

# Hornsby Shire Council

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General purpose and special purpose  
**Financial statements**  
and associated special schedules

30 June 2017



# Hornsby Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

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# Hornsby Shire Council

## General Purpose Financial Statements for the year ended 30 June 2017

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### Overview

- (i) These financial statements are General Purpose Financial Statements and cover the 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 1993* (LGA).

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

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

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

- (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 16 October 2017. Council has the power to amend and reissue these financial statements.
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## Hornsby Shire Council

### General Purpose Financial Statements for the year ended 30 June 2017

#### Understanding Council's financial statements

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##### Introduction

Each year, individual local governments across New South Wales are required to present a set of audited financial statements to their council and community.

##### What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2017.

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

##### About the Councillor/Management Statement

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

##### About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

##### 1. The Income Statement

Summarises Council's financial performance for the year, listing all income and expenses.

This statement also displays Council's budget to provide a comparison between what was projected and what actually occurred.

##### 2. The Statement of Comprehensive Income

Primarily records changes in the fair value of Council's Infrastructure, Property, Plant and Equipment.

##### 3. The Statement of Financial Position

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

##### 4. The Statement of Changes in Equity

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

##### 5. The Statement of Cash Flows

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

##### About the Notes to the Financial Statements

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

##### About the Auditor's Reports

Council's annual financial statements are required to be audited by the NSW Audit Office. In NSW the auditor provides 2 audit reports:

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

##### Who uses the financial statements?

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

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

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

## Hornsby Shire Council

### General Purpose Financial Statements for the year ended 30 June 2017

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

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

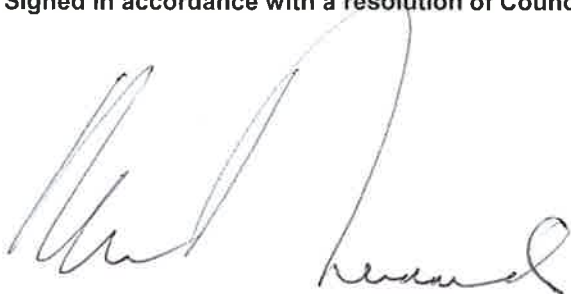
- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and professional pronouncements, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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
- 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 11 October 2017.



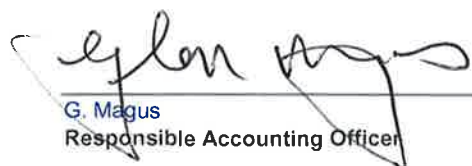
P. Ruddock  
Mayor



V. del Gallego  
Councillor



S. Fedorow  
Acting General Manager



G. Magus  
Responsible Accounting Officer

## Hornsby Shire Council

## Income Statement

for the year ended 30 June 2017

Budget <sup>1</sup> 2017	\$ '000	Notes	Actual 2017	Actual 2016
<b>Income from continuing operations</b>				
<i>Revenue:</i>				
87,716	Rates and annual charges	3a	87,833	94,807
14,349	User charges and fees	3b	14,643	16,351
3,205	Interest and investment revenue	3c	4,652	3,778
6,266	Other revenues	3d	8,168	11,066
11,300	Grants and contributions provided for operating purposes	3e,f	11,901	10,467
17,256	Grants and contributions provided for capital purposes	3e,f	18,157	52,110
<i>Other income:</i>				
17,350	Net gains from the disposal of assets	5	16,896	2,896
<b>157,442</b>	<b>Total income from continuing operations</b>		<b>162,251</b>	<b>191,475</b>
<b>Expenses from continuing operations</b>				
47,629	Employee benefits and on-costs	4a	45,498	47,937
297	Borrowing costs	4b	274	680
43,494	Materials and contracts	4c	43,452	41,234
16,869	Depreciation and amortisation	4d	16,885	18,570
13,565	Other expenses	4e	12,369	13,409
<b>121,854</b>	<b>Total expenses from continuing operations</b>		<b>118,478</b>	<b>121,830</b>
<b>35,588</b>	<b>Operating result from continuing operations</b>		<b>43,773</b>	<b>69,645</b>
<b>Boundary adjustment</b>				
–	Net profit/(loss) from boundary adjustment	24	–	(161,382)
<b>35,588</b>	<b>Net operating result for the year</b>		<b>43,773</b>	<b>(91,737)</b>
<b>35,588</b>	<b>Net operating result attributable to Council</b>		<b>25,616</b>	<b>17,535</b>
	<b>Net operating result attributable to Council before net gains from the disposal of assets</b>		<b>8,720</b>	<b>14,639</b>
<b>18,332</b>	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>25,616</b>	<b>(143,847)</b>

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

## Hornsby Shire Council

Statement of Comprehensive Income  
for the year ended 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
<b>Net operating result for the year</b> (as per Income Statement)		<b>43,773</b>	<b>(91,737)</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	38,962	27,134
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>38,962</b>	<b>27,134</b>
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
<b>Total other comprehensive income for the year</b>		<b>38,962</b>	<b>27,134</b>
<b>Total comprehensive income for the year</b>		<b>82,735</b>	<b>(64,603)</b>
<b>Total comprehensive income attributable to Council</b>		<b>82,735</b>	<b>(64,603)</b>

## Hornsby Shire Council

## Statement of Financial Position

as at 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6a	30,657	20,697
Investments	6b	131,500	103,000
Receivables	7	7,182	10,058
Inventories	8	169	159
Other	8	–	234
<b>Total current assets</b>		<b>169,508</b>	<b>134,148</b>
<b>Non-current assets</b>			
Investments	6b	13,000	4,000
Receivables	7	192	216
Infrastructure, property, plant and equipment	9	1,475,604	1,430,070
Intangible assets	25	1,683	4
<b>Total non-current assets</b>		<b>1,490,479</b>	<b>1,434,290</b>
<b>TOTAL ASSETS</b>		<b>1,659,987</b>	<b>1,568,438</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	10	34,874	24,627
Income received in advance	10	1,114	954
Borrowings	10	1,081	2,112
Provisions	10	14,205	13,654
<b>Total current liabilities</b>		<b>51,274</b>	<b>41,347</b>
<b>Non-current liabilities</b>			
Payables	10	12	–
Borrowings	10	2,316	3,420
Provisions	10	515	536
<b>Total non-current liabilities</b>		<b>2,843</b>	<b>3,956</b>
<b>TOTAL LIABILITIES</b>		<b>54,117</b>	<b>45,303</b>
<b>Net assets</b>		<b>1,605,870</b>	<b>1,523,135</b>
<b>EQUITY</b>			
Retained earnings	20	1,098,947	1,050,566
Revaluation reserves	20	506,923	472,569
<b>Total equity</b>		<b>1,605,870</b>	<b>1,523,135</b>



## Hornsby Shire Council

Statement of Changes in Equity  
for the year ended 30 June 2017

	Notes	2017					2016						
		Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council controlling interest	Non-controlling interest	Total equity	Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council controlling interest	Non-controlling interest	Total equity
<b>\$ '000</b>													
<b>Opening balance</b> (as per last year's audited accounts)		1,050,566	472,569	-	1,523,135	-	1,523,135	-	1,587,738	-	1,587,738	-	1,587,738
<b>a. Net operating result for the year</b>		43,773	-	-	43,773	-	43,773	-	(91,737)	-	(91,737)	-	(91,737)
<b>b. Other comprehensive income</b>		-	38,962	-	38,962	-	38,962	-	27,134	-	27,134	-	27,134
- Revaluations: IPP&E asset revaluation rsve	20b (ii)	-	38,962	-	38,962	-	38,962	-	27,134	-	27,134	-	27,134
<b>Other comprehensive income</b>		43,773	38,962	-	82,735	-	82,735	-	(91,737)	-	(64,603)	-	(64,603)
<b>Total comprehensive income (c&amp;d)</b>		4,608	(4,608)	-	-	-	-	-	59,500	(59,500)	-	-	-
<b>c. Transfers between equity</b>		1,098,947	506,923	-	1,605,870	-	1,605,870	-	1,050,566	472,569	1,523,135	-	1,523,135
<b>Equity – balance at end of the reporting period</b>													

## Hornsby Shire Council

Statement of Cash Flows  
for the year ended 30 June 2017

Budget 2017	\$ '000	Notes	Actual 2017	Actual 2016
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
87,053	Rates and annual charges		87,971	95,213
14,508	User charges and fees		15,533	16,208
3,263	Investment and interest revenue received		4,251	3,361
30,042	Grants and contributions		31,608	63,941
–	Bonds, deposits and retention amounts received		–	101
9,167	Other		17,465	16,626
<b>Payments:</b>				
(46,789)	Employee benefits and on-costs		(44,990)	(49,706)
(45,067)	Materials and contracts		(47,635)	(44,041)
(298)	Borrowing costs		(275)	(387)
–	Bonds, deposits and retention amounts refunded		(81)	–
(12,599)	Other		(6,420)	(19,966)
<b>39,280</b>	<b>Net cash provided (or used in) operating activities</b>	11b	<b>57,427</b>	<b>81,350</b>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
–	Sale of investment securities		195,000	150,325
24,350	Sale of infrastructure, property, plant and equipment		24,976	5,974
<b>Payments:</b>				
–	Purchase of investment securities		(232,500)	(181,025)
(40,278)	Purchase of infrastructure, property, plant and equipment		(32,808)	(52,452)
<b>(15,928)</b>	<b>Net cash provided (or used in) investing activities</b>		<b>(45,332)</b>	<b>(77,178)</b>
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
Nil				
<b>Payments:</b>				
(2,113)	Repayment of borrowings and advances		(2,135)	(1,587)
<b>(2,113)</b>	<b>Net cash flow provided (used in) financing activities</b>		<b>(2,135)</b>	<b>(1,587)</b>
<b>21,239</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>9,960</b>	<b>2,585</b>
20,697	Plus: cash and cash equivalents – beginning of year	11a	20,697	18,112
<b>41,936</b>	<b>Cash and cash equivalents – end of the year</b>	11a	<b>30,657</b>	<b>20,697</b>
	plus: Investments on hand – end of year	6b	144,500	107,000
	<b>Total cash, cash equivalents and investments</b>		<b>175,157</b>	<b>127,697</b>

Please refer to Note 11 for additional cash flow information.

# Hornsby Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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n/a – not applicable

## Hornsby Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies

The principal accounting policies are set out below. These policies have been consistently applied to all the years presented.

##### **(a) Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the Local Government Act 1993 (NSW) and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting. Council is a not for-profit entity for the purpose of preparing these financial statements.

##### **(i) New and amended standards adopted by Council**

AASB 124 Related Party Disclosures was adopted during the year, the impact of this standard had no impact on reporting financial position or performance, however note 28 has been added.

##### **(ii) Early adoption of standards**

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2016.

##### **(iii) Historical cost convention**

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities and certain classes of property, plant and equipment.

##### **(iv) Significant accounting estimates and judgements**

The preparation of financial statements requires the use of critical accounting estimates. It also requires management to exercise judgement in the process of applying the Council's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Council.

##### **Critical accounting estimates and assumptions**

Council makes estimates and assumptions concerning the future. The resulting accounting

estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

(i) Estimated fair values of infrastructure, property, plant and equipment

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

(i) Impairment of Receivables

Council has made a significant judgement about the impairment of a number of its receivables in Note 7.

##### **(b) Revenue recognition**

Council recognises revenue when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Council.

Revenue is measured at the fair value of the consideration received or receivable as follows:

##### **(i) Rates, annual charges, grants and contributions**

Rates, annual charges, grants and contributions are recognised when the Council obtains control over the assets comprising these receipts. Developer contributions may only be expended for the purposes for which the contributions were required.

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.

Control over granted assets/contributed assets is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been secured.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were un-discharged at reporting date, the unused grant or contribution is disclosed in Note 3(g). The note also discloses the amount of unused grant or contribution from prior years that was

## Hornsby Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

expended on Council's operations during the current year.

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

##### (ii) User charges and fees

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

##### (iii) 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.

##### (iv) Interest

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

##### (v) Rent

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

##### (vi) 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

In accordance with the provisions of Section 409(1) of the Local Government Act 1993 (NSW), all money and property received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund. There are currently no trust monies held by Council.

##### (d) Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases. Payments made (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 where Council is a lessor is recognised as income on a straight-line basis over the lease term.

Council has no finance leases.

##### (e) Cash and cash equivalents

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

##### (f) Inventories

###### (i) Inventory held for distribution

Inventory held for distribution is held at cost, adjusted where applicable for any loss of service potential.

##### (g) Investments and other financial assets

###### Classification

Council classifies its financial assets as receivables or held-to-maturity investments and has no other category of financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

###### (i) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which that are classified as non-current assets.

## Hornsby Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

Receivables are recognised initially at fair value including provisions for impairment. Receivables are generally due for settlement within 30 days.

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

##### (ii) 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 '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.

##### **Recognition and de-recognition**

Regular purchases and sales of financial assets are recognised on trade-date: the date on which Council commits to purchase or sell the asset.

Investments are initially recognised at fair value.

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

##### **Subsequent measurement**

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

##### **Impairment**

Council assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial

recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

##### **(i) Assets carried at amortised cost**

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

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The amount of the impairment loss is 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.

##### **Investment Policy**

Council has an approved investment policy complying with Section 625 of the Local Government Act 1993 (NSW) and Clause 212 of the Local Government (General) Regulation 2005 (NSW).

Investments are placed and managed in accordance with that policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order. Council maintains an investment policy that complies with the Act and ensures that it, or its representatives, exercise the 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 (the

## Hornsby Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

Order) arising from the Cole Inquiry recommendations. Certain investments the Council holds are no longer prescribed; however, they have been retained under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

#### (h) Fair value estimation – financial instruments

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

All of Council's financial instruments are not traded in an active market therefore fair value is determined using valuation techniques. Council uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

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

#### (i) Infrastructure, property, plant and equipment (IPPE)

Council's assets have been progressively revalued to fair value in accordance with a staged implementation advised by the Office of Local Government.

##### Externally valued:

- Operational land
- Buildings – specialised/non-specialised
- Swimming pools

##### Internally valued:

- Community land
- Road assets including roads, bridges and footpaths
- Bulk earthworks
- Stormwater drainage
- Catchment remediation assets

##### As approximated by depreciated historical cost:

- Plant and equipment
- Land improvements

- Other structures
- Library books
- Other assets

Non-specialised assets with short useful lives are measured at depreciated historical cost as an approximation of fair value. Council has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

For all other asset classes, 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 revalue the asset to that amount. Full revaluations are undertaken for all assets on a five-year cycle.

Increases in the carrying amounts arising on revaluation are credited to the asset revaluation reserve. To the extent that the increase reverses a decrease previously recognising profit or loss relating to that asset class, the increase is first recognised as profit or loss.

Decreases that reverse previous increases of assets in the same class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Council and the cost of the item can be measured reliably.

#### Depreciation

Land is not depreciated. Depreciation on other assets is calculated using the straight line method.

Buildings	20 to 125 years
Plant and equipment	5 to 25 years
Office Equipment	5 to 15 years
Furniture and fittings	5 to 15 years
Buildings	20 to 125 years
Heritage buildings	non-depreciable
Land improvements	10 to 150 years
Other structures	10 to 80 years

## Hornsby Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

Road assets	5 to 100 years
Bridges	20 to 80 years
Bulk earthworks	non-depreciable
Stormwater drainage	150 years
Catchment remediation assets	50 years
Library books	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

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

#### (j) Payables

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

#### (k) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired.

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

#### (l) Provisions

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

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of

obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

#### (m) Employee benefits

##### (i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

##### (ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows. The obligations are presented as current liabilities in the Statement of Financial Position if the Council does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

##### (iii) Retirement benefit obligations

All employees of the Council are entitled to benefits on retirement, disability or death. Council contributes



## Hornsby Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

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 Statement of Financial Position.

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 a prior period deficit exists.

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

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.

##### Defined Contribution Plans

Contributions to defined contribution plans are recognised as an expense as they become payable.

##### (n) Land under roads

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

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

##### (o) Intangible assets

###### IT development and software

Costs incurred in developing 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.

