \$2.2 million in operating grants and \$0.7 million in capital grants for the Parkes National Logistics Hub
- \$2.1 million in capital grants towards the main street upgrade.

The major capital grants received in the prior year included \$5.6 million for the water treatment plant and \$2.5 million for Parkes Regional Airport Redevelopment

STATEMENT OF CASH FLOWS

Reduced expenditure on Council's capital program in 2019–20 was the main contributor to the decrease in cash flows from investing activities over the prior year.



FINANCIAL POSITION

Cash and investments

Cash and investments	2020	2019	Commentary
	\$m	\$m	
External restrictions	17.1	18.4	Externally restricted balances include unexpended developer contributions, water, sewer and domestic waste management charges.
Internal restrictions	4.5	6.9	
Unrestricted	0.1	--	Balances are internally restricted due to Council policy or decisions for forward plans including work programs. Unrestricted balances provide liquidity for day-to-day operations.
Cash and investments	21.7	25.3	

Debt

At 30 June 2020, Council had external borrowings of \$20.1 million (2019: \$21.0 million). The loans are secured against Council's general rating income.

At 30 June 2020, Council also had access to a \$100,000 (30 June 2019: \$100,000) bank overdraft facility and \$150,000 credit card facility. At 30 June 2020, the overdraft facility was unused and the credit card facility had an unused balance of \$144,000.

PERFORMANCE

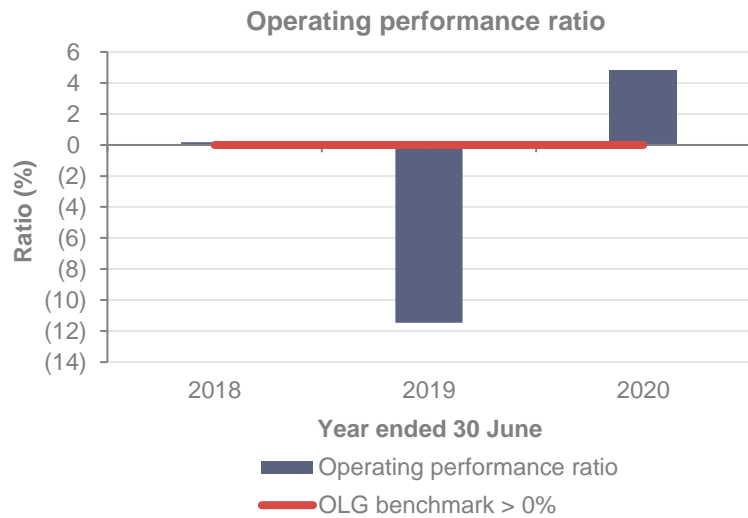
Performance measures

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 change in the mix of operating and capital grants has positively impacted on the current year ratio.

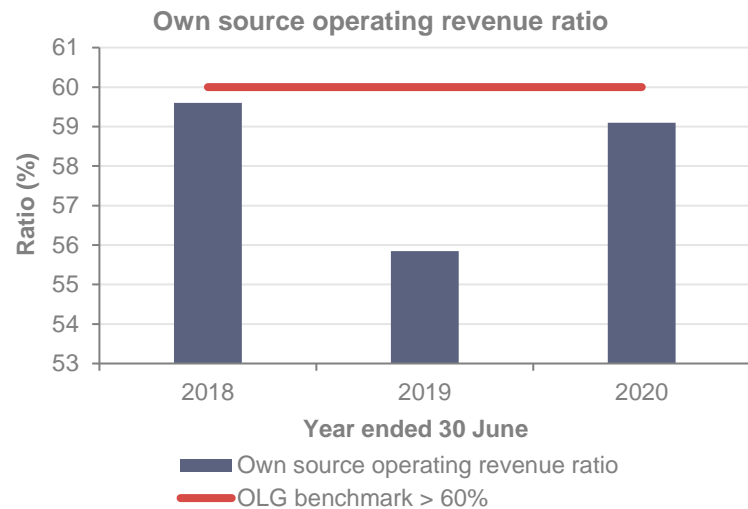
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by OLG is greater than zero per cent.



Own source operating revenue ratio

The proportionately high level of grants and contributions received by Council, and by many rural councils, has seen this ratio continue to remain below the benchmark.

