

Hornsby Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2012



Hornsby Shire Council

General Purpose Financial Statements for the financial year ended 30 June 2012

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Overview

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

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

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

- carrying out activities and providing goods, services & facilities appropriate to the current & future needs of the Local community and of the wider public
- responsibility for administering regulatory requirements under the LGA and other applicable legislation, &
- a role in the management, improvement and development of the resources of the local government area.

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

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

(iv) These financial statements were authorised for issue by the Council on 17/10/12.
Council has the power to amend and reissue the financial statements.

Hornsby Shire Council

General Purpose Financial Statements for the financial year ended 30 June 2012

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

The Financial Statements set out the financial performance, financial position & cash flows of Council for the financial year ended 30 June 2012.

The format of the Financial Statements is standard across all NSW Councils and complies with both the accounting & reporting requirements of Australian Accounting Standards and requirements as set down by the NSW Division of Local Government.

About the Councillor/Management Statement

The Financial Statements must be certified by Senior staff as "presenting fairly" the Council's financial results for the year, and are required to be adopted by Council - ensuring both responsibility for & ownership of the Financial Statements.

About the Primary Financial Statements

The Financial Statements incorporate 5 "primary" financial statements:

1. An Income Statement

A summary of Council's financial performance for the year, listing all income & expenses.

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

2. A Statement of Comprehensive Income

Primarily records changes in the fair values of Council's Infrastructure, Property, Plant & Equip.

3. A Balance Sheet

A 30 June snapshot of Council's Financial Position including its Assets & Liabilities.

4. A Statement of Changes in Equity

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

5. A Statement of Cash Flows

Indicates where Council's cash came from and where it was spent.

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

About the Notes to the Financial Statements

The Notes to the Financial Statements provide greater detail and additional information on the 5 Primary Financial Statements.

About the Auditor's Reports

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

In NSW, the Auditor provides 2 audit reports:

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

Who uses the Financial Statements ?

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

Submissions from the public can be made to Council up to 7 days subsequent to the public presentation of the Financial Statements.

Council is required to forward an audited set of Financial Statements to the Division of Local Government.

Hornsby Shire Council

General Purpose Financial Statements for the financial year ended 30 June 2012

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

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

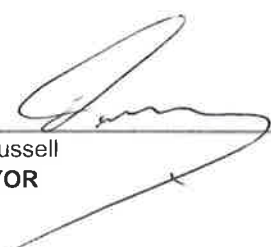
- The Local Government Act 1993 (as amended) and the Regulations made thereunder,
- The Australian Accounting Standards and professional pronouncements, and
- The Local Government Code of Accounting Practice and Financial Reporting.

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

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

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

Signed in accordance with a resolution of Council made on 17 October 2012.



S. Russell
MAYOR



R. Browne
COUNCILLOR



S. Phillips
GENERAL MANAGER



G. Magus
RESPONSIBLE ACCOUNTING OFFICER

Hornsby Shire Council

Income Statement

for the financial year ended 30 June 2012

Budget ⁽¹⁾ 2012	\$ '000	Notes	Actual 2012	Actual 2011
Income from Continuing Operations				
Revenue:				
79,528	Rates & Annual Charges	3a	79,432	73,340
14,492	User Charges & Fees	3b	11,643	11,988
1,650	Interest & Investment Revenue	3c	2,545	2,387
3,232	Other Revenues	3d	4,991	5,792
8,733	Grants & Contributions provided for Operating Purposes	3e,f	13,195	12,537
4,681	Grants & Contributions provided for Capital Purposes	3e,f	3,684	3,956
Other Income:				
2,029	Net gains from the disposal of assets	5	82	-
-	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19	-	-
114,345	Total Income from Continuing Operations		115,572	110,000
Expenses from Continuing Operations				
46,067	Employee Benefits & On-Costs	4a	42,662	45,602
1,372	Borrowing Costs	4b	1,330	1,470
29,172	Materials & Contracts	4c	36,560	34,051
21,171	Depreciation & Amortisation	4d	23,420	23,186
-	Impairment	4d	-	-
16,534	Other Expenses	4e	11,948	12,013
-	Net Losses from the Disposal of Assets	5	-	71
114,316	Total Expenses from Continuing Operations		115,920	116,393
29	Operating Result from Continuing Operations		(348)	(6,393)
Discontinued Operations				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
29	Net Operating Result for the Year		(348)	(6,393)
29	Net Operating Result attributable to Council		(348)	(6,393)
-	Net Operating Result attributable to Minority Interests		-	-
(4,652)	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		(4,032)	(10,349)