Costs capitalised include external direct costs of materials and services, direct payroll and payroll-related costs of employees' time spent on the project.

Amortisation is calculated on a straight line basis.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility.

##### (p) Crown reserves

Crown Reserves under Council's care and control are recognised as assets of the Council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated.

Improvements on Crown Reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council's Income Statement.

##### (q) Rural fire service assets

Under section 119 of the Rural Fire Services Act 1997 (NSW), "*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 which the fire fighting equipment has been purchased or constructed*".

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.

## Hornsby Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

##### **(r) Goods and Services Tax (GST)**

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

Cash flows are presented on a gross basis. All GST components are presented as operating cash flows.

##### **(s) New accounting standards and interpretations issued not yet effective**

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting period and which have not been applied.

Council does not consider that these standards are likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows:

##### **Amendments to AASB 107 Statements of Cash Flows**

There will be no impact on Council's financial position or performance; however changes in liabilities arising from financing activities will be disclosed under the amended standard.

##### **AASB 16 Leases**

Whilst the impact of AASB16 has not yet been fully determined, Council has \$429k of operating lease commitments that will be brought onto the Statement of Financial Position.

##### **AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of NFP Entities**

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

##### **(t) Rounding of amounts**

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

##### **(u) 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.

##### **(v) 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 year ended 30 June 2017

## 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 and non-current)	
	Original budget 2017	Actual 2017	Actual 2016	Original budget 2017	Actual 2017	Actual 2016	Original budget 2017	Actual 2017	Actual 2016	Actual 2017	Actual 2016	Actual 2017	Actual 2016
Governance	–	153	–	2,469	1,820	1,897	(2,469)	(1,667)	(1,897)	–	(2)	15	22
General Managers Division	–	69	81	1,630	1,563	1,676	(1,630)	(1,494)	(1,595)	–	–	–	–
Corporate Support	20,307	13,368	10,409	28,878	28,616	28,734	(8,571)	(15,248)	(18,325)	–	22	251,813	211,517
Infrastructure & Recreation	15,961	16,615	17,556	31,209	32,603	34,793	(15,248)	(15,988)	(17,237)	3,197	7,486	1,321,772	1,267,662
Environment & Human Services	34,079	35,435	36,206	48,321	44,343	44,856	(14,242)	(8,908)	(8,650)	1,913	2,182	85,979	88,829
Planning	19,879	26,198	51,544	9,347	9,533	9,874	10,532	16,665	41,670	57	–	408	408
<b>Total functions and activities</b>	<b>90,226</b>	<b>91,838</b>	<b>115,796</b>	<b>121,854</b>	<b>118,478</b>	<b>121,830</b>	<b>(31,628)</b>	<b>(26,640)</b>	<b>(6,034)</b>	<b>5,167</b>	<b>9,688</b>	<b>1,659,987</b>	<b>1,568,438</b>
General purpose income <sup>1</sup>	67,216	70,413	75,679	–	–	–	67,216	70,413	75,679	7,123	5,638	–	–
<b>Operating result from continuing operations</b>	<b>157,442</b>	<b>162,251</b>	<b>191,475</b>	<b>121,854</b>	<b>118,478</b>	<b>121,830</b>	<b>35,588</b>	<b>43,773</b>	<b>69,645</b>	<b>12,290</b>	<b>15,326</b>	<b>1,659,987</b>	<b>1,568,438</b>

1. Includes: rates and annual charges (incl. ex-gratia), untied general purpose grants and unrestricted interest and investment income.

## Hornsby Shire Council

### Notes to the Financial Statements for the year ended 30 June 2017

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

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

##### **GOVERNANCE**

Includes costs relating to Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of Council and policy-making committees, public disclosure (e.g. GIPA), and legislative 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, 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, , waste management, 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 year ended 30 June 2017

## Note 3. Income from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Rates and annual charges</b>			
<b>Ordinary rates</b>			
Residential		53,626	60,857
Farmland		561	552
Business		6,439	7,997
Major shopping centre		1,048	–
Less: compulsory pensioner rate		(1,213)	(1,288)
<b>Total ordinary rates</b>		<b>60,461</b>	<b>68,118</b>
<b>Special rates</b>			
Catchment remediation rate		2,698	3,146
<b>Total special rates</b>		<b>2,698</b>	<b>3,146</b>
<b>Annual charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		24,589	23,460
Section 611 charges		85	83
<b>Total annual charges</b>		<b>24,674</b>	<b>23,543</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>		<b>87,833</b>	<b>94,807</b>

Council has used 2014 year valuations provided by the NSW Valuer General in calculating its rates.

## Hornsby Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(b) User charges and fees</b>			
<b>Specific user charges</b> (per s.502 – specific 'actual use' charges)			
Waste management services (non-domestic)		1,465	1,438
Sullage		12	9
<b>Total user charges</b>		<b>1,477</b>	<b>1,447</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Inspection services		651	647
Planning and building regulation		4,261	4,935
Registration fees		37	67
<b>Total fees and charges – statutory/regulatory</b>		<b>4,949</b>	<b>5,649</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Community centres		879	1,093
Indoor sports centre stadium – admission fees		635	584
Library fees and charges		124	151
Nursery and preschool hire fees		–	572
Other hire fees		37	101
Park and oval hire fees		1,101	1,044
Restoration charges		741	1,035
Swimming centres		4,117	4,046
Tennis/netball hire fees		191	200
Other		392	429
<b>Total fees and charges – other</b>		<b>8,217</b>	<b>9,255</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>14,643</b>	<b>16,351</b>

## Hornsby Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(c) Interest and investment revenue (including losses)</b>			
<b>Interest</b>			
– Interest on overdue rates and annual charges (incl. special purpose rates)		147	139
– Interest earned on investments (interest and coupon payment income)		4,505	3,639
<b>TOTAL INTEREST AND INVESTMENT REVENUE</b>		<b>4,652</b>	<b>3,778</b>
<b>Interest revenue is attributable to:</b>			
<b>Unrestricted investments/financial assets:</b>			
Overdue rates and annual charges (general fund)		147	139
General Council cash and investments		2,667	1,772
<b>Restricted investments/funds – external:</b>			
Development contributions			
– Section 94		1,810	1,780
Catchments remediation		28	87
<b>Total interest and investment revenue recognised</b>		<b>4,652</b>	<b>3,778</b>
<b>(d) Other revenues</b>			
Rental income – other council properties		2,886	2,708
Ex gratia rates		15	12
Fines – parking		2,270	2,117
Legal fees recovery – rates and charges (extra charges)		154	130
Legal fees recovery – planning		6	23
Legal fees recovery – other		1	10
Commissions and agency fees		8	9
Bushfire fund income		4	7
Car park management		86	109
Florence mall incomes		89	73
Home modification		141	208
Income from road closure		3	41
Insurance claim recoveries, rebates and incentives		69	98
Legal settlements		–	150
Proceeds – sale of childcare		–	2,520
Prosecutions and infringements		410	525
Provision of services to neighbouring council		518	319
Recycling income (non-domestic)		876	1,424
Sales – general		535	331
Street furniture advertising		29	40
Vehicular crossing income		16	31
Other		52	181
<b>TOTAL OTHER REVENUE</b>		<b>8,168</b>	<b>11,066</b>

## Hornsby Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
Financial assistance – general component	2,987	3,419	–	–
Financial assistance – local roads component	1,317	1,497	–	–
Pensioners' rates subsidies – general component	599	722	–	–
2017/18 Financial assistance – general component	1,544	–	–	–
2017/18 Financial assistance – local roads component	676	–	–	–
<b>Total general purpose</b>	<b>7,123</b>	<b>5,638</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Pensioners' rates subsidies:				
– Domestic waste management	221	271	–	–
Aged and disabled	621	529	–	–
Bushfire and emergency services	720	553	81	20
Bushland	288	81	–	77
Child care	(31)	581	–	–
Community care	(76)	308	–	–
Community centres	–	–	20	–
Economic development	58	–	–	–
Employment and training programs	8	22	–	–
Environmental protection	26	138	–	–
Library	367	312	–	101
Noxious weeds	–	26	–	–
Parks and gardens	–	–	25	25
Street lighting	–	353	–	–
Transport (other roads and bridges funding)	571	587	1,893	5,255
Youth services	3	11	–	–
Waste and recycling	360	395	12	–
Other	–	43	–	–
<b>Total specific purpose</b>	<b>3,136</b>	<b>4,210</b>	<b>2,031</b>	<b>5,478</b>
<b>Total grants</b>	<b>10,259</b>	<b>9,848</b>	<b>2,031</b>	<b>5,478</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	607	1,885	1,344	1,943
– State funding	9,652	7,963	725	3,535
– Other funding	–	–	(38)	–
	<b>10,259</b>	<b>9,848</b>	<b>2,031</b>	<b>5,478</b>



## Hornsby Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 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	–	–	15,588	46,466
<b>Total developer contributions</b>	<b>–</b>	<b>–</b>	<b>15,588</b>	<b>46,466</b>
<b>Other contributions:</b>				
Bushfire services	21	12	17	–
Community services	–	8	(6)	–
Community facilities	(3)	–	–	–
Dedications (other than by S94)	–	–	406	–
Employee vehicle contributions	435	451	–	–
Environment	22	26	–	–
Fire and Emergency Services Levy initiative	190	–	–	–
Occupational health and safety incentive	246	110	–	–
Parks and gardens	–	–	–	123
Recreation and culture	22	7	–	29
Roads and bridges	1	3	121	14
RMS contributions (regional roads, block grant)	500	–	–	–
Suburban planning	208	–	–	–
Other	–	2	–	–
<b>Total other contributions</b>	<b>1,642</b>	<b>619</b>	<b>538</b>	<b>166</b>
<b>Total contributions</b>	<b>1,642</b>	<b>619</b>	<b>16,126</b>	<b>46,632</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>	<b>11,901</b>	<b>10,467</b>	<b>18,157</b>	<b>52,110</b>

\$ '000	Actual 2017	Actual 2016
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## (g) Unspent grants and contributions

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

Unexpended at the close of the previous reporting period	65,461	46,047
Add: grants and contributions recognised in the current period but not yet spent*:	27,722	53,520
Less: grants and contributions recognised in a previous reporting period now spent:	(17,976)	(34,106)
<b>Net increase (decrease) in restricted assets during the period</b>	<b>9,746</b>	<b>19,414</b>
<b>Unexpended and held as restricted assets</b>	<b>75,207</b>	<b>65,461</b>
<b>Comprising:</b>		
– Specific purpose unexpended grants**	4,697	4,441
– Developer contributions	70,510	61,020
	<b>75,207</b>	<b>65,461</b>

\*Includes the movement in Government grants and subsidies receivable as disclosed in Note 7

\*\*Includes Government grants and subsidies receivable of \$1,106k as disclosed in Note 7

## Hornsby Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Employee benefits and on-costs</b>			
Salaries and wages		40,355	42,399
Travel expenses		18	25
Employee leave entitlements (ELE)		1,477	895
Superannuation		4,393	4,715
Workers' compensation insurance		988	941
Fringe benefit tax (FBT)		118	156
Training costs (other than salaries and wages)		335	484
Other		281	363
<b>Total employee costs</b>		<b>47,965</b>	<b>49,978</b>
Less: capitalised costs		(2,467)	(2,041)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>		<b>45,498</b>	<b>47,937</b>
Number of 'full-time equivalent' employees (FTE) at year end		485	513
<b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on loans		274	386
<b>Total interest bearing liability costs expensed</b>		<b>274</b>	<b>386</b>
<b>(ii) Other borrowing costs</b>			
Amortisation of discount on interest free loan		-	294
<b>Total other borrowing costs</b>		<b>-</b>	<b>294</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>274</b>	<b>680</b>

## Hornsby Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(c) Materials and contracts</b>			
Raw materials and consumables		2,561	3,042
Contractor and consultancy costs			
– Animal pound service		11	7
– Building maintenance		944	768
– Bush regeneration		709	882
– Community centres		255	163
– Computer support		3,070	2,676
– Consultants		2,377	1,498
– Contractor and agency fees		521	1,466
– Contracts – bushfire hazard reduction and mitigation		142	177
– Contracts – electrical		419	462
– Contracts – environmental protection		131	229
– Contracts – grass cutting		439	535
– Contracts – plumbing		315	397
– Contracts – property management		115	43
– Contracts – RFS equipment maintenance		167	209
– Contracts – tree work		635	682
– Drainage maintenance		600	601
– External plant and equipment hire		202	162
– Footpath maintenance		193	306
– Foreshore facilities		252	435
– Garbage collection, tipping and recycling		21,950	20,559
– Home modification service		105	226
– Litter control		356	401
– Maintenance of parks		1,123	837
– Mechanical services		472	189
– Property cleaning		417	338
– Road maintenance		3,045	2,105
– Stormwater asset maintenance		613	245
Auditors remuneration <sup>(1)</sup>		114	85
Legal expenses:			
– Legal expenses: planning and development		431	340
– Legal expenses: other		505	414
Operating leases:			
– Operating lease rentals: minimum lease payments <sup>(2)</sup>		205	202
Events management		6	8
Other		52	545
<b><u>TOTAL MATERIALS AND CONTRACTS</u></b>		<b><u>43,452</u></b>	<b><u>41,234</u></b>

continued on next page

## Hornsby Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(c) Materials and contracts (continued)</b>			
<b>1. Auditor remuneration</b>			
a. During the year, the following fees were incurred for services provided by the Auditor-General:			
<b>(i) Audit and other assurance services</b>			
– Audit and review of financial statements: Auditor-General		14	–
<b>Remuneration for audit and other assurance services</b>		<b>14</b>	<b>–</b>
<b>Total Auditor-General remuneration</b>		<b>14</b>	<b>–</b>
b. During the year, the following fees were incurred for services provided by other Auditors:			
<b>(i) Audit and other assurance services</b>			
– Audit and review of financial statements: Council's Auditor		100	85
<b>Remuneration for audit and other assurance services</b>		<b>100</b>	<b>85</b>
<b>Total remuneration of other Auditors</b>		<b>100</b>	<b>85</b>
<b>Total Auditor remuneration</b>		<b>114</b>	<b>85</b>
<b>2. Operating lease payments are attributable to:</b>			
Computers		205	202
		<b>205</b>	<b>202</b>

## Hornsby Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(d) Depreciation, amortisation and impairment</b>			
Plant and equipment		1,101	1,378
Office equipment		215	206
Furniture and fittings		78	82
Land improvements (depreciable)		1,252	1,045
Infrastructure:			
– Buildings – non-specialised		2,081	2,508
– Buildings – specialised		1,849	2,099
– Other structures		815	847
– Roads		4,617	4,749
– Bridges		58	96
– Footpaths		336	470
– Stormwater drainage		3,135	3,364
– Water supply network		2	4
– Swimming pools		507	724
Other assets			
– Catchment remediation assets		281	466
– Library books		471	530
Intangible assets	25	87	2
<b>Total depreciation and amortisation costs</b>		<u><u>16,885</u></u>	<u><u>18,570</u></u>
<b>Impairment</b>			
Nil			
<b><u>TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED</u></b>		<u><u>16,885</u></u>	<u><u>18,570</u></u>

## Hornsby Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(e) Other expenses</b>			
Advertising		347	536
Bad and doubtful debts		60	70
Bank charges and cash collection expenses		383	397
Catering		174	227
Contributions/levies to other levels of government			
– Department of Planning levy		263	300
– Emergency services levy (includes FRNSW, SES, and RFS levies)		265	280
– NSW fire brigade levy		1,475	1,741
– NSW rural fire service levy		642	529
– NSW state revenue infringement processing fees		198	234
Councillor expenses – mayoral fee		58	62
Councillor expenses – councillors' fees		245	235
Councillors' expenses (incl. mayor) – other (excluding fees above)		–	1
Donations, contributions and assistance to other organisations (Section 356)		54	31
Electricity and heating		1,245	1,201
Insurance		1,398	1,474
Licences and registration		345	290
Postage		300	277
Printing and stationery		503	578
Property managers fees		70	26
Street lighting		2,504	2,798
Subscriptions to local government publications		58	61
Subscriptions and publications		301	341
Telephone and communications		382	373
Valuation fees		306	366
Water and sewerage		551	600
Other		242	381
<b><u>TOTAL OTHER EXPENSES</u></b>		<b><u>12,369</u></b>	<b><u>13,409</u></b>