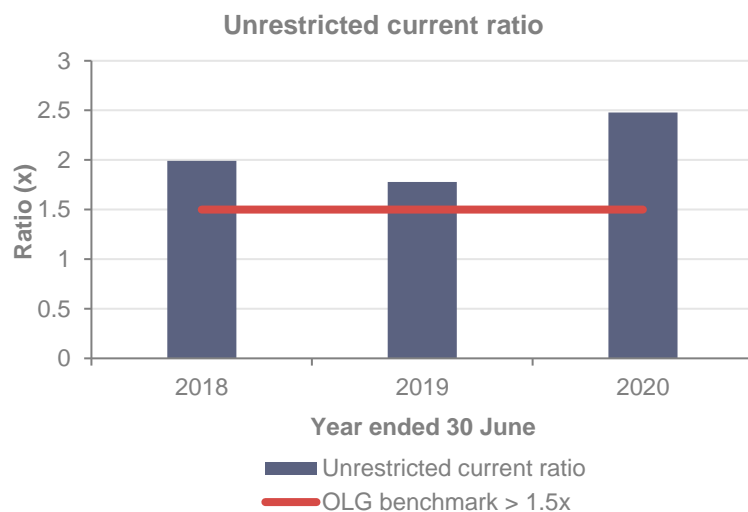
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

Council continues to exceed the benchmark for the current reporting period.

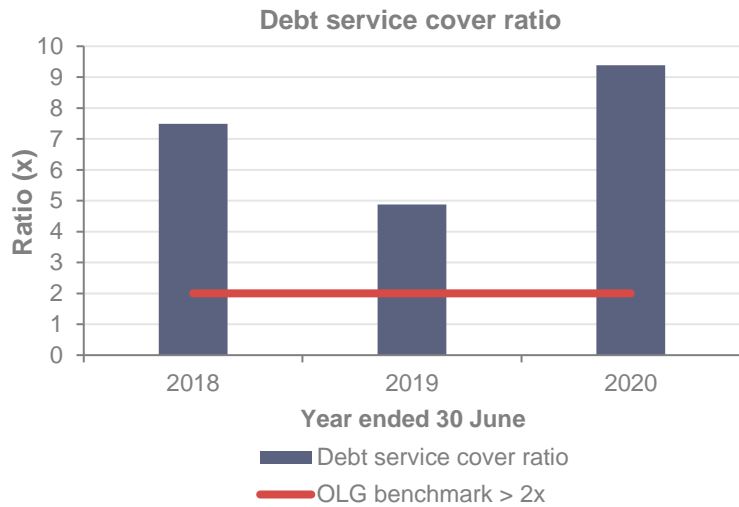
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



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.

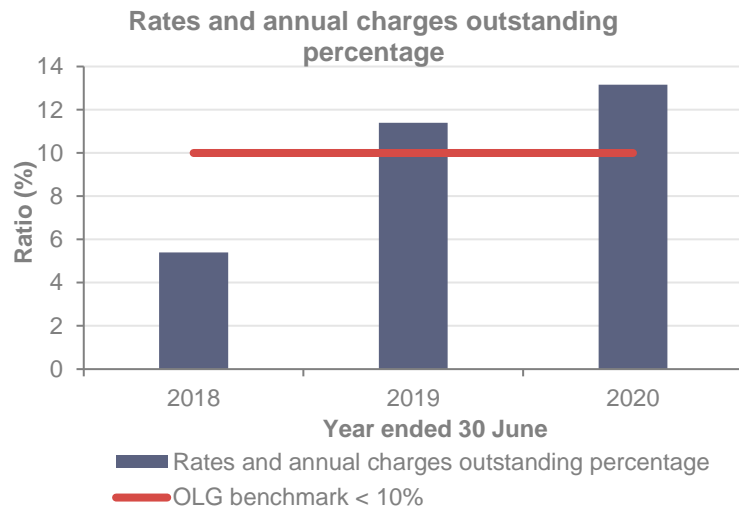


Rates and annual charges outstanding per centage

Council's rates and annual charges outstanding ratio did not meet the benchmark. For 2020, the ratio was impacted by:

- the suspension of recovery action for part of the year due to COVID
- the first-time adoption of new revenue standards, reclassified prepaid rates from reduction in receivables to a liability.

