

**HORNSBY SHIRE COUNCIL**  
general purpose and special purpose  
**financial reports**  
and associated special schedules  
**30 June 2014**

Cover - 2011 Photo competition:

*Water through rock, Berowra Waters*

- Cam Feast

## HORNSBY SHIRE COUNCIL

ABN 20 706 996 972

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8.30am-5pm business days

# Hornsby Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2014

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# Hornsby Shire Council

## General Purpose Financial Statements

for the financial year ended 30 June 2014

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### Overview

(i) These financial statements are General Purpose Financial Statements and cover the consolidated operations for Hornsby Shire Council.

(ii) Hornsby Shire Council is a body politic of NSW, Australia - being constituted as a Local Government area by proclamation and is duly empowered by the Local Government Act (LGA) 1993 of NSW.

Council's Statutory Charter is detailed in Paragraph 8 of the LGA and includes giving Council;

- the ability to provide goods, services & facilities, and to carry out activities appropriate to the current & future needs of the local community and of the wider public,
- the responsibility for administering regulatory requirements under the LGA and
- a role in the management, improvement and development of the resources in the area.

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

(iii) All figures presented in these financial statements are presented in Australian Currency.

(iv) These financial statements were authorised for issue by the Council on 13 October 2014. Council has the power to amend and reissue these financial statements.

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## Hornsby Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

## Understanding Council's Financial Statements

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### Introduction

Each year, individual Local Governments across NSW are required to present a set of audited financial statements to their Council & Community.

### What you will find in the Statements

The financial statements set out the financial performance, financial position & cash flows of Council for the financial year ended 30 June 2014.

The format of the financial statements is standard across all NSW Councils and complies with both the accounting & 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 & ownership of the financial statements.

### About the Primary Financial Statements

The financial statements incorporate 5 "primary" financial statements:

#### 1. The Income Statement

Summarises Council's financial performance for the year, listing all income & 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 values of Council's Infrastructure, Property, Plant & Equipment.

#### 3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its Assets, Liabilities & "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 5 primary financial statements.

### About the Auditor's Reports

Council's financial statements are required to be audited by external accountants (that generally specialize in Local Government).

In NSW, the Auditor provides 2 audit reports:

1. An opinion on whether the financial statements present fairly the Council's financial performance & position, &
2. Their observations on the conduct of the Audit including commentary on the Council's financial performance & financial position.

### Who uses the Financial Statements ?

The financial statements are publicly available documents & must be presented at a Council meeting between 7 days & 5 weeks after the date of the Audit Report.

Submissions from the public can be made to Council up to 7 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.

# Hornsby Shire Council

## General Purpose Financial Statements

for the financial year ended 30 June 2014

### Statement by Councillors and Management

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

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

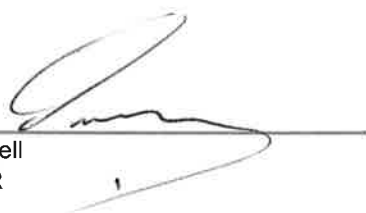
- The Local Government Act 1993 (as amended) and the Regulations made thereunder,
- The Australian Accounting Standards and professional pronouncements, and
- The Local Government Code of Accounting Practice and Financial Reporting.

**To the best of our knowledge and belief, these Financial Statements:**

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

**We are not aware of any matter that would render the Reports false or misleading in any way.**

**Signed in accordance with a resolution of Council made on 08 October 2014.**



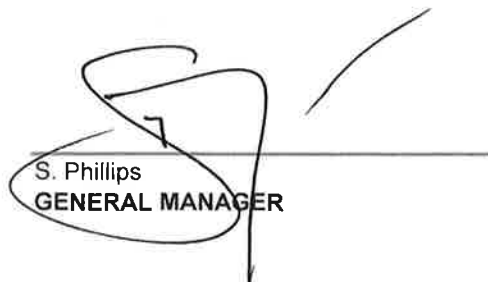
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S. Russell  
MAYOR



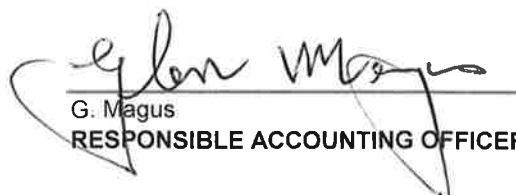
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G. Singh  
COUNCILLOR



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S. Phillips  
GENERAL MANAGER



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G. Magus  
RESPONSIBLE ACCOUNTING OFFICER

## Hornsby Shire Council

## Income Statement

for the financial year ended 30 June 2014

Budget <sup>1</sup> 2014	\$ '000	Notes	Actual 2014	Actual 2013
<b>Income from Continuing Operations</b>				
<i>Revenue:</i>				
91,472	Rates & Annual Charges	3a	91,432	87,157
14,559	User Charges & Fees	3b	13,479	12,841
830	Interest & Investment Revenue	3c	2,102	2,706
5,777	Other Revenues	3d	12,369	5,990
8,661	Grants & Contributions provided for Operating Purposes	3e,f	9,850 <sup>2</sup>	12,473
2,235	Grants & Contributions provided for Capital Purposes	3e,f	13,424	4,836
<i>Other Income:</i>				
1,895	Net gains from the disposal of assets	5	58	271
-	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19	-	-
<b>125,429</b>	<b>Total Income from Continuing Operations</b>		<b>142,714</b>	<b>126,274</b>
<b>Expenses from Continuing Operations</b>				
47,219	Employee Benefits & On-Costs	4a	47,336	42,223
970	Borrowing Costs	4b	969	1,090
37,559	Materials & Contracts	4c	38,261	38,932
22,612	Depreciation & Amortisation	4d	22,954	23,739
-	Impairment	4d	-	-
12,839	Other Expenses	4e	13,024	12,411
<b>121,199</b>	<b>Total Expenses from Continuing Operations</b>		<b>122,544</b>	<b>118,395</b>
<b>4,230</b>	<b>Operating Result from Continuing Operations</b>		<b>20,170</b>	<b>7,879</b>
<b>Discontinued Operations</b>				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
<b>4,230</b>	<b>Net Operating Result for the Year</b>		<b>20,170</b>	<b>7,879</b>
4,230	Net Operating Result attributable to Council		20,170	7,879
-	Net Operating Result attributable to Non-controlling Interests		-	-
<b>1,995</b>	<b>Net Operating Result for the year before Grants and Contributions provided for Capital Purposes</b>		<b>6,746</b>	<b>3,043</b>

<sup>1</sup> Original Budget as approved by Council - refer Note 16

<sup>2</sup> Financial Assistance Grants for 13/14 are lower, reflecting a timing difference due to a change in how the grant is paid - refer Note 3 (e)



## Hornsby Shire Council

Statement of Comprehensive Income  
for the financial year ended 30 June 2014

\$ '000	Notes	Actual 2014	Actual 2013
<b>Net Operating Result for the year</b> (as per Income statement)		<b>20,170</b>	<b>7,879</b>
<b>Other Comprehensive Income:</b>			
<i>Amounts which will not be reclassified subsequently to the Operating Result</i>			
Gain (loss) on revaluation of I,PP&E	20b (ii)	22,609	(6,831)
Adjustment to correct prior period errors		18,535	-
<b>Total Items which will not be reclassified subsequently to the Operating Result</b>		<b>41,144</b>	<b>(6,831)</b>
<i>Amounts which will be reclassified subsequently to the Operating Result when specific conditions are met</i>			
Nil			
<b>Total Other Comprehensive Income for the year</b>		<b>41,144</b>	<b>(6,831)</b>
<b>Total Comprehensive Income for the Year</b>		<b>61,314</b>	<b>1,048</b>
<b>Total Comprehensive Income attributable to Council</b>		<b>61,314</b>	<b>1,048</b>
<b>Total Comprehensive Income attributable to Non-controlling Interests</b>		<b>-</b>	<b>-</b>



## Hornsby Shire Council

## Statement of Financial Position

as at 30 June 2014

\$ '000	Notes	Actual 2014	Actual 2013
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash & Cash Equivalents	6a	11,522	36,278
Investments	6b	33,191	8,433
Receivables	7	8,220	5,642
Inventories	8	150	165
Other	8	-	3
Non-current assets classified as "held for sale"	22	-	-
<b>Total Current Assets</b>		<b>53,083</b>	<b>50,521</b>
<b>Non-Current Assets</b>			
Investments	6b	2,000	-
Receivables	7	274	256
Inventories	8	-	-
Infrastructure, Property, Plant & Equipment	9	1,487,880	1,431,405
Investments accounted for using the equity method	19	-	-
Investment Property	14	-	-
Intangible Assets	25	8	551
<b>Total Non-Current Assets</b>		<b>1,490,162</b>	<b>1,432,212</b>
<b>TOTAL ASSETS</b>		<b>1,543,245</b>	<b>1,482,733</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	10	10,858	8,073
Borrowings	10	4,817	4,472
Provisions	10	13,954	13,102
<b>Total Current Liabilities</b>		<b>29,629</b>	<b>25,647</b>
<b>Non-Current Liabilities</b>			
Payables	10	-	-
Borrowings	10	6,825	11,642
Provisions	10	400	367
<b>Total Non-Current Liabilities</b>		<b>7,225</b>	<b>12,009</b>
<b>TOTAL LIABILITIES</b>		<b>36,854</b>	<b>37,656</b>
<b>Net Assets</b>		<b>1,506,391</b>	<b>1,445,077</b>
<b>EQUITY</b>			
Retained Earnings	20	1,072,236	1,033,531
Revaluation Reserves	20	434,155	411,546
Council Equity Interest		1,506,391	1,445,077
Non-controlling Interests		-	-
<b>Total Equity</b>		<b>1,506,391</b>	<b>1,445,077</b>

## Hornsby Shire Council

Statement of Changes in Equity  
for the financial year ended 30 June 2014

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non- controlling Interest	Total Equity
<b>2014</b>						
<b>Opening Balance</b> (as per Last Year's Audited Accounts)		1,033,531	411,546	<b>1,445,077</b>	-	<b>1,445,077</b>
<b>b. Changes in Accounting Policies</b> (prior year effects)	20 (d)	-	-	-	-	-
<b>Revised Opening Balance</b> (as at 1/7/13)		<b>1,033,531</b>	<b>411,546</b>	<b>1,445,077</b>	-	<b>1,445,077</b>
<b>c. Net Operating Result for the Year</b>		<b>20,170</b>	-	<b>20,170</b>	-	<b>20,170</b>
<b>d. Other Comprehensive Income</b>						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	22,609	<b>22,609</b>	-	<b>22,609</b>
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
- Prior years depreciation overstated	20c	18,535	-	<b>18,535</b>	-	<b>18,535</b>
<b>Other Comprehensive Income</b>		<b>18,535</b>	<b>22,609</b>	<b>41,144</b>	-	<b>41,144</b>
<b>Total Comprehensive Income</b> (c&d)		<b>38,705</b>	<b>22,609</b>	<b>61,314</b>	-	<b>61,314</b>
<b>e. Distributions to/(Contributions from) Non-controlling Interests</b>		-	-	-	-	-
<b>f. Transfers between Equity</b>		-	-	-	-	-
<b>Equity - Balance at end of the reporting period</b>		<b>1,072,236</b>	<b>434,155</b>	<b>1,506,391</b>	-	<b>1,506,391</b>

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non- controlling Interest	Total Equity
<b>2013</b>						
<b>Opening Balance</b> (as per Last Year's Audited Accounts)		1,025,610	418,419	<b>1,444,029</b>	-	<b>1,444,029</b>
<b>a. Correction of Prior Period Errors</b>	20 (c)	-	-	-	-	-
<b>b. Changes in Accounting Policies</b> (prior year effects)	20 (d)	-	-	-	-	-
<b>Revised Opening Balance</b> (as at 1/7/12)		<b>1,025,610</b>	<b>418,419</b>	<b>1,444,029</b>	-	<b>1,444,029</b>
<b>c. Net Operating Result for the Year</b>		7,879	-	<b>7,879</b>	-	<b>7,879</b>
<b>d. Other Comprehensive Income</b>						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	(6,831)	<b>(6,831)</b>	-	<b>(6,831)</b>
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
- Prior years depreciation overstated	20b (ii)	-	-	-	-	-
<b>Other Comprehensive Income</b>		-	<b>(6,831)</b>	<b>(6,831)</b>	-	<b>(6,831)</b>
<b>Total Comprehensive Income</b> (c&d)		<b>7,879</b>	<b>(6,831)</b>	<b>1,048</b>	-	<b>1,048</b>
<b>e. Distributions to/(Contributions from) Non-controlling Interests</b>		-	-	-	-	-
<b>f. Transfers between Equity</b>		42	(42)	-	-	-
<b>Equity - Balance at end of the reporting period</b>		<b>1,033,531</b>	<b>411,546</b>	<b>1,445,077</b>	-	<b>1,445,077</b>

## Hornsby Shire Council

## Statement of Cash Flows

for the financial year ended 30 June 2014

Budget 2014	\$ '000	Notes	Actual 2014	Actual 2013
<b>Cash Flows from Operating Activities</b>				
<b>Receipts:</b>				
91,165	Rates & Annual Charges		91,339	87,289
14,562	User Charges & Fees		14,700	12,275
835	Investment & Interest Revenue Received		1,803	2,513
10,888	Grants & Contributions		18,239	18,396
2	Bonds, Deposits & Retention amounts received		30	12
13,133	Other		19,919	12,169
<b>Payments:</b>				
(46,933)	Employee Benefits & On-Costs		(46,458)	(41,892)
(36,772)	Materials & Contracts		(39,245)	(43,780)
(970)	Borrowing Costs		(958)	(1,094)
(19,542)	Other		(17,571)	(15,739)
<u>26,368</u>	<b>Net Cash provided (or used in) Operating Activities</b>	11b	<u>41,798</u>	<u>30,149</u>
<b>Cash Flows from Investing Activities</b>				
<b>Receipts:</b>				
2,433	Sale of Investment Securities		7,476	22,596
1,895	Sale of Infrastructure, Property, Plant & Equipment		1,335	1,019
<b>Payments:</b>				
(19,000)	Purchase of Investment Securities		(34,200)	(6,587)
(24,985)	Purchase of Infrastructure, Property, Plant & Equipment		(36,676)	(25,758)
<u>(39,657)</u>	<b>Net Cash provided (or used in) Investing Activities</b>		<u>(62,065)</u>	<u>(8,730)</u>
<b>Cash Flows from Financing Activities</b>				
<b>Receipts:</b>				
-	Proceeds from Borrowings & Advances		-	2,000
<b>Payments:</b>				
(4,489)	Repayment of Borrowings & Advances		(4,489)	(3,798)
<u>(4,489)</u>	<b>Net Cash Flow provided (used in) Financing Activities</b>		<u>(4,489)</u>	<u>(1,798)</u>
<u>(17,778)</u>	<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>		<u>(24,756)</u>	<u>19,621</u>
36,278	plus: <b>Cash &amp; Cash Equivalents - beginning of year</b>	11a	36,278	16,657
<u>18,500</u>	<b>Cash &amp; Cash Equivalents - end of the year</b>	11a	<u>11,522</u>	<u>36,278</u>
Additional Information:				
	plus: <b>Investments on hand - end of year</b>	6b	35,191	8,433
	<b>Total Cash, Cash Equivalents &amp; Investments</b>		<u>46,713</u>	<u>44,711</u>

Please refer to Note 11 for information on the following:

- Non Cash Financing & Investing Activities.
- Financing Arrangements.
- Net cash flow disclosures relating to any Discontinued Operations

# Hornsby Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

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n/a - not applicable

## Hornsby Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

The principal accounting policies adopted by Council in the preparation of these consolidated financial statements are set out below in order to assist in its general understanding.

Under Australian Accounting Standards (AASBs), accounting policies are defined as those specific principles, bases, conventions, rules and practices applied by a reporting entity (in this case Council) in preparing and presenting its financial statements.

##### (a) Basis of preparation

###### (i) Background

These financial statements are general purpose financial statements which have been prepared in accordance with;

- Australian Accounting Standards and Australian Accounting Interpretations issued by the Australian Accounting Standards Board,
- the Local Government Act (1993) & Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

For the purpose of preparing these financial statements, Council has been deemed to be a not-for-profit entity.

###### (ii) Compliance with International Financial Reporting Standards (IFRSs)

Because AASBs are sector neutral, some standards either:

- (a) have local Australian content and prescription that is specific to the Not-For-Profit sector (including Local Government) which are not in compliance with IFRS's, or
- (b) specifically exclude application by Not for Profit entities.

Accordingly in preparing these financial statements and accompanying notes, Council has been unable to comply fully with International Accounting Standards, but has complied fully with Australian Accounting Standards.

Under the Local Government Act (LGA), Regulations and Local Government Code of Accounting Practice & Financial Reporting, it should be noted that Councils in NSW only have a requirement to comply with AASBs.

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

During the current year, the following relevant standards became mandatory for Council and have been adopted:

- AASB 13 Fair Value Measurement
- AASB 119 Employee Benefits

AASB 13 Fair Value Measurement has not affected the assets or liabilities which are to be measured at fair value, however it provides detailed guidance on how to measure fair value in accordance with the accounting standards.

It introduces the concept of highest and best use for non-financial assets and has caused the Council to review their valuation methodology.

The level of disclosures regarding fair value have increased significantly and have been included in the financial statements at Note 27.

AASB 119 Employee Benefits introduced revised definitions for short-term employee benefits.

Whilst the Council has reviewed the annual leave liability to determine the level of annual leave which is expected to be paid more than 12 months after the end of the reporting period, there has been no effect on the amounts disclosed as leave liabilities since Council's existing valuation policy was to discount annual leave payable more than 12 months after the end of the reporting period to present values.

###### (iv) Early adoption of Accounting Standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2013.

Refer further to paragraph (ab) relating to a summary of the effects of Standards with future operative dates.

## Hornsby Shire Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

##### (v) Basis of Accounting

These financial statements have been prepared under the **historical cost convention** except for:

- (i) certain financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets which are all valued at fair value,
- (ii) the write down of any Asset on the basis of Impairment (if warranted) and
- (iii) certain classes of non current assets (eg. Infrastructure, Property, Plant & Equipment and Investment Property) that are accounted for at fair valuation.

The accrual basis of accounting has also been applied in their preparation.

##### (vi) Changes in Accounting Policies

Council's accounting policies have been consistently applied to all the years presented, unless otherwise stated.

There have also been no changes in accounting policies when compared with previous financial statements unless otherwise stated [refer Note 20(d)].

##### (vii) Critical Accounting Estimates

The preparation of financial statements requires the use of certain critical accounting estimates (in conformity with AASBs).

Accordingly this 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 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 estimated fair values of infrastructure, property, plant and equipment have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

##### **Critical judgements in applying Council's accounting policies**

- (i) Impairment of Receivables - Council has made a significant judgement about the impairment of a number of its receivables in Note 7.
- (ii) Projected Section 94 Commitments - Council has used significant judgement in determining future Section 94 income and expenditure in Note 17.

##### (b) Revenue recognition

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to it and specific criteria have been met for each of the Council's activities as described below.

Council bases any estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is measured on major income categories as follows:

##### **Rates, Annual Charges, Grants and Contributions**

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenues when the Council obtains control over the assets comprising these receipts.

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.

A provision for the impairment on rates receivables has not been established as unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

## Hornsby Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

Control over granted assets is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been secured, and is valued at their fair value at the date of transfer.

Revenue from Contributions is recognised when the Council either obtains control of the contribution or the right to receive it, **(i)** it is probable that the economic benefits comprising the contribution will flow to the Council and **(ii)** the amount of the contribution can be measured reliably.

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 undischarged at balance date, the unused grant or contribution is disclosed in Note 3(g).

Note 3(g) also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

The Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of S94 of the EPA Act 1979.

Whilst Council generally incorporates these amounts as part of a Development Consents Order, such developer contributions are only recognised as income upon their physical 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.

A detailed Note relating to developer contributions can be found at Note 17.

#### User Charges, Fees and Other Income

User charges, fees and other income (including parking fees and fines) are recognised as revenue when the service has been provided, the payment is received, or when the penalty has been applied, whichever first occurs.

A provision for the impairment of these receivables is recognised when collection in full is no longer probable.

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

#### Sale of Infrastructure, Property, Plant and Equipment

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

#### Interest and Rents

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

Interest Income from Cash & Investments is accounted for using the effective interest rate at the date that interest is earned.

#### Other Income

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

#### (c) Principles of Consolidation

These financial statements incorporate **(i)** the assets and liabilities of Council and any entities (or operations) that it **controls** (as at 30 June 2014) and **(ii)** all the related operating results (for the financial year ended the 30th June 2014).

In the process of reporting on Council's activities as a single unit, all inter-entity year end balances and reporting period transactions have been eliminated in full between Council and its controlled entities.

#### (i) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the LGA 1993, 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.

The Consolidated Fund and other entities through which the Council controls resources to carry on its



## Hornsby Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

functions have been included in the financial statements forming part of this report.