## Hornsby Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	Actual 2017	Actual 2016
<b>Property</b> (excl. investment property)			
Proceeds from disposal – property		24,080	5,064
Less: carrying amount of property assets sold/written off		(7,550)	(2,466)
<b>Net gain/(loss) on disposal</b>		<b>16,530</b>	<b>2,598</b>
<b>Plant and equipment</b>			
Proceeds from disposal – plant and equipment		896	910
Less: carrying amount of plant and equipment assets sold/written off		(525)	(609)
<b>Net gain/(loss) on disposal</b>		<b>371</b>	<b>301</b>
<b>Infrastructure</b>			
Less: carrying amount of infrastructure assets sold/written off		–	(3)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>(3)</b>
<b>Financial assets</b>			
Proceeds from disposal/redemptions/maturities – financial assets		195,000	150,325
Less: carrying amount of financial assets sold/redeemed/matured		(195,000)	(150,325)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>Intangible Assets</b>			
Less: carrying amount of Intangible Assets assets sold/written off		(5)	–
<b>Net gain/(loss) on disposal</b>		<b>(5)</b>	<b>–</b>
<b><u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u></b>		<b><u>16,896</u></b>	<b><u>2,896</u></b>

## Hornsby Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 6a. – Cash assets and Note 6b. – investments

\$ '000	Notes	2017	2017	2016	2016
		Actual Current	Actual Non-current	Actual Current	Actual Non-current
<b>Cash and cash equivalents (Note 6a)</b>					
Cash on hand and at bank		5,837	–	1,685	–
Cash-equivalent assets <sup>1</sup>					
– Deposits at call		21,702	–	16,437	–
– Short-term deposits		3,118	–	2,575	–
<b>Total cash and cash equivalents</b>		<b>30,657</b>	<b>–</b>	<b>20,697</b>	<b>–</b>
<b>Investments (Note 6b)</b>					
– Long term deposits		131,500	13,000	103,000	4,000
<b>Total investments</b>		<b>131,500</b>	<b>13,000</b>	<b>103,000</b>	<b>4,000</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>		<b>162,157</b>	<b>13,000</b>	<b>123,697</b>	<b>4,000</b>

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

**Investments were classified at year end  
in accordance with AASB 139 as follows:**

**Investments**

a. 'Held to maturity' Investments	131,500	13,000	103,000	4,000
	<b>131,500</b>	<b>13,000</b>	<b>103,000</b>	<b>4,000</b>



## Hornsby Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	2017	2017	2016	2016
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
<b>Total cash, cash equivalents and investments</b>	<b>162,157</b>	<b>13,000</b>	<b>123,697</b>	<b>4,000</b>
<b>attributable to:</b>				
External restrictions (refer below)	72,496	13,000	65,228	4,000
Internal restrictions (refer below)	71,357	–	52,724	–
Unrestricted	18,304	–	5,745	–
	<b>162,157</b>	<b>13,000</b>	<b>123,697</b>	<b>4,000</b>
<b>2017</b>	<b>Opening</b>	<b>Transfers to</b>	<b>Transfers from</b>	<b>Closing</b>
<b>\$ '000</b>	<b>balance</b>	<b>restrictions</b>	<b>restrictions</b>	<b>balance</b>
<b>Details of restrictions</b>				
<b>External restrictions – other</b>				
Developer contributions – general	61,020	22,158	(12,668)	70,510
Specific purpose unexpended grants	3,052	5,847	(5,308)	3,591
Domestic waste management	952	25,256	(21,448)	4,760
Transfer from Old Plan (Storey Park Development)	–	3,196	(175)	3,021
Other	4,204	308	(898)	3,614
<b>External restrictions – other</b>	<b>69,228</b>	<b>56,765</b>	<b>(40,497)</b>	<b>85,496</b>
<b>Total external restrictions</b>	<b>69,228</b>	<b>56,765</b>	<b>(40,497)</b>	<b>85,496</b>
<b>Internal restrictions</b>				
Employees leave entitlement	8,371	500	–	8,871
Asset maintenance and renewal	340	1,119	(280)	1,179
Buildings – Wallarobba	500	–	(1)	499
Civil works – SRV	2,113	1,182	(1,947)	1,348
Community centres	1,301	1,135	(220)	2,216
Corporate systems upgrade	1,418	–	(1,418)	–
Council strategic capital projects	5,562	11,937	(316)	17,183
Hornsby aquatic centre	256	–	(155)	101
Hornsby quarry and environs	7,333	–	(1,829)	5,504
Hornsby quarry remediation	18,945	11,015	(468)	29,492
Proceeds from asset sales (Beecroft)	2,781	–	–	2,781
Proceeds from asset sales (Drainage)	616	–	(616)	–
Roads (Transferred to S94)	2,879	–	(2,879)	–
S94 gap	–	1,406	–	1,406
Other	309	670	(202)	777
<b>Total internal restrictions</b>	<b>52,724</b>	<b>28,964</b>	<b>(10,331)</b>	<b>71,357</b>
<b>TOTAL RESTRICTIONS</b>	<b>121,952</b>	<b>85,729</b>	<b>(50,828)</b>	<b>156,853</b>

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

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

Water, sewerage, domestic waste management (DWM) and 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 year ended 30 June 2017

## Note 7. Receivables

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
<b>Purpose</b>					
Rates and annual charges		1,333	192	1,373	216
Interest and extra charges		188	–	188	–
User charges and fees		200	–	390	–
Contributions to works		–	–	146	–
Accrued revenues					
– Interest on investments		1,494	–	1,093	–
– Other income accruals		154	–	257	–
Amounts due from other councils		–	–	1,123	–
Government grants and subsidies		1,106	–	1,389	–
Net GST receivable		1,810	–	2,769	–
Facility hire		198	–	614	–
Fines and penalties		42	–	45	–
Licencing		59	–	61	–
Property rentals		114	–	245	–
Restorations		276	–	280	–
Sullage		18	–	19	–
Workers compensation claims		2	–	4	–
Other debtors		329	–	154	–
<b>Total</b>		<b>7,323</b>	<b>192</b>	<b>10,150</b>	<b>216</b>
<b>Less: provision for impairment</b>					
Other debtors		(141)	–	(92)	–
<b>Total provision for impairment – receivables</b>		<b>(141)</b>	<b>–</b>	<b>(92)</b>	<b>–</b>
<b><u>TOTAL NET RECEIVABLES</u></b>		<b><u>7,182</u></b>	<b><u>192</u></b>	<b><u>10,058</u></b>	<b><u>216</u></b>
<b>Externally restricted receivables</b>					
Domestic waste management		484	–	422	–
Catchment remediation rate		72	–	63	–
Special purpose grants		1,106	–	1,389	–
<b>Total external restrictions</b>		<b>1,662</b>	<b>–</b>	<b>1,874</b>	<b>–</b>
<b>Internally restricted receivables</b>					
Nil					
<b>Unrestricted receivables</b>		<b>5,520</b>	<b>192</b>	<b>8,184</b>	<b>216</b>
<b><u>TOTAL NET RECEIVABLES</u></b>		<b><u>7,182</u></b>	<b><u>192</u></b>	<b><u>10,058</u></b>	<b><u>216</u></b>

**Notes on debtors above:**

- (i) Rates and 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 and charges at 8.50% (2016 8.50%).  
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 year ended 30 June 2017

## Note 8. Inventories and other assets

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
<b>(a) Inventories</b>					
<b>(i) Inventories at cost</b>					
Stores and materials		169	–	159	–
<b>Total inventories at cost</b>		<b>169</b>	<b>–</b>	<b>159</b>	<b>–</b>
<b>TOTAL INVENTORIES</b>		<b>169</b>	<b>–</b>	<b>159</b>	<b>–</b>
<b>(b) Other assets</b>					
Prepayments		–	–	234	–
<b>TOTAL OTHER ASSETS</b>		<b>–</b>	<b>–</b>	<b>234</b>	<b>–</b>

**Externally restricted assets**

There are no restrictions applicable to the above assets.

## Hornsby Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2017

## Note 9a. Infrastructure, property, plant and equipment

Asset class \$ '000	as at 30/6/2016			Asset movements during the reporting period						as at 30/6/2017		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions	Carrying value of disposals	Depreciation expense	WIP transfers	WIP transfer to intangible assets	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	6,804	–	6,804	28,777	–	–	(18,549)	(1,770)	–	15,262	–	15,262
Plant and equipment	15,617	11,100	4,517	1,897	(528)	(1,101)	–	–	–	15,545	10,760	4,785
Office equipment	2,252	1,608	644	317	–	(215)	–	–	–	2,569	1,823	746
Furniture and fittings	1,734	1,305	429	19	–	(78)	–	–	–	1,750	1,380	370
<b>Land:</b>												
– Operational land	117,234	–	117,234	1,280	(5,864)	–	–	–	–	112,650	–	112,650
– Community land	348,719	–	348,719	406	–	–	–	–	–	349,125	–	349,125
Land improvements – depreciable	67,938	35,713	32,225	–	–	(1,252)	1,888	–	–	69,806	36,945	32,861
<b>Infrastructure:</b>												
– Buildings – non-specialised	86,142	35,314	50,828	–	(763)	(2,081)	662	–	–	84,707	36,061	48,646
– Buildings – specialised	85,481	36,542	48,939	–	(920)	(1,849)	–	–	–	82,384	36,214	46,170
– Other structures	21,261	7,447	13,814	–	–	(815)	1,144	–	–	22,148	8,005	14,143
– Roads	339,499	51,822	287,677	–	–	(4,617)	4,755	–	10,548	349,962	51,599	298,363
– Bridges	5,334	1,119	4,215	–	–	(58)	7,721	–	4,069	18,351	2,404	15,947
– Footpaths	33,484	13,979	19,505	–	–	(336)	484	–	158	33,801	13,990	19,811
– Bulk earthworks (non-depreciable)	76,849	–	76,849	–	–	–	–	–	923	77,772	–	77,772
– Stormwater drainage	470,133	97,543	372,590	–	–	(3,135)	1,090	–	23,264	495,489	101,680	393,809
– Water supply network	128	88	40	–	–	(2)	–	–	–	128	90	38
– Swimming pools	33,423	2,458	30,965	–	–	(507)	–	–	–	33,423	2,965	30,458
<b>Other assets:</b>												
– Catchment remediation assets	13,746	1,013	12,733	–	–	(281)	805	–	–	14,551	1,293	13,258
– Library books	2,473	1,130	1,343	518	–	(471)	–	–	–	2,515	1,125	1,390
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</b>	<b>1,728,251</b>	<b>298,181</b>	<b>1,430,070</b>	<b>33,214</b>	<b>(8,075)</b>	<b>(16,798)</b>	<b>–</b>	<b>(1,770)</b>	<b>38,962</b>	<b>1,781,938</b>	<b>306,334</b>	<b>1,475,604</b>

Additions are made up of Asset Renewals (\$14,403k) and New Assets (\$18,811). \$12,405k of renewals relate to Infrastructure Assets.

Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets). These balances include Asset Additions to Capital Work in Progress not yet capitalised.

Refer to Note 27. Fair value measurement for information regarding the fair value of other infrastructure, property, plant and equipment.

## Hornsby Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

Council has no externally restricted infrastructure, property, plant and equipment.

#### Note 9c. Infrastructure, property, plant and equipment – current year impairments

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

#### Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
<b>Payables</b>					
Goods and services – operating expenditure		4,863	–	5,049	–
Accrued expenses:					
– Borrowings		3	–	4	–
– Salaries and wages		794	–	654	–
– Other expenditure accruals		3,714	12	3,970	–
Security bonds, deposits and retentions		471	–	552	–
Boundary adjustment – payables		24,947	–	14,255	–
Employee costs		7	–	–	–
Other		75	–	143	–
<b>Total payables</b>		<b>34,874</b>	<b>12</b>	<b>24,627</b>	<b>–</b>
<b>Income received in advance</b>					
Payments received in advance		1,114	–	954	–
<b>Total income received in advance</b>		<b>1,114</b>	<b>–</b>	<b>954</b>	<b>–</b>
<b>Borrowings</b>					
Loans – secured <sup>1</sup>		1,081	2,316	1,112	3,420
Interest free loan – Panthers group		–	–	1,000	–
<b>Total borrowings</b>		<b>1,081</b>	<b>2,316</b>	<b>2,112</b>	<b>3,420</b>
<b>Provisions</b>					
<b>Employee benefits:</b>					
Annual leave		3,731	–	3,598	–
Sick leave		385	–	428	–
Long service leave		9,793	515	9,467	536
Gratuities		179	–	160	–
Other leave		117	–	1	–
<b>Total provisions</b>		<b>14,205</b>	<b>515</b>	<b>13,654</b>	<b>536</b>
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>		<b>51,274</b>	<b>2,843</b>	<b>41,347</b>	<b>3,956</b>

<sup>1</sup> Loans are secured over the general rating income of Council

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 15.

## Hornsby Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 10a. Payables, borrowings and provisions (continued)

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
<b>(i) Liabilities relating to restricted assets</b>					
		2017		2016	
		Current	Non-current	Current	Non-current
<b>Externally restricted assets</b>					
Boundary adjustment – transfer of reserves		15,571	–	13,876	–
Domestic waste		1,483	–	898	–
<b>Liabilities relating to externally restricted assets</b>		<b>17,054</b>	<b>–</b>	<b>14,774</b>	<b>–</b>
<b>Internally restricted assets</b>					
Employee leave entitlements		8,871	–	8,370	–
<b>Liabilities relating to internally restricted assets</b>		<b>8,871</b>	<b>–</b>	<b>8,370</b>	<b>–</b>
<b>Total liabilities relating to restricted assets</b>		<b>25,925</b>	<b>–</b>	<b>23,144</b>	<b>–</b>
<b>Total liabilities relating to unrestricted assets</b>		<b>25,349</b>	<b>2,843</b>	<b>18,203</b>	<b>3,956</b>
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>		<b>51,274</b>	<b>2,843</b>	<b>41,347</b>	<b>3,956</b>

**(ii) Current liabilities not anticipated to be settled within the next twelve months**

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

Provisions – employees benefits	10,041	9,894
	<b>10,041</b>	<b>9,894</b>

## Hornsby Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2017

## Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6a	30,657	20,697
<b>Balance as per the Statement of Cash Flows</b>		<b>30,657</b>	<b>20,697</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		<b>43,773</b>	<b>(91,737)</b>
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		16,885	18,570
Net losses/(gains) on disposal of assets		(16,896)	(2,896)
Non-cash capital grants and contributions		(406)	39
Amortisation of premiums, discounts and prior period fair valuations			
– Interest exp. on interest-free loans received by Council (previously fair valued)		–	294
Net Loss from disposal of assets due to Boundary adjustments		–	146,801
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		2,851	(3,400)
Increase/(decrease) in provision for doubtful debts		49	20
Decrease/(increase) in inventories		(10)	9
Decrease/(increase) in other assets		234	(234)
Increase/(decrease) in payables		(186)	(775)
Increase/(decrease) in accrued interest payable		(1)	(1)
Increase/(decrease) in other accrued expenses payable		(106)	583
Increase/(decrease) in other liabilities		10,710	14,521
Increase/(decrease) in employee leave entitlements		530	(444)
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>57,427</b>	<b>81,350</b>

## Hornsby Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 11. Statement of cash flows – additional information (continued)

\$ '000	Notes	Actual 2017	Actual 2016
<b>(c) Non-cash investing and financing activities</b>			
Other dedications		406	–
<b>Total non-cash investing and financing activities</b>		<b>406</b>	<b>–</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		19	29
<b>Total financing arrangements</b>		<b>2,019</b>	<b>2,029</b>
<b>Amounts utilised as at balance date:</b>			
– Credit cards/purchase cards		10	4
<b>Total financing arrangements utilised</b>		<b>10</b>	<b>4</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 and other payables are disclosed in Note 15.