(1) Original Budget as approved by Council - refer Note 16

Hornsby Shire Council

Statement of Comprehensive Income

for the financial year ended 30 June 2012

\$ '000	Notes	Actual 2012	Actual 2011
Net Operating Result for the year (as per Income statement)		(348)	(6,393)
Other Comprehensive Income			
Gain (loss) on revaluation of I,PP&E	20b (ii)	-	-
Gain (loss) on revaluation of available-for-sale investments	20b (ii)	-	-
Gain (loss) on revaluation of other reserves	20b (ii)	-	-
Realised (gain) loss on available-for-sale investments recognised in P&L	20b (ii)	-	-
Realised (gain) loss from other reserves recognised in P&L	20b (ii)	-	-
Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-
Correction of error - building excluded from Note 9 in prior years	20b (ii)	300	(756,819)
Total Other Comprehensive Income for the year		300	(756,819)
Total Comprehensive Income for the Year		(48)	(763,212)
Total Comprehensive Income attributable to Council		(48)	(763,212)
Total Comprehensive Income attributable to Minority Interests		-	-

Hornsby Shire Council

Balance Sheet

as at 30 June 2012

\$ '000	Notes	Actual 2012	Actual 2011
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	16,657	19,190
Investments	6b	24,333	13,537
Receivables	7	5,295	5,541
Inventories	8	183	181
Other	8	140	54
Non-current assets classified as "held for sale"	22	-	-
Total Current Assets		46,608	38,503
Non-Current Assets			
Investments	6b	-	1,000
Receivables	7	275	280
Inventories	8	-	-
Infrastructure, Property, Plant & Equipment	9	1,433,889	1,443,083
Investments accounted for using the equity method	19	-	-
Investment Property	14	-	-
Intangible Assets	25	1,411	2,272
Other	8	-	-
Total Non-Current Assets		1,435,575	1,446,635
TOTAL ASSETS		1,482,183	1,485,138
LIABILITIES			
Current Liabilities			
Payables	10	8,919	8,864
Borrowings	10	3,798	3,584
Provisions	10	12,529	11,954
Total Current Liabilities		25,246	24,402
Non-Current Liabilities			
Payables	10	-	-
Borrowings	10	12,369	16,167
Provisions	10	539	492
Total Non-Current Liabilities		12,908	16,659
TOTAL LIABILITIES		38,154	41,061
Net Assets		1,444,029	1,444,077
EQUITY			
Retained Earnings	20	1,025,610	1,022,465
Revaluation Reserves	20	418,419	421,612
Council Equity Interest		1,444,029	1,444,077
Minority Equity Interest		-	-
Total Equity		1,444,029	1,444,077

Hornsby Shire Council

Statement of Changes in Equity
for the financial year ended 30 June 2012

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Minority Interest	Total Equity
2012						
Opening Balance (as per Last Year's Audited Accounts)		1,022,465	421,612	1,444,077	-	1,444,077
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/11)		1,022,465	421,612	1,444,077	-	1,444,077
c. Net Operating Result for the Year		(348)	-	(348)	-	(348)
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	-	-	-	-
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
- Property purchased in prior period		300	-	300	-	300
Other Comprehensive Income		300	-	300	-	300
Total Comprehensive Income (c&d)		(48)	-	(48)	-	(48)
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		3,193	(3,193)	-	-	-
Equity - Balance at end of the reporting period		1,025,610	418,419	1,444,029	-	1,444,029

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Minority Interest	Total Equity
2011						
Opening Balance (as per Last Year's Audited Accounts)		1,785,628	421,661	2,207,289	-	2,207,289
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/10)		1,785,628	421,661	2,207,289	-	2,207,289
c. Net Operating Result for the Year		(6,393)	-	(6,393)	-	(6,393)
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	-	-	-	-
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
- Change in accounting policy (community land rev	20b (ii)	(756,819)	-	(756,819)	-	(756,819)
Other Comprehensive Income		(756,819)	-	(756,819)	-	(756,819)
Total Comprehensive Income (c&d)		(763,212)	-	(763,212)	-	(763,212)
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		49	(49)	-	-	-
Equity - Balance at end of the reporting period		1,022,465	421,612	1,444,077	-	1,444,077