The following entities have been included as part of the Consolidated Fund:

- General Purpose Operations

Due to their immaterial value and nature, the following Committees, Entities & Operations have been excluded from consolidation:

- Section 377 Committees

The (i) total income and expenditure from continuing operations and (ii) the net assets held by these excluded Committees & Operations is as follows:

<b>Total income from continuing operations</b>	\$400,000
<b>Total expenditure from continuing operations</b>	\$400,000
<b>Total net assets held (ie Equity)</b>	\$1,000,000

During the year Council commenced moving the operations and net assets of the Section 377 Committees into Council's books and under control of Council staff.

**Note:**

Where actual figures are not known, best estimates have been applied.

**(ii) The Trust Fund**

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

Trust monies and property subject to Council's control have been included in these statements.

Trust monies and property held by Council but not subject to the control of Council, have been excluded from these statements.

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

**(iii) Joint Ventures**

Council has no interest in any Joint Venture Entities, Assets or Operations.

**(iv) County Councils**

Council is not a member of any County Councils.

**(v) Additional Information**

Note 19 provides more information in relation to Joint Venture Entities, Associated Entities and Joint Venture Operations where applicable.

**(d) Leases**

All Leases entered into by Council are reviewed and classified on inception date as either a Finance Lease or an Operating Lease.

**Finance Leases**

Leases of property, plant and equipment where the Council has substantially all the risks and rewards of ownership are classified as finance leases.

Council has no leases classified as Finance Leases.

**Operating Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

**(e) Cash and Cash Equivalents**

For Statement of Cash Flows (and Statement of Financial Position) presentation purposes, cash and cash equivalents includes;

## Hornsby Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

- 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 balance sheet but are incorporated into Cash & Cash Equivalents for presentation of the Cash Flow Statement.

#### (f) Investments and Other Financial Assets

Council (in accordance with AASB 139) classifies each of its investments into one of the following categories for measurement purposes:

- **financial assets at fair value through profit or loss,**
- **loans and receivables,**
- **held-to-maturity investments,** and
- **available-for-sale financial assets.**

Each classification depends on the purpose/intention for which the investment was acquired & at the time it was acquired.

Management determines each Investment classification at the time of initial recognition and re-evaluates this designation at each reporting date.

#### (i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets that are “held for trading”.

A financial asset is classified in the “held for trading” category if it is acquired principally for the purpose of selling in the short term.

Assets in this category are primarily classified as current assets as they are primarily held for trading &/or are expected to be realised within 12 months of the balance sheet date.

#### (ii) Loans and receivables

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

They arise when the Council provides money, goods or services directly to a debtor with no intention (or in some cases ability) of selling the resulting receivable.

They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

#### (iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Council’s management has the positive intention and ability to hold to maturity.

In contrast to the “Loans & Receivables” classification, these investments are generally quoted in an active market.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

#### (iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

Investments must be designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Accordingly, this classification principally comprises marketable equity securities, but can include all types of financial assets that could otherwise be classified in one of the other investment categories.

They are generally included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date or the term to maturity from the reporting date is less than 12 months.

## Hornsby Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 1. Summary of Significant Accounting Policies

### Financial Assets – Reclassification

Council may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term.

Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term.

Council may also choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if it has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made.

Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

### General Accounting & Measurement of Financial Instruments:

#### (i) Initial Recognition

Investments are initially recognised (and measured) at fair value, plus in the case of investments not at "fair value through profit or loss", directly attributable transactions costs

Purchases and sales of investments are recognised on trade-date - the date on which the Council commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Council has transferred substantially all the risks and rewards of ownership.

#### (ii) Subsequent Measurement

**Available-for-sale financial assets** and **financial assets at fair value through profit and loss** are subsequently carried at fair value.

**Loans and receivables** and **held-to-maturity** investments are carried at amortised cost using the effective interest method.

Realised and unrealised gains and losses arising from changes in the fair value of the financial assets classified as "**fair value through profit or loss**" category are included in the income statement in the period in which they arise.

Unrealised gains and losses arising from changes in the fair value of non monetary securities classified as "**available-for-sale**" are recognised in equity in the available-for-sale investments revaluation reserve.

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

#### Impairment

Council assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

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

#### (iii) Types of Investments

Council has an approved Investment Policy in order to undertake its investment of money in accordance with (and to comply with) Section 625 of the Local Government Act and S212 of the LG (General) Regulation 2005.

Investments are placed and managed in accordance with the Policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order.

## Hornsby Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

Council maintains its investment Policy in compliance with the Act and ensures that it or its representatives exercise care, diligence and skill that a prudent person would exercise in investing Council funds.

Council amended its policy following revisions to the Ministerial Local Government Investment Order arising from the Cole Inquiry recommendations. Certain investments that Council holds are no longer prescribed (eg. managed funds, CDOs, and equity linked notes), however they have been retained under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

##### (g) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques.

Council uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held.

If the market for a financial asset is not active (and for unlisted securities), the Council establishes fair value by using valuation techniques.

These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

##### (h) Receivables

Receivables are initially recognised at fair value and subsequently measured at amortised cost, less any provision for impairment.

Receivables (excluding Rates & Annual Charges) are generally due for settlement no more than 30 days from the date of recognition.

The collectibility of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off in accordance with Council's policy.

A provision for impairment (ie. an allowance account) relating to receivables is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of each receivable.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

Impairment losses are recognised in the Income Statement within other expenses.

When a receivable for which an impairment allowance had 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.

##### (i) Inventories

###### Raw Materials and Stores, Work in Progress and Finished Goods

Raw materials and stores, work in progress and finished goods in respect of business undertakings

## Hornsby Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

are all stated at the lower of cost and net realisable value.

Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity.

Costs are assigned to individual items of inventory on the basis of weighted average costs.

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.

Inventories held in respect of non-business undertakings have been valued at cost subject to adjustment for loss of service potential.

#### Land Held for Resale/Capitalisation of Borrowing Costs

Land held for resale is stated at the lower of cost and net realisable value.

Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development.

When development is completed borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made.

Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

#### (j) Infrastructure, Property, Plant and Equipment (I,PP&E)

##### Acquisition of assets

Council's non current assets are continually revalued (over a 5 year period) in accordance with the fair valuation policy as mandated by the Office of Local Government.

At balance date, the following classes of I,PP&E were stated at their Fair Value;

- **Operational Land** (External Valuation)
- **Buildings – Specialised/Non Specialised** (External Valuation)
- **Plant and Equipment** (as approximated by depreciated historical cost)
- **Roads Assets incl. roads, bridges & footpaths** (Internal Valuation)
- **Drainage Assets** (Internal Valuation)
- **Bulk Earthworks** (Internal Valuation)
- **Community Land** (Internal Valuation)
- **Land Improvements** (as approximated by depreciated historical cost)
- **Other Structures** (as approximated by depreciated historical cost)
- **Other Assets** (as approximated by depreciated historical cost)

##### Initial Recognition

On initial recognition, an assets cost is measured at its fair value, plus all expenditure that is directly attributable to the acquisition.

Where settlement of any part of an asset's cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of recognition (ie. date of exchange) of the asset to arrive at fair value.

The discount rate used is the Council's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Where infrastructure, property, plant and equipment assets are acquired for no cost or for an amount other than cost, the assets are recognised in the financial statements at their fair value at acquisition date - being the amount that the asset could have been exchanged between knowledgeable willing parties in an arm's length transaction.



## Hornsby Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

##### Subsequent costs

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.

##### Asset Revaluations (including Indexation)

In accounting for Asset Revaluations relating to Infrastructure, Property, Plant & Equipment:

- Increases in the combined carrying amounts of asset classes arising on revaluation are credited to the asset revaluation reserve.
- To the extent that a net asset class increase reverses a decrease previously recognised via the profit or loss, then increase is first recognised in profit or loss.
- Net decreases that reverse previous increases of the same asset class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset, with all other decreases charged to the Income statement.

For all other assets, Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date.

If any such indication exists, Council determines the asset's fair value and revalues the asset to that amount.

Full revaluations are undertaken for all assets on a 5 year cycle.

##### Capitalisation Thresholds

Items of infrastructure, property, plant and equipment are not capitalised unless their cost of acquisition exceeds the following;

##### Land

- council land	100% Capitalised
- open space	100% Capitalised

##### Plant & Equipment

Office Furniture	> \$5,000
Office Equipment	> \$5,000
Other Plant & Equipment	> \$5,000

##### Buildings & Land Improvements

Park Furniture & Equipment	> \$5,000
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##### Building

- construction/extensions	100% Capitalised
- renovations	> \$5,000

Other Structures	> \$5,000
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##### Stormwater Assets

Drains & Culverts	> \$5,000
Other	> \$5,000

##### Transport Assets

Road construction & reconstruction	100% Capitalised
Bridge construction & reconstruction	100% Capitalised

##### Depreciation

Depreciation on Council's infrastructure, property, plant and equipment assets is calculated using the straight line method in order to allocate an assets cost (net of residual values) over its estimated useful life.

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:

Buildings	40-80 years
Plant & Equipment	6-8 years
Vehicles	5 years
Furniture & Fittings	6-7 years
Land Improvements	20 years
Road Assets	20-100 years
Drainage Assets	120 years
Bridges	60-80 years
Bulk Earthworks	100 years

## Hornsby Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

All asset residual values and useful lives are reviewed and adjusted (if appropriate), at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount – refer Note 1(s) on Asset Impairment.

##### Disposal and De-recognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in Council's Income Statement in the year the asset is derecognised.

##### (k) Land

Land (other than Land under Roads) is in accordance with Part 2 of Chapter 6 of the Local Government Act (1993) classified as either Operational or Community.

This classification of Land is disclosed in Note 9(a).

##### (l) 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 acquired after 1 July 2008 is recognised in accordance with AASB 116 – Property, Plant and Equipment.

##### (m) 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 bases over periods up to 10 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.

##### (n) 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 the reserves are recognised within Council's Income Statement.

Representations are currently being sought across State and Local Government to develop a consistent accounting treatment for Crown Reserves across both tiers of government.

##### (o) Rural Fire Service assets

Under section 119 of the Rural Fires Act 1997, *“all fire fighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the council of the area for or on behalf of*



## Hornsby Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

*which the fire fighting equipment has been purchased or constructed”.*

At present, the accounting for such fire fighting equipment is not treated in a consistent manner across all Councils.

Until such time as discussions on this matter have concluded and the legislation changed, Council will continue to account for these assets as it has been doing in previous years, which is to incorporate some assets, their values and depreciation charges within these financial statements.

#### **(p) Investment property**

Investment property comprises land &/or buildings that are principally held for long-term rental yields, capital gains or both that is not occupied by Council.

Council currently holds no property classified as investment property.

#### **(q) Provisions for close down, restoration and for environmental clean up costs – including Tips and Quarries**

Close down, Restoration and Remediation costs include the dismantling and demolition of infrastructure, the removal of residual materials and the remediation of disturbed areas.

Council has resolved to fill Hornsby quarry with virgin excavated natural material and has engaged consultants to seek appropriate planning and environmental approvals. In the absence of reliably estimated costs no provision has been made in Council's books.

#### **(r) Non-Current Assets (or Disposal Groups) “Held for Sale” & Discontinued Operations**

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of either (i) their carrying amount and (ii) fair value less costs to sell, if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The exception to this is plant and motor vehicles which are turned over on a regular basis. Plant and motor vehicles are retained in Non Current Assets under the classification of Infrastructure, Property, Plant and Equipment - unless the assets are to be traded in after 30 June and the replacement assets were already purchased and accounted for as at 30 June.

For any assets or disposal groups classified as Non-Current Assets “held for sale”, an impairment loss is recognised at any time when the assets carrying value is greater than its fair value less costs to sell.

Non-current assets “held for sale” are not depreciated or amortised while they are classified as “held for sale”.

Non-current assets classified as “held for sale” are presented separately from the other assets in the balance sheet.

A Discontinued Operation is a component of Council that has been disposed of or is classified as “held for sale” and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

The results of discontinued operations are presented separately on the face of the income statement.

#### **(s) Impairment of assets**

All Council's I,PP&E is subject to an annual assessment of impairment.

Assets that are subject to amortisation are reviewed 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.

Where an asset is not held principally for cash generating purposes (for example Infrastructure Assets) and would be replaced if the Council was

## Hornsby Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

deprived of it then depreciated replacement cost is used as value in use, otherwise value in use is estimated by using a discounted cash flow model. Non-financial assets (other than goodwill) that suffered a prior period impairment are reviewed for possible reversal of the impairment at each reporting date.

Goodwill & other Intangible Assets that have an indefinite useful life and are not subject to amortisation are tested annually for impairment.

##### (t) Payables

These amounts represent liabilities and include goods and services provided to the Council prior to the end of financial year which are unpaid.

The amounts for goods and services are unsecured and are usually paid within 30 days of recognition.

##### (u) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred.

Borrowings are subsequently measured at amortised cost.

Amortisation results in any difference between the proceeds (net of transaction costs) and the redemption amount being recognised in the Income Statement over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

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

##### (v) Borrowing costs

Borrowing costs are expensed.

##### (w) Provisions

Provisions for legal claims, service warranties and other like liabilities are recognised when:

- Council has a present legal or constructive obligation as a result of past events;
- it is more likely than not that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

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.

##### (x) Employee benefits

###### (i) Short Term Obligations

Short term employee benefit obligations include liabilities for wages and salaries (including non-monetary benefits), annual leave and vesting sick leave expected to be wholly settled within the 12 months after the reporting period.

Leave liabilities are recognised in the provision for employee benefits in respect of employees' services up to the reporting date with other short term employee benefit obligations disclosed under payables.

## Hornsby Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

These provisions are measured at the amounts expected to be paid when the liabilities are settled.

All other short-term employee benefit obligations are presented as payables.

Liabilities for non vesting sick leave are recognised at the time when the leave is taken and measured at the rates paid or payable, and accordingly no Liability has been recognised in these reports.

Wages & salaries, annual leave and vesting sick leave are all classified as Current Liabilities.

##### **(ii) Other Long Term Obligations**

The liability for all long service and annual leave in respect of services provided by employees up to the reporting date (which is not expected to be wholly settled within the 12 months after the reporting period) are recognised in the provision for employee benefits.

These liabilities are measured at the present value of the expected future payments to be made 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 then discounted using market yields at the reporting date based on national government bonds with terms to maturity and currency that match as closely as possible the estimated future cash outflows.

Due to the nature of when and how Long Service Leave can be taken, all Long Service Leave for employees with 4 or more years of service has been classified as Current, as it has been deemed that Council does not have the unconditional right to defer settlement beyond 12 months – even though it is not anticipated that all employees with more than 4 years service (as at reporting date) will apply for and take their leave entitlements in the next 12 months.

##### **(iii) 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.

##### **Defined Benefit Plans**

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the balance sheet, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost.

The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

However, when this information is not reliably available, Council can account for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans – i.e. as an expense when they become payable.

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named the "Local Government Superannuation Scheme – Pool B"

This Scheme has been deemed to be a "multi employer fund" for the purposes of AASB 119.

Sufficient information is not available to account for the Scheme as a defined benefit plan (in accordance with AASB 119) because the assets to the scheme are pooled together for all Councils.

However the position is monitored annually and the Actuary has estimated that as at 30 June 2014 the prior period deficit still exists.

Effective from 1 July 2009, employers are required to contribute additional contributions to assist in extinguishing this deficit.

The amount of employer contributions to the defined benefit section of the Local Government

## Hornsby Shire Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

Superannuation Scheme and recognised as an expense and disclosed as part of Superannuation Expenses at Note 4(a) for the year ending 30 June 2014 was \$ 1,561,287.

The amount of additional contributions included in the total employer contribution advised above is \$ 751,360. Council's expected contributions to the plan for the next annual reporting period is \$ 1,585,220.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$ 3,005,440 as at 30 June 2014.

Council's share of that deficiency cannot be accurately calculated as the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils.

For this reason, no liability for the deficiency has been recognised in these financial statements.

Council has, however, disclosed a contingent liability in Note 18 to reflect the possible obligation that may arise should the Scheme require immediate payment to correct the deficiency.

#### Defined Contribution 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.

#### (iv) Employee Benefit On-Costs

Council has recognised at year end the aggregate on-cost liabilities arising from employee benefits, and in particular those on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of certain Leave Liabilities accrued as at 30/6/14.

#### (y) Self insurance

Council does not self insure.

#### (z) Allocation between current and non-current assets & liabilities

In the determination of whether an asset or liability is classified as current or non-current, consideration is given to the time when each asset or liability is expected to be settled.

The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Council's operational cycle.

#### Exceptions

In the case of liabilities where Council does not have the unconditional right to defer settlement beyond 12 months (such as vested long service leave), the liability is classified as current even if not expected to be settled within the next 12 months.

In the case of inventories that are "held for trading", these are also classified as current even if not expected to be realised in the next 12 months.

#### (aa) Taxes

The Council is exempt from both Commonwealth Income Tax and Capital Gains Tax.

Council does however have to comply with both Fringe Benefits Tax and Goods and Services Tax (GST).

#### Goods & Services Tax (GST)

Income, expenses and assets are all recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO).

In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the revenue / expense.

Receivables and payables within the Balance Sheet are stated inclusive of any applicable GST.

The net amount of GST recoverable from or payable to the ATO is included as a current asset or current liability in the Balance Sheet.

## Hornsby Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

Operating cash flows within the Cash Flow Statement are on a gross basis, ie. they are inclusive of GST where applicable.

Investing and Financing cash flows are treated on a net basis (where recoverable from the ATO), ie. they are exclusive of GST. Instead, the GST component of investing and financing activity cash flows which are recoverable from or payable to the ATO are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from (or payable to) the ATO.

#### **(ab) New accounting standards and interpretations**

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2014.

**Council has not adopted any of these standards early.**

Council's assessment of the impact of these new standards and interpretations is set out below.

#### **Applicable to Local Government with implications:**

***AASB 9 Financial Instruments, associated standards, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and transitional disclosures and AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (effective from 1 January 2017)***

AASB 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities.

The standard is not applicable until 1 January 2015 but is available for early adoption.

When adopted, the standard will affect in particular Council's accounting for its available-for-sale

financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading.

Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss although there is currently a proposal by the IASB to introduce a Fair value through Other Comprehensive Income category for debt instruments.

There will be no impact on Council's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and Council does not have any such liabilities.

The de-recognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed.

The Council has not yet fully assessed the impact on the reporting financial position and performance on adoption of AASB 9.

#### **Applicable to Local Government but no implications for Council;**

***AASB 2013-3 Amendments to AASB 136 Recoverable Amount Disclosures for Non-Financial Assets (effective for 30 June 2015 Financial Statements)***

There are no changes to reported financial position or performance from AASB 2013 – 3, however additional disclosures may be required.

#### **Applicable to Local Government but not relevant to Council at this stage;**

***AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective for 30 June 2015 Financial Statements for not-for-profit entities)***



## Hornsby Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

This suite of five new and amended standards address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities.

The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities.

It focuses on the need to have both power and rights or exposure to variable returns.

Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both.

Control exists when the investor can use its power to affect the amount of its returns.

There is also new guidance on participating and protective rights and on agent/principal relationships. Council does not expect the new standard to have a significant impact on its composition.

AASB 11 introduces a principles based approach to accounting for joint arrangements.

The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement.

Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture.

Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted.

Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard.

AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

Council's investment in the joint venture partnership will be classified as a joint venture under the new rules.

As Council already applies the equity method in accounting for this investment, AASB 11 will not have any impact on the amounts recognised in its financial statements.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128.

Application of this standard by Council will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to Council's investments.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa.

The amendments also introduce a "partial disposal" concept.

Council is still assessing the impact of these amendments.

Council does not expect to adopt the new standards before their operative date.

They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2015.

#### **Not applicable to Local Government per se;**

None

There are no other standards that are "not yet effective" and expected to have a material impact on Council in the current or future reporting periods and on foreseeable future transactions.

## Hornsby Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

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##### **(ac) Rounding of amounts**

Unless otherwise indicated, amounts in the financial statements have been rounded off to the nearest thousand dollars.

##### **(ad) Comparative Figures**

To ensure comparability with the current reporting period's figures, some comparative period line items and amounts may have been reclassified or individually reported for the first time within these financial statements and/or the notes.

##### **(ae) Disclaimer**

Nothing contained within these statements may be taken to be an admission of any liability to any person under any circumstance.