**(ii) 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 construction works – \$68k

Westpac Bank – favouree RailCorporation – security for construction works – \$50k

**(f) Net cash flows attributable to discontinued operations**

Please refer to Note 24 for details of cash flows that relate to discontinued operations



## Hornsby Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2017	Actual 2016
<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 and equipment</b>			
Buildings		90	6
Plant and equipment		41	74
Land improvements		41	332
Infrastructure – roads, bridges and footpaths		854	145
Stormwater drainage		193	3
Recreational facilities		3,104	2,878
Corporate system replacement		–	1,009
Hornsby Quarry remediation		5,806	7,333
<b>Total commitments</b>		<b>10,129</b>	<b>11,780</b>
<b>These expenditures are payable as follows:</b>			
Within the next year		7,526	8,747
Later than one year and not later than 5 years		2,603	3,033
Later than 5 years		–	–
<b>Total payable</b>		<b>10,129</b>	<b>11,780</b>
<b>Sources for funding of capital commitments:</b>			
Unrestricted general funds		357	557
Externally restricted reserves		3,966	2,881
Internally restricted reserves		5,806	8,342
<b>Total sources of funding</b>		<b>10,129</b>	<b>11,780</b>

**(b) Finance lease commitments**

Council has no finance lease commitments

**(c) Operating lease commitments (non-cancellable)****a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:**

Within the next year	156	199
Later than one year and not later than 5 years	273	400
<b>Total non-cancellable operating lease commitments</b>	<b>429</b>	<b>599</b>

**b. Non-cancellable operating leases include the following assets:**

Computer equipment under a Master Lease Agreement with Macquarie Bank. Contingent rentals may be payable depending on the condition of items or usage during the lease term.

**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.

## Hornsby Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 13a(i). Statement of performance measurement – indicators

\$ '000	Amounts	Indicator	Prior periods		Benchmark
	2017	2017	2016	2015	
<b>Local government industry indicators – consolidated</b>					
<b>1. Operating performance ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<u>8,720</u>	<b>6.86%</b>	10.73%	10.91%	>= 0.00%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<u>127,198</u>				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	<u>115,297</u>	<b>79.32%</b>	66.82%	73.10%	>= 60.00%
Total continuing operating revenue <sup>(1)</sup>	<u>145,355</u>				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions <sup>(2)</sup>	<u>95,350</u>	<b>3.94x</b>	4.02x	3.33x	>= 1.50x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	<u>24,179</u>				
<b>4. Debt service cover ratio</b>					
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<u>25,879</u>	<b>10.74x</b>	14.95x	6.26x	>= 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>2,409</u>				
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	<u>1,713</u>	<b>1.91%</b>	1.83%	2.22%	< 5.00% Metro
Rates, annual and extra charges collectible	<u>89,911</u>				
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<u>175,157</u>	<b>20.70 mths</b>	13.2 mths	10.0 mths	>= 3 mths
Payments from cash flow of operating and financing activities	<u>8,461</u>				

## Note 13a(i). Statement of performance measurement – voluntary indicators

**7. Debt service ratio**

Debt redemption during the year and interest applicable for the year	<u>2,409</u>	<b>1.73%</b>	1.47%	4.24%	>0.00% and < 20.00%
Income from continuing operations excluding specific purpose operating and capital grants and contributions	<u>139,316</u>				

**Notes**

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

<sup>(2)</sup> Refer Notes 6-8 inclusive.

Also excludes any real estate and land for resale not expected to be sold in the next 12 months.

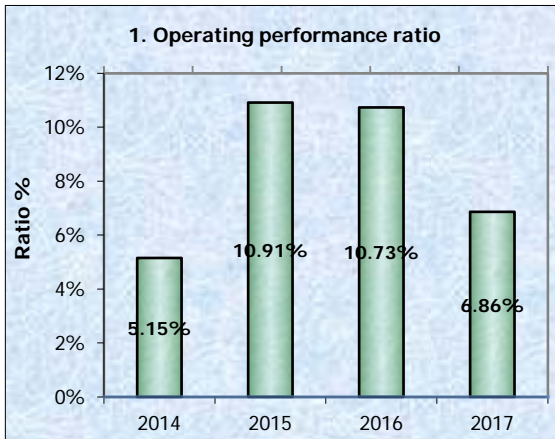
<sup>(3)</sup> Refer to Note 10(a).

<sup>(4)</sup> Refer to Note 10(a)(ii) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

# Hornsby Shire Council

## Notes to the Financial Statements for the year ended 30 June 2017

### Note 13a(ii). Local government industry indicators – graphs



**Purpose of operating performance ratio**

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



**Commentary on 2016/17 result**

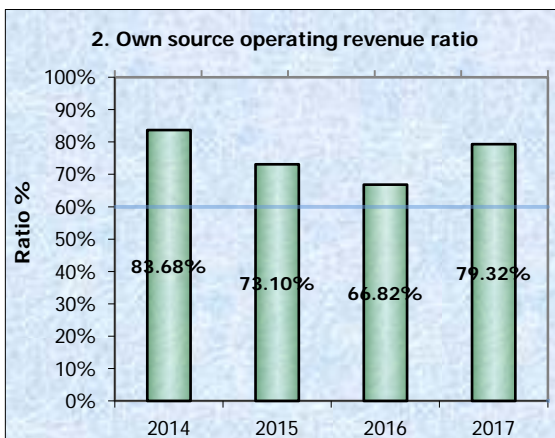
**2016/17 ratio 6.86%**

The ratio has decreased as a result of loss of income to the City of Parramatta Council following the boundary adjustment proclaimed by the NSW Government on 12 May 2016.

Benchmark: ——— Minimum  $\geq 0.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

 Ratio achieves benchmark  
 Ratio is outside benchmark



**Purpose of own source operating revenue ratio**

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



**Commentary on 2016/17 result**

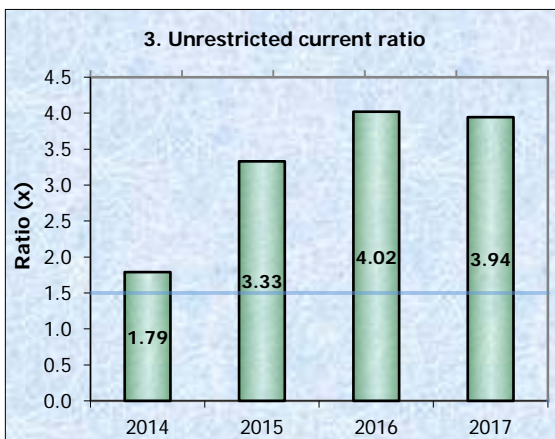
**2016/17 ratio 79.32%**

The increase of the ratio is due to a decrease in S94 and S94A income from \$47.2m in 2016 to \$17.8m in 2017.

Benchmark: ——— Minimum  $\geq 60.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

 Ratio achieves benchmark  
 Ratio is outside benchmark



**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 2016/17 result**

**2016/17 ratio 3.94x**

The Unrestricted Current Ratio remains consistent and above the benchmark minimum of 1.5.

Benchmark: ——— Minimum  $\geq 1.50$

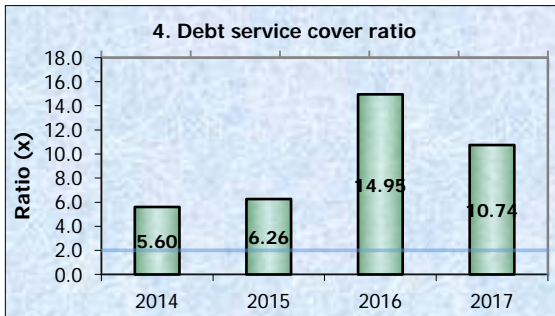
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

 Ratio achieves benchmark  
 Ratio is outside benchmark

# Hornsby Shire Council

## Notes to the Financial Statements for the year ended 30 June 2017

### Note 13a(ii). Local government industry indicators – graphs



**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 2016/17 result**

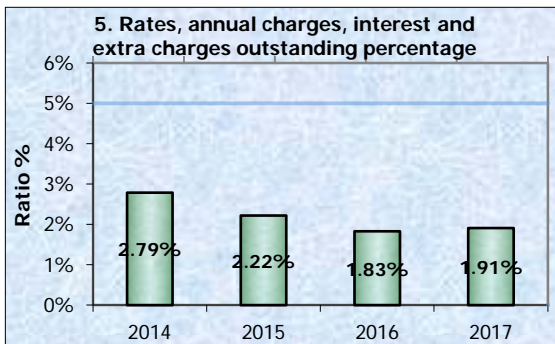
**2016/17 ratio 10.74x**

The ratio has decreased due to the decline in operating results. No new debt has been taken out within the year ( 2016 also \$NIL)

Benchmark: Minimum >=2.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark  
 Ratio is outside benchmark



**Purpose of rates and 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 2016/17 result**

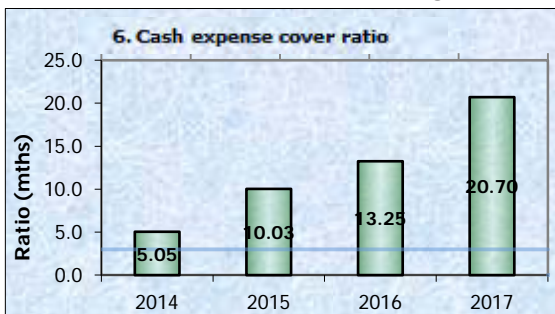
**2016/17 ratio 1.91%**

A decrease in rates and annual charges levied for the current year has caused the ratio to increase. The decrease is due to income transferred to the City of Parramatta as a result of the boundary adjustment.

Benchmark: Maximum <5.00%

Source for Benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio is within Benchmark  
 Ratio is outside Benchmark



**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 2016/17 result**

**2016/17 ratio 20.70 mths**

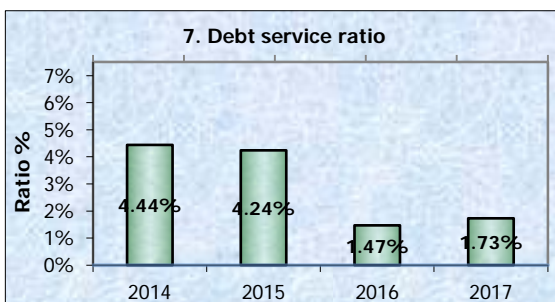
The increase in the ratio is due to a higher cash balance that increased from \$128m in 2016 to \$175m in 2017.

Benchmark: Minimum >=3.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark  
 Ratio is outside benchmark

### Note 13a(ii). Voluntary industry indicators – graphs



**Purpose of debt service ratio**

This ratio measures the percentage of Council's income required to service debt obligations.

**Commentary on 2016/17 result**

**2016/17 ratio 1.73%**

The ratio is well below the benchmark of 20% and is forecast to fall below 1% within the next two years.

Benchmark: Minimum >=0.00% Maximum <=20.00%

Source for benchmark: Fit for the future reform indicator (disclosed voluntarily)

Ratio achieves benchmark  
 Ratio is outside benchmark

## Hornsby Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 14. Investment properties

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 and financial liabilities recognised in the financial statements is presented below.

	Carrying value		Fair value	
	2017	2016	2017	2016
<b>Financial assets</b>				
Cash and cash equivalents	30,657	20,697	30,657	20,697
Investments				
– 'Held to maturity'	144,500	107,000	144,500	107,000
Receivables	7,374	10,274	7,374	10,274
<b>Total financial assets</b>	<b>182,531</b>	<b>137,971</b>	<b>182,531</b>	<b>137,971</b>
<b>Financial liabilities</b>				
Payables	34,886	24,627	34,886	24,627
Loans/advances	3,397	5,532	3,397	5,532
<b>Total financial liabilities</b>	<b>38,283</b>	<b>30,159</b>	<b>38,283</b>	<b>30,159</b>

Fair value is determined as follows:

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

## Hornsby Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 15. Financial risk management (continued)

\$ '000

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

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

Council has an investment policy which complies with the *Local Government Act 1993* and Minister's investment order. 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 and investments.

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

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>2017</b>				
Possible impact of a 1% movement in interest rates	1,752	1,752	(1,752)	(1,752)
<b>2016</b>				
Possible impact of a 1% movement in interest rates	1,277	1,277	(1,277)	(1,277)

## Hornsby Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 15. Financial risk management (continued)

\$ '000

##### (b) Credit risk

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

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

Council manages 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 and annual charges at higher than market rates which further encourages the payment of debt.

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

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

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

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

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

	2017	2017	2016	2016
	Rates and	Other	Rates and	Other
	annual	receivables	annual	receivables
	charges		charges	
<b>(i) Ageing of receivables – %</b>				
Current (not yet overdue)	0%	60%	0%	61%
Overdue	100%	40%	100%	39%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

		2017	2017	2016	2016
	Rates and	Other	Rates and	Other	
	annual	receivables	annual	receivables	
	charges		charges		
<b>(ii) Ageing of receivables – value</b>					
<b>Rates and annual charges</b>					
Current	Current	–	3,582	–	5,245
< 1 year overdue	0 – 30 days overdue	883	778	1,098	2,134
1 – 2 years overdue	31 – 60 days overdue	188	226	215	850
2 – 5 years overdue	61 – 90 days overdue	251	49	265	152
> 5 years overdue	> 91 days overdue	203	1,355	199	208
		<b>1,525</b>	<b>5,990</b>	<b>1,777</b>	<b>8,589</b>

	2017	2016
<b>(iii) Movement in provision for impairment of receivables</b>		
Balance at the beginning of the year	92	72
+ new provisions recognised during the year	59	67
– amounts already provided for and written off this year	(10)	(47)
<b>Balance at the end of the year</b>	<b>141</b>	<b>92</b>

## Hornsby Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 15. Financial risk management (continued)

\$ '000

##### (c) Liquidity risk

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

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

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

The contractual undiscounted cash outflows (ie. principal and interest) of Council's payables and 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>2017</b>									
Trade/other payables	471	34,415	–	–	–	–	–	34,886	<b>34,886</b>
Loans and advances	–	1,295	994	699	411	270	262	3,931	<b>3,397</b>
<b>Total financial liabilities</b>	<b>471</b>	<b>35,710</b>	<b>994</b>	<b>699</b>	<b>411</b>	<b>270</b>	<b>262</b>	<b>38,817</b>	<b>38,283</b>
<b>2016</b>									
Trade/other payables	552	24,075	–	–	–	–	–	24,627	<b>24,627</b>
Loans and advances	–	2,409	1,295	994	699	411	532	6,340	<b>5,532</b>
<b>Total financial liabilities</b>	<b>552</b>	<b>26,484</b>	<b>1,295</b>	<b>994</b>	<b>699</b>	<b>411</b>	<b>532</b>	<b>30,967</b>	<b>30,159</b>

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

The following interest rates were applicable to Council's borrowings at balance date:

	2017		2016	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	34,886	0.00%	24,627	0.00%
Loans and advances – fixed interest rate	3,397	7.15%	5,532	7.27%
	<u>38,283</u>		<u>30,159</u>	



## Hornsby Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 16. Material budget variations

\$ '000

Council's revised financial budget at the September 16/17 First Quarter Review has been used to calculate material budget variations. This was the first opportunity to revise the original financial budget following the boundary adjustment announced by the NSW government on 12 May 2016.

Council's original financial budget was adopted by the Council on 08/06/2016, and the September 16 Quarter Review was received and noted on 09/11/2016.