Hornsby Shire Council

Statement of Cash Flows

for the financial year ended 30 June 2012

Budget 2012	\$ '000	Notes	Actual 2012	Actual 2011
Cash Flows from Operating Activities				
Receipts:				
79,336	Rates & Annual Charges		79,556	73,447
15,853	User Charges & Fees		12,415	12,796
1,650	Investment & Interest Revenue Received		2,049	1,846
14,800	Grants & Contributions		17,708	17,768
-	Bonds, Deposits & Retention amounts received		72	-
6,430	Other		9,860	10,315
Payments:				
(46,443)	Employee Benefits & On-Costs		(42,812)	(43,570)
(33,613)	Materials & Contracts		(38,799)	(36,281)
(1,372)	Borrowing Costs		(1,334)	(1,471)
-	Bonds, Deposits & Retention amounts refunded		(38)	-
(13,446)	Other		(15,003)	(14,213)
23,195	Net Cash provided (or used in) Operating Activities	11b	23,674	20,637
Cash Flows from Investing Activities				
Receipts:				
-	Sale of Investment Securities		13,537	4,104
-	Sale of Real Estate Assets		-	2
2,067	Sale of Infrastructure, Property, Plant & Equipment		4,734	1,261
Payments:				
-	Purchase of Investment Securities		(23,037)	(4,000)
(20,168)	Purchase of Infrastructure, Property, Plant & Equipment		(17,717)	(16,927)
-	Purchase of Real Estate Assets		(140)	-
(18,101)	Net Cash provided (or used in) Investing Activities		(22,623)	(15,560)
Cash Flows from Financing Activities				
Receipts:				
1,000	Proceeds from Borrowings & Advances		-	1,000
Payments:				
(3,582)	Repayment of Borrowings & Advances		(3,584)	(3,331)
(2,582)	Net Cash Flow provided (used in) Financing Activities		(3,584)	(2,331)
2,512	Net Increase/(Decrease) in Cash & Cash Equivalents		(2,533)	2,746
19,190	plus: Cash & Cash Equivalents - beginning of year	11a	19,190	16,444
21,702	Cash & Cash Equivalents - end of the year	11a	16,657	19,190
Additional Information:				
	plus: Investments on hand - end of year	6b	24,333	14,537
Total Cash, Cash Equivalents & Investments			40,990	33,727

Please refer to Note 11 for additional cash flow information

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2012

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n/a - not applicable

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies

The principal accounting policies adopted by Council in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

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

(i) New and amended standards adopted by Council

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2011 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

(ii) Early adoption of standards

Hornsby Shire Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2011.

(iii) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

(iv) Critical accounting estimates and judgements

- *Critical accounting estimates and assumptions*

Hornsby Shire Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimated fair values of infrastructure, property, plant and equipment have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

- *Critical judgements in applying the entity's accounting policies*

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

(b) Revenue recognition

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

Revenue is measured at the fair value of the consideration received or receivable. Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenues when the Council obtains control over the assets comprising these receipts. Developer contributions may only be expended for the purposes for which the contributions were required but the Council may apply contributions according to the priorities established in work schedules.

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

Revenue is recognised when the Council obtains control of the contribution or the right to receive the contribution, it is probable that the economic benefits comprising the contribution will flow to the Council and the amount of the contribution can be measured reliably.

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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

User Charges, Fees and Other Income

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

Sale of Infrastructure, Property, Plant and Equipment

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

Interest and Rents

Interest and rents are recognised as revenue on a proportional basis when the payment is due, the value of the payment is notified, or the payment is received, whichever first occurs.

(c) Principles of Consolidation

The Consolidated Fund

In accordance with the provisions of Section 409(1) of the LGA 1993, all money and property received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund. The consolidated fund and other entities through which the Council controls resources to carry on its functions have been included in the financial statements forming part of this report.

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

- General Purpose Operations

The following Committees, the transactions of which are considered immaterial either by amount or nature, have been excluded:

- Section 377 Committees

The total revenue and expenditure from continuing operations and the net assets held by these Committees is as follows:

Total income from continuing operations	\$400,000
Total expenditure from continuing operations	\$400,000
Total net assets (Equity) held	\$1,000,000

Note:

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

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

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

(e) Acquisition of Assets

The purchase method of accounting is used to account for all acquisitions of assets. Cost is measured as the fair value of the assets given, plus costs directly attributable to the acquisition.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the Council's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(f) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(g) Cash and Cash Equivalents

For cash flow statement 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.

Bank overdrafts, if any, are shown within borrowings in current liabilities on the balance sheet.

