



Parkes Shire Council

SPECIAL PURPOSE FINANCIAL REPORTS
for the year ended 30 June 2009

*"A progressive regional hub
with vibrant country communities"*



Parkes Shire Council

Special Purpose Financial Reports

for the financial year ended 30 June 2009

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Background

(i) These Special Purpose Financial Reports have been prepared for the use by both Council and the Department 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 & 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 over \$2 million that Council has formally declared as a Business Activity (defined as Category 1 activities).

(iv) In preparing these financial reports 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 & debt guarantee fees (where the business benefits from councils borrowing position by comparison with commercial rates).

Parkes Shire Council

Special Purpose Financial Reports for the financial year ended 30 June 2009

Statement by Councillors and Management made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

- The NSW Government Policy Statement "Application of National Competition Policy to Local Government"
- The Department of Local Government Guidelines "Pricing & Costing for Council Businesses - A Guide to Competitive Neutrality"
- The Local Government Code of Accounting Practice and Financial Reporting.
- The Department of Water and Energy Best-Practice Management of Water and Sewerage Guidelines.

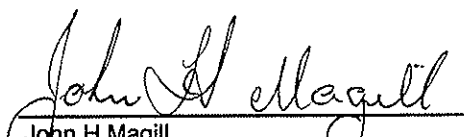
To the best of our knowledge and belief, these Reports:

- Present fairly the Operating Result and Financial Position for each of Council's declared Business Activities for the year, and
- Accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 15 September 2009.


Kenneth J Keith
MAYOR


John H Magill
COUNCILLOR


Alan McCormack
GENERAL MANAGER


Peter McFarlane
RESPONSIBLE ACCOUNTING OFFICER

Parkes Shire Council

Income Statement of Council's Water Supply Business Activity

for the financial year ended 30 June 2009

\$ '000	Actual 2009	Actual 2008	Actual 2007
Income from continuing operations			
Access charges	2,013	1,904	1,788
User charges	4,019	3,234	3,778
Interest	(1,534)	(3,563)	1,330
Grants and contributions provided for non capital purposes	57	57	58
Other income	36	36	47
Total income from continuing operations	4,591	1,668	7,001
Expenses from continuing operations			
Employee benefits and on-costs	626	1,043	1,044
Materials and contracts	2,621	2,315	2,500
Depreciation and impairment	1,783	1,651	1,137
Water purchase charges	196	136	129
Loss on sale of assets	(151)	32	6
Calculated taxation equivalents	19	19	43
Other expenses	46	63	28
Total expenses from continuing operations	5,140	5,259	4,887
Surplus (deficit) from Continuing Operations before capital amounts	(549)	(3,591)	2,114
Grants and contributions provided for capital purposes	204	168	123
Surplus (deficit) from Continuing Operations after capital amounts	(345)	(3,423)	2,237
Surplus (deficit) from Discontinued Operations	-	-	-
Surplus (deficit) from ALL Operations before tax	(345)	(3,423)	2,237
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-	(634)
SURPLUS (DEFICIT) AFTER TAX	(345)	(3,423)	1,603
plus Opening Retained Profits	60,140	63,544	61,264
plus/less: Prior Period Adjustments	-	-	-
plus Adjustments for amounts unpaid:			
- Taxation equivalent payments	19	19	43
- Corporate taxation equivalent	-	-	634
Closing Retained Profits	59,814	60,140	63,544
Return on Capital %	-0.8%	-5.5%	3.2%
Subsidy from Council	-	-	-
Calculation of dividend payable:			
Surplus (deficit) after tax	(345)	(3,423)	1,603
less: Capital grants and contributions (excluding developer contributions)	(67)	(7)	(11)
Surplus for dividend calculation purposes	-	-	1,592
Potential Dividend calculated from surplus	-	-	796