This note sets out the details of material variations between Council's 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	2017 Budget	2017 Actual	2017 Variance* -----	-----	
<b>REVENUES</b>					
<b>Rates and annual charges</b>	<b>87,716</b>	<b>87,833</b>	<b>117</b>	<b>0%</b>	<b>F</b>
<b>User charges and fees</b>	<b>14,349</b>	<b>14,643</b>	<b>294</b>	<b>2%</b>	<b>F</b>
<b>Interest and investment revenue</b>	<b>3,205</b>	<b>4,652</b>	<b>1,447</b>	<b>45%</b>	<b>F</b>
The cash balance increased from \$127,697k in 2016 to \$175,157k in 2017, which resulted in higher than expected investment income.					
Additionally, Council achieved an annualised return on investment of 2.75%, higher than the base rate of 1.52%.					
<b>Other revenues</b>	<b>6,266</b>	<b>8,168</b>	<b>1,902</b>	<b>30%</b>	<b>F</b>
Income for other revenue is greater than expected due to \$517k revenue for services provided to the City of Parramatta Council following the boundary adjustment.					
Additionally:					
– Income from Commercial Rent exceeded the budget by \$397k.					
– Income from Fines was \$379k greater than the budget.					
– Kiosk sales at Council's Aquatic Centres generated \$379k of income greater than budgeted.					
– Income from Prosecutions & Infringements was \$206k greater than the budget.					
<b>Operating grants and contributions</b>	<b>11,300</b>	<b>11,901</b>	<b>601</b>	<b>5%</b>	<b>F</b>
<b>Capital grants and contributions</b>	<b>17,256</b>	<b>18,157</b>	<b>901</b>	<b>5%</b>	<b>F</b>
<b>Net gains from disposal of assets</b>	<b>17,350</b>	<b>16,896</b>	<b>(454)</b>	<b>(3%)</b>	<b>U</b>

## Hornsby Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 16. Material budget variations (continued)

\$ '000	2017 Budget	2017 Actual	2017 Variance*		
<b>EXPENSES</b>					
Employee benefits and on-costs	47,629	45,498	2,131	4%	F
Borrowing costs	297	274	23	8%	F
Materials and contracts	43,494	43,452	42	0%	F
Depreciation and amortisation	16,869	16,885	(16)	(0%)	U
Other expenses	13,565	12,369	1,196	9%	F

\$ '000	2017 Budget	2017 Actual	2017 Variance*		
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## Budget variations relating to Council's Cash Flow Statement include:

<b>Cash flows from operating activities</b>	<b>39,280</b>	<b>57,427</b>	<b>18,147</b>	<b>46.2%</b>	<b>F</b>
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Cash flows from operating activities increased due to cash collected during the year on behalf of the City of Parramatta Council that has not yet been paid.

<b>Cash flows from investing activities</b>	<b>(15,928)</b>	<b>(45,332)</b>	<b>(29,404)</b>	<b>184.6%</b>	<b>U</b>
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Cash outflows from investing activities exceed the budget due to higher than expected purchases of investment securities.

<b>Cash flows from financing activities</b>	<b>(2,113)</b>	<b>(2,135)</b>	<b>(22)</b>	<b>1.0%</b>	<b>U</b>
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## Hornsby Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 17. Statement of developer contributions

\$ '000

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

The difference between income from Developer Contributions in Note 3 (f) and Contributions Received during the year is due to an estimate of the amount of contributions received that may need to be transferred to the City of Parramatta as a result of the boundary adjustment announced by the NSW government on 12 May 2016.

#### SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Transfers	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	4,050	1,023	-	92	(1,658)	-	3,507	-
Open space	32,713	14,213	-	1,058	(10,504)	-	37,480	-
Community facilities	17,662	3,481	-	555	(90)	-	21,608	-
S94 administration	408	56	-	-	(50)	-	414	-
Transfer to Old Plan	3,197	-	-	-	-	(3,197)	-	-
Rural roads (transferred to S94)	-	271	-	-	-	2,880	3,151	-
<b>S94 contributions – under a plan</b>	<b>58,030</b>	<b>19,044</b>	<b>-</b>	<b>1,705</b>	<b>(12,302)</b>	<b>(317)</b>	<b>66,160</b>	<b>-</b>
<b>S94A levies – under a plan</b>	<b>2,990</b>	<b>1,304</b>	<b>-</b>	<b>105</b>	<b>(49)</b>	<b>-</b>	<b>4,350</b>	<b>-</b>
<b>Total S94 revenue under plans</b>	<b>61,020</b>	<b>20,348</b>	<b>-</b>	<b>1,810</b>	<b>(12,351)</b>	<b>(317)</b>	<b>70,510</b>	<b>-</b>
<b>Total contributions</b>	<b>61,020</b>	<b>20,348</b>	<b>-</b>	<b>1,810</b>	<b>(12,351)</b>	<b>(317)</b>	<b>70,510</b>	<b>-</b>

## Hornsby Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2017

## 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	Transfers - rural roads	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	4,050	1,023	-	92	(1,658)	-	3,507	-
Open space	32,713	14,213	-	1,058	(10,504)	-	37,480	-
Community facilities	17,662	3,481	-	555	(90)	-	21,608	-
S94 administration	408	56	-	-	(50)	-	414	-
Transfer to Old Plan	3,197	-	-	-	-	(3,197)	-	-
Rural roads (transferred to S94)	-	271	-	-	-	2,880	3,151	-
<b>Total</b>	<b>58,030</b>	<b>19,044</b>	<b>-</b>	<b>1,705</b>	<b>(12,302)</b>	<b>(317)</b>	<b>66,160</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	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Other	2,990	1,304	-	105	(49)	-	4,350	-
<b>Total</b>	<b>2,990</b>	<b>1,304</b>	<b>-</b>	<b>105</b>	<b>(49)</b>	<b>-</b>	<b>4,350</b>	<b>-</b>

## Hornsby Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 18. Contingencies and 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 and disclosure is considered relevant to the users of Council's financial report.

#### LIABILITIES NOT RECOGNISED:

##### 1. Guarantees

###### (i) Defined benefit superannuation contribution plans

Council participates in an employer-sponsored defined benefit superannuation scheme, and makes contributions as determined by the superannuation scheme's trustees.

Member councils bear responsibility of ensuring there are sufficient funds available to pay out the required benefits as they fall due.

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 its 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 Council's 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.

## Hornsby Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 18. Contingencies and 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 Council's 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.

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

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

At the 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

The filling of the Quarry void has commenced and is being managed by the NSW Government through North Connex.

Council is not legally obliged to remediate the site, therefore a provision for future costs has not been recognised in line with AASB 137. Instead, expenditure is recognised in Capital Works In Progress as it is incurred and will be capitalised once works have been completed.

Council has sufficient cash reserves available to carry out remediation works to the level of funds set aside against an internally restricted for this purpose as disclosed in Note 6c.

#### 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.

## Hornsby Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 18. Contingencies and other assets/liabilities not recognised (continued)

\$ '000

##### ASSETS NOT RECOGNISED (continued):

###### (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.

##### LOCAL GOVERNMENT REFORM

On 12 May 2016 a boundary adjustment between Hornsby and the City of Parramatta Council was announced by the NSW Government and all assets south of the M2 motorway were transferred to the City of Parramatta.

Council had been supportive of the NSW Government's reform agenda on the understanding that a larger council would provide benefits to ratepayers. However, on 27 July 2017, the NSW Government announced the proposed merger between Hornsby and Ku-ring-gai Councils would not proceed.

Council's budget has been affected negatively through the loss of the area south of the M2 motorway and it is now clear any financial benefits from a proposed merger with Ku-ring-gai Council will not eventuate.

As a result of the NSW Government's abandoned local government reform process, Council has submitted two separate Alteration of Boundaries Proposals to the Minister for Local Government. A response to these proposals is pending at the date of signing the Financial Statements.

Liabilities payable to the City of Parramatta for income generated south of the M2 motorway since the boundary adjustment was proclaimed have been recognised at 30 June 2017. These have been calculated using management's best estimate after taking account of all known considerations and taking a conservative approach.

## Hornsby Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 19. Interests in other entities

Council has no interest in any controlled entities, joint arrangements or associates.

#### Note 20. Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Retained earnings</b>			
<b>Movements in retained earnings were as follows:</b>			
Balance at beginning of year (from previous years audited accounts)		1,050,566	1,158,558
a. Correction of prior period errors - Community Land	20 (c)	–	(75,755)
b. Net operating result for the year		43,773	(91,737)
c. Transfers between equity		4,608	59,500
<b>Balance at end of the reporting period</b>		<b><u>1,098,947</u></b>	<b><u>1,050,566</u></b>
<b>(b) Revaluation reserves</b>			
<b>(i) Reserves are represented by:</b>			
Infrastructure, property, plant and equipment revaluation reserve		506,923	472,569
<b>Total</b>		<b><u>506,923</u></b>	<b><u>472,569</u></b>
<b>(ii) Reconciliation of movements in reserves:</b>			
<b>Infrastructure, property, plant and equipment revaluation reserve</b>			
Opening balance		472,569	506,066
Correction of prior period errors – Community Land		–	(1,131)
Revaluations for the year	9(a)	38,962	27,134
Transfer to retained earnings for asset disposals		(4,608)	(59,500)
<b>Balance at end of year</b>		<b><u>506,923</u></b>	<b><u>472,569</u></b>
<b>TOTAL VALUE OF RESERVES</b>		<b><u>506,923</u></b>	<b><u>472,569</u></b>

#### (iii) Nature and purpose of reserves

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

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

#### (c) Correction of error/s relating to a previous reporting period

Council made no correction of errors during the current reporting period.

#### (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 year ended 30 June 2017

#### Note 21. Financial result and financial position by fund

Council utilises only a general fund for its operations.

#### Note 22. 'Held for sale' non-current assets and disposal groups

Council did not classify any non-current assets or disposal groups as 'held for sale'.

#### Note 23. Events occurring after the reporting date

---

Events that occur between the end of the reporting period (30 June 2017) 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 16/10/17.

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 2017.

##### **(ii) Events that provide evidence of conditions that arose after the reporting period**

These financial statements (and figures therein) do not incorporate any 'non-adjusting events' that have occurred after 30 June 2017 and which are only indicative of conditions that arose after 30 June 2017.

**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 year ended 30 June 2017

## Note 24. Boundary adjustment

\$ '000		Actual 2017	Actual 2016
<b>(i) Discontinued operations</b>			
On 12 May 2016 the NSW government announced the creation of 19 new Councils in NSW. Although Hornsby Shire Council was not merged with another Council, its boundaries were adjusted and all assets south of the M2 motorway were transferred to the City of Parramatta Council.			
There was no compensation associated with the boundary adjustment.			
<b>Boundary adjustment</b>			
Expenses from boundary adjustment	24 (v)	–	(161,382)
<b>Gross profit/(loss) relating to boundary adjustment</b>		<b>–</b>	<b>(161,382)</b>
<b>(ii) Details of the boundary adjustment</b>			
Carrying amount of non current assets transferred		–	(146,801)
Carrying amount of liabilities transferred		–	1,000
Carrying amount of developer contributions transferred		–	(14,079)
Carrying amount of waste management external reserves transferred		–	(176)
Transfer of rates income for the year ended 30 June 2016		–	(1,326)
<b>Profit/(loss) on boundary adjustment</b>		<b>–</b>	<b>161,382</b>

## Hornsby Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 25. Intangible assets

\$ '000	Actual 2017	Actual 2016
Intangible assets represent identifiable non-monetary assets 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)	(8,604)	(8,602)
Accumulated impairment (1/7)	–	–
<b>Net book value – opening balance</b>	<b>4</b>	<b>6</b>
<b>Movements for the year</b>		
– Purchases	1,771	–
– Amortisation charges	(87)	(2)
– Gross book value written off	(8,609)	–
– Accumulated amortisation charges written off	8,604	–
<b>Closing values:</b>		
Gross book value (30/6)	1,770	8,608
Accumulated amortisation (30/6)	(87)	(8,604)
Accumulated impairment (30/6)	–	–
<b>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</b> <sup>1</sup>	<b>1,683</b>	<b>4</b>

<sup>1</sup> The net book value of intangible assets represent:

Software	1,683	4
	<b>1,683</b>	<b>4</b>

## Note 26. Reinstatement, rehabilitation and 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 year ended 30 June 2017

#### 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

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 and recognised at fair values:

2017	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>					
<b>Infrastructure, property, plant and equipment</b>					
Operational land	30/06/13	–	111,370	–	111,370
Community land	30/04/16	–	–	350,405	350,405
Buildings (specialised and non-specialised)	30/06/14	–	–	94,816	94,816
Roads, bridges, footpaths and bulk earthworks	30/06/17	–	–	411,893	411,893
Stormwater drainage	30/06/17	–	–	393,809	393,809
Swimming pools	30/06/14	–	–	30,458	30,458
Catchment remediation assets	30/06/16	–	–	13,258	13,258
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>111,370</b>	<b>1,294,639</b>	<b>1,406,009</b>

## Hornsby Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2017

## Note 27. Fair value measurement (continued)

\$ '000

## (1) All assets and liabilities that have been measured and recognised at fair values (continued):

2016	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>					
<b>Infrastructure, property, plant and equipment</b>					
Operational land	30/06/13	–	117,234		117,234
Community land	30/04/16	–	–	348,719	348,719
Buildings (specialised and non-specialised)	30/06/14	–	–	99,767	99,767
Roads, bridges, footpaths and bulk earthworks	30/06/16	–	–	388,246	388,246
Stormwater drainage	30/06/16	–	–	385,323	385,323
Swimming pools	30/06/14	–	–	30,965	30,965
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>117,234</b>	<b>1,253,020</b>	<b>1,370,254</b>

## (2) Transfers between level 1 and level 2 fair value hierarchies

During the year, there were no transfers between fair value hierarchies for recurring fair value measurements.

## Hornsby Shire Council

### Notes to the Financial Statements for the year ended 30 June 2017

#### Note 27. Fair value measurement (continued)

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

Council's non-current assets are continually remeasured to fair value (over a minimum of a 5 year period) in accordance with the 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 (i.e. level 1 inputs), Council instead utilises a spread of both observable inputs (level 2 inputs) and unobservable inputs (level 3 inputs).

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

##### **Infrastructure, property, plant and equipment**

###### Buildings (Specialised and Non-Specialised)

Council engages an independent, qualified expert, Scott Fullerton Valuations Pty Limited to determine the fair value of buildings, which were last remeasured at 30 June 2014.

In line with AASB 13 fair value is calculated using depreciated replacement cost methodology. Gross replacement cost is calculated from the summation of the current replacement unit cost of the individual components of each building. Accumulated depreciation is calculated from the condition of each component, which is used to determine the amount of economic benefit consumed. Gross replacement cost less accumulated depreciation equates to fair value.

The current replacement unit cost rates of each component are a key unobservable input (level 3) in the calculation. These rates are benchmarked to the construction cost of similar properties to ensure they are appropriate.

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

Council engages an independent, qualified expert to determine the fair value of operational land. Fair value is calculated with reference to current prices in an active market for similar properties and used to calculate square meter unit rates. Where such information is not available the price of different properties in active markets or price of similar properties in less active markets, adjusted to reflect differences are used. Consideration is paid to the inherent features of each property such as usability, fire and flood risk with adjustments made if appropriate.

The valuation of community land is performed internally as there is no active market. Fair value is determined from square meter unit rates supplied by the Valuer General, which are used for rating purposes.

Community and operational land were last remeasured to fair value at 30 June 2016 and 30 June 2013, respectively.

Square meter unit rates are a key unobservable input in each the calculations.

###### Infrastructure assets

Valuations for infrastructure assets are performed internally as there is no active market for assets of this nature. Gross replacement cost is calculated from the summation of the current replacement unit cost of the individual components of each asset. The cost of each component is determined from the unit rate, usually in square meters multiplied by the dimensions of the component of the asset. All infrastructure assets are subject to ongoing condition assessment. Accumulated depreciation is calculated from the condition of each asset,

## Hornsby Shire Council

### Notes to the Financial Statements for the year ended 30 June 2017

#### Note 27. Fair value measurement (continued)

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which is used to determine the amount of economic benefit consumed. Gross replacement cost less accumulated depreciation equates to fair value.

Square meter unit rates are a key unobservable input in the calculation.

##### All Other Asset Classes

Historic cost is deemed to represent fair value for all other asset classes.

##### **(4). Highest and best use**

A reconciliation of movements for these assets is included within Note 9a.

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

All non-financial assets are utilised at their highest and best use.