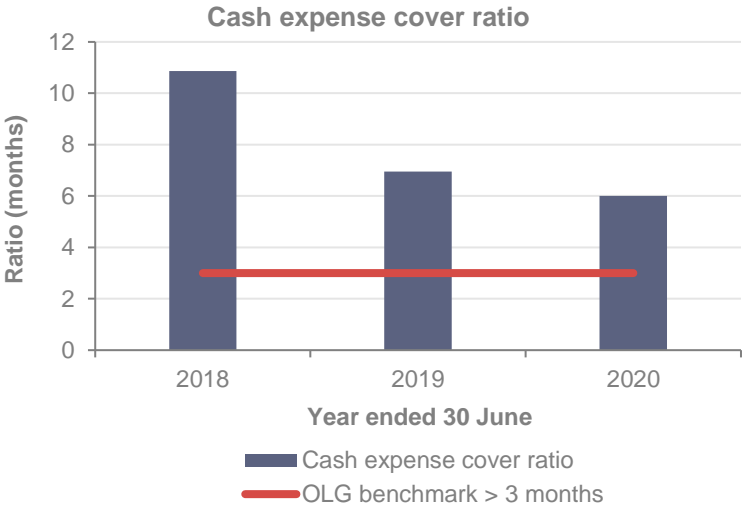
The 'rates and annual charges outstanding per centage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional and rural councils.



Cash expense cover ratio

Council has exceeded the benchmark and has done so for the last three years.

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



Infrastructure, property, plant and equipment renewals

Council has renewed \$15.3 million of infrastructure assets in the 2019–20 financial year compared to \$19.9 million in the 2018–19 financial year. Roads infrastructure was the main asset class renewed during both financial years. A further \$12.2 million was spent on new assets during the 2019–20 financial year.

OTHER MATTERS

Impact of new accounting standards

AASB 15 ‘Revenue from Contracts with Customers’ and AASB 1058 ‘Income for Not-for-Profit Entities’

The Council adopted the new accounting standards AASB 15 ‘Contracts with Customers’ and AASB 1058 ‘Income of Not-for-Profit Entities’ (collectively referred to as the Revenue Standards) for the first time in its 2019–20 financial statements.

AASB 15 introduces a new approach to recognising revenue based on the principle that revenue is recognised when control of a good or service transfers to a customer. AASB 15 impacts the timing and amount of revenue recorded in a councils’ financial statements, particularly for grant revenue. AASB 15 also increases the amount of disclosures required.

AASB 1058 prescribes how not-for-profit entities account for transactions conducted on non-commercial terms and the receipt of volunteer services. AASB 1058 significantly impacts the timing and amount of income recorded in a councils’ financial statements, particularly for grant income and rates which are paid before the commencement of the rating period.

The Council recognised a \$1.5 million adjustment to opening accumulated surplus at 1 July 2019 on adoption of the new Revenue Standards.

The Council disclosed the impact of adopting the new Revenue Standards in Note 16.

AASB 16 'Leases'

The Council adopted the new accounting standard AASB 16 'Leases' for the first time in its 2019–20 financial statements.

AASB 16 changes the way lessees treat operating leases for financial reporting. With a few exceptions, operating leases will now be recorded in the Statement of Financial Position as a right-of-use asset, with a corresponding lease liability.

AASB 16 results in lessees recording more assets and liabilities in the Statement of Financial Position and changes the timing and pattern of expenses recorded in the Income Statement.

Council determined that it did not have any right-of-use assets or lease liabilities either at 1 July 2019 or at 30 June 2020 which required recognition on adoption of AASB 16.

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.

The Council's:

- accounting records were maintained in a manner and form that facilitated the preparation and the effective audit of the general purpose financial statements
- 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

General Purpose Financial Statements
for the year ended 30 June 2020

Parkes Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2020



Special Purpose Financial Statements

for the year ended 30 June 2020

Contents	Page
Statement by Councillors & Management	3
Special Purpose Financial Statements	
Income Statement – Water Supply Business Activity	4
Income Statement – Sewerage Business Activity	5
Statement of Financial Position – Water Supply Business Activity	6
Statement of Financial Position – Sewerage Business Activity	7
Note 1 – Significant Accounting Policies	8
Auditor's Report on Special Purpose Financial Statements	11

Background

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

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

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

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

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

Special Purpose Financial Statements

for the year ended 30 June 2020

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 25 September 2020.