(h) Receivables

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

Receivables are generally due for settlement within 30 days.

The collectibility of receivables is reviewed on an ongoing basis. Debts which 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 the 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. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. 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.

(i) Inventories

Raw Materials and Stores, Work in Progress and Finished Goods

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value.

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

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

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

Land Held for Resale/Capitalisation of Borrowing Costs

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

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

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

(j) Investments and Other Financial Assets

Council classifies its investments into one of the following categories for measurement purposes:

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

Each classification depends on the purpose for which the investment was 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.

Financial assets at fair value through profit or loss are financial assets held for trading.

A financial asset is classified in this category if it is acquired principally for the purpose of selling in the short term.

Derivatives are classified as held for trading unless they are designated as hedges.

Assets in this category are classified as current assets.

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

and receivables are included in receivables (Note 7) in the balance sheet.

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

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Financial Assets – Reclassification

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

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

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

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

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

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

of cash flows adjust effective interest rates prospectively.

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 plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. 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.

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

Subsequent Measurement

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

Financial assets at fair value through profit and loss and available-for-sale financial assets are subsequently carried at fair value. Gains and losses arising from changes in the fair value of the financial assets classified as "fair value through profit or loss" category are included in the income statement in the period in which they arise.

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.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

Investment Policy

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

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

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

Council amended its policy following revisions to the Investment 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.

(k) Fair value estimation

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

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

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

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

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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

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.

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

(I) Infrastructure, Property, Plant and Equipment (IPPE)

Acquisition of assets

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

At balance date, the following classes of IPPE were stated at their fair value;

- **Operational Land** (External Valuation)
- **Buildings – Specialised/Non Specialised** (External Valuation)
- **Plant and Equipment** (as approximated by depreciated historical cost)
- **Road assets – roads, bridges and footpaths** (Internal Valuation)
- **Drainage assets** - (Internal Valuation).
- **Bulk earthworks** – (Internal Valuation).
- **Community Land** – (Internal valuation).
- **Land Improvements** (as approximated by depreciated historical cost).
- **Other structures** (as approximated by depreciated historical cost).
- **Other assets** (as approximated by depreciated historical cost).

Full revaluations are undertaken for all assets on a 5 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, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset; all other decreases are charged to the income statement.

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

All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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

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

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

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

Land, other than land under roads, is classified as either operational or community in accordance with Part 2 of Chapter 6 of the Local Government Act (1993). This classification is made in Note 9(a).

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

Capitalisation Thresholds

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

Land

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

Plant & Equipment

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

Buildings & Land Improvements

Park Furniture & Equipment	> \$5,000
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Building

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

Buildings & Land Improvements (continued)

Other Structures	> \$5,000
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Stormwater Assets

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

Transport Assets

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

(m) Investment property

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

Council currently holds no property which is classified as investment property.

(n) Payables

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

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

(o) 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 balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or finance cost.

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

(p) Borrowing Costs

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

(q) 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.

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

settlement is determined by considering the class of obligations as a whole.

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date.

The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

The increase in the provision due to the passage of time is recognised as interest expense

(r) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be 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 which is not expected to be 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 balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve 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 to various defined benefit plans and defined contribution plans on behalf of its employees.

Defined Benefit Plans

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

The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. However, when this information is not reliably available, Council can account for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans (see below).

The Local Government Superannuation Scheme has advised members that, as a result of the global financial crisis, it has a significant deficiency of assets over liabilities. As a result, they have asked for significant increases in contributions to recover that deficiency. 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

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

recognised in Council's accounts. Council has, however, disclosed a contingent liability in note 18 to reflect the possible obligation that may arise should the Scheme require immediate payment to correct the deficiency. The share of the deficit that can be broadly attributed to Hornsby Shire Council was estimated to be in the order of \$5,340,389 as at 30 June 2012.

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

Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iv) Employee Benefit On-Costs

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

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of certain Leave Liabilities accrued as at 30/6/10.

(s) Rounding of amounts

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

(t) Land under roads

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

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

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

(u) Provisions for close down, restoration and for environmental clean up costs - including Tips and Quarries

Close down and restoration costs are a normal consequence of tip and quarry operations, and the majority of close down and restoration expenditure is incurred at the end of the life of the operations.