## Hornsby Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 28. Related party disclosures

\$ '000

##### a. Key management personnel

Key management personnel (KMP) of the council are those persons having the authority and responsibility for planning, directing and controlling the activities of the council, directly or indirectly. The aggregate amount of KMP compensation included in the Income Statement is:

	Actual 2017
<b>Short term benefits</b>	
Salaries and other short term benefits	1,808,913
<b>Post-employment benefits</b>	
Superannuation – Senior Staff	140,432
<b>Other long-term benefits</b>	
Long service leave entitlement	77,319
<b>Total</b>	<u>2,026,664</u>

##### b. Other transactions with KMP and their related parties

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

There were no other transactions between KMP and Council in the year ended 30 June 2017.



## Hornsby Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 29. Council information and 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)

**Other information**

**ABN:** 20 706 996 972



**INDEPENDENT AUDITOR'S REPORT**  
**Report on the general purpose financial statements**  
**Hornsby Shire Council**

To the Councillors of the Hornsby Shire Council

## **Opinion**

I have audited the accompanying financial statements of Hornsby Shire Council (the Council), which comprise the statement of financial position as at 30 June 2017, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion,

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
  - have been presented, in all material respects, in accordance with the requirements of this Division
  - are consistent with the Council's accounting records
  - present fairly, in all material respects, the financial position of the Council as at 30 June 2017, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

## **Basis for Opinion**

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of councils
- precluding the Auditor-General from providing non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Other Matter**

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on that financial statements on 13 October 2016.

### **The Councillors' Responsibility for the Financial Statements**

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

In preparing the financial statements, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

### **Auditor's Responsibility for the Audit of the Financial Statements**

My objectives are to:

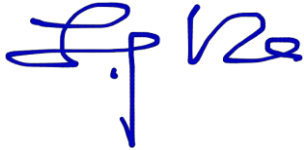
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar3.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf). The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, Note 2(a) and Note 16 budget variation explanations
- on the attached Special Schedules
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Weini Liao  
Director, Financial Audit Services

20 October 2017  
SYDNEY

Philip Ruddock  
Mayor  
Hornsby Shire Council  
296 Peats Ferry Rd (formerly Pacific Highway)  
HORNSBY NSW 2077

Contact: Weini Liao  
Phone no: 02 9275 7432  
Our ref: D1727076/1741

20 October 2017

Dear Mayor

**Report on the Conduct of the Audit  
for the year ended 30 June 2017  
Hornsby Shire Council**

I have audited the general purpose financial statements of Hornsby Shire Council (the Council) for the year ended 30 June 2017 as required by s415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's general purpose financial statements.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2017 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

## **INCOME STATEMENT**

### **Operating result**

	<b>2017</b>	<b>2016</b>	<b>Variance</b>
	<b>\$m</b>	<b>\$m</b>	<b>%</b>
Rates and annual charges revenue	87.8	94.8	(7.4) ↓
Grants and contributions revenue	30.1	62.6	(51.9) ↓
Operating result for the year	43.8	69.6	(37.1) ↓
Net operating result before capital amounts	25.6	(143.8)	117.8 ↑

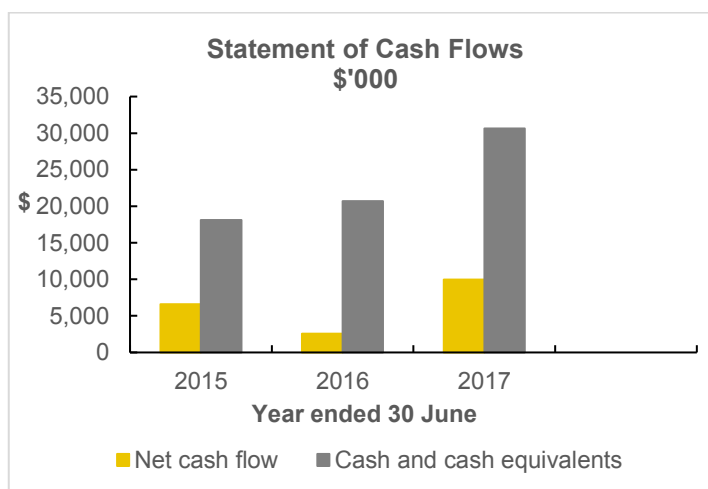
- The operating result from continuing operations for the year is a surplus of \$43.8 million (2016: \$69.6 million) including the effect of depreciation expense of \$16.9 million (2016: \$18.6 million). The decline in the operating result is attributable to rates and annual charges revenue reducing by \$7.0 million due to the loss of rateable properties as part of the boundary adjustment in 12 May 2016.
- Grants and contributions revenue decrease of \$32.5 million was driven by a substantial reduction in s94 developer contributions from the boundary adjustment resulted in loss of Epping ward where there was a large volume of developer activities.
- The net operating result before capital amounts increased by \$169.5 million to \$25.6 million. This increase was primarily driven by the one-off loss from boundary adjustment of \$161.4 million in the prior year. The current year result also included a gain on disposal of assets of \$8.7 million from the sale of a preschool and excess buildings.

## STATEMENT OF CASH FLOWS

Operating cash flows were significantly impacted by a reduction in grants and contributions, specifically s94 contributions (from \$63.9 million in 2015-16 to \$31.6 million in 2016-17).

Investing cash flows improved by \$31.8 million mainly as a result of reduced spending on infrastructure, property assets and the sale of assets.

The net increase in cash and cash equivalents was \$10 million after a net cash outflow into investment securities of \$37.5 million.



## FINANCIAL POSITION

### Cash and Investments

Restricted Cash and Investments	2017	2016	Commentary
	\$m	\$m	
External restrictions	85.5	69.2	Cash and investments increased as a result of the Council's operating surplus and increase in purchase of investments.
Internal restrictions	71.4	52.7	
Unrestricted	18.3	5.7	
Cash and investments	175.2	127.7	Internally restricted cash and investments are restricted due to Council policy or decisions for forward plans including works program. The Council received proceeds on the sale of non-current assets disposed of in the previous years, which have been restricted.

The increase in unrestricted cash reflects rate income collected in relation to areas now part of the City of Parramatta pending settlement.

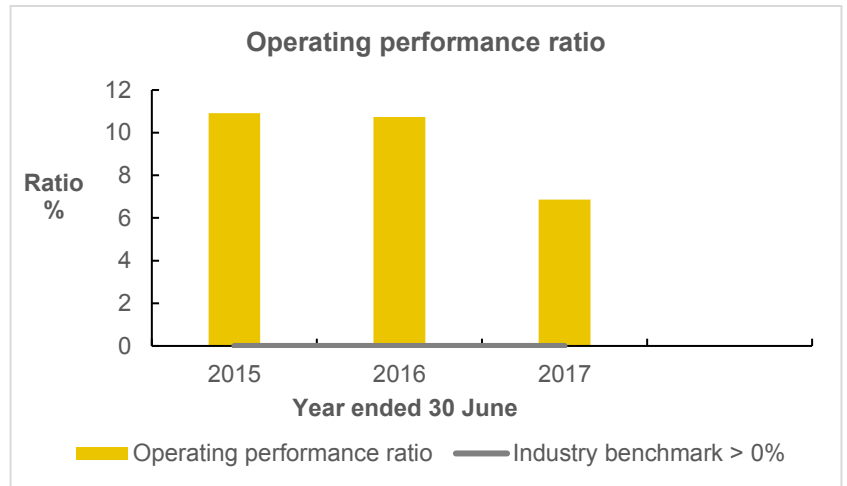
## PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 13 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's Special Schedule 7.

### Operating performance ratio

Council continues to exceed the benchmark. The operating performance ratio decreased due to loss of income from the boundary adjustment proclaimed on 12 May 2016.

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

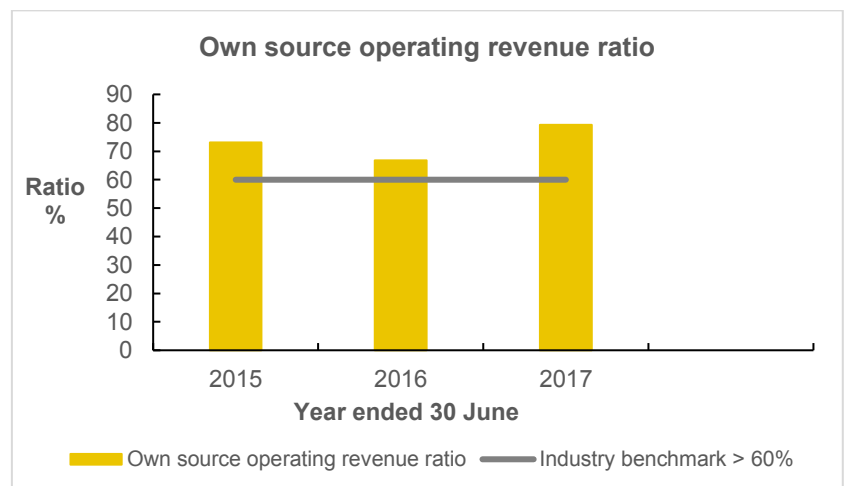


### Own source operating revenue ratio

Council's own source operating revenue ratio of 79.3 per cent reflects a low level of reliance on externally sourced grant revenue and exceeded the OLG benchmark of greater than 60 per cent.

The ratio has remained relatively stable above the benchmark over the last three years. The increase is due to lower Section 94 contributions received in the current year.

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

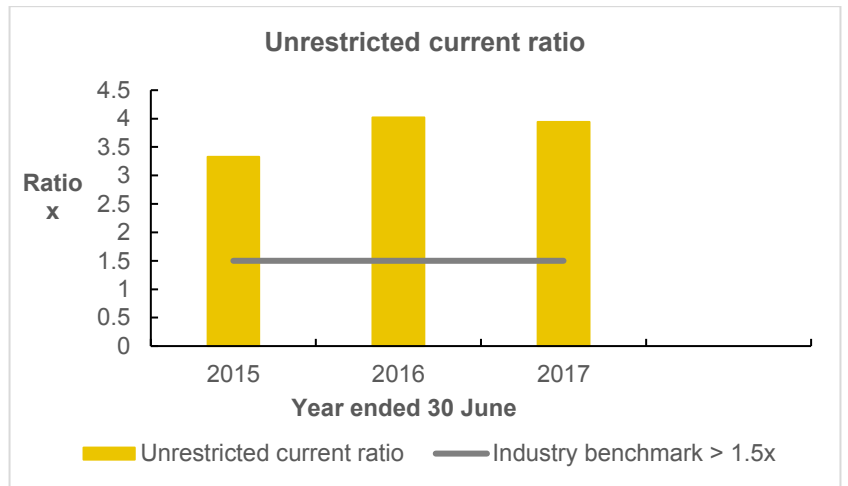


## Unrestricted current ratio

This ratio indicates that Council currently has \$3.9 of unrestricted assets available to service every \$1.0 of its unrestricted current liabilities. This reflects a sizable operating buffer for use in Council's operations and exceeded the OLG benchmark of greater than 1.5 times.

Council continues to exceed the benchmark due to the significant cash reserves accumulated over the years.

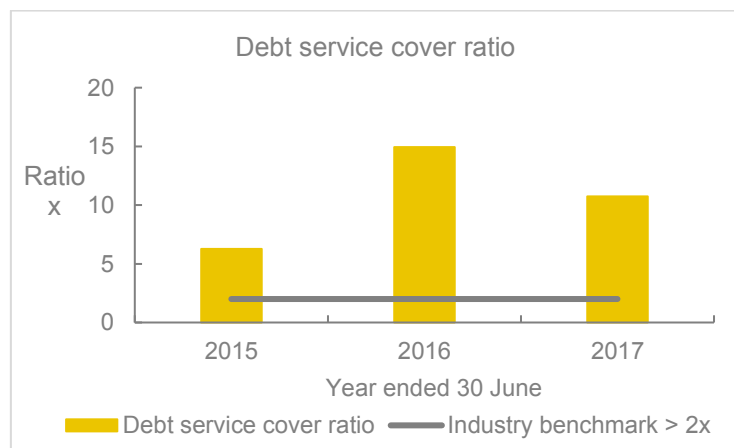
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



## Debt service cover ratio

Council's debt service cover ratio of 10.7 times reflects the continued repayments made on Council's existing debt facilities and exceeded the OLG benchmark of greater than two times. The lower ratio in 2016-17 reflects the lower operating result before gain from the disposal of assets.

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



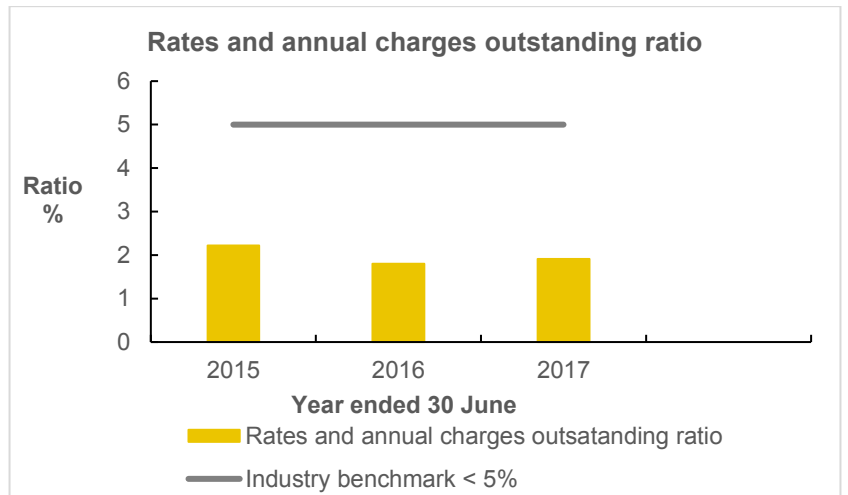


## Rates and annual charges outstanding ratio

Council's rates and annual charges outstanding ratio of 1.9 per cent exceeded the OLG benchmark of less than 5 per cent.

The decrease in rates and annual charges levied for the current year has caused the ratio to increase slightly. The decrease is due to rateable income transferred to the City of Parramatta as a result of the May 2016 boundary adjustment.

The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 5 per cent for metro councils.

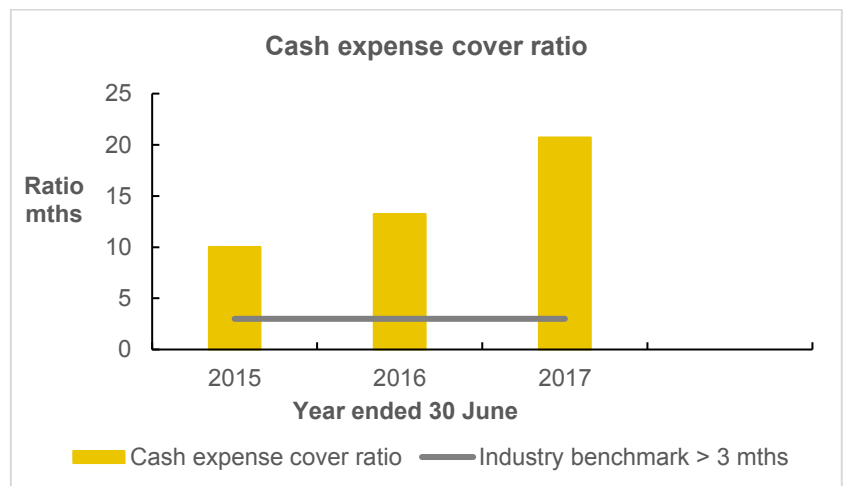


## Cash expense cover ratio

Council exceeded the benchmark of greater than three months due to the significant cash balances increased from \$128 million in 2015-16 to \$175 million in 2016-17.

The higher ratio in 2016-17 from prior years reflects the increase in Council cash and investments and the decrease in cash expenses.