# Hornsby Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

### Note 2(a). Council Functions / Activities - Financial Information

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)	
	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Actual	Actual	Actual	Actual
	2014	2014	2013	2014	2014	2013	2014	2014	2013	2014	2013	2014	2013
Governance	-	-	-	1,807	1,969	2,497	(1,807)	(1,969)	(2,497)	-	-	-	-
General Managers Division	-	71	164	2,831	2,988	2,312	(2,831)	(2,917)	(2,148)	-	-	89	77
Corporate Support	5,486	13,578	5,594	32,490	33,625	33,481	(27,004)	(20,047)	(27,887)	36	16	207,804	181,026
Infrastructure & Recreation	34,755	37,076	33,451	55,287	52,921	52,455	(20,532)	(15,845)	(19,004)	5,910	2,684	1,212,072	1,180,376
Environment & Human Services	10,975	12,349	13,079	20,848	22,187	19,313	(9,873)	(9,838)	(6,234)	3,304	5,667	122,830	120,804
Planning	3,693	10,184	4,446	7,936	8,854	8,337	(4,243)	1,330	(3,891)	-	121	450	450
<b>Total Functions &amp; Activities</b>	<b>54,909</b>	<b>73,258</b>	<b>56,734</b>	<b>121,199</b>	<b>122,544</b>	<b>118,395</b>	<b>(66,290)</b>	<b>(49,286)</b>	<b>(61,661)</b>	<b>9,250</b>	<b>8,488</b>	<b>1,543,245</b>	<b>1,482,733</b>
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	-	-	-	-	-	-	-	-	-	-	-	-
General Purpose Income <sup>1</sup>	70,520	69,456	69,540	-	-	-	70,520	69,456	69,540	3,228	5,441	-	-
<b>Operating Result from Continuing Operations</b>	<b>125,429</b>	<b>142,714</b>	<b>126,274</b>	<b>121,199</b>	<b>122,544</b>	<b>118,395</b>	<b>4,230</b>	<b>20,170</b>	<b>7,879</b>	<b>12,478</b>	<b>13,929</b>	<b>1,543,245</b>	<b>1,482,733</b>

1. Includes: Rates & Annual Charges (incl. Ex-Gratia), Untied General Purpose Grants & Unrestricted Interest & Investment Income.

## Hornsby Shire Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### 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**

Costs relating to the Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of council and policy making committees, area representation and public disclosure and compliance.

##### **GENERAL MANAGERS DIVISION**

Costs relating to the General Manager, risk and internal audit.

##### **CORPORATE & COMMUNITY DIVISION**

Revenue and costs relating to administration, finance, human resources, information technology, property management, fleet management, records management and customer service.

##### **INFRASTRUCTURE AND RECREATION DIVISION**

Revenue and costs relating to roads, bridges, footpaths, stormwater management, emergency services, parks & landscape, waste management, engineering services, swimming centres and sports facilities.

##### **ENVIRONMENT AND HUMAN SERVICES DIVISION**

Revenue and costs relating to bushland care and restoration, water catchment remediation, community services, childcare, aged and disabled services, youth services and libraries.

##### **PLANNING DIVISION**

Revenue and costs relating to town planning, development assessments, Section 94 Development Contributions, subdivisions, companion animals management and compliance and certification services.

## Hornsby Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2014	Actual 2013
<b>(a) Rates &amp; Annual Charges</b>			
<b>Ordinary Rates</b>			
Residential		57,813	55,432
less: Compulsory Pensioner Rate		(1,327)	(1,324)
Farmland		526	506
Business		7,618	7,194
<b>Total Ordinary Rates</b>		<b>64,630</b>	<b>61,808</b>
<b>Special Rates</b>			
Catchment Remediation Rate		3,001	2,901
Hornsby Quarry Rate		3,187	3,082
less: Voluntary Pensioner Rebate		(215)	(214)
<b>Total Special Rates</b>		<b>5,973</b>	<b>5,769</b>
<b>Annual Charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		20,759	19,514
Section 611 Charges		70	66
<b>Total Annual Charges</b>		<b>20,829</b>	<b>19,580</b>
<b><u>TOTAL RATES &amp; ANNUAL CHARGES</u></b>		<b><u>91,432</u></b>	<b><u>87,157</u></b>

Council has used 2011 year valuations provided by the NSW Valuer General in calculating its rates.

## Hornsby Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
<b>(b) User Charges &amp; Fees</b>			
<b>Specific User Charges</b> (per s.502 - Specific "actual use" charges)			
Waste Management Services (non-domestic)		1,367	1,361
Sullage		8	13
<b>Total User Charges</b>		<b>1,375</b>	<b>1,374</b>
<b>Other User Charges &amp; Fees</b>			
<b>(i) Fees &amp; Charges - Statutory &amp; Regulatory Functions</b> (per s.608)			
Inspection Services		505	461
Planning & Building Regulation		3,494	2,482
Registration Fees		53	58
<b>Total Fees &amp; Charges - Statutory/Regulatory</b>		<b>4,052</b>	<b>3,001</b>
<b>(ii) Fees &amp; Charges - Other (incl. General User Charges)</b> (per s.608)			
Community Centres		616	502
Indoor Sports Centre Stadium - Admission Fees		539	513
Library Fees & Charges		111	118
Nursery & Preschool Hire Fees		3,071	2,968
Other Hire Fees		92	92
Park & Oval Hire Fees		859	999
Restoration Charges		1,046	1,617
Swimming Centres		1,077	1,129
Tennis/Netball Hire Fees		224	203
Other		417	325
<b>Total Fees &amp; Charges - Other</b>		<b>8,052</b>	<b>8,466</b>
<b>TOTAL USER CHARGES &amp; FEES</b>		<b>13,479</b>	<b>12,841</b>

## Hornsby Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
<b>(c) Interest &amp; Investment Revenue (incl. losses)</b>			
<b>Interest &amp; Dividends</b>			
- Interest on Overdue Rates & Annual Charges (incl. Special Purpose Rates)		202	216
- Interest earned on Investments (interest & coupon payment income)		1,866	2,026
<b>Fair Value Adjustments</b>			
- Fair Valuation movements in Investments (at FV or Held for Trading)		34	109
- Discount taken up on interest free loan (deferred payment)		-	355
<b>TOTAL INTEREST &amp; INVESTMENT REVENUE</b>		<b>2,102</b>	<b>2,706</b>
<b>Interest Revenue is attributable to:</b>			
<b>Unrestricted Investments/Financial Assets:</b>			
Overdue Rates & Annual Charges (General Fund)		202	216
General Council Cash & Investments		1,384	2,062
<b>Restricted Investments/Funds - External:</b>			
Development Contributions			
- Section 94		469	403
Catchments Remediation		47	25
<b>Total Interest &amp; Investment Revenue Recognised</b>		<b>2,102</b>	<b>2,706</b>
<b>(d) Other Revenues</b>			
Rental Income - Other Council Properties		1,687	1,761
Ex Gratia Rates		12	13
Fines - Parking		2,042	1,840
Legal Fees Recovery - Rates & Charges (Extra Charges)		223	233
Legal Fees Recovery - Other		-	3
Legal Fees Recovery - Planning		5	-
Bushfire Fund Income		40	50
Car Park Management		102	99
Commissions & Agency Fees		11	8
Diesel Rebate		39	-
Florence Mall Incomes		84	54
Home Modification		199	215
Income from Community Events		39	32
Insurance Claim Recoveries		-	13
Insurance Rebates & Incentives		71	164
Property Services Sundry Income		17	2
Prosecutions & Infringements		97	94
Recycling Income		796	773
Salaries & Wages Charged Out		54	91
Sales - General		444	358
Street Furniture Advertising		79	37
Vehicular Crossing Income		18	9
Youth Centre Income		-	3
Hornsby Quarry Legal Settlement		6,000	-
Refund from Sydney Water		164	-
Other		146	138
<b>TOTAL OTHER REVENUE</b>		<b>12,369</b>	<b>5,990</b>

## Hornsby Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 3. Income from Continuing Operations (continued)

\$ '000	2014 Operating	2013 Operating	2014 Capital	2013 Capital
<b>(e) Grants</b>				
<b>General Purpose (Untied)</b>				
Financial Assistance - General Component	1,722	3,255	-	-
Financial Assistance - Local Roads Component	747	1,435	-	-
Pensioners' Rates Subsidies - General Component	759	751	-	-
<b>Total General Purpose</b>	<b>3,228</b>	<b>5,441</b>	<b>-</b>	<b>-</b>

<sup>1</sup> The Financial Assistance Grant for 13/14 reflects a one off reduction due to the fact that this grant is no longer being paid in advance by up to 50% as has occurred in previous years - it does not represent a loss of income but is instead a timing difference.

**Specific Purpose**

## Pensioners' Rates Subsidies:

- Domestic Waste Management	232	229	-	-
Aged Care	1	1	-	-
Aged & Disabled	501	593	-	-
Bushfire & Emergency Services	650	82	-	-
Bushland	87	378	-	-
Child Care	1,490	1,217	-	-
Community Care	402	349	-	-
Community Centres	10	-	200	1,427
Employment & Training Programs	36	17	-	-
Environmental Protection	494	1,175	14	-
Library	305	305	100	100
Noxious Weeds	27	19	-	-
Parks & Gardens	140	-	1,781	-
Street Lighting	303	303	-	-
Transport (Other Roads & Bridges Funding)	519	641	1,805	1,365
Youth Services	18	18	-	-
Other	92	241	43	28
<b>Total Specific Purpose</b>	<b>5,307</b>	<b>5,568</b>	<b>3,943</b>	<b>2,920</b>
<b>Total Grants</b>	<b>8,535</b>	<b>11,009</b>	<b>3,943</b>	<b>2,920</b>

**Grant Revenue is attributable to:**

- Commonwealth Funding	2,046	2,065	1,061	1,963
- State Funding	6,489	8,944	2,855	957
- Other Funding	-	-	27	-
	<b>8,535</b>	<b>11,009</b>	<b>3,943</b>	<b>2,920</b>

## Hornsby Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 3. Income from Continuing Operations (continued)

\$ '000	2014 Operating	2013 Operating	2014 Capital	2013 Capital
<b>(f) Contributions</b>				
<b>Developer Contributions:</b>				
<b>(s93 &amp; s94 - EP&amp;A Act, s64 of the LGA):</b>				
S 94 - Contributions towards amenities/services	-	-	6,503	1,699
<b>Total Developer Contributions</b>	17 -	-	<b>6,503</b>	<b>1,699</b>
<b>Other Contributions:</b>				
Bushfire Services	-	593	466	-
Community Facilities	626	-	-	-
Dedications (other than by S94)	-	-	2,459	-
Employee Vehicle Contributions	457	668	-	-
Environment	51	23	-	-
Parks & Gardens	-	14	49	130
Recreation & Culture	-	-	-	30
Roads & Bridges	36	34	-	57
RMS Contributions (Regional Roads, Block Grant)	-	2	-	-
Occupational Health & Safety Incentive	81	40	-	-
Other	64	90	4	-
<b>Total Other Contributions</b>	<b>1,315</b>	<b>1,464</b>	<b>2,978</b>	<b>217</b>
<b>Total Contributions</b>	<b>1,315</b>	<b>1,464</b>	<b>9,481</b>	<b>1,916</b>
<b><u>TOTAL GRANTS &amp; CONTRIBUTIONS</u></b>	<b><u>9,850</u></b>	<b><u>12,473</u></b>	<b><u>13,424</u></b>	<b><u>4,836</u></b>

\$ '000	Actual 2014	Actual 2013
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## (g) Restrictions relating to Grants and Contributions

**Certain grants & contributions are obtained by Council on condition that they be spent in a specified manner:**

Unexpended at the Close of the Previous Reporting Period	17,087	17,515
add: Grants & contributions recognised in the current period but not yet spent:	6,812	9,423
less: Grants & contributions recognised in a previous reporting period now spent:	(8,471)	(9,851)
<b>Net Increase (Decrease) in Restricted Assets during the Period</b>	<b>(1,659)</b>	<b>(428)</b>
<b>Unexpended and held as Restricted Assets</b>	<b><u>15,428</u></b>	<b><u>17,087</u></b>
<b>Comprising:</b>		
- Specific Purpose Unexpended Grants	1,051	6,419
- Developer Contributions	14,377	10,668
	<b><u>15,428</u></b>	<b><u>17,087</u></b>



## Hornsby Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2014	Actual 2013
<b>(a) Employee Benefits &amp; On-Costs</b>			
Salaries and Wages		39,693	36,399
Travelling		18	18
Employee Leave Entitlements (ELE)		1,953	895
Superannuation		4,407	4,046
Workers' Compensation Insurance		1,372	867
Fringe Benefit Tax (FBT)		171	280
Training Costs (other than Salaries & Wages)		380	468
Protective Clothing		95	-
Other		78	46
<b>Total Employee Costs</b>		<b>48,167</b>	<b>43,019</b>
less: Capitalised Costs		(831)	(796)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>		<b>47,336</b>	<b>42,223</b>
Number of "Equivalent Full Time" Employees at year end		<b>550</b>	<b>544</b>
<b>(b) Borrowing Costs</b>			
<b>(i) Interest Bearing Liability Costs</b>			
Interest on Loans		952	1,090
<b>Total Interest Bearing Liability Costs</b>		<b>952</b>	<b>1,090</b>
<b>(ii) Other Borrowing Costs</b>			
Amortisation of discount on interest free loan		17	-
<b>Total Other Borrowing Costs</b>		<b>17</b>	<b>-</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>969</b>	<b>1,090</b>

## Hornsby Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
<b>(c) Materials &amp; Contracts</b>			
Raw Materials & Consumables		4,697	3,927
Contractor & Consultancy Costs			
- Air Conditioning		81	103
- Animal Pound Service		28	18
- Building Maintenance		263	218
- Bush Regeneration		711	493
- Computer Support		1,904	1,951
- Community Centres		92	138
- Consultants		1,463	1,687
- Contracts - Electrical		376	291
- Contracts - Grass Cutting		524	518
- Contracts - Plumbing		405	354
- Contracts - Tree Work		470	472
- Contractor & Agency Fees		1,231	1,211
- Drainage Maintenance		615	458
- Election Expense		-	637
- External Plant & Equipment Hire		97	111
- Florence Mall		30	108
- Footpath Maintenance		286	191
- Foreshore Facilities		274	144
- Garbage Collection, Tipping & Recycling		18,729	17,973
- Home Modification Service		162	204
- Litter Control		374	403
- Maintenance of Parks		658	542
- Mechanical Services		202	216
- Property Cleaning		373	387
- Road Maintenance		1,347	3,743
- Stormwater Asset Maintenance		186	221
Auditors Remuneration <sup>(1)</sup>		80	107
Legal Expenses:			
- Legal Expenses: Planning & Development		896	879
- Legal Expenses: Other		811	507
Operating Leases:			
- Operating Lease Rentals: Minimum Lease Payments <sup>(2)</sup>		318	305
Contracts - Bushfire Hazard Reduction & Mitigation		128	170
Contracts - Property Management		36	-
Contracts - RFS Equipment Maintenance		107	-
Contracts - Environmental Protection		72	-
Other		235	245
<b><u>TOTAL MATERIALS &amp; CONTRACTS</u></b>		<b><u>38,261</u></b>	<b><u>38,932</u></b>

## Hornsby Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
<b>(c) Materials &amp; Contracts (continued)</b>			
<b>1. Auditor Remuneration</b>			
During the year, the following fees were incurred for services provided by the Council's Auditor (& the Auditors of other Consolidated Entities):			
<b>(i) Audit and Other Assurance Services</b>			
- Audit & review of financial statements: Council's Auditor		80	87
<b>Remuneration for audit and other assurance services</b>		<b>80</b>	<b>87</b>
<b>(ii) Other Services</b>			
- Report on Local Government Reform Process		-	20
<b>Remuneration for other services</b>		<b>-</b>	<b>20</b>
<b>Total Auditor Remuneration</b>		<b>80</b>	<b>107</b>
<b>2. Operating Lease Payments are attributable to:</b>			
Computers		318	305
		<b>318</b>	<b>305</b>

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2014	Actual 2013	Actual 2014	Actual 2013
Plant and Equipment		-	-	1,393	1,563
Office Equipment		-	-	156	183
Furniture & Fittings		-	-	86	90
Land Improvements (depreciable)		-	-	3,266	3,223
Buildings - Non Specialised		-	-	2,397	2,324
Buildings - Specialised		-	-	2,055	1,994
Other Structures		-	-	711	527
Infrastructure:					
- Roads		-	-	6,431	6,478
- Bridges		-	-	124	124
- Footpaths		-	-	826	810
- Stormwater Drainage		-	-	4,373	5,106
- Water Supply Network		-	-	4	4
Other Assets					
- Library Books		-	-	589	453
Intangible Assets	25	-	-	543	860
<b>TOTAL DEPRECIATION &amp; IMPAIRMENT COSTS EXPENSED</b>		<b>-</b>	<b>-</b>	<b>22,954</b>	<b>23,739</b>

## Hornsby Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
<b>(e) Other Expenses</b>			
Other Expenses for the year include the following:			
Advertising		425	424
Bad & Doubtful Debts		5	(40)
Bank Charges & Cash Collection Expenses		330	311
Catering		357	279
Contributions/Levies to Other Levels of Government			
- Department of Planning Levy		287	280
- Emergency Services Levy (includes FRNSW, SES, and RFS Levies)		225	215
- NSW Fire Brigade Levy		1,656	1,619
- NSW Rural Fire Service Levy		555	498
- NSW State Revenue Infringement Processing Fees		279	208
Councillor Expenses - Mayoral Fee		59	56
Councillor Expenses - Councillors' Fees		223	220
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		20	22
Donations, Contributions & Assistance to other organisations (Section 356)		60	66
Electricity & Heating		1,052	1,141
Insurance		1,378	1,356
Licences & Registration		291	267
Postage		199	197
Printing & Stationery		412	335
Street Lighting		3,318	3,252
Subscriptions & Publications		300	301
Subscriptions to Local Government Publications		46	65
Telephone & Communications		347	345
Valuation Fees		317	285
Water & Sewerage		504	439
Property Managers Fees		32	-
Veterinary Fees		31	-
Other		316	270
<b><u>TOTAL OTHER EXPENSES</u></b>		<b><u>13,024</u></b>	<b><u>12,411</u></b>

## Hornsby Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2014

## Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2014	Actual 2013
<b>Property</b> (excl. Investment Property)			
Proceeds from Disposal - Property		-	88
less: Carrying Amount of Property Assets Sold / Written Off		(56)	(69)
<b>Net Gain/(Loss) on Disposal</b>		<b>(56)</b>	<b>19</b>
<b>Plant &amp; Equipment</b>			
Proceeds from Disposal - Plant & Equipment		1,335	931
less: Carrying Amount of P&E Assets Sold / Written Off		(1,221)	(679)
<b>Net Gain/(Loss) on Disposal</b>		<b>114</b>	<b>252</b>
<b>Financial Assets*</b>			
Proceeds from Disposal / Redemptions / Maturities - Financial Assets		7,476	22,596
less: Carrying Amount of Financial Assets Sold / Redeemed / Matured		(7,476)	(22,596)
<b>Net Gain/(Loss) on Disposal</b>		<b>-</b>	<b>-</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>58</b>	<b>271</b>

## Hornsby Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 6a. - Cash Assets and Note 6b. - Investments

\$ '000	Notes	2014	2014	2013	2013
		Actual Current	Actual Non Current	Actual Current	Actual Non Current
<b>Cash &amp; Cash Equivalents (Note 6a)</b>					
Cash on Hand and at Bank		668	-	521	-
Cash-Equivalent Assets <sup>1</sup>					
- Deposits at Call		8,760	-	8,632	-
- Short Term Deposits		2,094	-	27,125	-
<b>Total Cash &amp; Cash Equivalents</b>		<b>11,522</b>	<b>-</b>	<b>36,278</b>	<b>-</b>
<b>Investments (Note 6b)</b>					
- Long Term Deposits		32,200	2,000	6,500	-
- Capital Guaranteed Financial Instruments		991	-	1,933	-
<b>Total Investments</b>		<b>33,191</b>	<b>2,000</b>	<b>8,433</b>	<b>-</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS &amp; INVESTMENTS</b>		<b>44,713</b>	<b>2,000</b>	<b>44,711</b>	<b>-</b>

<sup>1</sup> Those Investments where time to maturity (from date of purchase) is < 3 mths.

**Cash, Cash Equivalents & Investments were classified at year end in accordance with AASB 139 as follows:**

**Cash & Cash Equivalents**

a. "At Fair Value through the Profit & Loss"		<b>11,522</b>	<b>-</b>	<b>36,278</b>	<b>-</b>
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**Investments**

a. "At Fair Value through the Profit & Loss"					
- "Designated at Fair Value on Initial Recognition"	6(b-i)	991	-	1,933	-
b. "Held to Maturity"	6(b-ii)	32,200	2,000	6,500	-
c. "Loans & Receivables"	6(b-iii)	-	-	-	-
d. "Available for Sale"	6(b-iv)	-	-	-	-
<b>Investments</b>		<b>33,191</b>	<b>2,000</b>	<b>8,433</b>	<b>-</b>

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of investments held.