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

(v) Allocation between current and non-current assets & liabilities

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

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

Exceptions

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

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

(w) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 reporting periods. Council's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 Financial Instruments, AASB 2009 11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

Standards arising from AASB 9 (December 2010) (effective from 1 January 2013*)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013* but is available for early adoption. When adopted, the standard will affect in particular the Council's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt instruments, for example, will therefore have to be recognised directly in profit or loss.

There will be no impact on the Council's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Council does not have any such liabilities. The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed.

* In December 2011, the IASB delayed the application date of IFRS 9 to 1 January 2015. The AASB is expected to make an equivalent amendment to AASB 9 shortly.

(ii) AASB 10 Consolidated Financial Statements, AASB 11 Joint arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint arrangements Standards (effective 1 January 2013)

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements*, and interpretation 12 *Consolidation – Special Purpose Entities*. The core Principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of

consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns. There is also new guidance on participating and protective rights and on agent/principal relationships. Council does not expect the new standard to have a significant impact on its composition.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB also provides guidance for parties that participate in joint arrangements but do not share joint control. As at 30 June 2012 Council has not entered into any joint arrangements.

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

Amendments to AASB 128 provides clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept.

Council does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

(iii) AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. Council has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. Council does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

(iv) Revised AASB 119 Employee Benefits, AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) and AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements (effective 1 January 2013)

In September 2011, the AASB released a revised standard on accounting for employee benefits. It requires the recognition of all re-measurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset. This replaces the expected return on plan assets that is currently included in profit or loss. The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits. The amendments will have to be implemented retrospectively. Council does not recognise defined benefit assets and liabilities for the reasons set out in Note 1 (r) (iii) and so these changes will not have an impact on its reported results.

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

(x) Intangible Assets

IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems.

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

Amortisation is calculated on a straight line bases over periods generally ranging from 3 to 10 years.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where Council has an intention and ability to use the asset.

(y) 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.

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

(z) Rural Fire Service assets

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

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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

Until such time as discussions on this matter have concluded and the legislation changed, Council will continue to account for these assets as it has done so in previous years, which is to incorporate some assets, their values and depreciation charges within these Financial Reports including land, buildings, plant & vehicles.

(aa) Taxes

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

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

Goods & Services Tax (GST)

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

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

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

(ab) Disclaimer

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

Hornsby Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

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

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).													
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations			Total Assets held (Current & Non-current)	
	Original Budget	Actual	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Actual	Actual	Actual	Actual	Actual
	2012	2012	2011	2012	2012	2012	2011	2012	2012	2011	2012	2012	2011	2011
Governance	-	-	-	2,101	1,993	2,047	(2,101)	(1,993)	(2,047)	-	-	-	-	-
General Managers Division	7	167	134	1,900	1,762	1,745	(1,893)	(1,595)	(1,611)	48	16	-	-	
Corporate & Community	14,832	12,361	13,318	43,607	45,925	47,506	(28,775)	(33,564)	(34,188)	2,637	2,113	218,141	232,140	
Health	-	-	-	-	-	-	-	-	-	-	-	-	-	
Environment	24,768	25,476	24,600	35,776	36,168	34,570	(11,008)	(10,692)	(9,970)	1,757	2,320	495,925	484,557	
Works	5,627	7,815	7,906	22,687	22,993	22,746	(17,060)	(15,178)	(14,840)	2,486	2,435	768,117	768,441	
Planning	5,126	3,416	3,941	8,245	7,079	7,779	(3,119)	(3,663)	(3,838)	17	100	-	-	
Total Functions & Activities	50,360	49,235	49,899	114,316	115,920	116,393	(63,956)	(66,685)	(66,494)	6,945	6,984	1,482,183	1,485,138	
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	-	-	-	-	-	-	-	-	-	-	-	-	
General Purpose Income ¹	63,985	66,337	60,101	-	-	-	63,985	66,337	60,101	6,731	5,367	-	-	
Operating Result from Continuing Operations	114,345	115,572	110,000	114,316	115,920	116,393	29	(348)	(6,393)	13,676	12,351	1,482,183	1,485,138	

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

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 2(b). Council Functions / Activities - Component Descriptions

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

GOVERNANCE

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

GENERAL MANAGERS DIVISION

Costs relating to Community Relations, Internal Audit, Citizenship, Ceremonies & other community events, Human Resources, Quality Systems, corporate projects, annual reports & quarterly newsletters.

CORPORATE & COMMUNITY DIVISION

Administration, Finance, Information Technology, Library & Information Services, Community Services, Children's Services and Community Development.