Cr Ken Keith
Mayor
25 September 2020



Cr Barbara Newton
Councillor
25 September 2020



Kent Boyd
General Manager
25 September 2020



Jaco Barnard
Responsible Accounting Officer
25 September 2020

Income Statement – Water Supply Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019 Restated
Income from continuing operations		
Access charges	1,347	1,370
User charges	8,134	5,834
Interest	110	267
Grants and contributions provided for non-capital purposes	–	150
Other income	126	45
Total income from continuing operations	9,717	7,666
Expenses from continuing operations		
Employee benefits and on-costs	987	1,293
Borrowing costs	154	320
Materials and contracts	2,563	2,146
Depreciation, amortisation and impairment ¹	3,197	3,049
Water purchase charges	320	396
Loss on sale of assets	20	2
Other expenses	1,656	1,729
Total expenses from continuing operations	8,897	8,935
Surplus (deficit) from continuing operations before capital amounts	820	(1,269)
Grants and contributions provided for capital purposes	1,110	5,724
Surplus (deficit) from continuing operations after capital amounts	1,930	4,455
Surplus (deficit) from all operations before tax	1,930	4,455
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(226)	–
SURPLUS (DEFICIT) AFTER TAX	1,704	4,455
Plus accumulated surplus	110,090	105,635
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	226	–
Closing accumulated surplus	112,020	110,090
Return on capital %	0.6%	(0.6)%
Subsidy from Council	418	3,324
Calculation of dividend payable:		
Surplus (deficit) after tax	1,705	4,455
Less: capital grants and contributions (excluding developer contributions)	(1,110)	(5,428)
Surplus for dividend calculation purposes	595	–
Potential dividend calculated from surplus	297	–

(1) 2018/2019 depreciation restated due to a write down of assets recognised by Parkes Shire Council that they do not control.

Income Statement – Sewerage Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
Income from continuing operations		
Access charges	2,718	2,654
User charges	490	426
Liquid trade waste charges	98	100
Interest	11	35
Other income	17	14
Total income from continuing operations	3,334	3,229
Expenses from continuing operations		
Employee benefits and on-costs	661	705
Borrowing costs	190	32
Materials and contracts	792	1,584
Depreciation, amortisation and impairment	1,609	1,603
Loss on sale of assets	1	71
Other expenses	216	212
Total expenses from continuing operations	3,469	4,207
Surplus (deficit) from continuing operations before capital amounts	(135)	(978)
Grants and contributions provided for capital purposes	114	85
Surplus (deficit) from continuing operations after capital amounts	(21)	(893)
Surplus (deficit) from all operations before tax	(21)	(893)
SURPLUS (DEFICIT) AFTER TAX	(21)	(893)
Plus accumulated surplus	36,566	37,459
Closing accumulated surplus	36,545	36,566
Return on capital %	0.1%	(1.6)%
Subsidy from Council	456	1,716
Calculation of dividend payable:		
Surplus (deficit) after tax	(21)	(893)
Less: capital grants and contributions (excluding developer contributions)	(114)	9

Statement of Financial Position – Water Supply Business Activity

as at 30 June 2020

\$ '000	2020	2019 Restated
ASSETS		
Current assets		
Cash and cash equivalents	8,465	212
Investments	1,244	14,575
Receivables	2,371	2,568
Inventories	57	41
Total current assets	12,137	17,396
Non-current assets		
Investments	1,059	–
Infrastructure, property, plant and equipment ¹	158,189	153,557
Intangible assets	1,586	1,296
Total non-current assets	160,834	154,853
TOTAL ASSETS	172,971	172,249
LIABILITIES		
Current liabilities		
Payables	328	1,049
Income received in advance	–	89
Contract Liabilities	587	–
Borrowings	349	339
Provisions	301	287
Total current liabilities	1,565	1,764
Non-current liabilities		
Borrowings	7,008	7,358
Provisions	1,511	1,495
Total non-current liabilities	8,519	8,853
TOTAL LIABILITIES	10,084	10,617
NET ASSETS	162,887	161,632
EQUITY		
Accumulated surplus	112,020	110,090
Revaluation reserves	50,867	51,542
TOTAL EQUITY	162,887	161,632

(1) 2018/19 IPPE written down due to an adjustment relating to Northparkes Mine (CMOC Mining Pty Ltd) assets which were incorrectly revalued in the 2007 and 2009 revaluations of water infrastructure. Parkes Shire Council does not control these assets and has made the correction to remove them from IPPE.