## Hornsby Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 6b. Investments (continued)

\$ '000	2014 Actual Current	2014 Actual Non Current	2013 Actual Current	2013 Actual Non Current
<b>Note 6(b-i)</b>				
<b>Reconciliation of Investments classified as "At Fair Value through the Profit &amp; Loss"</b>				
Balance at the Beginning of the Year	1,933	-	4,833	-
Revaluations (through the Income Statement)	34	-	109	-
Additions	-	-	87	-
Disposals (sales & redemptions)	(976)	-	(3,096)	-
<b>Balance at End of Year</b>	<b>991</b>	<b>-</b>	<b>1,933</b>	<b>-</b>
<b>Comprising:</b>				
- Capital Guaranteed Financial Instruments	991	-	1,933	-
<b>Total</b>	<b>991</b>	<b>-</b>	<b>1,933</b>	<b>-</b>
<b>Note 6(b-ii)</b>				
<b>Reconciliation of Investments classified as "Held to Maturity"</b>				
Balance at the Beginning of the Year	6,500	-	19,500	-
Additions	32,200	2,000	6,500	-
Disposals (sales & redemptions)	(6,500)	-	(19,500)	-
<b>Balance at End of Year</b>	<b>32,200</b>	<b>2,000</b>	<b>6,500</b>	<b>-</b>
<b>Comprising:</b>				
- Long Term Deposits	32,200	-	6,500	-
- Other Long Term Financial Assets	-	2,000	-	-
<b>Total</b>	<b>32,200</b>	<b>2,000</b>	<b>6,500</b>	<b>-</b>
<b>Note 6(b-iii)</b>				
<b>Reconciliation of Investments classified as "Loans &amp; Receivables"</b>				
Nil				
<b>Note 6(b-iv)</b>				
<b>Reconciliation of Investments classified as "Available for Sale"</b>				
Nil				



## Hornsby Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 6c. Restricted Cash, Cash Equivalents &amp; Investments - Details

\$ '000	2014	2014	2013	2013
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investments	44,713	2,000	44,711	-
<b>attributable to:</b>				
External Restrictions (refer below)	15,757	2,000	18,538	-
Internal Restrictions (refer below)	22,896	-	22,710	-
Unrestricted	6,060	-	3,463	-
	<b>44,713</b>	<b>2,000</b>	<b>44,711</b>	<b>-</b>

2014 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
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## Details of Restrictions

## External Restrictions - Included in Liabilities

Nil

## External Restrictions - Other

Developer Contributions - General	(D)	10,668	6,972	(3,263)	14,377
Specific Purpose Unexpended Grants	(F)	6,419	-	(5,368)	1,051
Domestic Waste Management	(G)	794	21,697	(20,967)	1,524
Other		657	3,105	(2,957)	805
<b>External Restrictions - Other</b>		<b>18,538</b>	<b>31,774</b>	<b>(32,555)</b>	<b>17,757</b>
<b>Total External Restrictions</b>		<b>18,538</b>	<b>31,774</b>	<b>(32,555)</b>	<b>17,757</b>

## Internal Restrictions

Employees Leave Entitlement		2,744	2,200	-	4,944
Civil Works - SRV		2,934	1,117	(3,219)	832
Construction of Buildings		8,626	-	(8,626)	-
Council Strategic Projects		4,796	376	(377)	4,795
Hornsby Quarry & Environs		2,870	3,289	(153)	6,006
Corporate Systems Upgrade		-	1,566	(280)	1,286
Community Centres		-	1,630	-	1,630
Roads		-	2,350	-	2,350
Buildings - Wallarobba		-	531	(5)	526
Hornsby Aquatic Centre		-	6,844	(6,844)	-
Other		740	945	(1,158)	527
<b>Total Internal Restrictions</b>		<b>22,710</b>	<b>20,848</b>	<b>(20,662)</b>	<b>22,896</b>
<b>TOTAL RESTRICTIONS</b>		<b>41,248</b>	<b>52,622</b>	<b>(53,217)</b>	<b>40,653</b>

D Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).

F Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1)

G Water, Sewerage, Domestic Waste Management (DWM) & other Special Rates/Levies/Charges are externally restricted assets and must be applied for the purposes for which they were raised.

## Hornsby Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 7. Receivables

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
<b>Purpose</b>					
Rates & Annual Charges		2,124	274	2,134	256
Interest & Extra Charges		234	-	226	-
User Charges & Fees		182	-	175	-
Accrued Revenues					
- Interest on Investments		416	-	159	-
- Other Income Accruals		960	-	343	-
Facility Hire		151	-	431	-
Government Grants & Subsidies		2,877	-	442	-
Licencing		28	-	41	-
Net GST Receivable		988	-	995	-
Property Rentals		69	-	167	-
Restorations		67	-	92	-
Sale of Recycling Materials		-	-	237	-
Section 611 Contributions		-	-	72	-
Sullage		23	-	23	-
Workers Compensation Claims		4	-	10	-
Other Debtors		125	-	168	-
<b>Total</b>		<b>8,248</b>	<b>274</b>	<b>5,715</b>	<b>256</b>
<b>less: Provision for Impairment</b>					
Rates & Annual Charges		-	-	(37)	-
Other Debtors		(28)	-	(36)	-
<b>Total Provision for Impairment - Receivables</b>		<b>(28)</b>	<b>-</b>	<b>(73)</b>	<b>-</b>
<b>TOTAL NET RECEIVABLES</b>		<b>8,220</b>	<b>274</b>	<b>5,642</b>	<b>256</b>
<b>Externally Restricted Receivables</b>					
<b>Domestic Waste Management</b>		<b>599</b>	<b>-</b>	<b>586</b>	<b>-</b>
- Catchment Remediation Rate		95	-	96	-
- Hornsby Quarry Special Rate		93	-	96	-
- Special Purpose Grants		3,818	-	774	-
<b>Total External Restrictions</b>		<b>4,605</b>	<b>-</b>	<b>1,552</b>	<b>-</b>
<b>Internally Restricted Receivables</b>					
Nil					
<b>Unrestricted Receivables</b>		<b>3,615</b>	<b>274</b>	<b>4,090</b>	<b>256</b>
<b>TOTAL NET RECEIVABLES</b>		<b>8,220</b>	<b>274</b>	<b>5,642</b>	<b>256</b>

**Notes on Debtors above:**

- (i) Rates & Annual Charges Outstanding are secured against the property.
- (ii) Doubtful Rates Debtors are provided for where the value of the property is less than the debt outstanding.  
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates & charges at 9.00% (2013 10.00%).  
Generally all other receivables are non interest bearing.
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

## Hornsby Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2014

## Note 8. Inventories &amp; Other Assets

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
<b>Inventories</b>					
Stores & Materials		150	-	165	-
<b>Total Inventories</b>		<b>150</b>	<b>-</b>	<b>165</b>	<b>-</b>
<b>Other Assets</b>					
Prepayments		-	-	3	-
<b>Total Other Assets</b>		<b>-</b>	<b>-</b>	<b>3</b>	<b>-</b>
<b>TOTAL INVENTORIES / OTHER ASSETS</b>		<b>150</b>	<b>-</b>	<b>168</b>	<b>-</b>

**Externally Restricted Assets**

There are no restrictions applicable to the above assets.

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of other assets held.

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2013					Asset Movements during the Reporting Period						as at 30/6/2014				
	At Cost	At Fair Value	Accumulated		Carrying Value	Asset Additions	WDV of Asset Disposals	Depreciation Expense	WIP Transfers	Adjustments & Transfers	Revaluation Increments to Equity (ARR)	At Cost	At Fair Value	Accumulated		Carrying Value
			Dep'n	Impairment										Dep'n	Impairment	
Capital Work in Progress	11,735	-	-	-	11,735	33,632	-	-	(17,264)	-	-	28,103	-	-	-	28,103
Plant & Equipment	-	15,864	10,517	-	5,347	1,890	(1,221)	(1,393)	-	-	-	-	15,428	10,805	-	4,623
Office Equipment	-	1,800	1,484	-	316	425	-	(156)	-	-	-	-	2,116	1,531	-	585
Furniture & Fittings	-	2,572	2,223	-	349	53	-	(86)	-	-	-	-	1,781	1,465	-	316
<b>Land:</b>																
- Operational Land	-	125,016	-	-	125,016	-	-	-	-	-	-	-	125,016	-	-	125,016
- Community Land	-	430,596	-	-	430,596	-	-	-	-	-	-	-	430,596	-	-	430,596
Land Improvements - depreciable	-	64,586	33,597	-	30,989	-	(56)	(3,266)	1,469	(479)	-	-	65,203	36,546	-	28,657
Buildings - Non Specialised	-	72,259	39,405	-	32,854	-	-	(2,397)	3,967	15,901	10,057	-	99,874	39,492	-	60,382
Buildings - Specialised	-	88,152	41,010	-	47,142	-	-	(2,055)	-	977	12,552	-	95,600	36,984	-	58,616
Other Structures	-	16,261	5,426	-	10,835	2,485	-	(711)	1,063	(118)	-	-	19,923	6,369	-	13,554
<b>Infrastructure:</b>																
- Roads	-	362,761	99,059	-	263,702	-	-	(6,431)	6,801	-	-	-	369,563	105,491	-	264,072
- Bridges	-	7,375	2,742	-	4,633	-	-	(124)	-	-	-	-	7,375	2,866	-	4,509
- Footpaths	-	41,271	10,452	-	30,819	-	-	(826)	275	-	-	-	41,546	11,278	-	30,268
- Bulk Earthworks (non-depreciable)	-	77,561	-	-	77,561	-	-	-	-	-	-	-	77,561	-	-	77,561
- Stormwater Drainage	-	488,383	130,289	-	358,094	-	-	(4,373)	3,689	-	-	-	492,072	134,662	-	357,410
- Water Supply Network	-	128	76	-	52	-	-	(4)	-	-	-	-	128	80	-	48
- Swimming Pools	-	-	-	-	-	-	-	-	-	2,254	-	-	8,972	6,718	-	2,254
<b>Other Assets:</b>																
- Library Books	-	3,031	1,666	-	1,365	534	-	(589)	-	-	-	-	3,106	1,796	-	1,310
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT &amp; EQUIP.</b>	<b>11,735</b>	<b>1,797,616</b>	<b>377,946</b>	<b>-</b>	<b>1,431,405</b>	<b>39,019</b>	<b>(1,277)</b>	<b>(22,411)</b>	<b>-</b>	<b>18,535</b>	<b>22,609</b>	<b>28,103</b>	<b>1,855,860</b>	<b>396,083</b>	<b>-</b>	<b>1,487,880</b>

Additions to Buildings & Infrastructure Assets are made up of Asset Renewals (\$12.792m) and New Assets (\$6.931m).

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

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of other Infrastructure, Property, Plant & Equipment.

## Hornsby Shire Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### Note 9b. Externally Restricted Infrastructure, Property, Plant & Equipment

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\$ '000

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Council has no Externally Restricted Infrastructure, Property, Plant & Equipment.

#### Note 9c. Infrastructure, Property, Plant & Equipment - Current Year Impairments

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Council has recognised no impairment losses during the reporting period nor reversed any prior period losses.

## Hornsby Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 10a. Payables, Borrowings &amp; Provisions

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
<b>Payables</b>					
Goods & Services - operating expenditure		6,665	-	4,560	-
Payments Received In Advance		391	-	392	-
Accrued Expenses:					
- Borrowings		12	-	18	-
- Salaries & Wages		1,516	-	1,398	-
- Other Expenditure Accruals		1,923	-	1,338	-
Security Bonds, Deposits & Retentions		208	-	178	-
Contributions & Bonds		130	-	155	-
Other		13	-	34	-
<b>Total Payables</b>		<b>10,858</b>	<b>-</b>	<b>8,073</b>	<b>-</b>
<b>Borrowings</b>					
Loans - Secured <sup>1</sup>		4,461	5,719	4,189	10,180
Interest Free Loan - Panthers Group		356	1,106	283	1,462
<b>Total Borrowings</b>		<b>4,817</b>	<b>6,825</b>	<b>4,472</b>	<b>11,642</b>
<b>Provisions</b>					
<b>Employee Benefits;</b>					
Annual Leave		3,662	-	3,410	-
Sick Leave		512	-	531	-
Long Service Leave		9,629	400	8,864	367
Gratuities		150	-	284	-
Other Leave		1	-	13	-
<b>Total Provisions</b>		<b>13,954</b>	<b>400</b>	<b>13,102</b>	<b>367</b>
<b>Total Payables, Borrowings &amp; Provisions</b>		<b>29,629</b>	<b>7,225</b>	<b>25,647</b>	<b>12,009</b>
<b>(i) Liabilities relating to Restricted Assets</b>					
		2014		2013	
		Current	Non Current	Current	Non Current
<b>Externally Restricted Assets</b>					
Domestic Waste Management		922	-	764	-
Liabilities relating to externally restricted assets		922	-	764	-
<b>Internally Restricted Assets</b>					
Employee Leave Entitlements		4,944	-	2,744	-
Liabilities relating to internally restricted assets		4,944	-	2,744	-
<b>Total Liabilities relating to restricted assets</b>		<b>5,866</b>	<b>-</b>	<b>3,508</b>	<b>-</b>
<b>Total Liabilities relating to Unrestricted Assets</b>		<b>23,763</b>	<b>7,225</b>	<b>22,139</b>	<b>12,009</b>
<b>TOTAL PAYABLES, BORROWINGS &amp; PROVISIONS</b>		<b>29,629</b>	<b>7,225</b>	<b>25,647</b>	<b>12,009</b>

<sup>1</sup> Loans are secured over the General Rating Income of Council

Disclosures on Liability Interest Rate Risk Exposures, Fair Value Disclosures & Security can be found in Note 15.

## Hornsby Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 10a. Payables, Borrowings &amp; Provisions (continued)

\$ '000	Notes	Actual 2014	Actual 2013
<b>(ii) Current Liabilities not anticipated to be settled within the next 12 months</b>			
The following Liabilities, even though classified as current, are not expected to be settled in the next 12 months.			
Provisions - Employees Benefits		10,377	9,555
		<b>10,377</b>	<b>9,555</b>

## Note 11. Statement of Cash Flows - Additional Information

## (a) Reconciliation of Cash Assets

Total Cash & Cash Equivalent Assets	6a	11,522	36,278
Less Bank Overdraft	10	-	-
<b>BALANCE as per the STATEMENT of CASH FLOWS</b>		<b>11,522</b>	<b>36,278</b>

## (b) Reconciliation of Net Operating Result to Cash provided from Operating Activities

<b>Net Operating Result from Income Statement</b>		<b>20,170</b>	<b>7,879</b>
<b>Adjust for non cash items:</b>			
Depreciation & Amortisation		22,954	23,739
Net Losses/(Gains) on Disposal of Assets		(58)	(271)
Non Cash Capital Grants and Contributions		(2,459)	-
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investments classified as "At Fair Value" or "Held for Trading"		(34)	(109)
- Favourable Financial Liabilities (ie. Initial Recognition at Fair Value)		-	(355)
Amortisation of Premiums, Discounts & Prior Period Fair Valuations			
- Interest Exp. on Interest Free Loans received by Council (previously Fair Valued)		17	-
<b>+/- Movement in Operating Assets and Liabilities &amp; Other Cash Items:</b>			
Decrease/(Increase) in Receivables		(2,551)	(248)
Increase/(Decrease) in Provision for Doubtful Debts		(45)	(80)
Decrease/(Increase) in Inventories		15	18
Decrease/(Increase) in Other Assets		3	137
Increase/(Decrease) in Payables		2,105	(248)
Increase/(Decrease) in accrued Interest Payable		(6)	(4)
Increase/(Decrease) in other accrued Expenses Payable		819	(816)
Increase/(Decrease) in Other Liabilities		(17)	106
Increase/(Decrease) in Employee Leave Entitlements		885	401
<b>NET CASH PROVIDED FROM/(USED IN)</b>			
<b>OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS</b>		<b>41,798</b>	<b>30,149</b>



## Hornsby Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 11. Statement of Cash Flows - Additional Information (continued)

\$ '000	Notes	Actual 2014	Actual 2013
<b>(c) Non-Cash Investing &amp; Financing Activities</b>			
Other Dedications		2,459	-
Other Non Cash Items - Interest free deferred payment on asset purchase		-	2,100
<b>Total Non-Cash Investing &amp; Financing Activities</b>		<b>2,459</b>	<b>2,100</b>
<b>(d) Financing Arrangements</b>			
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>			
Bank Overdraft Facilities <sup>(1)</sup>		2,000	2,000
Credit Cards / Purchase Cards		29	29
<b>Total Financing Arrangements</b>		<b>2,029</b>	<b>2,029</b>
<b>Amounts utilised as at Balance Date:</b>			
- Credit Cards / Purchase Cards		6	15
<b>Total Financing Arrangements Utilised</b>		<b>6</b>	<b>15</b>

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

Interest rates on overdrafts are Interest Rates on Loans & Other Payables are disclosed in Note 15.

**(i) Secured Loan Liabilities**

Loans are secured by a mortgage over future years Rate Revenue only.

**(e) Bank Guarantees**

Westpac Bank - favouree Sydney Water Corporation - security for drainage construction works - \$94k

## Hornsby Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2014	Actual 2013
<b>(a) Capital Commitments (exclusive of GST)</b>			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
<b>Property, Plant &amp; Equipment</b>			
Buildings		179	1,016
Plant & Equipment		294	432
Building & Land Improvements		18	-
Foreshore Facilities		19	19
Furniture & Fittings		14	25
Hornsby Aquatic Centre		2,099	15,578
Infrastructure - Roads, Bridges & Footpaths		215	498
Office Equipment		301	14
Stormwater Drainage		118	257
Recreational Facilities		581	317
<b>Total Commitments</b>		<b>3,838</b>	<b>18,156</b>
<b>These expenditures are payable as follows:</b>			
Within the next year		3,838	18,156
<b>Total Payable</b>		<b>3,838</b>	<b>18,156</b>
<b>Sources for Funding of Capital Commitments:</b>			
Unrestricted General Funds		3,838	18,056
Sect 64 & 94 Funds/Reserves		-	100
<b>Total Sources of Funding</b>		<b>3,838</b>	<b>18,156</b>

#### Details of Capital Commitments

Final construction and fitout for the new Hornsby Aquatic Centre, library intelligent return & sorter system, fleet vehicles, traffic signal construction, Cherrybrook skate park, new garbage truck and other building and landscape works.

## Hornsby Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 12. Commitments for Expenditure (continued)

\$ '000	Notes	Actual 2014	Actual 2013
<b>(b) Finance Lease Commitments</b>			
Nil			
<b>(c) Operating Lease Commitments (Non Cancellable)</b>			
<b>a. Commitments under Non Cancellable Operating Leases at the Reporting date, but not recognised as Liabilities are payable:</b>			
Within the next year		110	312
Later than one year and not later than 5 years		166	117
Later than 5 years		-	-
<b>Total Non Cancellable Operating Lease Commitments</b>		<b>276</b>	<b>429</b>

**b. Non Cancellable Operating Leases include the following assets:**

Computer equipment under a Master Lease Agreement with Macquarie Bank

Various Goods Schedules with terms of 4 years payable quarterly

**Conditions relating to Operating Leases:**

- All Operating Lease Agreements are secured only against the Leased Asset.
- No Lease Agreements impose any financial restrictions on Council regarding future debt etc.

**(d) Investment Property Commitments**

Nil

## Hornsby Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 13a(i). Statement of Performance Measurement - Indicators (Consolidated)

\$ '000	Amounts 2014	Indicator 2014	Prior Periods 2013      2012	
<b>Local Government Industry Indicators - Consolidated</b>				
<b>1. Operating Performance Ratio</b>				
Total continuing operating revenue <sup>(1)</sup>				
<u>(excl. Capital Grants &amp; Contributions) - Operating Expenses</u>	<u>6,654</u>	<b>5.15%</b>	2.20%	-3.95%
Total continuing operating revenue <sup>(1)</sup> (excl. Capital Grants & Contributions)	<b>129,198</b>			
<b>2. Own Source Operating Revenue Ratio</b>				
Total continuing operating revenue <sup>(1)</sup>				
<u>(less ALL Grants &amp; Contributions)</u>	<u>119,348</u>	<b>83.68%</b>	86.25%	85.35%
Total continuing operating revenue <sup>(1)</sup>	<b>142,622</b>			
<b>3. Unrestricted Current Ratio</b>				
Current Assets less all External Restrictions <sup>(2)</sup>	<u>32,721</u>	<b>1.79 : 1</b>	1.99	1.76
Current Liabilities less Specific Purpose Liabilities <sup>(3, 4)</sup>	<u>18,330</u>			
<b>4. Debt Service Cover Ratio</b>				
Operating Result <sup>(1)</sup> before capital excluding interest and depreciation / impairment / amortisation (EBITDA)	<u>30,577</u>	<b>5.60</b>	5.62	4.14
Principal Repayments (from the Statement of Cash Flows) + Borrowing Interest Costs (from the Income Statement)	<u>5,458</u>			
<b>5. Rates, Annual Charges, Interest &amp; Extra Charges Outstanding Percentage</b>				
Rates, Annual and Extra Charges Outstanding	<u>2,632</u>	<b>2.79%</b>	2.86%	3.16%
Rates, Annual and Extra Charges Collectible	<u>94,436</u>			
<b>6. Cash Expense Cover Ratio</b>				
Current Year's Cash and Cash Equivalents including All Term Deposits	<u>45,722</u>	<b>5.05</b>	4.83	4.27
Payments from cash flow of operating and financing activities	<u>9,060</u>			

## Notes

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

(2) Refer Notes 6-8 inclusive.