ENVIRONMENTAL DIVISION

Parks & Landscape, Water Catchments, Environmental Health & Protection, Waste Management, Bushland & Biodiversity and Customer Service.

WORKS DIVISION

Assets, Traffic & Road Safety, Property Development, Design & Construction, Engineering Services & Works Support.

PLANNING DIVISION

Town Planning, Development Assessments, Section 94 Development Contributions, Subdivisions & Customer Service.

Hornsby Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2012	Actual 2011
(a). Rates & Annual Charges			
Ordinary Rates			
Residential		51,912	47,835
less: Compulsory Pensioner Rate		(1,340)	(1,311)
Farmland		473	437
Business		6,848	6,318
Total Ordinary Rates		57,893	53,279
Special Rates			
Catchment Remediation Rate		2,809	2,729
Hornsby Quarry Rate		2,975	2,894
less: Voluntary Pensioner Rebate		(208)	(68)
Total Special Rates		5,576	5,555
Annual Charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		15,901	14,447
Section 611 Charges		62	59
Total Annual Charges		15,963	14,506
<u>TOTAL RATES & ANNUAL CHARGES</u>		<u>79,432</u>	<u>73,340</u>

Council has used 2008 year valuations provided by the NSW Valuer General in calculating its rates.

Hornsby Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2012	Actual 2011
(b). User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Waste Management Services (non-domestic)		1,144	1,018
Sullage		13	25
Total User Charges		1,157	1,043
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s.608)			
Inspection Fees		482	457
Planning & Building Regulation		2,094	2,081
Registration Fees		77	86
Total Fees & Charges - Statutory/Regulatory		2,653	2,624
(ii) Fees & Charges - Other (incl. General User Charges) (per s.608)			
Community Centres		471	244
Indoor Sports Centre Stadium - Admission Fees		502	496
Library Fees & Charges		129	139
Nursery & Preschool Hire Fees		3,007	3,678
Other Hire Fees		69	49
Park & Oval Hire Fees		938	806
Restoration Charges		1,148	918
Swimming Centres		1,129	1,477
Tennis/Netball Hire Fees		137	145
Other		303	369
Total Fees & Charges - Other		7,833	8,321
TOTAL USER CHARGES & FEES		11,643	11,988

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2012	Actual 2011
(c). Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges		238	182
- Interest earned on Investments (interest & coupon payment income)		2,011	1,803
Fair Value Adjustments			
- Fair Valuation movements in Investments (at FV or Held for Trading)		296	402
<u>TOTAL INTEREST & INVESTMENT REVENUE</u>		<u>2,545</u>	<u>2,387</u>
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges (General Fund)		238	182
General Council Cash & Investments		1,699	1,441
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		588	741
Catchments Remediation		20	23
Total Interest & Investment Revenue Recognised		<u>2,545</u>	<u>2,387</u>

(d). Other Revenues

Rental Income - Other Council Properties	1,545	1,423
Ex Gratia Rates	14	14
Parking Fines	1,426	1,543
Prosecutions & Infringements	75	144
Legal Fees Recovery - Rates & Charges (Extra Charges)	223	185
Legal Fees Recovery - Planning	-	49
Legal Fees Recovery - Other	8	113
ATO Claim Settlement	-	347
Bushfire Fund Income	26	-
Car Park Management	96	89
Commissions & Agency Fees	8	11
Diesel Rebate	55	-
Florence Mall Incomes	31	45
Home Modification	246	239
Income from Community Events	39	12
Insurance Claim Recoveries	19	97
Insurance Rebates & Incentives	134	114
Property Services Sundry Income	1	6
Recycling Income (non domestic)	267	186
Road Closure Income	-	45
Salaries & Wages Charged Out	77	117
Sales - General	461	581

continued on the next page

Hornsby Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2012	Actual 2011
(d). Other Revenues (continued)			
Street Furniture Advertising		29	108
Telecommunications Mobile Site Fees		49	137
Vehicular Crossing Income		42	21
Youth Centre Income		8	-
Other		112	166
TOTAL OTHER REVENUE		4,991	5,792

\$ '000	2012 Operating	2011 Operating	2012 Capital	2011 Capital
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(e). Grants**General Purpose (Untied)**

Financial Assistance - General Component	4,170	3,238	-	-
Financial Assistance - Local Roads Component	1,824	1,413	-	-
Pensioners' Rates Subsidies - General Component	737	716	-	-
Total General Purpose	6,731	5,367	-	-