Parkes Shire Council

Income Statement of Council's Sewerage Business Activity

for the financial year ended 30 June 2009

\$ '000	Actual 2009	Actual 2008	Actual 2007
Income from continuing operations			
Access charges	1,431	1,292	1,218
User charges	415	238	230
Liquid Trade Waste Charges	96	57	54
Interest	(445)	(1,237)	447
Grants and contributions provided for non capital purposes	50	51	51
Other income	6	5	5
Total income from continuing operations	1,553	406	2,005
Expenses from continuing operations			
Employee benefits and on-costs	655	364	373
Materials and contracts	850	532	718
Depreciation and impairment	716	613	278
Loss on sale of assets	(52)	-	5
Calculated taxation equivalents	6	6	7
Other expenses	21	47	45
Total expenses from continuing operations	2,196	1,562	1,426
Surplus (deficit) from Continuing Operations before capital amounts	(643)	(1,156)	579
Grants and contributions provided for capital purposes	2,567	254	75
Surplus (deficit) from Continuing Operations after capital amounts	1,924	(902)	654
Surplus (deficit) from discontinued operations	-	-	-
Surplus (deficit) from ALL Operations before tax	1,924	(902)	654
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-	(174)
SURPLUS (DEFICIT) AFTER TAX	1,924	(902)	480
plus Opening Retained Profits	16,505	17,401	16,740
plus Adjustments for amounts unpaid:			
- Taxation equivalent payments	6	6	7
- Corporate taxation equivalent	-	-	174
Closing Retained Profits	18,435	16,505	17,401
Return on Capital %	-2.1%	-4.3%	2.2%
Subsidy from Council	-	-	78
Calculation of dividend payable:			
Surplus (deficit) after tax	1,924	(902)	480
less: Capital grants and contributions (excluding developer contributions)	(2,538)	(207)	(67)
Surplus for dividend calculation purposes	-	-	413
Potential Dividend calculated from surplus	-	-	207

Parkes Shire Council

Balance Sheet of Council's Water Supply Business Activity

as at 30 June 2009

\$ '000	Actual 2009	Actual 2008
ASSETS		
Current Assets		
Cash and cash equivalents	3,042	8,790
Investments	13,552	7,326
Receivables	1,227	841
Inventories	76	80
Total Current Assets	17,897	17,037
Non-Current Assets		
Investments	-	-
Infrastructure, property, plant and equipment	68,151	65,204
Total non-Current Assets	68,151	65,204
TOTAL ASSETS	86,048	82,241
LIABILITIES		
Current Liabilities		
Payables	89	52
Provisions	306	274
Total Current Liabilities	395	326
TOTAL LIABILITIES	395	326
NET ASSETS	85,653	81,915
EQUITY		
Retained earnings	59,814	60,140
Revaluation reserves	25,839	21,775
Council equity interest	85,653	81,915
Minority equity interest	-	-
TOTAL EQUITY	85,653	81,915

Parkes Shire Council

Balance Sheet of Council's Sewerage Business Activity

as at 30 June 2009

\$ '000	Actual 2009	Actual 2008
ASSETS		
Current Assets		
Cash and cash equivalents	525	2,576
Investments	2,339	2,442
Receivables	3,134	424
Inventories	15	14
Total Current Assets	6,013	5,456
Non-Current Assets		
Investments	-	-
Receivables	-	-
Infrastructure, property, plant and equipment	30,679	26,982
Total non-Current Assets	30,679	26,982
TOTAL ASSETS	36,692	32,438
LIABILITIES		
Current Liabilities		
Provisions	123	104
Total Current Liabilities	123	104
TOTAL LIABILITIES	123	104
NET ASSETS	36,569	32,334
EQUITY		
Retained earnings	18,435	16,505
Revaluation reserves	18,134	15,829
Council equity interest	36,569	32,334
TOTAL EQUITY	36,569	32,334

Parkes Shire Council

Special Purpose Financial Reports

for the financial year ended 30 June 2009

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Parkes Shire Council

Notes to the Special Purpose Financial Reports

for the financial year ended 30 June 2009

Note 1. Significant Accounting Policies

These financial statements are a Special Purpose Financial Report (SPFR) prepared for use by the Council and the Department of Local Government.

For the purposes of these statements, the council's business activities (reported herein) are not reporting entities.

This special purpose financial report, unless otherwise stated, has been prepared in accordance with;

- applicable Australian Accounting Standards,
- other authoritative pronouncements of the Australian Accounting Standards Board,
- Urgent Issues Group Consensus Views,
- the Local Government Act and Regulations,
- the Local Government Code of Accounting Practice and Financial Reporting, and
- the Local Government Asset Accounting Manual.

The statements are also prepared on an accruals basis. They are based on historic costs and do not take into account changing money values nor current values of non-current assets (except where specifically stated).

Certain taxes and other costs (appropriately described) have been imputed for the purposes of the National Competition Policy.

National Competition Policy

Council has adopted the principle of 'competitive neutrality' to 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 Government Policy statement on the *"Application of National Competition Policy to Local Government"*.

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

The pricing & costing guidelines outline the process for identifying and allocating costs to activities and provide a standard of 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 & Costing for Council Businesses - A Guide to Competitive Neutrality*, council has declared that the following are to be considered as business activities:

Category 1

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

a. Parkes Shire Combined Water Supplies

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