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2020

\$ '000	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	1,145	9
Investments	207	592
Receivables	1,085	1,020
Inventories	6	20
Total current assets	2,443	1,641
Non-current assets		
Investments	177	–
Infrastructure, property, plant and equipment	58,088	58,368
Total non-current assets	58,265	58,368
TOTAL ASSETS	60,708	60,009
LIABILITIES		
Current liabilities		
Payables	62	33
Provisions	157	156
Total current liabilities	219	189
Non-current liabilities		
Borrowings	4,000	4,000
Provisions	2,480	2,333
Total non-current liabilities	6,480	6,333
TOTAL LIABILITIES	6,699	6,522
NET ASSETS	54,009	53,487
EQUITY		
Accumulated surplus	36,545	36,566
Revaluation reserves	17,464	16,921
TOTAL EQUITY	54,009	53,487

Parkes Shire Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

Note 1. Significant Accounting Policies

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

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

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

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the Local Government Act 1993 (NSW), the *Local Government (General) Regulation 2005*, and the Local Government Code of Accounting Practice and Financial Reporting.

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

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

National Competition Policy

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

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

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

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

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

Declared business activities

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

Category 1

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

a. Parkes Shire Combined Water Supplies

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

b. Parkes Shire Sewerage Service

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

Category 2

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

Council has no Category 2 business activities

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

Note 1. Significant Accounting Policies (continued)

Monetary amounts

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

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

(i) Taxation equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – 27.5%

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

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

In accordance with the Department of Industry (DoI) – Water guidelines, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

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

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

Income tax

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

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

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 27.5%.

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

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

The rate applied of 27.5% is/is not the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Parkes Shire Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

Note 1. Significant Accounting Policies (continued)

Local government rates and charges

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

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 1.32% at 30/6/19.

(iv) Dividends

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

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

Each dividend must be calculated and approved in accordance with the Department of Industry – Water guidelines and must not exceed:

- 50% of this surplus in any one year, or
- the number of water supply or sewerage assessments at 30 June 2020 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Parkes Shire Council

To the Councillors of 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 2020, the Statement of Financial Position of each Declared Business Activity as at 30 June 2020 and Note 1 Significant accounting policies for the Business Activities declared by Council.

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 2020, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting – update number 28 (LG Code).

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

Emphasis of Matter - Basis of Accounting

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

Other Information

The Council's annual report for the year ended 30 June 2020 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

In preparing the financial statements, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

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. 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
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

3 December 2020
SYDNEY

Parkes Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2020



Special Schedules

for the year ended 30 June 2020

Contents	Page
Special Schedules	
Permissible income for general rates	3
Report on Infrastructure Assets - Values	7

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.

Permissible income for general rates

\$ '000	Notes	Calculation 2020/21	Calculation 2019/20
Notional general income calculation ¹			
Last year notional general income yield	a	14,104	13,718
Plus or minus adjustments ²	b	(13)	15
Notional general income	c = a + b	14,091	13,733
Permissible income calculation			
Or rate peg percentage	e	2.60%	2.70%
Or plus rate peg amount	i = e x (c + g)	367	371
Sub-total	k = (c + g + h + i + j)	14,458	14,104
Plus (or minus) last year's carry forward total	l	2	2
Sub-total	n = (l + m)	2	2
Total permissible income	o = k + n	14,460	14,106
Less notional general income yield	p	14,435	14,104
Catch-up or (excess) result	q = o - p	25	2
Carry forward to next year ⁶	t = q + r + s	25	2

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



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

To the Councillors of Parkes Shire Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Parkes Shire Council (the Council) for the year ending 30 June 2021.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting – update number 28 (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 2020 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 2020.