Specific Purpose

Pensioners' Rates Subsidies:				
- Domestic Waste Management	225	216	-	-
Aged & Disabled	475	472	-	-
Aged Care	35	144	-	-
Bushfire & Emergency Services	(9)	63	-	-
Bushland	328	452	55	-
Child Care	1,321	921	17	-
Community Care	373	137	-	-
Community Centres	-	-	-	30
Community Infrastructure Program	-	-	-	360
Employment & Training Programs	49	15	-	-
Environmental Protection	1,013	1,275	4	20
Library	303	300	99	95
Noxious Weeds	25	-	-	-
Parks & Gardens	-	-	110	294
Street Lighting	312	220	-	-
Transport (Other Roads & Bridges Funding)	600	631	1,412	1,134
Youth Services	4	14	-	-
Other	121	180	73	11
Total Specific Purpose	5,175	5,040	1,770	1,944
Total Grants	11,906	10,407	1,770	1,944

Grant Revenue is attributable to:

- Commonwealth Funding	1,345	1,226	614	664
- State Funding	10,561	9,181	1,156	1,280
	11,906	10,407	1,770	1,944

Hornsby Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 3. Income from Continuing Operations (continued)

\$ '000	2012 Operating	2011 Operating	2012 Capital	2011 Capital
(f). Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the NSW LG Act):				
S 94 - Contributions towards amenities/services	-	-	1,304	1,591
Total Developer Contributions	17 -	-	1,304	1,591
Other Contributions:				
Bushfire Services	545	-	430	-
Community Facilities	-	400	-	-
Employee Vehicle Contributions	640	663	-	-
Environment	1	105	-	-
Parks & Gardens	10	133	170	-
Recreation & Culture	-	4	-	-
Roads & Bridges	-	-	10	-
RMS Contributions (Regional Roads, Block Grant)	2	14	-	-
Rural Fire Service	-	702	-	398
Other	91	109	-	23
Total Other Contributions	1,289	2,130	610	421
Total Contributions	1,289	2,130	1,914	2,012
<u>TOTAL GRANTS & CONTRIBUTIONS</u>	<u>13,195</u>	<u>12,537</u>	<u>3,684</u>	<u>3,956</u>

\$ '000	Actual 2012	Actual 2011
(g). Restrictions relating to Grants and Contributions		
Certain grants & contributions are obtained by Council on condition that they be spent in a specified manner:		
Unexpended at the Close of the Previous Reporting Period	15,480	15,828
add: Grants & contributions recognised in the current period but not yet spent:	7,181	6,997
less: Grants & contributions recognised in a previous reporting period now spent:	(5,146)	(7,345)
Net Increase (Decrease) in Restricted Assets during the Period	2,035	(348)
Unexpended and held as Restricted Assets	<u>17,515</u>	<u>15,480</u>
Comprising:		
- Specific Purpose Unexpended Grants	4,874	3,020
- Developer Contributions	12,641	12,460
	<u>17,515</u>	<u>15,480</u>

Hornsby Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2012	Actual 2011
(a) Employee Benefits & On-Costs			
Salaries and Wages		35,398	39,027
Travelling		19	21
Employee Leave Entitlements (ELE)		2,217	1,025
Superannuation		4,029	4,381
Workers' Compensation Insurance		909	1,001
Fringe Benefit Tax (FBT)		194	161
Training Costs (other than Salaries & Wages)		308	397
Other		247	338
Total Employee Costs		43,321	46,351
less: Capitalised Costs		(659)	(749)
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>		<u>42,662</u>	<u>45,602</u>
Number of "Equivalent Full Time" Employees at year end		539	573
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Overdraft		1	-
Interest on Loans		1,329	1,470
Total Interest Bearing Liability Costs		1,330	1,470
less: Capitalised Costs		-	-
Total Interest Bearing Liability Costs Expensed		1,330	1,470
(ii) Other Borrowing Costs			
Nil			
<u>TOTAL BORROWING COSTS EXPENSED</u>		<u>1,330</u>	<u>1,470</u>