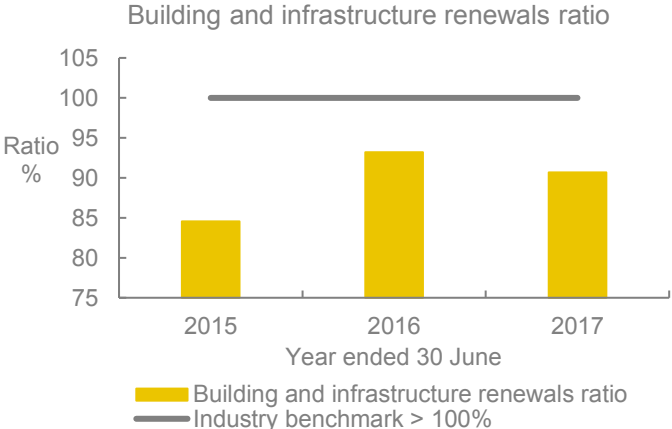
This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.



### Building and infrastructure renewals ratio

The 'building and infrastructure renewals ratio assesses the rate at which these assets are being renewed against the rate at which they are depreciating. The benchmark set by OLG is greater than 100 per cent. The ratio in 2016-17 was impacted by the May 2016 boundary adjustment.

This ratio is sourced from information contained in council's Special Schedule 7 which has not been audited.



## OTHER MATTERS

### Council Entities

The Council has no interest in any controlled entities, joint arrangements or associates

### New accounting standards implemented

#### AASB 124 'Related Party Disclosures'

Effective for annual reporting periods beginning on or 1 July 2016

AASB 2015-6 extended the scope of AASB 124 to include not-for-profit public sector entities. As a result, Council's financial statements disclosed the:

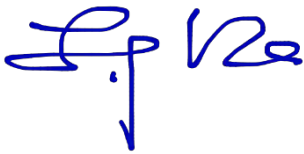
- compensation paid to their key management personnel
- nature of their related party relationships
- amount and nature of their related party transactions, outstanding balances and commitments and outstanding balances (including commitments).

---

### Legislative compliance

My audit procedures did not identify any instances of non-compliance with legislative requirements or a material deficiency in the Council's accounting records or financial reports. The Council's:

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



Weini Liao  
Director, Financial Audit Services

Cc: Stephen Fedorow, Acting General Manager  
Tim Hurst, Acting Chief Executive of the Office of Local Government

# Hornsby Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

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# Hornsby Shire Council

## Special Purpose Financial Statements

for the year ended 30 June 2017

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<b>1. Statement by Councillors and Management</b>	2
<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
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<b>4. Auditor’s Report</b>	11

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### Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
  - (ii) The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.  
  
Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.
  - (iii) For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.  
  
These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).
  - (iv) In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).
-

## Hornsby Shire Council

### Special Purpose Financial Statements for the year ended 30 June 2017

#### Statement by Councillors and Management

made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

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

**To the best of our knowledge and belief, these 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 11 October 2017.**



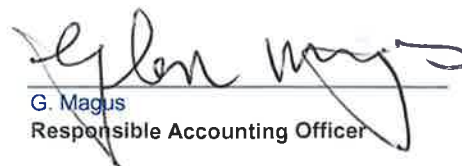
P. Ruddock  
Mayor



V. del Gallego  
Councillor



S. Fedorow  
Acting General Manager



G. Magus  
Responsible Accounting Officer

## Hornsby Shire Council

## Income Statement of Council's Other Business Activities

for the year ended 30 June 2017

	Aquatic Centres & Sports Stadium		Commercial Waste	
	Category 1		Category 2	
\$ '000	Actual 2017	Actual 2016	Actual 2017	Actual 2016
<b>Income from continuing operations</b>				
User charges	4,754	4,690	1,465	1,438
Other income	489	306	498	401
<b>Total income from continuing operations</b>	<b>5,243</b>	<b>4,996</b>	<b>1,963</b>	<b>1,839</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	3,610	3,806	53	45
Materials and contracts	757	686	1,446	1,444
Depreciation, amortisation and impairment	891	1,120	7	30
Calculated taxation equivalents	244	253	–	–
Other expenses	808	824	1	1
<b>Total expenses from continuing operations</b>	<b>6,310</b>	<b>6,689</b>	<b>1,507</b>	<b>1,520</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(1,067)</b>	<b>(1,693)</b>	<b>456</b>	<b>319</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(1,067)</b>	<b>(1,693)</b>	<b>456</b>	<b>319</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>(1,067)</b>	<b>(1,693)</b>	<b>456</b>	<b>319</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	–	–	(137)	(96)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(1,067)</b>	<b>(1,693)</b>	<b>319</b>	<b>223</b>
<b>Plus opening retained profits</b>	33,067	33,283	329	313
<b>Plus adjustments for amounts unpaid:</b>				
– Taxation equivalent payments	244	253	137	96
<b>Add:</b>				
– Subsidy paid/contribution to operations	–	806	–	–
– Capital contributions	489	418	–	–
<b>Less:</b>				
– Dividend paid	(32)	–	(522)	(303)
<b>Closing retained profits</b>	<b>32,701</b>	<b>33,067</b>	<b>263</b>	<b>329</b>
<b>Return on capital %</b>	<b>-2.7%</b>	<b>-4.3%</b>	<b>512.4%</b>	<b>261.5%</b>
<b>Subsidy from Council</b>	<b>2,006</b>	<b>2,482</b>	<b>–</b>	<b>–</b>

## Hornsby Shire Council

## Income Statement of Council's Other Business Activities

for the year ended 30 June 2017

	Development Applications Category 2		Property Services Category 2	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
<b>\$ '000</b>				
<b>Income from continuing operations</b>				
User Charges	–	–	454	531
Fees	642	623	52	47
Other income	–	–	60	2
<b>Total income from continuing operations</b>	<b>642</b>	<b>623</b>	<b>566</b>	<b>580</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	955	761	209	172
Materials and contracts	105	109	101	49
Depreciation, amortisation and impairment	22	28	563	736
Calculated taxation equivalents	11	–	588	575
Other expenses	–	3	–	–
<b>Total expenses from continuing operations</b>	<b>1,093</b>	<b>901</b>	<b>1,461</b>	<b>1,532</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(451)</b>	<b>(278)</b>	<b>(895)</b>	<b>(952)</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(451)</b>	<b>(278)</b>	<b>(895)</b>	<b>(952)</b>
Net Loss from Boundary Adjustment		–	–	(4,513)
<b>Surplus (deficit) from all operations before tax</b>	<b>(451)</b>	<b>(278)</b>	<b>(895)</b>	<b>(5,465)</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	–	–	–	–
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(451)</b>	<b>(278)</b>	<b>(895)</b>	<b>(5,465)</b>
Plus opening retained profits	9	11	21,606	27,072
Plus adjustments for amounts unpaid:				
– Taxation equivalent payments	11	–	588	575
<b>Add:</b>				
– Subsidy paid/contribution to operations	511	276	–	–
<b>Less:</b>				
– Dividend paid	–	–	(4,752)	(576)
<b>Closing retained profits</b>	<b>80</b>	<b>9</b>	<b>16,547</b>	<b>21,606</b>
<b>Return on capital %</b>	<b>-253.4%</b>	<b>-280.8%</b>	<b>-2.8%</b>	<b>-2.6%</b>
<b>Subsidy from Council</b>	<b>451</b>	<b>280</b>	<b>1,655</b>	<b>1,685</b>



## Hornsby Shire Council

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

as at 30 June 2017

	Aquatic Centres & Sports Stadium Category 1		Commercial Waste Category 2	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
<b>\$ '000</b>				
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	101	256	–	–
Receivables	68	72	200	232
Inventories	15	15	–	–
<b>Total Current Assets</b>	<b>184</b>	<b>343</b>	<b>200</b>	<b>232</b>
<b>Non-current assets</b>				
Infrastructure, property, plant and equipment	39,445	39,644	89	122
<b>Total non-current assets</b>	<b>39,445</b>	<b>39,644</b>	<b>89</b>	<b>122</b>
<b>TOTAL ASSETS</b>	<b>39,629</b>	<b>39,987</b>	<b>289</b>	<b>354</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Provisions	223	215	26	25
<b>Total current liabilities</b>	<b>223</b>	<b>215</b>	<b>26</b>	<b>25</b>
<b>TOTAL LIABILITIES</b>	<b>223</b>	<b>215</b>	<b>26</b>	<b>25</b>
<b>NET ASSETS</b>	<b>39,406</b>	<b>39,772</b>	<b>263</b>	<b>329</b>
<b>EQUITY</b>				
Retained earnings	32,701	33,067	263	329
Revaluation reserves	6,705	6,705	–	–
Council equity interest	<b>39,406</b>	<b>39,772</b>	<b>263</b>	<b>329</b>
<b>TOTAL EQUITY</b>	<b>39,406</b>	<b>39,772</b>	<b>263</b>	<b>329</b>

## Hornsby Shire Council

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

as at 30 June 2017

\$ '000	Development Applications		Property Services	
	Category 2		Category 2	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
<b>ASSETS</b>				
<b>Current assets</b>				
Receivables	59	61	114	247
<b>Total Current Assets</b>	<b>59</b>	<b>61</b>	<b>114</b>	<b>247</b>
<b>Non-current assets</b>				
Infrastructure, property, plant and equipment	178	99	31,924	36,847
<b>Total non-current assets</b>	<b>178</b>	<b>99</b>	<b>31,924</b>	<b>36,847</b>
<b>TOTAL ASSETS</b>	<b>237</b>	<b>160</b>	<b>32,038</b>	<b>37,094</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Provisions	157	151	72	69
<b>Total current liabilities</b>	<b>157</b>	<b>151</b>	<b>72</b>	<b>69</b>
<b>TOTAL LIABILITIES</b>	<b>157</b>	<b>151</b>	<b>72</b>	<b>69</b>
<b>NET ASSETS</b>	<b>80</b>	<b>9</b>	<b>31,966</b>	<b>37,025</b>
<b>EQUITY</b>				
Retained earnings	80	9	16,547	21,606
Revaluation reserves	–	–	15,419	15,419
Council equity interest	80	9	31,966	37,025
<b>TOTAL EQUITY</b>	<b>80</b>	<b>9</b>	<b>31,966</b>	<b>37,025</b>

## Hornsby Shire Council

### Special Purpose Financial Statements

for the year ended 30 June 2017

#### Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	8
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 year ended 30 June 2017

#### Note 1. Significant accounting policies

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

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

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

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

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

#### National Competition Policy

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

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

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

The pricing and costing guidelines outline the process for identifying and allocating costs to

activities and provide a standard for disclosure requirements.

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

#### Declared business activities

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

##### Category 1

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

##### a. Aquatic & Sports Centres

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

##### Category 2

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

##### b. Commercial Waste Service

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

##### c. Development Assessments

*Development assessment & inspection services*

##### d. Property Services

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

On October 5, 2015 Council's Nurseries & Preschools Businesses were closed.

#### Monetary amounts

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

#### (i) Taxation-equivalent charges

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

## Hornsby Shire Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

#### Note 1. Significant accounting policies (continued)

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

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

#### Notional rate applied (%)

Corporate income tax rate – 30%

Land tax – the first \$549,000 of combined land values attracts 0%. For the combined land values in excess of \$549,001 up to \$3,357,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$3,357,000 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 the business activities.

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

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

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

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

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

#### Local government rates and charges

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

#### Loan and debt guarantee fees

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

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

#### (ii) Subsidies

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

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

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

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

#### (iii) Return on investments (rate of return)

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

## Hornsby Shire Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

#### Note 1. Significant accounting policies (continued)

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

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

The rate of return is calculated as follows:

#### **Operating result before capital income + interest expense**

---

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.38% at 30/6/17.

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

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



**INDEPENDENT AUDITOR'S REPORT**  
**Report on the special purpose financial statement**  
**Hornsby Shire Council**

To the Councillors of the Hornsby Shire Council

## Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Hornsby Shire Council's (the Council) Declared Business Activities, which comprise the statement of financial position of each Declared Business Activity as at 30 June 2017, the income statement of each Declared Business Activity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information for the Business Activities declared by Council, and the Statement by Councillors and Management.

The Declared Business Activities of the Council are:

- Aquatic Centres & Sports Stadium
- Commercial Waste
- Development Applications
- Property Services

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2017, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting (LG Code).

My opinion should be read in conjunction with the rest of this report and in particular, the Emphasis of Matter referring to the basis of accounting.

## Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

## Emphasis of Matter - Basis of Accounting

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

## **Other Matter**

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on that financial statement on 13 October 2016.

## **The Councillors' Responsibility for the Financial Statements**

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

In preparing the financial statements, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting, as it affects the Council's Declared Business Activities.

## **Auditor's Responsibility for the Audit of the Financial Statements**

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at:

[http://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf).

The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Weini Liao  
Director, Financial Audit Services

20 October 2017  
SYDNEY



# Hornsby Shire Council

SPECIAL SCHEDULES  
for the year ended 30 June 2017

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# Hornsby Shire Council

## Special Schedules

for the year ended 30 June 2017

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<sup>1</sup> Special Schedules are not audited (with the exception of Special Schedule 8).

#### 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 1 – Net Cost of Services  
for the year ended 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Governance</b>	<b>1,820</b>	<b>153</b>	<b>–</b>	<b>(1,667)</b>
<b>Administration</b>	<b>16,355</b>	<b>18,214</b>	<b>–</b>	<b>1,859</b>
<b>Public order and safety</b>				
Fire service levy, fire protection, emergency services	1,553	646	98	(809)
Beach control	–	–	–	–
Enforcement of local government regulations	–	–	–	–
Animal control	313	60	–	(253)
Other	–	–	–	–
<b>Total public order and safety</b>	<b>1,866</b>	<b>706</b>	<b>98</b>	<b>(1,062)</b>
<b>Health</b>	<b>1,868</b>	<b>246</b>	<b>–</b>	<b>(1,622)</b>
<b>Environment</b>				
Noxious plants and insect/vermin control	6,360	3,994	–	(2,366)
Other environmental protection	24,622	28,001	12	3,391
Solid waste management	1,191	47	–	(1,144)
Street cleaning	4,370	–	–	(4,370)
Drainage	–	–	–	–
Stormwater management	–	–	–	–
<b>Total environment</b>	<b>36,543</b>	<b>32,042</b>	<b>12</b>	<b>(4,489)</b>
<b>Community services and education</b>				
Administration and education	416	–	–	(416)
Social protection (welfare)	827	119	–	(708)
Aged persons and disabled	1,263	584	–	(679)
Children's services	76	(31)	–	(107)
<b>Total community services and education</b>	<b>2,582</b>	<b>672</b>	<b>–</b>	<b>(1,910)</b>
<b>Housing and community amenities</b>				
Public cemeteries	–	–	–	–
Public conveniences	–	–	–	–
Street lighting	2,502	–	–	(2,502)
Town planning	8,796	5,492	16,186	12,882
Other community amenities	2,306	10	–	(2,296)
<b>Total housing and community amenities</b>	<b>13,604</b>	<b>5,502</b>	<b>16,186</b>	<b>8,084</b>
<b>Water supplies</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Sewerage services</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

## Hornsby Shire Council

Special Schedule 1 – Net Cost of Services (continued)  
for the year ended 30 June 2017

\$'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	6,741	583	–	(6,158)
Museums	–	–	–	–
Art galleries	–	–	–	–
Community centres and halls	1,972	2,408	14	450
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	358	29	–	(329)
Sporting grounds and venues	2,567	1,765	–	(802)
Swimming pools	5,284	4,492	–	(792)
Parks and gardens (lakes)	2,758	321	–	(2,437)
Other sport and recreation	7,713	547	25	(7,141)
<b>Total recreation and culture</b>	<b>27,393</b>	<b>10,145</b>	<b>39</b>	<b>(17,209)</b>
<b>Fuel and energy</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Agriculture</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Mining, manufacturing and construction</b>				
Building control	–	–	–	–
Other mining, manufacturing and construction	–	–	–	–
<b>Total mining, manufacturing and const.</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Transport and communication</b>				
Urban roads (UR) – local	8,540	2,126	1,707	(4,707)
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	–	–	–	–
Sealed rural roads (SRR) – regional	–	–	–	–
Unsealed rural roads (URR) – local	190	–	–	(190)
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	–	–	–	–
Bridges on SRR – local	–	–	–	–
Bridges on URR – local	–	–	–	–
Bridges on regional roads	–	–	–	–
Parking areas	125	–	–	(125)
Footpaths	788	–	–	(788)
Aerodromes	–	–	–	–
Other transport and communication	4,714	3,223	115	(1,376)
<b>Total transport and communication</b>	<b>14,357</b>	<b>5,349</b>	<b>1,822</b>	<b>(7,186)</b>
<b>Economic affairs</b>				
Camping areas and caravan parks	–	–	–	–
Other economic affairs	2,090	652	–	(1,438)
<b>Total economic affairs</b>	<b>2,090</b>	<b>652</b>	<b>–</b>	<b>(1,438)</b>
<b>Totals – functions</b>	<b>118,478</b>	<b>73,681</b>	<b>18,157</b>	<b>(26,640)</b>
<b>General purpose revenues <sup>(1)</sup></b>		<b>70,413</b>		<b>70,413</b>
<b>Share of interests – joint ventures and associates using the equity method</b>	<b>–</b>	<b>–</b>		<b>–</b>
<b>NET OPERATING RESULT <sup>(2)</sup></b>	<b>118,478</b>	<b>144,094</b>	<b>18,157</b>	<b>43,773</b>

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges (2) As reported in the Income Statement

## Hornsby Shire Council

Special Schedule 2(a) – Statement of Long Term Debt (all purpose)  
for the year ended 30 June 2017

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>											
Financial institutions	1,112	3,420	4,532	1,135	–	–	274	1,081	2,316		
<b>Total loans</b>	<b>1,112</b>	<b>3,420</b>	<b>4,532</b>	<b>1,135</b>	<b>–</b>	<b>–</b>	<b>274</b>	<b>1,081</b>	<b>2,316</b>		
<b>Other long term debt</b>											
Deferred payments	1,000	–	1,000	1,000	–	–	–	–	–		
<b>Total long term debt</b>	<b>1,000</b>	<b>–</b>	<b>1,000</b>	<b>1,000</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>		
<b>Total debt</b>	<b>2,112</b>	<b>3,420</b>	<b>5,532</b>	<b>2,135</b>	<b>–</b>	<b>–</b>	<b>274</b>	<b>1,081</b>	<b>2,316</b>		
									<b>3,397</b>		
									<b>3,397</b>		

\$'000

Notes: excludes (i) internal loans and (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).