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. 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
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

3 December 2020
SYDNEY

Report on Infrastructure Assets
as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance ^a \$ '000	2019/20 Actual maintenance \$ '000	Net carrying amount \$ '000	Gross replacement cost (GRC) \$ '000	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard \$ '000	to bring to the agreed level of service set by Council \$ '000					1	2	3	4	5
(a) Report on Infrastructure Assets - Values												
Buildings	Buildings – non-specialised	–	–	261	45	17,950	30,454	46.0%	41.0%	13.0%	0.0%	0.0%
	Buildings – specialised	767	767	180	115	13,410	21,926	46.0%	30.0%	12.0%	10.0%	2.0%
	Sub-total	767	767	441	160	31,360	52,380	46.0%	36.4%	12.6%	4.2%	0.8%
Roads	Sealed Roads Surface	115	115	1,025	973	13,417	22,995	51.0%	33.0%	14.0%	2.0%	0.0%
	Sealed Roads Structure	720	720	–	–	244,449	287,993	83.0%	12.0%	4.0%	1.0%	0.0%
	Unsealed roads	647	647	1,112	1,242	71,861	86,218	65.0%	18.0%	14.0%	3.0%	0.0%
	Bridges	275	275	12	14	11,633	15,731	38.0%	32.0%	23.0%	7.0%	0.0%
	Footpaths	59	59	84	92	8,407	11,710	29.0%	15.0%	54.0%	2.0%	0.0%
	Bus Stops	–	–	3	–	174	200	23.0%	77.0%	0.0%	0.0%	0.0%
	Kerb and Gutter	315	315	–	57	11,834	21,023	10.0%	46.0%	38.0%	6.0%	0.0%
	Car Parking	84	84	–	21	1,946	2,229	63.0%	16.0%	11.0%	5.0%	5.0%
	Sub-total	2,215	2,215	2,236	2,399	363,721	448,099	71.4%	16.7%	10.0%	1.9%	0.0%
Water supply network	Bores	97	97	146	–	1,758	3,245	23.0%	34.0%	31.0%	12.0%	0.0%
	Dams (Surface Storage)	–	–	31	8	15,562	25,000	37.0%	47.0%	16.0%	0.0%	0.0%
	Reservoirs & Storage	283	–	26	17	13,213	18,879	38.0%	25.0%	31.0%	6.0%	0.0%
	Main & Water Services	871	–	308	671	64,087	116,168	8.0%	12.0%	77.0%	3.0%	0.0%
	Treatment Plants	514	–	205	186	40,826	51,360	82.0%	11.0%	4.0%	2.0%	1.0%
	Pump Stations	–	–	163	76	6,242	10,907	25.0%	7.0%	14.0%	48.0%	6.0%
	Sub-total	1,765	97	879	958	141,688	225,559	31.6%	16.8%	46.1%	5.0%	0.5%
Sewerage network	Sewerage Treatment Plant	1,049	–	205	285	28,709	41,945	66.0%	5.0%	22.0%	4.0%	3.0%
	Sewer Mains	1,134	1,134	395	372	22,442	37,806	24.0%	24.0%	41.0%	10.0%	1.0%
	Sewer Nodes	247	247	–	–	3,376	5,811	7.0%	45.0%	33.0%	13.0%	2.0%
	Sewer Pump Stations	88	88	27	–	1,198	2,506	0.0%	41.0%	45.0%	14.0%	0.0%
	Sub-total	2,518	1,469	627	657	55,726	88,068	42.2%	16.8%	31.5%	7.5%	2.0%

Report on Infrastructure Assets - Values (continued)