Also excludes any Real Estate & Land for resale not expected to be sold in the next 12 months

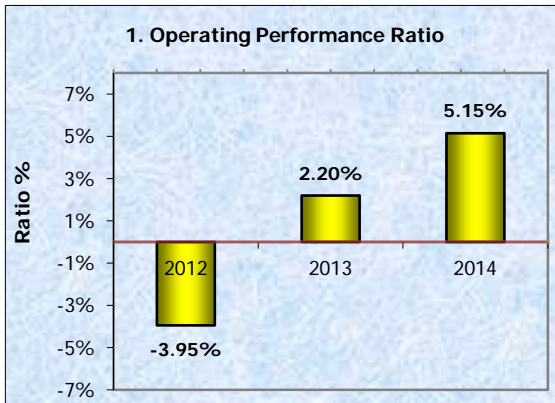
(3) Refer to Note 10(a).

(4) Refer to Note 10(a)(ii) - excludes all payables & provisions not expected to be paid in the next 12 months (incl. ELE).

# Hornsby Shire Council

## Notes to the Financial Statements for the financial year ended 30 June 2014

### Note 13a(ii). Local Government Industry Indicators - Graphs (Consolidated)



**Purpose of Operating Performance Ratio**

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

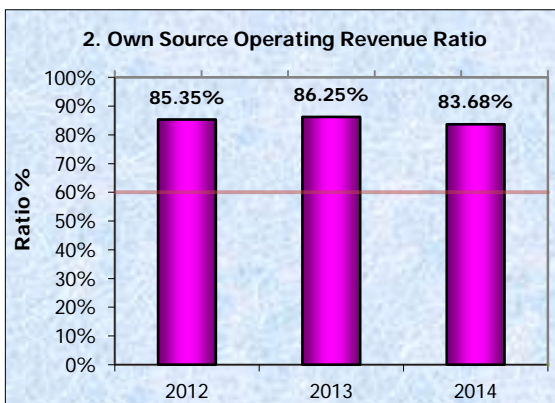
**Commentary on 2013/14 Result**

**2013/14 Ratio 5.15%**

The Operating Performance Ratio continues to improve due to the Quarry litigation settlement, the special rate variation and recent restructuring to reduce costs.

— Minimum 0.00%

Source for Benchmark: Code of Accounting Practice and Financial Reporting



**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 & contributions.

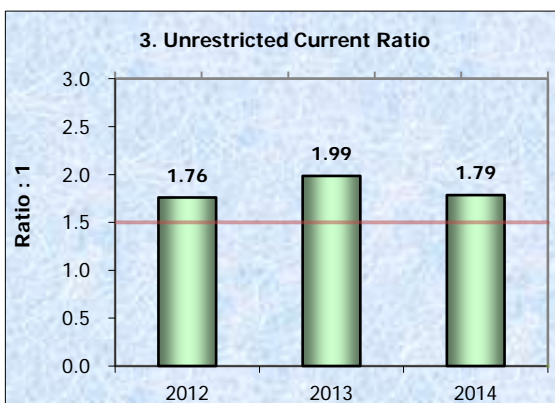
**Commentary on 2013/14 Result**

**2013/14 Ratio 83.68%**

The reliance on external funding sources has not changed significantly from prior years and is above the benchmark minimum of 60%.

— Minimum 60.00%

Source for Benchmark: Code of Accounting Practice and Financial Reporting



**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 2013/14 Result**

**2013/14 Ratio 1.79 : 1**

While the Cash and Cash Equivalent balance remained constant the ratio decreased slightly due to an increase in the restricted balances for S94 contributions and unexpended grants. The ratio is still above the benchmark minimum of 1.50.

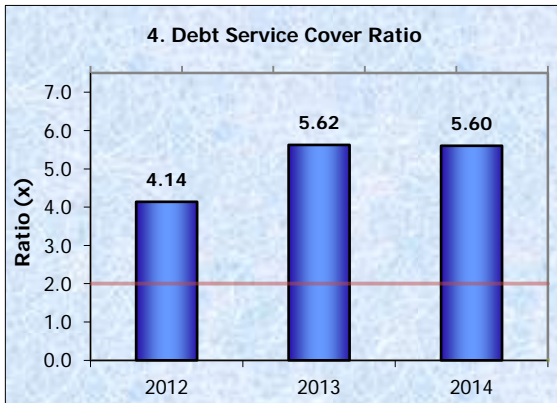
— Minimum 1.50

Source for Benchmark: Code of Accounting Practice and Financial Reporting

# Hornsby Shire Council

## Notes to the Financial Statements for the financial year ended 30 June 2014

### Note 13a(ii). Local Government Industry Indicators - Graphs (Consolidated)



— Minimum 2.00

Source for Benchmark: NSW Treasury Corporation

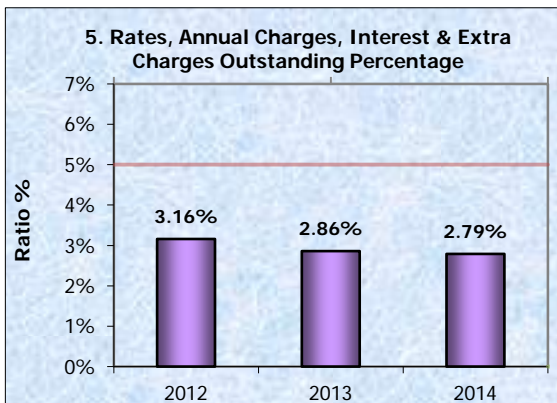
#### Purpose of Debt Service Cover Ratio

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

#### Commentary on 2013/14 Result

**2013/14 Ratio 5.60**

The Debt Service Cover Ratio remained constant and well above the benchmark minimum.



— Maximum 5.00%

Source for Benchmark: Office of Local Govt - Comparative Information (10/11)

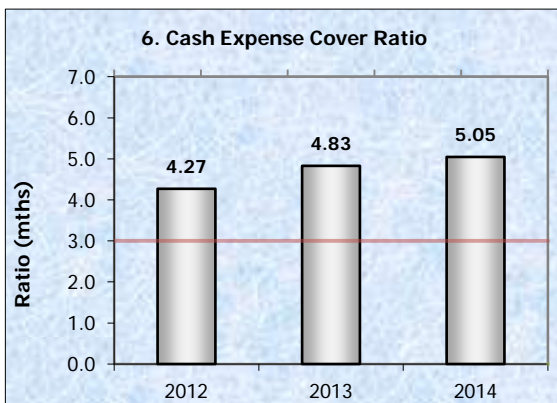
#### Purpose of Rates & Annual Charges Outstanding Ratio

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

#### Commentary on 2013/14 Result

**2013/14 Ratio 2.79%**

Council continues to apply good debt recovery practices resulting in further improvements to the outstanding percentage.



— Minimum 3.00

Source for Benchmark: Code of Accounting Practice and Financial Reporting

#### 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 Result

**2013/14 Ratio 5.05**

council has been able to maintain a high cash balance in relation to the required payments for operating and financing activities. The increase in the ratio is due to the settlement Council received for the Quarry litigation.

## Hornsby Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 14. Investment Properties

\$ '000

Council has not classified any Land or Buildings as "Investment Properties"

#### Note 15. 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 & Financial Liabilities recognised in the financial statements is presented below.

	Carrying Value		Fair Value	
	2014	2013	2014	2013
<b>Financial Assets</b>				
Cash and Cash Equivalents	11,522	36,278	11,522	36,278
Investments				
- "Designated At Fair Value on Initial Recognition"	991	1,933	991	1,933
- "Held to Maturity"	34,200	6,500	34,200	6,500
Receivables	8,494	5,898	8,494	5,899
<b>Total Financial Assets</b>	<b>55,207</b>	<b>50,609</b>	<b>55,207</b>	<b>50,610</b>
<b>Financial Liabilities</b>				
Payables	10,467	7,681	10,467	7,681
Loans / Advances	11,642	16,114	11,325	15,537
<b>Total Financial Liabilities</b>	<b>22,109</b>	<b>23,795</b>	<b>21,792</b>	<b>23,218</b>

Fair Value is determined as follows:

- **Cash & Cash Equivalents, Receivables, Payables** - are estimated to be the carrying value which approximates mkt value.
- **Borrowings & Held to Maturity Investments** - are based upon estimated future cash flows discounted by the current market interest rates applicable to assets & liabilities with similar risk profiles, unless quoted market prices are available.
- Financial Assets classified (i) **"at fair value through profit & 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.

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of financial assets & liabilities



## Hornsby Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 15. Financial Risk Management (continued)

\$ '000

##### (a) Cash & Cash Equivalents, Financial assets 'at fair value through the profit & Loss' "Available-for-sale" financial assets & "Held-to-maturity" Investments

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

Council's Finance area manages the Cash & Investments portfolio with the assistance of independent advisors.

Council has an Investment Policy which complies with the Local Government Act & Minister's Investment Order. 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.

The risks associated with the investments held are:

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

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

Council also seeks advice from independent advisers before placing any funds in Cash Equivalents & Investments.

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

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

	Increase of Values/Rates		Decrease of Values/Rates	
	Profit	Equity	Profit	Equity
<b>2014</b>				
Possible impact of a 10% movement in Market Values	99	99	(99)	(99)
Possible impact of a 1% movement in Interest Rates	457	457	(457)	(457)
<b>2013</b>				
Possible impact of a 10% movement in Market Values	193	193	(193)	(193)
Possible impact of a 1% movement in Interest Rates	428	428	(428)	(428)

## Hornsby Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 15. Financial Risk Management (continued)

\$ '000

##### (b) Receivables

Council's major receivables comprise **(i)** Rates & Annual charges and **(ii)** User Charges & Fees.

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

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

Credit risk on rates and annual charges is minimised by the ability of Council to secure a charge over the land relating to the debts - that is, the land can be sold to recover the debt. Council is also able to charge interest on overdue rates & 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.

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

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

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

	2014 Rates & Annual Charges	2014 Other Receivables	2013 Rates & Annual Charges	2013 Other Receivables
<b>(i) Ageing of Receivables - %</b>				
Current (not yet overdue)	0%	96%	0%	85%
Overdue	100%	4%	100%	15%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
<b>(ii) Ageing of Receivables - value</b>				
Current (not yet overdue)	-	5,862	-	3,089
Past due by up to 30 days	2,398	126	2,390	364
Past due between 31 and 60 days	-	58	-	32
Past due between 61 and 90 days	-	78	-	96
	<u>2,398</u>	<u>6,124</u>	<u>2,390</u>	<u>3,581</u>
<b>(iii) Movement in Provision for Impairment of Receivables</b>			2014	2013
Balance at the beginning of the year			73	153
+ new provisions recognised during the year			2	42
- amounts already provided for & written off this year			(42)	(78)
- amounts provided for but recovered during the year			(5)	(44)
<b>Balance at the end of the year</b>			<u>28</u>	<u>73</u>

## Hornsby Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 15. Financial Risk Management (continued)

\$ '000

##### (c) Payables & Borrowings

Payables & 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 & overdraft facilities utilised as required.

The contractual undiscounted cash outflows (ie. principal and interest) of Council's Payables & Borrowings are set out in the maturity table below:

\$ '000	Subject to no maturity	payable in:						Total Cash Outflows	Actual Carrying Values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
<b>2014</b>									
Trade/Other Payables	208	10,259	-	-	-	-	-	10,467	<b>10,467</b>
Loans & Advances	-	5,542	1,974	1,909	1,795	992	1,643	13,855	<b>11,642</b>
<b>Total Financial Liabilities</b>	<b>208</b>	<b>15,801</b>	<b>1,974</b>	<b>1,909</b>	<b>1,795</b>	<b>992</b>	<b>1,643</b>	<b>24,322</b>	<b>22,109</b>
<b>2013</b>									
Trade/Other Payables	178	7,503	-	-	-	-	-	7,681	<b>7,681</b>
Loans & Advances	-	5,446	5,542	1,974	1,909	1,795	2,635	19,301	<b>16,114</b>
<b>Total Financial Liabilities</b>	<b>178</b>	<b>12,949</b>	<b>5,542</b>	<b>1,974</b>	<b>1,909</b>	<b>1,795</b>	<b>2,635</b>	<b>26,982</b>	<b>23,795</b>

Borrowings are also subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs & debt servicing requirements. Council manages this risk through the diversification of borrowing types, maturities & interest rate structures.

The following interest rates were applicable

to Council's Payables & Borrowings at balance date:

	2014		2013	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Bank Overdraft	-	9.0%	-	9.2%
Trade/Other Payables	10,467	0.0%	7,681	0.0%
Loans & Advances - Fixed Interest Rate	11,642	7.3%	16,114	7.1%
	<u>22,109</u>		<u>23,795</u>	

## Hornsby Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 13/14 was adopted by the Council on 19 June 2013.

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

This Note sets out the details of MATERIAL VARIATIONS between Council's Original Budget and its Actual results for the year as per the Income Statement - even though such variations may have been adjusted for during each Quarterly Budget Review.

**Note that for Variations\* of Budget to Actual :**

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

**F** = Favourable Budget Variation, **U** = Unfavourable Budget Variation

\$ '000	2014 Budget	2014 Actual	2014 ----- Variance* -----		
<b>REVENUES</b>					
<b>Rates &amp; Annual Charges</b>	<b>91,472</b>	<b>91,432</b>	<b>(40)</b>	<b>(0%)</b>	<b>U</b>
<b>User Charges &amp; Fees</b>	<b>14,559</b>	<b>13,479</b>	<b>(1,080)</b>	<b>(7%)</b>	<b>U</b>
Actual subsidies for Childcare of \$1362k were recorded in Operating Grants.					
<b>Interest &amp; Investment Revenue</b>	<b>830</b>	<b>2,102</b>	<b>1,272</b>	<b>153%</b>	<b>F</b>
Funds available for investment were higher than expected due mainly to \$6m which was received early in the year in respect of the settlement of legal proceedings concerning the valuation of the Hornsby Quarry site. Interest rates were also higher than anticipated.					
<b>Other Revenues</b>	<b>5,777</b>	<b>12,369</b>	<b>6,592</b>	<b>114%</b>	<b>F</b>
Council received \$6m in an out of court settlement of legal proceedings concerning the valuation of the Hornsby Quarry site. This amount included legal fees recovered of \$2.7m. Unexpected receipts included the diesel rebate (\$39k), a refund from Sydney Water (\$164k) and insurance rebates (\$71k). Parking fines issued were also greater than anticipated by \$400k.					
<b>Operating Grants &amp; Contributions</b>	<b>8,661</b>	<b>9,850</b>	<b>1,189</b>	<b>14%</b>	<b>F</b>
The actual amount of grants received depends on decisions made by State and Federal Governments after the original budget has been adopted. Unanticipated funding included environmental grants (\$580k), RFS (\$650K), community grants (\$300K). The Financial Assistance Grant received was under budget by \$2m. Subsidies for childcare were budgeted for under User Fees and Charges (\$1362k).					
<b>Capital Grants &amp; Contributions</b>	<b>2,235</b>	<b>13,424</b>	<b>11,189</b>	<b>501%</b>	<b>F</b>
The following funding was not included in the budget: Capital grants for parks of \$1.7m and additional funding for roads of \$1.8m. Property dedication to Council value \$2.5m (Berowra Waters Carpark) Additional \$5m in S94 contributions due to increased development activity.					
<b>Net Gains from Disposal of Assets</b>	<b>1,895</b>	<b>58</b>	<b>(1,837)</b>	<b>(97%)</b>	<b>U</b>
Council's budget only included the proceeds from the sale of assets. It did not include the written down values of assets sold.					

## Hornsby Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 16. Material Budget Variations (continued)

\$ '000	2014 Budget	2014 Actual	2014 ----- Variance* -----		
<b>EXPENSES</b>					
Employee Benefits & On-Costs	47,219	47,336	(117)	(0%)	U
Borrowing Costs	970	969	1	0%	F
Materials & Contracts	37,559	38,261	(702)	(2%)	U
Depreciation & Amortisation	22,612	22,954	(342)	(2%)	U
Other Expenses	12,839	13,024	(185)	(1%)	U

**Budget Variations relating to Council's Cash Flow Statement include:**

<b>Cash Flows from Operating Activities</b>	<b>26,368</b>	<b>41,798</b>	<b>15,430</b>	<b>58.5%</b>	<b>F</b>
\$6m received for legal settlement received and additional grant funding of \$7.4m. Interest income up by \$950k due to the increase in cash received.					
<b>Cash Flows from Investing Activities</b>	<b>(39,657)</b>	<b>(62,065)</b>	<b>(22,408)</b>	<b>56.5%</b>	<b>U</b>
Additional funds invested due to the \$15m increase in cash flows from operating activities. Additional capital expenditure in relation to the new Aquatic Centre and other capital projects.					
<b>Cash Flows from Financing Activities</b>	<b>(4,489)</b>	<b>(4,489)</b>	<b>-</b>	<b>0.0%</b>	<b>F</b>

**Budget Variations relating to Council's Operating Result by Functions include:**

Corporate Support income up mainly due to the Quarry legal settlement of \$6m and a property dedication of \$2.4m.

Environment & Human Service income up due to additional grant funding received of \$2.4m.

Planning Division income up due to increased development activity resulting in additional S94 income of \$5.5m and additional Statutory & Regulatory fees of \$800k.

Planning division expenses up due to increased development activity resulting in additional legal expenses of \$700k and additional employee costs of \$200k.

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 17. Statement of Developer Contributions

\$ '000

Council recovers contributions, raises levies & enters into planning agreements on development works that are subject to a development consent issued by Council. All contributions must be spent/utilised for the specific purpose they were levied and any interest applicable to unspent funds must be attributed to remaining funds.

The following tables detail the receipt, interest and use of the above contributions & levies and the value of all remaining funds which are "restricted" in their future use.

**SUMMARY OF CONTRIBUTIONS & LEVIES**

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Roads	1,651	842	-	61	(816)	-	1,738	10,796	(15,467)	(2,933)	-
Open Space	2,630	3,291	-	121	(2,341)	-	3,701	54,609	(58,746)	(436)	-
Community Facilities	6,448	1,460	-	276	(104)	-	8,080	6,655	(38,098)	(23,363)	-
S94 Administration	(61)	71	-	-	(2)	-	8	194	-	202	-
<b>S94 Contributions - under a Plan</b>	<b>10,668</b>	<b>5,664</b>	<b>-</b>	<b>458</b>	<b>(3,263)</b>	<b>-</b>	<b>13,527</b>	<b>72,254</b>	<b>(112,311)</b>	<b>(26,530)</b>	<b>-</b>
<b>S94A Levies - under a Plan</b>	<b>-</b>	<b>839</b>	<b>-</b>	<b>11</b>	<b>-</b>	<b>-</b>	<b>850</b>				<b>-</b>
<b>Total S94 Revenue Under Plans</b>	<b>10,668</b>	<b>6,503</b>	<b>-</b>	<b>469</b>	<b>(3,263)</b>	<b>-</b>	<b>14,377</b>				<b>-</b>
<b>Total Contributions</b>	<b>10,668</b>	<b>6,503</b>	<b>-</b>	<b>469</b>	<b>(3,263)</b>	<b>-</b>	<b>14,377</b>	<b>72,254</b>	<b>(112,311)</b>	<b>(26,530)</b>	<b>-</b>

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 17. Statement of Developer Contributions (continued)

\$ '000

**S94 CONTRIBUTIONS - UNDER A PLAN**

CONTRIBUTION PLAN NUMBER 1 (2012 to 2021)

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Roads	1,651	842	-	61	(816)	-	1,738	10,796	(15,467)	(2,933)	-
Open Space	2,630	3,291	-	121	(2,341)	-	3,701	54,609	(58,746)	(436)	-
Community Facilities	6,448	1,460	-	276	(104)	-	8,080	6,655	(38,098)	(23,363)	-
S94 Administration	(61)	71	-	-	(2)	-	8	194	-	202	-
<b>Total</b>	<b>10,668</b>	<b>5,664</b>	<b>-</b>	<b>458</b>	<b>(3,263)</b>	<b>-</b>	<b>13,527</b>	<b>72,254</b>	<b>(112,311)</b>	<b>(26,530)</b>	<b>-</b>

**S94A LEVIES - UNDER A PLAN**

2012 - 2021

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Other	-	839	-	11	-	-	850	-	-		-
<b>Total</b>	<b>-</b>	<b>839</b>	<b>-</b>	<b>11</b>	<b>-</b>	<b>-</b>	<b>850</b>				<b>-</b>



## Hornsby Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

The following assets and liabilities do not qualify for recognition in the Statement of Financial Position, but their knowledge & 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.

The Schemes most recent full actuarial review indicated that the Net Assets of the Scheme were not sufficient to meet the accrued benefits of the Schemes Defined Benefit member category with member Councils required to make significantly higher contributions in future years.

The Local Government Superannuation Scheme however is unable to provide Council with an accurate estimate of its share of the net deficit and accordingly Council has not recorded any net liability from it's Defined Benefit Scheme obligations in accordance with AASB 119.

Future contributions made to the defined benefit scheme to rectify the net deficit position will be recognised as an expense when they become payable - similar to the accounting for Defined Contributions Plans.