## Hornsby Shire Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance <sup>a</sup>	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
<b>Buildings</b>	Council Offices / Administration Centres	680	680	247	308	15,211	24,595	0%	0%	97%	3%	0%
	Council Works Depot	–	–	101	78	4,037	9,099	32%	0%	68%	0%	0%
	Council Public Halls	30	30	499	362	23,523	40,472	10%	0%	88%	3%	0%
	Libraries	515	515	66	97	7,747	12,866	0%	94%	2%	4%	0%
	Amenities	585	585	397	346	15,209	26,980	0%	9%	86%	0%	5%
	Commercial/Residential Buildings	89	89	130	58	13,386	31,487	0%	0%	80%	13%	7%
	Rural Fire Service Buildings	–	–	203	62	8,027	11,761	0%	4%	96%	0%	0%
	Indoor Sports Stadium	17	17	52	128	7,676	9,831	0%	0%	100%	0%	0%
	<b>Sub-total</b>	<b>1,916</b>	<b>1,916</b>	<b>1,695</b>	<b>1,439</b>	<b>94,816</b>	<b>167,091</b>	<b>4.0%</b>	<b>8.9%</b>	<b>81.0%</b>	<b>3.9%</b>	<b>2.1%</b>
	<b>Other structures</b>	Other structures	250	250	214	200	11,755	18,573	22%	42%	18%	12%
Wharves, pontoons & Seawalls		600	600	200	191	2,388	3,575	46%	16%	38%	0%	0%
<b>Sub-total</b>		<b>850</b>	<b>850</b>	<b>414</b>	<b>391</b>	<b>14,143</b>	<b>22,148</b>	<b>25.9%</b>	<b>37.8%</b>	<b>21.2%</b>	<b>10.1%</b>	<b>5.0%</b>
<b>Roads</b>		<b>277</b>	<b>277</b>	<b>3,888</b>	<b>3,773</b>	<b>246,257</b>	<b>277,026</b>	<b>75%</b>	<b>17%</b>	<b>5%</b>	<b>3%</b>	<b>0%</b>
<b>Roads</b>	Sealed Roads Surface	130	130	86	157	3,154	5,257	0%	0%	100%	0%	0%
	Unsealed roads	–	–	77	75	15,947	18,351	42%	49%	9%	0%	0%
	Bridges	30	30	487	189	19,811	33,801	2%	38%	56%	4%	0%
	Footpaths	15	15	10	10	450	720	0%	0%	100%	0%	0%
	Cycle ways	20	20	720	699	33,865	50,531	1%	28%	70%	1%	0%
	Kerb and Gutter	–	–	129	125	8,511	9,394	17%	80%	3%	0%	0%
	Traffic Facilities	9	9	35	35	2,658	2,658	83%	17%	0%	0%	0%
	Signs	23	23	51	50	2,930	3,174	24%	75%	1%	0%	0%
	Traffic Barrier Fencing	32	32	17	7	538	1,202	2%	38%	56%	4%	0%
	<b>Car Parks</b>	<b>536</b>	<b>536</b>	<b>5,500</b>	<b>5,120</b>	<b>334,121</b>	<b>402,114</b>	<b>55.0%</b>	<b>23.3%</b>	<b>19.1%</b>	<b>2.5%</b>	<b>0.0%</b>

Hornsby Shire Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017 (continued)

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance <sup>a</sup>	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
<b>Stormwater drainage</b>	Pits	454	454	113	116	49,743	62,473	21%	77%	2%	0%	0%
	Pipes	2,928	2,928	726	752	319,667	404,385	8%	91%	1%	0%	0%
	Culverts	169	169	42	44	20,256	23,327	53%	46%	1%	0%	0%
	Head Walls	17	17	5	4	1,788	2,295	18%	77%	3%	2%	0%
	Channels	22	22	6	6	2,355	3,009	1%	94%	4%	0%	1%
	<b>Sub-total</b>	<b>3,590</b>	<b>3,590</b>	<b>892</b>	<b>922</b>	<b>393,809</b>	<b>495,489</b>	<b>11.8%</b>	<b>87.1%</b>	<b>1.2%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Open space/recreational assets</b>	Swimming Pools	750	750	235	344	30,458	33,423	0%	88%	12%	0%	0%
	<b>Sub-total</b>	<b>750</b>	<b>750</b>	<b>235</b>	<b>344</b>	<b>30,458</b>	<b>33,423</b>	<b>0.0%</b>	<b>88.0%</b>	<b>12.0%</b>	<b>0.0%</b>	<b>0.0%</b>
	<b>TOTAL – ALL ASSETS</b>	<b>7,642</b>	<b>7,642</b>	<b>8,736</b>	<b>8,216</b>	<b>880,643</b>	<b>1,120,265</b>	<b>26.1%</b>	<b>51.6%</b>	<b>20.2%</b>	<b>1.7%</b>	<b>0.4%</b>

\$'000

Notes:

<sup>a</sup> Required maintenance is the amount identified in Council's asset management plans.

Infrastructure asset condition assessment 'key'

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

## Hornsby Shire Council

Special Schedule 7 – Report on Infrastructure Assets (continued)  
for the year ended 30 June 2017

\$ '000	Amounts	Indicator	Benchmark	Prior periods	
	2017	2017		2016	2015
<b>Infrastructure asset performance indicators * consolidated</b>					
<b>1. Infrastructure renewals ratio</b>					
Asset renewals <sup>(1)</sup>	<u>12,405</u>	<b>90.67%</b>	>= 100%	93.22%	84.56%
Depreciation, amortisation and impairment	<u>13,681</u>				
<b>2. Infrastructure backlog ratio</b>					
Estimated cost to bring assets to a satisfactory standard	<u>7,642</u>	<b>0.87%</b>	< 2.00%	0.66%	0.76%
Net carrying amount of infrastructure assets	<u>880,643</u>				
<b>3. Asset maintenance ratio</b>					
Actual asset maintenance	<u>8,216</u>	<b>0.94</b>	> 1.00	0.89	0.83
Required asset maintenance	<u>8,736</u>				
<b>4. Cost to bring assets to agreed service level</b>					
Estimated cost to bring assets to an agreed service level set by Council	<u>7,642</u>	<b>0.68%</b>		0.51%	0.54%
Gross replacement cost	<u>1,120,265</u>				

## Notes

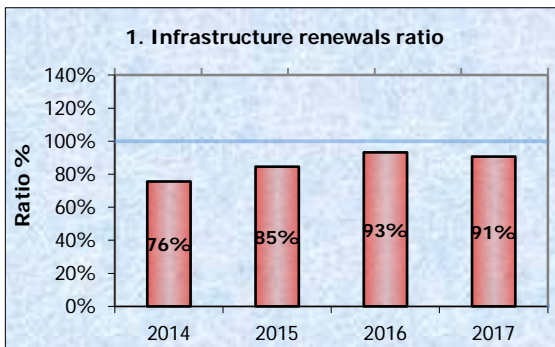
\* All asset performance indicators are calculated using the asset classes identified in the previous table.

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



# Hornsby Shire Council

## Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2017



**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.

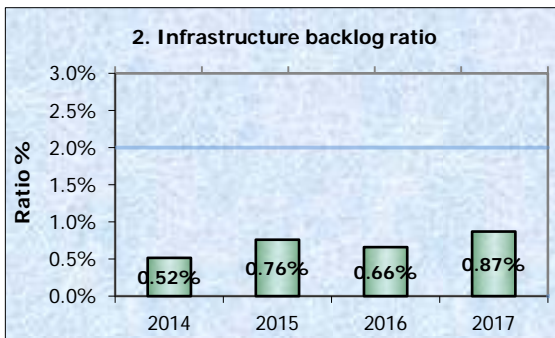
**Commentary on 2016/17 result**

**2016/17 Ratio 90.67%**

Depreciation exceeds asset renewals for infrastructure assets. However, the ratio has improved in the last two years in line with the continued development of asset management plans. Required expenditure under these plans is fully budgeted each year.

Benchmark: ——— Minimum  $\geq 100.00\%$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

■ Ratio achieves benchmark  
■ Ratio is outside benchmark



**Purpose of infrastructure backlog ratio**

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

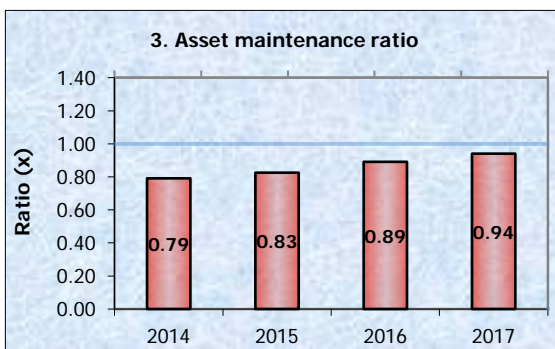
**Commentary on 2016/17 result**

**2016/17 Ratio 0.87%**

The backlog remains consistently below the benchmark of 2.0% as assets are managed by strategic asset management systems and plans with allocated funding to meet requirements.

Benchmark: ——— Maximum  $< 2.00\%$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

■ Ratio achieves benchmark  
■ Ratio is outside benchmark



**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.

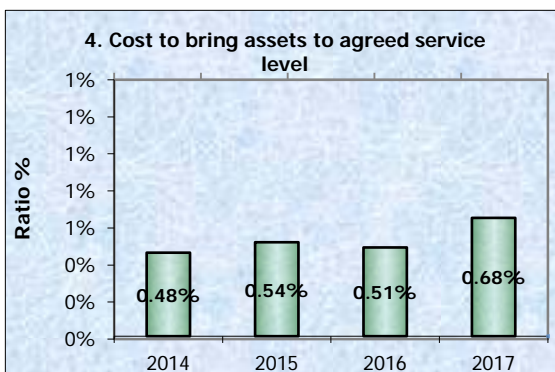
**Commentary on 2016/17 result**

**2016/17 Ratio 0.94 x**

The ratio is below the benchmark. However, Council's low level of infrastructure backlog remains below the benchmark, indicating a sufficient amount is spent on maintenance.

Benchmark: ——— Minimum  $> 1.00$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

■ Ratio achieves benchmark  
■ Ratio is outside benchmark



**Purpose of agreed service level ratio**

This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.

**Commentary on 2016/17 result**

**2016/17 Ratio 0.68%**

The ratio indicates Council's assets are maintained at or above agreed service levels.

## Hornsby Shire Council

## Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2018

\$'000		Calculation 2016/17	Calculation 2017/18
<b>Notional general income calculation <sup>(1)</sup></b>			
Last year notional general income yield	a	72,452	74,322
Plus or minus adjustments <sup>(2)</sup>	b	585	(9,318)
<b>Notional general income</b>	c = (a + b)	<b>73,037</b>	<b>65,004</b>
<b>Permissible income calculation</b>			
Special variation percentage <sup>(3)</sup>	d	0.00%	0.00%
Or rate peg percentage	e	1.80%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	–	–
Plus special variation amount	h = d x (c – g)	–	–
Or plus rate peg amount	i = c x e	1,315	975
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>74,352</b>	<b>65,979</b>
Plus (or minus) last year's carry forward total	l	–	54
Less valuation objections claimed in the previous year	m	–	(24)
<b>Sub-total</b>	n = (l + m)	<b>–</b>	<b>30</b>
<b>Total permissible income</b>	o = k + n	<b>74,352</b>	<b>66,009</b>
Less notional general income yield	p	74,322	66,008
<b>Catch-up or (excess) result</b>	q = o – p	<b>30</b>	<b>1</b>
Plus income lost due to valuation objections claimed <sup>(4)</sup>	r	24	–
Less unused catch-up <sup>(5)</sup>	s	–	–
<b>Carry forward to next year*</b>	t = q + r – s	<b>54</b>	<b>1</b>

**Notes**

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) 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.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Special Schedule 8 in the financial data return (FDR) to administer this process.



## INDEPENDENT AUDITOR'S REPORT

### Special Schedule No. 8

### Hornsby Shire Council

To the Councillors of Hornsby Shire Council

### Opinion

I have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 8) of Hornsby Shire Council (the Council) for the year ending 30 June 2018.

In my opinion, Special Schedule No. 8 of Hornsby Shire Council for 30 June 2018 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), and is in accordance with the books and records of the Council.

My opinion should be read in conjunction with the rest of this report, and in particular the Emphasis of Matter paragraph, which describes the basis of accounting.

### Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of Special Schedule No.8' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of councils
- precluding the Auditor-General from providing non-audit services.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to the notes and explanations in Special Schedule No. 8 that instruct councils in its preparation so it complies with OLG's requirements as described in the LG Code. As a result, Special Schedule No. 8 may not be suitable for another purpose.

## Other Matter

Special Schedule No.8 of the Council for the year ended 30 June 2017 was audited by another auditor who expressed an unmodified opinion on Special Schedule No. 8 on 13 October 2016.

## Councillors' Responsibility for Special Schedule No. 8

The Councillors of the Council are responsible for the preparation of Special Schedule No. 8 in accordance with the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of Special Schedule No. 8 that is free from material misstatement, whether due to fraud or error.

In preparing Special Schedule No.8, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

## Auditor's Responsibility for the Audit of Special Schedule No. 8

My objectives are to:

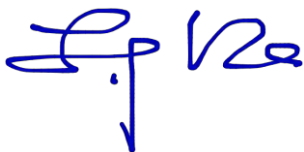
- obtain reasonable assurance whether Special Schedule No. 8 as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on Special Schedule No.8.

A description of my responsibilities for the audit of Special Schedule No.8 is located at the Auditing and Assurance Standards Board website at [http://www.auasb.gov.au/auditors\\_responsibilities/ar8.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar8.pdf). The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited Special Schedule No.8 on any website where they may be presented
- about any other information which may have been hyperlinked to/from Special Schedule No 8.



Weini Liao  
Director, Financial Audit Services

20 October 2017  
SYDNEY