as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance ^a	2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000					
Stormwater drainage	Retarding Basins	–	–	5	–	774	822	100.0%	0.0%	0.0%	0.0%	0.0%
	Open Drains	–	–	–	–	773	866	100.0%	0.0%	0.0%	0.0%	0.0%
	Pits– Inlet and Outlet Structures	–	–	–	–	2,824	3,657	31.0%	60.0%	9.0%	0.0%	0.0%
	Pipes	64	64	205	210	19,693	25,726	40.0%	59.0%	0.0%	1.0%	0.0%
	Sub-total	64	64	210	210	24,064	31,071	42.2%	55.9%	1.1%	0.8%	0.0%
Open space / recreational assets	Swimming pools	235	235	205	278	4,820	7,838	22.0%	47.0%	19.0%	12.0%	0.0%
	Public Cemeteries	–	–	144	104	580	704	58.0%	38.0%	4.0%	0.0%	0.0%
	Other Open Space / Recreational Assets	2,008	1,506	923	987	23,002	33,471	34.0%	34.0%	16.0%	8.0%	8.0%
	Parkes Airport Infrastructure	225	225	256	313	11,817	15,011	85.0%	0.0%	12.0%	0.0%	3.0%
	Sub-total	2,468	1,966	1,528	1,682	40,219	57,024	46.1%	26.9%	15.2%	6.3%	5.5%
Other infrastructure assets	Other - Present Closure Obligation Assets	–	–	–	–	3,478	3,890	100.0%	0.0%	0.0%	0.0%	0.0%
	Tip Assets	–	–	236	268	2,578	2,944	93.0%	7.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	236	268	6,056	6,834	97.0%	3.0%	0.0%	0.0%	0.0%
TOTAL - ALL ASSETS		9,797	6,578	6,157	6,334	662,834	909,035	54.8%	19.7%	21.1%	3.6%	0.7%

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

Infrastructure asset condition assessment 'key'

- 1 **Excellent/very good** No work required (normal maintenance)
- 2 **Good** Only minor maintenance work required
- 3 **Satisfactory** Maintenance work required
- 4 **Poor** Renewal required
- 5 **Very poor** Urgent renewal/upgrading required

Report on Infrastructure Assets (continued)

as at 30 June 2020

	Amounts	Indicator	Prior period	Benchmark
\$ '000	2020	2020	2019	
			Restated	
Infrastructure asset performance indicators (consolidated) *				
Buildings and infrastructure renewals ratio ¹				
Asset renewals ²	15,274			
Depreciation, amortisation and impairment	10,539	144.93%	160.36%	>=100.00%
Infrastructure backlog ratio ¹				
Estimated cost to bring assets to a satisfactory standard	9,797			
Net carrying amount of infrastructure assets	644,963	1.52%	1.56%	<2.00%
Asset maintenance ratio				
Actual asset maintenance	6,334			
Required asset maintenance	6,157	102.87%	105.50%	>100.00%
Cost to bring assets to agreed service level				
Estimated cost to bring assets to an agreed service level set by Council	6,578			
Gross replacement cost	909,035	0.72%	0.74%	

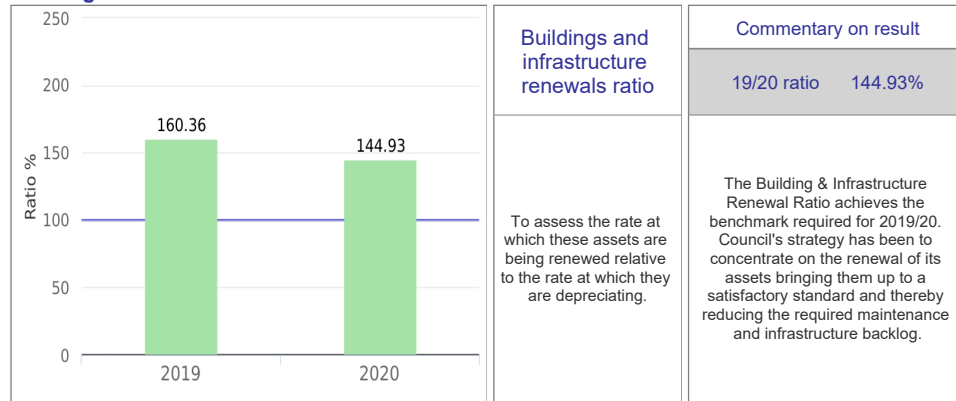
(*) All asset performance indicators are calculated using classes identified in the previous table.