##### (ii) Statewide Limited

Council is a member of Statewide Mutual, a mutual pool scheme providing liability insurance to Local Government.

Membership includes the potential to share in either the net assets or liabilities of the fund depending on its past performance. Council's share of the Net Assets or Liabilities reflects Councils contributions to the pool and the result of insurance claims within each of the Fund Years.

The future realisation and finalisation of claims incurred but not reported to 30/6 this year may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

##### (iii) 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.

##### (iv) Other Guarantees

Council has provided no other Guarantees other than those listed above and the Bank Guarantees detailed on Note 11.

## Hornsby Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 18. Contingencies & Other Assets/Liabilities Not Recognised (continued)

\$ '000

##### LIABILITIES NOT RECOGNISED (continued):

##### 2. Other Liabilities

##### (i) Third Party Claims

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

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

##### (ii) S94 Plans

Council levies Section 94/94A Contributions upon various development across the Council area through the required Contributions Plans.

As part of these Plans, Council has received funds for which it will be required to expend the monies in accordance with those Plans.

As well, these Plans indicate proposed future expenditure to be undertaken by Council, which will be funded by making levies and receipting funds in future years or where a shortfall exists by the use of Council's General Funds.

These future expenses do not yet qualify as liabilities as of the Reporting Date, but represent Councils intention to spend funds in the manner and timing set out in those Plans.

##### (iii) 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.

##### (iii) Potential Land Acquisitions due to Planning Restrictions imposed by Council (continued)

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

##### (iv) Hornsby Quarry Site

Council has resolved to fill the old CSR Hornsby Quarry with virgin excavated natural material and has engaged consultants to seek appropriate planning and environmental approvals. In the absence of reliably estimated costs no provision has been made in Council's books.

##### 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 & including 30/6/08.

##### (ii) Infringement Notices/Fines

Fines & Penalty Income, the result of Council issuing Infringement Notices is followed up and collected by the Infringement Processing Bureau.

Councils 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.

## Hornsby Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 19. Controlled Entities, Associated Entities &amp; Interests in Joint Ventures

\$ '000

Council has no interest in any Controlled Entities, Associated Entities or Joint Ventures.

## Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2014	Actual 2013
<b>(a) Retained Earnings</b>			
<b>Movements in Retained Earnings were as follows:</b>			
Balance at beginning of Year (from previous years audited accounts)		1,033,531	1,025,610
a. Other Comprehensive Income - Correction of Prior Period Errors		-	(42)
b. Other Comprehensive Income (Prior years depreciation overstated)		18,535	-
c. Net Operating Result for the Year		20,170	7,879
d. Transfers between Equity		-	84
<b>Balance at End of the Reporting Period</b>		<b><u>1,072,236</u></b>	<b><u>1,033,531</u></b>

**(a) Reserves****(i) Reserves are represented by:**

- Infrastructure, Property, Plant & Equipment Revaluation Reserve	434,155	411,546
<b>Total</b>	<b><u>434,155</u></b>	<b><u>411,546</u></b>

**(ii) Reconciliation of movements in Reserves:****Infrastructure, Property, Plant & Equipment Revaluation Reserve**

- Opening Balance	411,546	418,419
- Revaluations for the year	22,609	(6,831)
- Transfer to Retained Earnings for Asset disposals	-	(42)
<b>- Balance at End of Year</b>	<b><u>434,155</u></b>	<b><u>411,546</u></b>

**TOTAL VALUE OF RESERVES**

<b><u>434,155</u></b>	<b><u>411,546</u></b>
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**(iii) Nature & Purpose of Reserves****Infrastructure, Property, Plant & Equipment Revaluation Reserve**

- The Infrastructure, Property, Plant & Equipment Revaluation Reserve is used to record increments/decrements of Non Current Asset values due to their revaluation.

## Hornsby Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 20. Equity - Retained Earnings and Revaluation Reserves (continued)

\$ '000	Actual 2014	Actual 2013
<b>(c) Correction of Error/s relating to a Previous Reporting Period</b>		
<b>Correction of errors disclosed in this year's financial statements:</b>		
Council this year reviewed and brought to account Fair Values for building assets.		
As part of that evaluation & measurement process, the remaining useful life of each asset has been reassessed to actual. This reassessment has resulted in a material difference as to where some assets actually sit in relation to their asset life cycle relative to what the value of accumulated depreciation in Council's Financial Reports had previously indicated.		
As Council does not have sufficient and reliable information that will allow the restatement of prior year information an adjustment has been made to retained earnings and to IPPE on note 9a to correct these errors.		
Buildings Non-specialised decrease to accumulated depreciation	12,145	-
Buildings specialised decrease to accumulated depreciation	6,390	-
<b>Total Prior Period Adjustments - Prior Period Errors</b>	<b>18,535</b>	<b>-</b>

**(d) Voluntary Changes in Accounting Policies**

Council made no voluntary changes in any accounting policies during the year.

## Hornsby Shire Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### Note 21. Financial Result & Financial Position by Fund

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Council utilises only a General Fund for its operations.

#### Note 22. "Held for Sale" Non Current Assets & Disposal Groups

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Council did not classify any Non Current Assets or Disposal Groups as "Held for Sale".

#### Note 23. Events occurring after the Reporting Date

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Events that occur between the end of the reporting period (ending 30 June 2014) and the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

Council has adopted the date of receipt of the Auditors' Report as the applicable "authorised for issue" date relating to these General Purpose Financial Statements.

Accordingly, the "authorised for issue" date is 13/10/14.

Events that occur after the Reporting Period represent one of two types:

##### **(i) Events that provide evidence of conditions that existed at the Reporting Period**

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2014.

##### **(ii) Events that provide evidence of conditions that arose after the Reporting Period**

These financial statements (& figures therein) do not incorporate any "non-adjusting events" that have occurred after 30 June 2014 and which are only indicative of conditions that arose after 30 June 2014.

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

## Hornsby Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 24. Discontinued Operations

\$ '000

Council has not classified any of its Operations as "Discontinued".

#### Note 25. Intangible Assets

\$ '000	Actual 2014	Actual 2013
Intangible Assets represent identifiable non-monetary asset without physical substance.		
Intangible Assets are as follows;		
<b>Opening Values:</b>		
Gross Book Value (1/7)	8,608	8,608
Accumulated Amortisation (1/7)	(8,057)	(7,197)
Accumulated Impairment (1/7)	-	-
<b>Net Book Value - Opening Balance</b>	<b>551</b>	<b>1,411</b>
<b>Movements for the year</b>		
- Amortisation charges	(543)	(860)
<b>Closing Values:</b>		
Gross Book Value (30/6)	8,608	8,608
Accumulated Amortisation (30/6)	(8,600)	(8,057)
Accumulated Impairment (30/6)	-	-
<b><u>TOTAL INTANGIBLE ASSETS - NET BOOK VALUE</u><sup>1</sup></b>	<b><u>8</u></b>	<b><u>551</u></b>

<sup>1</sup> The Net Book Value of Intangible Assets represent:

- Software	8	551
	<b>8</b>	<b>551</b>

#### Note 26. Reinstatement, Rehabilitation & Restoration Liabilities

Council has no outstanding obligations to make, restore, rehabilitate or reinstate any of its assets/operations.

## Hornsby Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 27. Fair Value Measurement

\$ '000

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

- Infrastructure, Property, Plant and Equipment
- Investment Property
- Financial Assets & Liabilities

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

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

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

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

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

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

2014	Date of latest Valuation	Fair Value Measurement Hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring Fair Value Measurements</b>					
<b>Financial Assets</b>					
Investments					
- "Designated At Fair Value on Initial Recognition"	30/06/14	-	-	991	991
<b>Total Financial Assets</b>		<b>-</b>	<b>-</b>	<b>991</b>	<b>991</b>
<b>Infrastructure, Property, Plant &amp; Equipment</b>					
Operational Land	30/06/14	-	-	125,016	125,016
Community Land	30/06/14	-	-	430,596	430,596
Buildings (Specialised & non-specialised)	30/06/14	-	-	118,998	118,998
Roads, Bridges & Footpaths	30/06/13	-	-	298,849	298,849
Stormwater Drainage	30/06/11	-	-	357,410	357,410
Swimming Pools	30/06/14	-	-	2,254	2,254
<b>Total Infrastructure, Property, Plant &amp; Equipment</b>		<b>-</b>	<b>-</b>	<b>1,333,123</b>	<b>1,333,123</b>

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

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



## Hornsby Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 27. Fair Value Measurement (continued)

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##### (3) Valuation techniques used to derive Level 2 and Level 3 Fair Values

Council's non-current assets are continually revalued (over a 5 year period) in accordance with the fair valuation policy as mandated by the Division of Local Government. Further details of the revaluations policy is provided under note 1(j).

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 3 inputs are as follows:

##### Financial Assets

The Council's financial assets relates to its investments in term deposits and CDO's. The information included under 6(b) is considered sufficient to meet the Fair Value disclosures requirements hence additional information is not included under this note.

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##### Infrastructure, Property, Plant & Equipment

###### Buildings

The Council engages external, independent and qualified valuers to determine the fair value of the Council's buildings. Buildings were last revalued in the 30 June 2014 financial year and the fair values were determined by Scott Fullarton Valuations Pty Ltd.

Gross Value of each building, which is obtained by applying a unit rate to a structure or a square metre rate to a building, based on its current replacement cost, which is the lowest cost of replacing the economic benefits of the existing asset using modern technology. The key unobservable input being the rate square metre has been benchmarked to construction costs of similar properties across the industry.

Further details relating to the rate per square metre has been provided below.

###### Land (Operational and Community)

The Council engages external, independent and qualified valuers to determine the fair value of the Council's Operational Land. Valuations for Community land is performed by the Council's internal valuations team.

The fair value of land has been determined by referencing it to current prices in an active market for similar properties. Where such information is not available, current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences are considered. Appropriate adjustments are also made for the inherent features of the property such as fire-prone, flood zonings and usability of the land.

The fair value for community land has been determined using a unit rate per square metre, derived from the Valuer General's valuation performed for rating purposes, and applying to the total area. Given the nature of Community land, comparable sales data is generally not available. As the Valuer General's valuation considers land in all zoning, average unit derived from Valuer's General's valuation is considered the most practicable approach to valuing Community Land.

## Hornsby Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 27. Fair Value Measurement (continued)

Community land was last revalued at 30 June 2011. Operational land was last revalued at 30 June 2013.

The key unobservable input to the valuation is the rate per square metre, for which, further details have been provided below

##### Infrastructure assets

Valuations for infrastructure assets are performed internally by the Council's internal engineering team. The gross value of the infrastructure assets are determined by unit rate to total volume which is normally square metres, cubic metres or lineal metres.

The unit rate, which is a key unobservable input, is determined using rates stipulated in contracts with third party suppliers. Infrastructure assets were last revalued at 30 June 2010.

The information presented below on unobservable input has been limited to significant components of the infrastructure assets as it impracticable to provide information for all components.

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

##### Reconciliation of Movements

The items classified under level 3 are infrastructure, property, plant and equipment. The reconciliation of movements in these assets are presented under Note 9.

##### Infrastructure, Property, Plant & Equipment

Class	Fair Value (30/6/14) \$'000	Key Unobservable Inputs	Expected Range of Inputs	Description of how changes in inputs will affect the fair value
Operational Land	125,016	Rate per square metre	\$103 to \$3,588 per square metre	The higher the rate, the higher the fair value. Significant variances in the rate per square metre are reflective of the inherent features of the land such as zoning and useability.
Community Land	430,596	Rate per square metre	\$25 per square metre average	The higher the rate, the higher the fair value.
Buildings (Specialised & non-specialised & including Swimming Pools)	121,252	Rate per square metre	\$50 to \$,7170 per square metre	The higher the rate, the higher the fair value. Significant variances in the rate are reflective of the condition of the building, the nature of the building and materials used to construct the building.

## Hornsby Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 27. Fair Value Measurement (continued)

Class	Fair Value (30/6/14) \$'000	Key Unobservable Inputs	Expected Range of Inputs	Description of how changes in inputs will affect the fair value
Roads, Bridges & Footpaths	298,849	Rate per square metre or cubic metre	<p>Road Pavement – base layer \$166 to \$458 per cubic metre</p> <p>Road Surface Layer \$6 to \$16 per square metre</p> <p>Footpaths \$39 to \$196 per square metre</p> <p>Kerb &amp; Gutter \$70 per lineal metre – average</p> <p>Car Parks \$50 per square metre</p>	The higher the rate, the higher the fair value.
Stormwater Drainage	357,410	Rate per lineal metre or unit	<p>Pipe Conveyance - 375mm diameter to 1500mm diameter - \$976 to \$7,616 per lineal metre</p> <p>Pits 1.2m to 5m depth \$2,439 to \$10,376 per unit</p> <p>Headwalls \$1,656 to \$6,733 per unit</p>	The higher the rate, the higher the fair value

**(5). Highest and best use**

Current use of all assets noted above reflects the highest and best use.

## Hornsby Shire Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### Note 28. Council Information & Contact Details

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**Principal Place of Business:**

296 Pacific Highway  
Hornsby NSW 2077

**Contact Details**

**Mailing Address:**

PO Box 37  
Hornsby NSW 1630

**Opening Hours:**

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

**Telephone:** 02 9847 6666

**Facsimile:** 02 9847 6999

**Internet:** <http://www.hornsby.nsw.gov.au>

**Email:** [hsc@hornsby.nsw.gov.au](mailto:hsc@hornsby.nsw.gov.au)

**Officers**

**GENERAL MANAGER**

S. Phillips

**RESPONSIBLE ACCOUNTING OFFICER**

G. Magus

**Elected Members**

**MAYOR**

S. Russell

**COUNCILLORS**

M. Gallagher

N. Tilbury

A. Anisse

N. Berman

R. Browne

G. Singh

M. Hutchence

J. Cox

B. Azizi

**Other Information**

**ABN:** 20 706 996 972



## **The Hornsby Shire Council**

### **Independent auditor's report to the Council – s417(2) Report on the general purpose financial statements**

#### **Report on the financial statements**

We have audited the accompany financial statements of the Hornsby Shire Council, which comprise the statement of financial position as at 30 June 2014 and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, accompanying notes to the financial statements and the Statement by Councillors and Management in the approved form as required by Section 413(2) of the Local Government Act 1993.

#### *Councillors' responsibility for the financial statements*

The Councillors of the Council are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) 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.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Councillors, as well as evaluating the overall presentation of the financial statements.

When this audit report is included in an Annual Report, our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial statements.

Our audit responsibility does not extend to the Original Budget Figures included in the Income Statement, Statement of Cash Flows and the Original Budget disclosures in notes 2(a) and 16 and the Projections disclosed in note 17 to the financial statements, nor the attached Special Schedules, and accordingly, we express no opinion on them.

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**PricewaterhouseCoopers, ABN 52 780 433 757**  
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

*Auditor's opinion:*

In our opinion:

- (a) 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); and
- (b) the financial statements:
  - (i) have been presented, in all material respects, in accordance with the requirements of this Division
  - (ii) are consistent with the Council's accounting records
  - (iii) present fairly, in all material respects, the Council's financial position as of 30 June 2014 and its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial statements that have come to light during the course of the audit.

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PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'Peter Buchholz', written in a cursive style.

Peter Buchholz  
Partner

Sydney  
22 October 2014



**Private & Confidential**

The Mayor  
Councillor Steve Russell  
Hornsby Shire Council  
DX 9655  
HORNSBY

Dear Councillor Russell

**Report on the conduct of the Audit for year ended 30 June 2014 –  
Section 417(3)**

We have completed our audit of the financial reports of the Council for the year ended 30 June 2014, in accordance with Section 415 of the Local Government Act 1993.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial reports are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial reports, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial reports are presented fairly in accordance with Australian Accounting Standards as well as statutory requirements so as to present a view which is consistent with our understanding of the Council's financial position, the results of its operations and its cash flows.

This report should be read in conjunction with our audit opinion on the general purpose financial statements provided under Section 417(2) of the Local Government Act 1993.

Flowing from our audit, there are a number of comments we wish to raise concerning the trends in Council's finances. These are set out below.

**Operating result**

Council's operating surplus improved from \$8 million in the previous year to \$20 million in the current period. The net operating surplus before Capital Contributions was \$7 million against the previous year's \$3 million.

**Cash position**

Council's overall cash position improved from \$45 million to \$47 million during the period under review. The following table highlights the composition of cash.

	2014 \$m	2013 \$m
Externally restricted	18	19
Internally restricted	23	23
Unrestricted	6	3
<b>Total</b>	<b>47</b>	<b>45</b>

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### ***Working capital***

Council's net current assets declined from \$25 million to \$23 million during the period under review. The value of net current assets needs to be adjusted in order to establish the available working capital position.

	<b>2014</b>	<b>2013</b>
	<b>\$m</b>	<b>\$m</b>
Net current assets	23	25
Less: External restrictions	(18)	(18)
Internal restrictions	(23)	(23)
Add: Current liabilities deferred	19	17
<b>Available working capital</b>	<b>1</b>	<b>1</b>

The effective unrestricted or available working capital upon which Council could build its 2015 budget was \$1 million.

### ***Performance indicators***

The financial reports disclose of a number of indicators in Note 13 and these are detailed below:

	<b>2014</b>	<b>2013</b>
	<b>%</b>	<b>%</b>
Operating Performance Ratio	5	2
Own Source Operating Revenue Ratio	84	86
Unrestricted Current Ratio	179	199
Debt Service Cover Ratio	560	562
Rates Outstanding Ratio	2.8	2.9
Cash Expense Cover Ratio	5	5

The Operating Performance Ratio improved and remained above the industry benchmark of 0%.

The Own Source Operating Revenue Ratio declined to 84% but remained above the industry benchmark of 60%.

The Unrestricted Current Ratio declined but remained above the industry benchmark of 150%.

The Debt Service Cover Ratio was stable and well above the industry benchmark of 200%.

The Rates Outstanding Ratio improved and remained below the industry benchmark of 5%.

The Cash Expense Cover Ratio indicated that Council could continue to cover its operating costs for 5 months should cash inflows cease. This compares favourably with the industry benchmark of 3 months.





Council is considered to be in a sound and stable financial position. All financial indicators are better than accepted industry benchmarks.

**General**

The books of accounts and records inspected by us have been kept in an accurate and conscientious manner. We thank the General Manager and his staff for the cooperation and courtesy extended to us during the course of our audit.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'PricewaterhouseCoopers', written in a cursive style.

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'P L Buchholz', written in a cursive style.

P L Buchholz  
Partner  
22 October 2014

Sydney

# Hornsby Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2014

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# Hornsby Shire Council

## Special Purpose Financial Statements

for the financial year ended 30 June 2014

Contents	Page
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<b>2. Special Purpose Financial Statements:</b>	
Income Statement - Water Supply Business Activity	n/a
Income Statement - Sewerage Business Activity	n/a
Income Statement - Other Business Activities	3
Statement of Financial Position - Water Supply Business Activity	n/a
Statement of Financial Position - Sewerage Business Activity	n/a
Statement of Financial Position - Other Business Activities	6
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<b>4. Auditor's Report</b>	13

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### Background

(i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Division 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 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 & debt guarantee fees (where the business benefits from councils borrowing position by comparison with commercial rates).

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# Hornsby Shire Council

## Special Purpose Financial Statements

for the financial year ended 30 June 2014

### 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 & Costing for Council Businesses - A Guide to Competitive Neutrality".
- The Local Government Code of Accounting Practice and Financial Reporting.
- The NSW Office of Water (Department of Environment, Climate Change and Water) Guidelines - "Best Practice Management of Water and Sewerage".