(1) Excludes Work In Progress (WIP)

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

Report on Infrastructure Assets (continued)
as at 30 June 2020

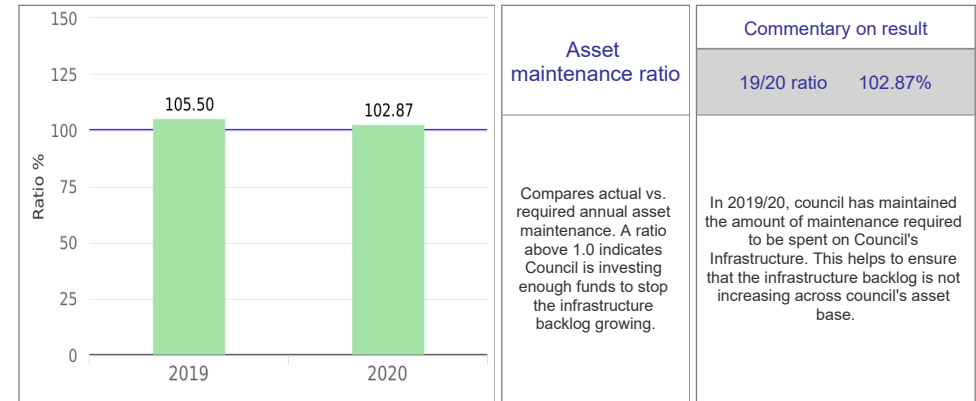
Buildings and infrastructure renewals ratio



Buildings and infrastructure renewals ratio	Commentary on result
	19/20 ratio 144.93%
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.	The Building & Infrastructure Renewal Ratio achieves the benchmark required for 2019/20. 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 #28 ■ Ratio is outside benchmark

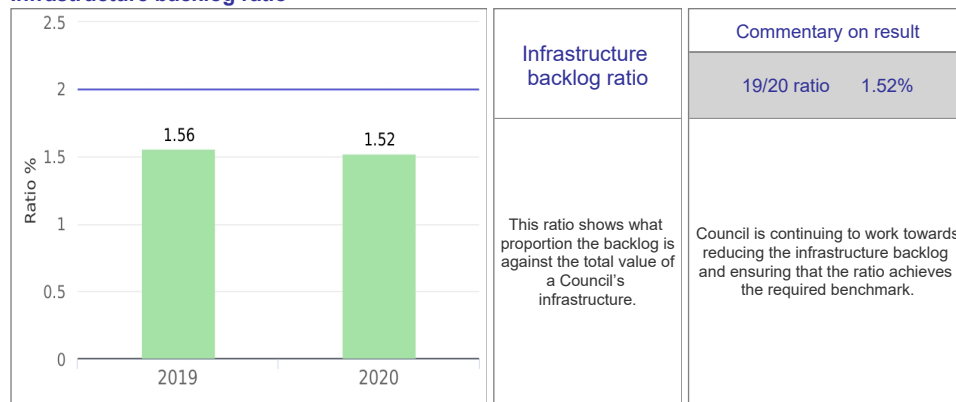
Asset maintenance ratio



Asset maintenance ratio	Commentary on result
	19/20 ratio 102.87%
Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.	In 2019/20, council has maintained the amount of maintenance required to be spent on Council's Infrastructure. This helps to ensure that the infrastructure backlog is not increasing across council's asset base.

Benchmark: — $> 100.00\%$ ■ Ratio achieves benchmark
 Source of benchmark: Code of Accounting Practice and Financial Reporting #28 ■ Ratio is outside benchmark

Infrastructure backlog ratio



Infrastructure backlog ratio	Commentary on result
	19/20 ratio 1.52%
This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.	Council is continuing to work towards reducing the infrastructure backlog and ensuring that the ratio achieves the required benchmark.

Benchmark: — $< 2.00\%$ ■ Ratio achieves benchmark
 Source of benchmark: Code of Accounting Practice and Financial Reporting #28 ■ Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level	Commentary on result
	19/20 ratio 0.72%
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.	Council continues to undertake a 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.

Report on Infrastructure Assets (continued)
as at 30 June 2020

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2020	2019	2020	2019	2020	2019	
Infrastructure asset performance indicators (by fund)							
Buildings and infrastructure renewals ratio ¹							
Asset renewals ²							
Depreciation, amortisation and impairment	244.64%	285.45%	0.00%	0.00%	21.91%	0.00%	>=100.00%
Infrastructure backlog ratio ¹							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	1.23%	1.31%	1.25%	1.37%	4.52%	3.98%	<2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	101.46%	110.05%	108.99%	84.11%	104.78%	101.76%	>100.00%
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	0.84%	0.88%	0.04%	0.04%	1.67%	1.62%	

(1) Excludes Work In Progress (WIP)

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