**To the best of our knowledge and belief, these Financial Statements:**

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

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

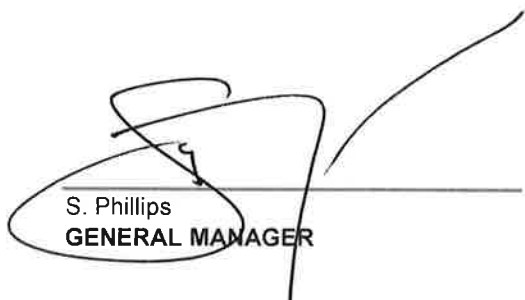
**Signed in accordance with a resolution of Council made on 08 October 2014.**



S. Russell  
MAYOR



G. Singh  
COUNCILLOR



S. Phillips  
GENERAL MANAGER



G. Magus  
RESPONSIBLE ACCOUNTING OFFICER

## Hornsby Shire Council

## Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2014

	Nurseries & Preschools		Aquatic Centres & Sports Stadium	
	Category 1		Category 2	
\$ '000	Actual 2014	Actual 2013	Actual 2014	Actual 2013
<b>Income from continuing operations</b>				
Access charges	-	-	-	-
User charges	3,076	2,971	1,625	1,650
Fees	11	10	-	-
Interest	-	-	-	-
Grants and contributions provided for non capital purposes	1,490	1,217	-	-
Profit from the sale of assets	15	-	79	6
Other income	24	19	227	239
<b>Total income from continuing operations</b>	<b>4,616</b>	<b>4,217</b>	<b>1,931</b>	<b>1,895</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	3,433	3,158	1,757	1,607
Borrowing costs	-	-	-	-
Materials and contracts	730	786	605	421
Depreciation and impairment	184	188	491	485
Loss on sale of assets	-	-	-	-
Calculated taxation equivalents	177	169	159	159
Debt guarantee fee (if applicable)	-	-	-	-
Other expenses	192	190	317	360
<b>Total expenses from continuing operations</b>	<b>4,716</b>	<b>4,491</b>	<b>3,329</b>	<b>3,032</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>(100)</b>	<b>(274)</b>	<b>(1,398)</b>	<b>(1,137)</b>
Grants and contributions provided for capital purposes	-	-	-	-
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>(100)</b>	<b>(274)</b>	<b>(1,398)</b>	<b>(1,137)</b>
Surplus (deficit) from discontinued operations	-	-	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>(100)</b>	<b>(274)</b>	<b>(1,398)</b>	<b>(1,137)</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-	-	-
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(100)</b>	<b>(274)</b>	<b>(1,398)</b>	<b>(1,137)</b>
plus Opening Retained Profits	(322)	(217)	(4,272)	(3,614)
plus/less: Prior Period Adjustments	-	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	177	169	159	159
- Debt guarantee fees	-	-	-	-
- Corporate taxation equivalent	-	-	-	-
add:				
- Subsidy Paid/Contribution To Operations	3,587	-	9,448	320
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	-	-	-	-
<b>Closing Retained Profits</b>	<b>3,342</b>	<b>(322)</b>	<b>3,937</b>	<b>(4,272)</b>
<b>Return on Capital %</b>	<b>-0.9%</b>	<b>-2.6%</b>	<b>-12.7%</b>	<b>-12.6%</b>
<b>Subsidy from Council</b>	<b>511</b>	<b>669</b>	<b>1,791</b>	<b>1,477</b>

## Hornsby Shire Council

## Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2014

\$ '000	Commercial Waste		Development Applications	
	Category 2		Category 2	
	Actual 2014	Actual 2013	Actual 2014	Actual 2013
<b>Income from continuing operations</b>				
Access charges	-	-	-	-
User charges	1,367	1,361	-	-
Fees	-	-	356	292
Interest	-	-	-	-
Grants and contributions provided for non capital purposes	-	-	-	-
Profit from the sale of assets	-	-	49	-
Other income	376	353	-	-
<b>Total income from continuing operations</b>	<b>1,743</b>	<b>1,714</b>	<b>405</b>	<b>292</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	42	45	485	359
Borrowing costs	-	-	-	-
Materials and contracts	1,339	1,301	69	69
Depreciation and impairment	7	7	41	22
Loss on sale of assets	-	-	-	-
Calculated taxation equivalents	-	-	-	-
Debt guarantee fee (if applicable)	-	-	-	-
Other expenses	2	4	1	1
<b>Total expenses from continuing operations</b>	<b>1,390</b>	<b>1,357</b>	<b>596</b>	<b>451</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>353</b>	<b>357</b>	<b>(191)</b>	<b>(159)</b>
Grants and contributions provided for capital purposes	-	-	-	-
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>353</b>	<b>357</b>	<b>(191)</b>	<b>(159)</b>
Surplus (deficit) from discontinued operations	-	-	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>353</b>	<b>357</b>	<b>(191)</b>	<b>(159)</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(106)	(107)	-	-
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>247</b>	<b>250</b>	<b>(191)</b>	<b>(159)</b>
plus Opening Retained Profits	80	1,743	123	282
plus/less: Prior Period Adjustments	-	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	-	-	-	-
- Debt guarantee fees	-	-	-	-
- Corporate taxation equivalent	106	107	-	-
add:				
- Subsidy Paid/Contribution To Operations	-	-	68	-
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	(362)	(2,020)	-	-
<b>Closing Retained Profits</b>	<b>71</b>	<b>80</b>	<b>-</b>	<b>123</b>
<b>Return on Capital %</b>	<b>1857.9%</b>	<b>1373.1%</b>	<b>-128.2%</b>	<b>-203.8%</b>
<b>Subsidy from Council</b>	<b>-</b>	<b>-</b>	<b>196</b>	<b>162</b>

## Hornsby Shire Council

Income Statement of Council's Other Business Activities  
for the financial year ended 30 June 2014

## Property Services

## Category 2

\$ '000	Actual 2014	Actual 2013
<b>Income from continuing operations</b>		
Access charges	-	-
User charges	386	721
Fees	41	96
Interest	-	-
Grants and contributions provided for non capital purposes	-	-
Profit from the sale of assets	33	-
Other income	2	56
<b>Total income from continuing operations</b>	<b>462</b>	<b>873</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	140	79
Borrowing costs	-	-
Materials and contracts	(32)	318
Depreciation and impairment	589	564
Loss on sale of assets	-	-
Calculated taxation equivalents	601	601
Debt guarantee fee (if applicable)	-	-
Other expenses	121	135
<b>Total expenses from continuing operations</b>	<b>1,419</b>	<b>1,697</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>(957)</b>	<b>(824)</b>
Grants and contributions provided for capital purposes	-	-
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>(957)</b>	<b>(824)</b>
Surplus (deficit) from discontinued operations	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>(957)</b>	<b>(824)</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(957)</b>	<b>(824)</b>
plus Opening Retained Profits	28,159	28,382
plus/less: Prior Period Adjustments	-	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	601	601
- Debt guarantee fees	-	-
- Corporate taxation equivalent	-	-
add:		
- Subsidy Paid/Contribution To Operations	-	-
less:		
- TER dividend paid	-	-
- Dividend paid	-	-
<b>Closing Retained Profits</b>	<b>27,803</b>	<b>28,159</b>
<b>Return on Capital %</b>	<b>-2.2%</b>	<b>-2.4%</b>
<b>Subsidy from Council</b>	<b>2,473</b>	<b>2,111</b>

## Hornsby Shire Council

## Statement of Financial Position - Council's Other Business Activities

as at 30 June 2014

	Nurseries & Preschools		Aquatic Centres & Sports Stadium	
	Category 1		Category 2	
\$ '000	Actual 2014	Actual 2013	Actual 2014	Actual 2013
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	-	-	-	-
Investments	-	-	-	-
Receivables	69	67	36	37
Inventories	-	-	15	19
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
<b>Total Current Assets</b>	<b>69</b>	<b>67</b>	<b>51</b>	<b>56</b>
<b>Non-Current Assets</b>				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	11,554	10,489	11,051	9,016
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	-	-
<b>Total Non-Current Assets</b>	<b>11,554</b>	<b>10,489</b>	<b>11,051</b>	<b>9,016</b>
<b>TOTAL ASSETS</b>	<b>11,623</b>	<b>10,556</b>	<b>11,102</b>	<b>9,072</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Bank Overdraft	-	-	-	-
Payables	488	449	243	173
Interest bearing liabilities	-	3,895	-	8,679
Provisions	400	401	217	220
<b>Total Current Liabilities</b>	<b>888</b>	<b>4,745</b>	<b>460</b>	<b>9,072</b>
<b>Non-Current Liabilities</b>				
Payables	-	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	-	-	-	-
Other Liabilities	-	-	-	-
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>888</b>	<b>4,745</b>	<b>460</b>	<b>9,072</b>
<b>NET ASSETS</b>	<b>10,735</b>	<b>5,811</b>	<b>10,642</b>	<b>-</b>
<b>EQUITY</b>				
Retained earnings	3,342	(322)	3,937	(4,272)
Revaluation reserves	7,393	6,133	6,705	4,272
Council equity interest	<b>10,735</b>	<b>5,811</b>	<b>10,642</b>	-
Non-controlling equity interest	-	-	-	-
<b>TOTAL EQUITY</b>	<b>10,735</b>	<b>5,811</b>	<b>10,642</b>	<b>-</b>



## Hornsby Shire Council

## Statement of Financial Position - Council's Other Business Activities

as at 30 June 2014

\$ '000	Commercial Waste		Development Applications	
	Category 2		Category 2	
	Actual 2014	Actual 2013	Actual 2014	Actual 2013
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	-	-	-	-
Investments	-	-	-	-
Receivables	214	214	14	251
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
<b>Total Current Assets</b>	<b>214</b>	<b>214</b>	<b>14</b>	<b>251</b>
<b>Non-Current Assets</b>				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	19	26	149	78
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	-	-
<b>Total Non-Current Assets</b>	<b>19</b>	<b>26</b>	<b>149</b>	<b>78</b>
<b>TOTAL ASSETS</b>	<b>233</b>	<b>240</b>	<b>163</b>	<b>329</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Bank Overdraft	-	-	-	-
Payables	137	135	10	31
Interest bearing liabilities	-	-	-	-
Provisions	25	25	153	175
<b>Total Current Liabilities</b>	<b>162</b>	<b>160</b>	<b>163</b>	<b>206</b>
<b>Non-Current Liabilities</b>				
Payables	-	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	-	-	-	-
Other Liabilities	-	-	-	-
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>162</b>	<b>160</b>	<b>163</b>	<b>206</b>
<b>NET ASSETS</b>	<b>71</b>	<b>80</b>	<b>-</b>	<b>123</b>
<b>EQUITY</b>				
Retained earnings	71	80	-	123
Revaluation reserves	-	-	-	-
Council equity interest	71	80	-	123
Non-controlling equity interest	-	-	-	-
<b>TOTAL EQUITY</b>	<b>71</b>	<b>80</b>	<b>-</b>	<b>123</b>

## Hornsby Shire Council

## Statement of Financial Position - Council's Other Business Activities

as at 30 June 2014

## Property Services

## Category 2

\$ '000	Actual 2014	Actual 2013
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	-	-
Investments	-	-
Receivables	10	18
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
<b>Total Current Assets</b>	<b>10</b>	<b>18</b>
<b>Non-Current Assets</b>		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	42,579	34,127
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
<b>Total Non-Current Assets</b>	<b>42,579</b>	<b>34,127</b>
<b>TOTAL ASSETS</b>	<b>42,589</b>	<b>34,145</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Bank Overdraft	-	-
Payables	88	96
Interest bearing liabilities	-	-
Provisions	70	70
<b>Total Current Liabilities</b>	<b>158</b>	<b>166</b>
<b>Non-Current Liabilities</b>		
Payables	-	-
Interest bearing liabilities	-	-
Provisions	-	-
Other Liabilities	-	-
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>158</b>	<b>166</b>
<b>NET ASSETS</b>	<b>42,431</b>	<b>33,979</b>
<b>EQUITY</b>		
Retained earnings	27,803	28,159
Revaluation reserves	14,628	5,820
Council equity interest	42,431	33,979
Non-controlling equity interest	-	-
<b>TOTAL EQUITY</b>	<b>42,431</b>	<b>33,979</b>

## Hornsby Shire Council

### Special Purpose Financial Statements

for the financial year ended 30 June 2014

#### Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Summary of Significant Accounting Policies	10
2	Water Supply Business Best Practice Management disclosure requirements	n/a
3	Sewerage Business Best Practice Management disclosure requirements	n/a

## Hornsby Shire Council

### Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Significant Accounting Policies

These financial statements are a Special Purpose Financial Statements (SPFS) prepared for use by Council and the Office of Local Government.

For the purposes of these statements, the Council is not a reporting not-for-profit entity.

The figures presented in these special purpose financial statements, unless otherwise stated, 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) &
- Australian Accounting Interpretations.

The disclosures in these special purpose financial statements have been prepared in accordance with:

- the Local Government Act and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

The statements are also prepared on an accruals basis, 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 Office 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. Nurseries & Preschools

*Operation of children's nurseries & preschools*

##### Category 2

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

##### a. Commercial Waste Service

*Services provided for the collection of commercial waste and sillage*

##### b. Property Services

*Rental of Council properties to 3rd parties for residential & commercial purposes*

##### c. Development Assessments

*Development assessment & inspection services*

##### d. Aquatic & Sports Centres

*Operation of swimming pools, gymnasiums & indoor sports centres*

#### Monetary Amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest one thousand dollars.

#### (i) Taxation Equivalent Charges

Council is liable to pay various taxes and financial duties in undertaking its business activities. Where this is the case, they are disclosed in these

## Hornsby Shire Council

### Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Significant Accounting Policies

statements as a cost of operations just like all other costs.

However, where Council is exempt from paying taxes which are generally paid by private sector businesses (such as income tax), equivalent tax payments have been applied to all Council nominated business activities and are reflected in these financial statements.

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

#### Notional Rate Applied %

Corporate Income Tax Rate – 30%

Land Tax – The first \$412,000 of combined land values attracts 0%. From \$412,001 to \$2,519,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$2,519,000, a premium marginal rate of 2.0% applies.

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

#### Income Tax

An income tax equivalent has been applied on the profits of each reported Business Activity.

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

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

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

Since this taxation equivalent is notional - that is, it is payable to the "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 Council's General Purpose Financial Statements.

The rate applied of 30% is the equivalent company tax rate prevalent as at balance date. No adjustments have been made for variations that have occurred during the year.

#### Local Government Rates & 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 & 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 the 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 where 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 the council in any given financial year.

The overall effect of subsidies is contained within the Income Statement of each reported Business Activity.

## Hornsby Shire Council

### Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2014

#### Note 1. Significant Accounting Policies

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##### **(iii) Return on Investments (Rate of Return)**

The 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 Rate of Return on Capital is calculated as follows:

**Operating Result before Capital Income + Interest Expense**

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**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 3.56% at 30/6/14.

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

##### **(iv) Dividends**

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



## **The Hornsby Shire Council**

### **Independent auditor's report Report on the special purpose financial report**

#### **Report on the financial report**

We have audited the accompanying financial report, being a special purpose financial report, of **the Hornsby Shire Council** (the Council), which comprises the Statement of Financial Position by Business Activity for the year ended 30 June 2014, the Income Statements by Business Activity for the year then ended, Notes to the financial report for the business activities identified by Council and the Statement by Councillors and Management for Council for the year ended 30 June 2014.

#### *Councillors' responsibility for the financial report*

The Councillors of the Council are responsible for the preparation and fair presentation of the financial report and have determined that the accounting policies described in note 1 to the financial statements which form part of the financial report, are appropriate to meet the requirements of the Local Government Code of Accounting Practice and Financial Reporting. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to error or fraud.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Councillors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



*Auditor's opinion:*

In our opinion, the financial report presents fairly, in all material respects, the financial position by Business Activities of The Hornsby Shire Council as of 30 June 2014 and its financial performance by Business Activities for the year then ended in accordance with the requirements of those applicable Accounting Standards detailed in Note 1 to the financial report, and the Local Government Code of Accounting Practice and Financial Reporting.

*Basis of Accounting and Restriction on Distribution and Use*

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the Council's financial reporting responsibilities under the Local Government Code of Accounting Practice and Financial Reporting. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for the Council.

A handwritten signature in blue ink, appearing to read 'Peter Buchholz', written in a cursive style.

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'Peter Buchholz', written in a cursive style.

Peter Buchholz  
Partner

Sydney  
22 October 2014



# Hornsby Shire Council

SPECIAL SCHEDULES  
for the year ended 30 June 2014

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# Hornsby Shire Council

## Special Schedules

for the financial year ended 30 June 2014

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- Special Schedule No. 2(b)	Statement of Internal Loans (Sect. 410(3) LGA 1993)	n/a
- Special Schedule No. 3	Water Supply Operations - incl. Income Statement	n/a
- Special Schedule No. 4	Water Supply - Statement of Financial Position	n/a
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<sup>1</sup> Special Schedules are not audited (with the exception of Special Schedule 9).

#### Background

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

## Hornsby Shire Council

## Special Schedule No. 1 - Net Cost of Services

for the financial year ended 30 June 2014

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
<b>Governance</b>	<b>1,969</b>	-	-	<b>(1,969)</b>
<b>Administration</b>	<b>19,084</b>	<b>10,902</b>	-	<b>(8,182)</b>
<b>Public Order and Safety</b>				
Fire Service Levy, Fire Protection, Emergency Services	3,119	636	465	<b>(2,018)</b>
Beach Control	-	-	-	-
Enforcement of Local Govt. Regulations	-	-	-	-
Animal Control	360	79	-	<b>(281)</b>
Other	-	-	-	-
<b>Total Public Order &amp; Safety</b>	<b>3,479</b>	<b>715</b>	<b>465</b>	<b>(2,299)</b>
<b>Health</b>	<b>565</b>	<b>280</b>	-	<b>(285)</b>
<b>Environment</b>				
Noxious Plants and Insect/Vermin Control	-	-	-	-
Other Environmental Protection	5,605	3,531	14	<b>(2,060)</b>
Solid Waste Management	20,934	23,929	-	<b>2,995</b>
Street Cleaning	1,269	-	-	<b>(1,269)</b>
Drainage	5,930	25	-	<b>(5,905)</b>
Stormwater Management	-	-	-	-
<b>Total Environment</b>	<b>33,738</b>	<b>27,485</b>	<b>14</b>	<b>(6,239)</b>
<b>Community Services and Education</b>				
Administration & Education	1,039	4	-	<b>(1,035)</b>
Social Protection (Welfare)	1,313	492	-	<b>(821)</b>
Aged Persons and Disabled	695	700	-	<b>5</b>
Children's Services	4,694	4,617	-	<b>(77)</b>
<b>Total Community Services &amp; Education</b>	<b>7,741</b>	<b>5,813</b>	-	<b>(1,928)</b>
<b>Housing and Community Amenities</b>				
Public Cemeteries	-	-	-	-
Public Conveniences	-	-	-	-
Street Lighting	3,316	303	-	<b>(3,013)</b>
Town Planning	8,003	3,321	6,503	<b>1,821</b>
Other Community Amenities	1,349	18	-	<b>(1,331)</b>
<b>Total Housing and Community Amenities</b>	<b>12,668</b>	<b>3,642</b>	<b>6,503</b>	<b>(2,523)</b>
<b>Water Supplies</b>	<b>4</b>	-	-	<b>(4)</b>
<b>Sewerage Services</b>	-	-	-	-

## Hornsby Shire Council

## Special Schedule No. 1 - Net Cost of Services (continued)

for the financial year ended 30 June 2014

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
<b>Recreation and Culture</b>				
Public Libraries	7,269	520	100	(6,649)
Museums	-	-	-	-
Art Galleries	-	-	-	-
Community Centres and Halls	1,617	1,654	200	237
Performing Arts Venues	-	-	-	-
Other Performing Arts	-	-	-	-
Other Cultural Services	-	-	-	-
Sporting Grounds and Venues	2,925	1,404	64	(1,457)
Swimming Pools	2,350	1,206	-	(1,144)
Parks & Gardens (Lakes)	3,544	320	67	(3,157)
Other Sport and Recreation	7,563	535	1,700	(5,328)
<b>Total Recreation and Culture</b>	<b>25,268</b>	<b>5,639</b>	<b>2,131</b>	<b>(17,498)</b>
<b>Fuel &amp; Energy</b>	-	-	-	-
<b>Agriculture</b>	-	-	-	-
<b>Mining, Manufacturing and Construction</b>				
Building Control	-	-	-	-
Other Mining, Manufacturing & Construction	-	-	-	-
<b>Total Mining, Manufacturing and Const.</b>	-	-	-	-
<b>Transport and Communication</b>				
Urban Roads (UR) - Local	9,005	1,903	1,217	(5,885)
Urban Roads - Regional	-	-	-	-
Sealed Rural Roads (SRR) - Local	-	-	-	-
Sealed Rural Roads (SRR) - Regional	-	-	-	-
Unsealed Rural Roads (URR) - Local	149	-	-	(149)
Unsealed Rural Roads (URR) - Regional	-	-	-	-
Bridges on UR - Local	124	-	-	(124)
Bridges on SRR - Local	-	-	-	-
Bridges on URR - Local	-	-	-	-
Bridges on Regional Roads	-	-	-	-
Parking Areas	54	-	2,459	2,405
Footpaths	1,562	1	-	(1,561)
Aerodromes	-	-	-	-
Other Transport & Communication	4,342	2,473	635	(1,234)
<b>Total Transport and Communication</b>	<b>15,236</b>	<b>4,377</b>	<b>4,311</b>	<b>(6,548)</b>
<b>Economic Affairs</b>				
Camping Areas & Caravan Parks	-	-	-	-
Other Economic Affairs	2,792	981	-	(1,811)
<b>Total Economic Affairs</b>	<b>2,792</b>	<b>981</b>	-	<b>(1,811)</b>
<b>Totals – Functions</b>	<b>122,544</b>	<b>59,834</b>	<b>13,424</b>	<b>(49,286)</b>
<b>General Purpose Revenues</b> <sup>(2)</sup>		<b>69,456</b>		<b>69,456</b>
<b>Share of interests - joint ventures &amp; associates using the equity method</b>	-	-		-
<b>NET OPERATING RESULT</b> <sup>(1)</sup>	<b>122,544</b>	<b>129,290</b>	<b>13,424</b>	<b>20,170</b>

(1) As reported in the Income Statement

(2) Includes: Rates &amp; Annual Charges (incl. Ex Gratia, excl. Water &amp; Sewer), Non Capital General Purpose Grants, Interest on Investments (excl. Ext. Restricted Assets) &amp; Interest on overdue Rates &amp; Annual Charges

# Hornsby Shire Council

## Special Schedule No. 2(a) - Statement of Long Term Debt (all purpose)

for the financial year ended 30 June 2014

\$'000

Classification of Debt	Principal outstanding at beginning of the year			New Loans raised during the year	Debt redemption during the year		Transfers to Sinking Funds	Interest applicable for Year	Principal outstanding at the end of the year		
	Current	Non Current	Total		From Revenue	Sinking Funds			Current	Non Current	Total
<b>Loans (by Source)</b>											
Commonwealth Government	-	-	-	-	-	-	-	-	-	-	-
Treasury Corporation	-	-	-	-	-	-	-	-	-	-	-
Other State Government	-	-	-	-	-	-	-	-	-	-	-
Public Subscription	-	-	-	-	-	-	-	-	-	-	-
Financial Institutions	4,189	10,180	<b>14,369</b>	-	4,189	-	-	952	4,461	5,719	<b>10,180</b>
Other	-	-	-	-	-	-	-	-	-	-	-
<b>Total Loans</b>	<b>4,189</b>	<b>10,180</b>	<b>14,369</b>	-	<b>4,189</b>	-	-	<b>952</b>	<b>4,461</b>	<b>5,719</b>	<b>10,180</b>
<b>Other Long Term Debt</b>											
Ratepayers Advances	-	-	-	-	-	-	-	-	-	-	-
Government Advances	-	-	-	-	-	-	-	-	-	-	-
Finance Leases	-	-	-	-	-	-	-	-	-	-	-
Deferred Payments	300	1,800	<b>2,100</b>	-	300	-	-	-	400	1,400	<b>1,800</b>
<b>Total Long Term Debt</b>	<b>300</b>	<b>1,800</b>	<b>2,100</b>	-	<b>300</b>	-	-	-	<b>400</b>	<b>1,400</b>	<b>1,800</b>
<b>Total Debt</b>	<b>4,489</b>	<b>11,980</b>	<b>16,469</b>	-	<b>4,489</b>	-	-	<b>952</b>	<b>4,861</b>	<b>7,119</b>	<b>11,980</b>

Notes: Excludes (i) Internal Loans & (ii) Principal Inflows/Outflows relating to Loan Re-Financing.

This Schedule is prepared using the **face value** of debt obligations, rather than **fair value** (which are reported in the GPFS).

Special Schedule No. 7 - Report on Infrastructure Assets  
as at 30 June 2014

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard <sup>(1)</sup>	Required Annual Maintenance <sup>(2)</sup>	Actual Maintenance 2013/14 <sup>(3)</sup>	Gross Book Value (GBV) <sup>(4)</sup>	Assets in Condition as a % of GBV <sup>(4), (5)</sup>				
						1	2	3	4	5
Buildings	Council Offices / Administration Centres	-	395	395	26,210	0%	100%	0%	0%	0%
	Council Works Depot	236	60	60	5,294	0%	0%	100%	0%	0%
	Council Public Halls	118	481	481	38,554	0%	50%	50%	0%	0%
	Libraries	-	387	387	24,353	0%	100%	0%	0%	0%
	Childcare Centres	142	77	77	4,635	0%	40%	60%	0%	0%
	Amenities	189	456	456	34,771	0%	20%	80%	0%	0%
	Commercial Buildings	118	335	335	27,701	0%	50%	50%	0%	0%
	Rural Fire Service Buildings	47	195	195	11,320	0%	80%	20%	0%	0%
	Indoor Sports Stadium	-	192	192	9,778	0%	100%	0%	0%	0%
	Residential	165	41	41	4,449	0%	30%	70%	0%	0%
	Other	-	-	-	8,409	0%	50%	50%	0%	0%
		<b>sub total</b>	<b>1,015</b>	<b>2,619</b>	<b>2,619</b>	<b>195,474</b>	<b>0.0%</b>	<b>59.8%</b>	<b>40.2%</b>	<b>0.0%</b>
Other Structures	Other Structures	-	-	-	15,952	0%	50%	50%	0%	0%
	Wharves, Pontoons & Seawalls	600	199	199	3,002	12%	48%	11%	29%	0%
	Bus Shelters	118	5	5	968	0%	50%	50%	0%	0%
		<b>sub total</b>	<b>718</b>	<b>204</b>	<b>204</b>	<b>19,922</b>	<b>1.8%</b>	<b>49.7%</b>	<b>44.1%</b>	<b>4.4%</b>

Hornsby Shire Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)  
as at 30 June 2014

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard <sup>(1)</sup>	Required <sup>(2)</sup> Annual Maintenance	Actual <sup>(3)</sup> Maintenance 2013/14	Gross Book Value (GBV) <sup>(4)</sup>	Assets in Condition as a % of GBV <sup>(4), (5)</sup>				
						1	2	3	4	5
<b>Roads</b>	Sealed Roads Surface	-	5,600	4,432	290,560	51%	40%	8%	1%	0%
	Unsealed Roads	-	200	107	4,533	0%	8%	90%	2%	0%
	Bridges	-	-	-	7,375	0%	29%	57%	14%	0%
	Footpaths	-	900	297	41,546	1%	17%	78%	4%	0%
	Cycle ways	-	-	-	1,380	100%	0%	0%	0%	0%
	Kerb and Gutter	-	-	-	55,473	1%	32%	63%	4%	0%
	Traffic Facilities	-	-	-	11,303	5%	87%	7%	1%	0%
	Signs	-	-	-	1,726	32%	7%	60%	1%	0%
	Traffic Barrier Fencing	-	-	-	4,217	17%	80%	3%	0%	0%
	Other	-	-	-	371	0%	100%	0%	0%	0%
	<b>sub total</b>	<b>-</b>	<b>6,700</b>	<b>4,836</b>	<b>418,484</b>	<b>36.4%</b>	<b>37.6%</b>	<b>24.1%</b>	<b>1.9%</b>	<b>0.0%</b>
<b>Water Supply Network</b>	Other	-	-	-	128	0%	100%	0%	0%	0%
	<b>sub total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>128</b>	<b>0.0%</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>

# Hornsby Shire Council

## Special Schedule No. 7 - Report on Infrastructure Assets (continued) as at 30 June 2014

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard <sup>(1)</sup>	Required Annual Maintenance <sup>(2)</sup>	Actual Maintenance 2013/14 <sup>(3)</sup>	Gross Book Value (GBV) <sup>(4)</sup>	Assets in Condition as a % of GBV <sup>(4), (5)</sup>				
						1	2	3	4	5
Stormwater Drainage	Head Walls	-	-	-	3,511	15%	76%	7%	2%	0%
	Pits	-	-	-	69,684	19%	66%	14%	1%	0%
	Pipes	4,000	1,200	813	396,502	5%	85%	9%	1%	0%
	Channels	-	-	-	2,353	1%	19%	80%	0%	0%
	Pollutant Traps/Sediment Basins	-	-	-	8,780	0%	80%	18%	2%	0%
	Other	-	-	-	11,242	40%	52%	7%	1%	0%
	<b>sub total</b>		<b>4,000</b>	<b>1,200</b>	<b>813</b>	<b>492,072</b>	<b>7.7%</b>	<b>81.1%</b>	<b>10.1%</b>	<b>1.0%</b>
Open Space/ Recreational Assets	Swimming Pools	118	52	52	8,972	0%	50%	50%	0%	0%
	Other									
	<b>sub total</b>	<b>118</b>	<b>52</b>	<b>52</b>	<b>8,972</b>	<b>0.0%</b>	<b>50.0%</b>	<b>50.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>TOTAL - ALL ASSETS</b>		<b>5,851</b>	<b>10,775</b>	<b>8,524</b>	<b>1,135,052</b>	<b>16.8%</b>	<b>60.6%</b>	<b>21.4%</b>	<b>1.2%</b>	<b>-11.9%</b>

### Notes:

- (1). Satisfactory is defined as "satisfying expectations or needs, leaving no room for complaint, causing satisfaction, adequate".  
The estimated cost to bring assets to a satisfactory standard is the amount of money that is required to be spent on an asset to ensure that it is in a satisfactory standard.  
This estimated cost should not include any planned enhancements (ie. to heighten, intensify or improve the facilities).
- (2). Required Annual Maintenance is "what should be spent to maintain assets in a satisfactory standard."
- (3). Actual Maintenance is what has been spent in the current year to maintain the assets.  
Actual Maintenance may be higher or lower than the required annual maintenance due to the timing of when the maintenance actually occurs.
- (4). Gross Book Value is in accordance with Note 9 of Council's General Purpose Financial Statements
- (5). **Infrastructure Asset Condition Assessment "Key"**

<b>1</b>	<b>Excellent</b>	No work required (normal maintenance)
<b>2</b>	<b>Good</b>	Only minor maintenance work required
<b>3</b>	<b>Average</b>	Maintenance work required

<b>4</b>	<b>Poor</b>	Renewal required
<b>5</b>	<b>Very Poor</b>	Urgent renewal/upgrading required



## Hornsby Shire Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)  
for the financial year ended 30 June 2014

\$ '000	Amounts 2014	Indicator 2014	Prior Periods	
			2013	2012
<b>Infrastructure Asset Performance Indicators Consolidated</b>				
<b>1. Building and Infrastructure Renewals Ratio</b>				
Asset Renewals (Building and Infrastructure) <sup>(1)</sup>	<u>12,792</u>	<b>78.91%</b>	52.67%	61.74%
Depreciation, Amortisation & Impairment	<u>16,210</u>			
<b>2. Infrastructure Backlog Ratio</b>				
Estimated Cost to bring Assets to a Satisfactory Condition	<u>5,851</u>	<b>0.01</b>	0.01	0.01
Total value <sup>(2)</sup> of Infrastructure, Building, Other Structures & depreciable Land Improvement Assets	<u>1,135,052</u>			
<b>3. Asset Maintenance Ratio</b>				
Actual Asset Maintenance	<u>8,524</u>	<b>0.79</b>	0.86	0.96
Required Asset Maintenance	<u>10,775</u>			
<b>4. Capital Expenditure Ratio</b>				
Annual Capital Expenditure	<u>39,019</u>	<b>1.70</b>	1.15	0.56
Annual Depreciation	<u>22,954</u>			

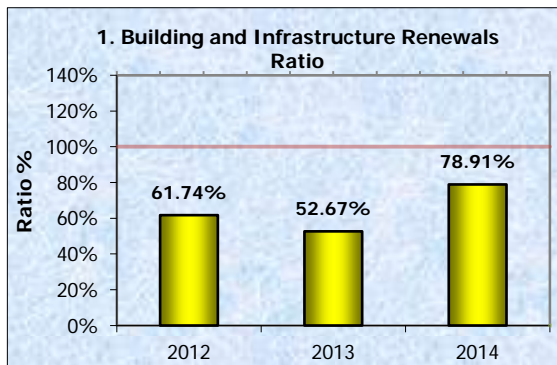
## Notes

<sup>(1)</sup> Asset Renewals represent the replacement &/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. Asset Renewals include building and infrastructure assets only.

<sup>(2)</sup> Gross Book Value

# Hornsby Shire Council

## Special Schedule No. 7 - Report on Infrastructure Assets (continued) for the financial year ended 30 June 2014



— Minimum 100.00%

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

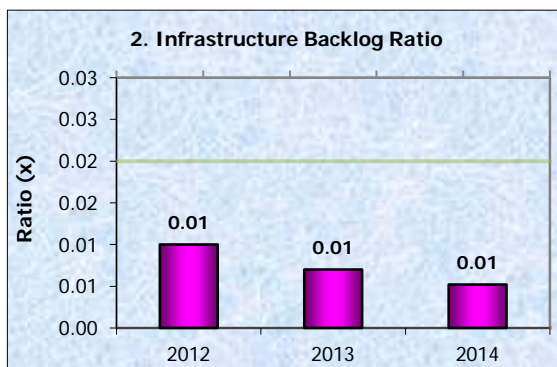
**Purpose of Asset Renewals Ratio**

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

**Commentary on 2013/14 Result**

**2013/14 Ratio 78.91%**

This ratio shows that the Council is not renewing its assets as fast as they are depreciating but there has been some improvement on the prior year.



— Maximum .02

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

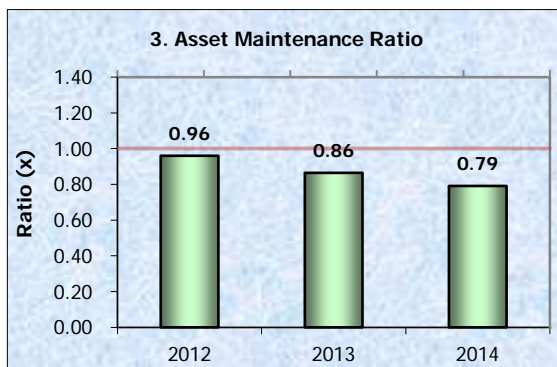
**Purpose of Infrastructure Backlog Ratio**

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

**Commentary on 2013/14 Result**

**2013/14 Ratio 0.01 x**

The backlog remains constant at 0.01 which is below the benchmark maximum of 0.02.



— Minimum 1.00

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

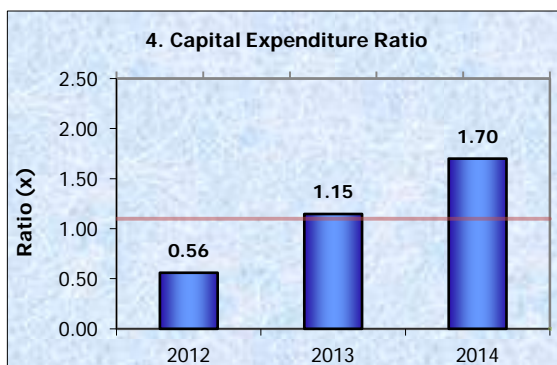
**Purpose of Asset Maintenance Ratio**

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

**Commentary on 2013/14 Result**

**2013/14 Ratio 0.79 x**

The ratio indicates that Council is not spending enough on maintenance to stop the infrastructure backlog from growing.



— Minimum 1.10

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

**Purpose of Capital Expenditure Ratio**

To assess the extent to which a Council is expanding its asset base thru capital expenditure on both new assets and the replacement and renewal of existing assets.

**Commentary on 2013/14 Result**

**2013/14 Ratio 1.70 x**

This ratio is above the benchmark and is mainly due to capital expenditure for the new Hornsby Aquatic Centre.

# Hornsby Shire Council

## Special Schedule No. 8 - Financial Projections

as at 30 June 2014

\$'000	Actual <sup>(1)</sup> 13/14	Forecast <sup>(3)</sup> 14/15	Forecast <sup>(3)</sup> 15/16	Forecast <sup>(3)</sup> 16/17	Forecast <sup>(3)</sup> 17/18	Forecast <sup>(3)</sup> 18/19	Forecast <sup>(3)</sup> 19/20	Forecast <sup>(3)</sup> 20/21	Forecast <sup>(3)</sup> 21/22	Forecast <sup>(3)</sup> 22/23	Forecast <sup>(3)</sup> 23/24
<b>(i) OPERATING BUDGET</b>											
Income from continuing operations	142,714	145,603	153,477	143,192	149,524	154,074	158,861	163,790	168,934	174,266	179,816
Expenses from continuing operations	122,544	126,083	130,189	134,699	137,719	142,430	147,614	153,023	156,904	161,757	166,758
<b>Operating Result from Continuing Operations</b>	<b>20,170</b>	<b>19,520</b>	<b>23,288</b>	<b>8,493</b>	<b>11,805</b>	<b>11,644</b>	<b>11,247</b>	<b>10,767</b>	<b>12,030</b>	<b>12,509</b>	<b>13,058</b>
<b>(ii) CAPITAL BUDGET</b>											
New Capital Works <sup>(2)</sup>	23,340	-	32,535	9,695	26,836	6,835	6,835	6,835	6,835	6,835	6,835
Replacement/Refurbishment of Existing Assets	15,679	18,271	18,271	18,271	18,271	18,271	18,271	18,271	18,271	18,271	18,271
<b>Total Capital Budget</b>	<b>39,019</b>	<b>18,271</b>	<b>50,806</b>	<b>27,966</b>	<b>45,107</b>	<b>25,106</b>	<b>25,106</b>	<b>25,106</b>	<b>25,106</b>	<b>25,106</b>	<b>25,106</b>
<b>Funded by:</b>											
- Loans	-	-	-	-	-	-	-	-	-	-	-
- Asset sales	1,335	1,895	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
- Reserves	10,646	3,260	25,535	9,694	26,836	6,835	6,835	6,835	6,835	6,835	6,835
- Grants/Contributions	4,409	1,000	5,667	8,279	4,966	5,127	5,524	6,004	4,741	4,262	3,713
- Recurrent revenue	20,170	12,116	18,104	8,493	11,805	11,644	11,247	10,767	12,030	12,509	13,058
- Other	2,459	-	-	-	-	-	-	-	-	-	-
	<b>39,019</b>	<b>18,271</b>	<b>50,806</b>	<b>27,966</b>	<b>45,107</b>	<b>25,106</b>	<b>25,106</b>	<b>25,106</b>	<b>25,106</b>	<b>25,106</b>	<b>25,106</b>

### Notes:

(1) From 13/14 Income Statement.

(2) New Capital Works are major non-recurrent projects, eg new Leisure Centre, new Library, new Swimming pool etc.

(3) Financial projections should be in accordance with Council's Integrated Planning and Reporting framework.

## Hornsby Shire Council

## Special Schedule No. 9 - Permissible Income Calculation

for the financial year ended 30 June 2015

\$'000		Calculation 2013/14	Calculation 2014/15
<b>Notional General Income Calculation <sup>(1)</sup></b>			
Last Year Notional General Income Yield	a	69,269	72,212
Plus or minus Adjustments <sup>(2)</sup>	b	119	225
<b>Notional General Income</b>	c	<b>69,388</b>	<b>72,437</b>
<b>Permissible Income Calculation</b>			
Special variation percentage <sup>(3)</sup>	d	3.90%	0.00%
or Rate peg percentage	e	3.40%	2.30%
or Crown land adjustment incl. rate peg percentage	f	0.00%	0.00%
less expiring Special variation amount	g	-	-
plus Special variation amount	h = c x d	2,706	-
or plus Rate peg amount	i = c x e	-	1,666
or plus Crown land adjustment and rate peg amount	j = c x f	-	-
<b>sub-total</b>	k = (c+g+h+i+j)	<b>72,094</b>	<b>74,103</b>
plus (or minus) last year's Carry Forward Total	l	28	2
less Valuation Objections claimed in the previous year	m	-	(92)
<b>sub-total</b>	n = (l + m)	<b>28</b>	<b>(90)</b>
<b>Total Permissible income</b>	o = k + n	<b>72,122</b>	<b>74,013</b>
less Notional General Income Yield	p	72,212	74,011
<b>Catch-up or (excess) result</b>	q = o - p	<b>(90)</b>	<b>2</b>
plus Income lost due to valuation objections claimed <sup>(4)</sup>	r	92	-
less Unused catch-up <sup>(5)</sup>	s	-	(2)
<b>Carry forward to next year</b>	t = q + r - s	<b>2</b>	<b>0</b>

**Notes**

- <sup>1</sup> 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.
- <sup>2</sup> 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.
- <sup>3</sup> The Special Variation Percentage is inclusive of the Rate Peg percentage and where applicable crown land adjustment.
- <sup>4</sup> Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- <sup>5</sup> Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.



## **The Hornsby Shire Council**

### **Independent auditor's report Report on the Special Schedule No. 9**

#### **Report on the Special Schedule No. 9**

We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 9) of the Hornsby Shire Council ("the Council") for the year ended 30 June 2015.

#### ***Responsibility of Council for Special Schedule No. 9***

The Council is responsible for the preparation and fair presentation of Special Schedule No. 9 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 22. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Special Schedule No. 9 that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on Special Schedule No. 9 based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether Special Schedule No. 9 is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in Special Schedule No. 9. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of Special Schedule No. 9, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of Special Schedule No. 9.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Australian Auditing Standards.

In making our risk assessments, we consider internal controls relevant to the entity's preparation of Special Schedule No. 9 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Independence***

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

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**PricewaterhouseCoopers, ABN 52 780 433 757**

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***Audit Opinion***

In our opinion, Special Schedule No. 9 of the Hornsby Shire Council for the year ended 30 June 2015 is properly drawn up in all material respects in accordance with the requirements of the Office of Local Government and in accordance with the books and records of the Council.

***Restriction on distribution***

Without modifying our opinion, we advise that this schedule has been prepared for distribution to the Office of Local Government for the purposes of confirming that Council's reconciliation of Council's total permissible general income is presented fairly. As a result, the schedule may not be suitable for another purpose. Our report is intended solely for the council and the Division of Local Government.

A handwritten signature in blue ink, appearing to read 'Peter Buchholz', written in a cursive style.

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'Peter Buchholz', written in a cursive style.

Peter Buchholz  
Partner

Sydney  
22 October 2014