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2012	Actual 2011
(c) Materials & Contracts			
Raw Materials & Consumables		3,915	4,398
Contractor & Consultancy Costs			
- Animal Pound Service		23	28
- Air Conditioning		90	113
- Building Maintenance		199	218
- Bush Regeneration		514	516
- Computer Support		1,997	2,263
- Community Centres		83	70
- Consultants		1,274	1,415
- Contracts - Electrical		249	305
- Contracts - Grass Cutting		438	479
- Contracts - Plumbing		423	495
- Contracts - Tree Work		479	382
- Contractor & Agency Fees		1,542	1,046
- Drainage Maintenance		326	267
- External Plant & Equipment Hire		167	198
- Florence Mall		112	65
- Footpath Maintenance		357	259
- Foreshore Facilities		114	170
- Garbage Collection, Tipping & Recycling		16,854	14,807
- Home Modification Service		176	188
- Litter Control		432	417
- Maintenance of Parks		445	386
- Mechanical Services		185	175
- Property Cleaning		357	392
- Road Maintenance		3,834	3,186
- Stormwater Asset Maintenance		220	151
Auditors Remuneration ⁽¹⁾		93	95
Legal Expenses:			
- Legal Expenses: Planning & Development		290	324
- Legal Expenses: Other		431	438
Operating Leases:			
- Operating Lease Rentals: Minimum Lease Payments ⁽²⁾		288	378
Contracts - Bushfire Hazard Reduction & Mitigation		262	-
Other		391	427
Total Materials & Contracts		36,560	34,051
less: Capitalised Costs		-	-
TOTAL MATERIALS & CONTRACTS		36,560	34,051

continued on the next page

Hornsby Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2012	Actual 2011
(c) Materials & Contracts (continued)			
1. Auditor Remuneration			
During the year, the following fees were incurred for services provided by the Council's Auditor (& the Auditors of other Consolidated Entities):			
(i) Audit and Other Assurance Services			
- Audit & review of financial statements: Council's Auditor		93	95
Total Auditor Remuneration		93	95
2. Operating Lease Payments are attributable to:			
Computers		288	378
		288	378

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2012	Actual 2011	Actual 2012	Actual 2011
(d) Depreciation, Amortisation & Impairment					
Plant and Equipment		-	-	1,512	1,573
Office Equipment		-	-	203	249
Furniture & Fittings		-	-	95	112
Land Improvements (depreciable)		-	-	3,200	2,833
Buildings - Non Specialised		-	-	2,293	2,208
Buildings - Specialised		-	-	1,998	2,275
Other Structures		-	-	359	282
Infrastructure:					
- Roads, Bridges & Footpaths		-	-	7,437	7,399
- Stormwater Drainage		-	-	5,014	4,964
- Water Supply Network		-	-	4	4
Other Assets					
- Library Books		-	-	444	426
Intangible Assets	25	-	-	861	861
Total Depreciation & Impairment Costs		-	-	23,420	23,186
less: Capitalised Costs		-	-	-	-
less: Impairments (to)/from ARR [Equity]	9a	-	-	-	-
TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED		-	-	23,420	23,186

Hornsby Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2012	Actual 2011
(e) Other Expenses			
Other Expenses for the year include the following:			
Advertising		346	397
Bad & Doubtful Debts		104	54
Bank Charges & Cash Collection Expenses		293	297
Catering		253	280
Contributions/Levies to Other Levels of Government			
- Department of Planning Levy		273	271
- Emergency Services Levy		172	159
- NSW Fire Brigade Levy		1,648	1,708
- NSW Rural Fire Service Levy		476	531
- NSW State Revenue Infringement Processing Fees		199	172
Councillor Expenses - Mayoral Fee		56	54
Councillor Expenses - Councillors' Fees		212	204
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		22	26
Donations, Contributions & Assistance to other organisations (Section 356)		93	118
Electricity & Heating		985	929
Insurance		1,561	1,558
Licences & Registration		255	251
Postage		230	211
Printing & Stationery		344	315
Street Lighting		2,888	2,820
Subscriptions to Local Government Publications		54	56
Subscriptions & Publications		293	262
Telephone & Communications		276	294
Valuation Fees		252	243
Water & Sewerage		332	404
Other		331	399
Total Other Expenses		11,948	12,013
less: Capitalised Costs		-	-
TOTAL OTHER EXPENSES		11,948	12,013

Hornsby Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2012	Actual 2011
Property (excl. Investment Property)			
Proceeds from Disposal - Property		3,257	34
less: Carrying Amount of Property Assets Sold / Written Off		(3,657)	(744)
Net Gain/(Loss) on Disposal		(400)	(710)
Plant & Equipment			
Proceeds from Disposal - Plant & Equipment		1,477	1,227
less: Carrying Amount of P&E Assets Sold / Written Off		(983)	(794)
Net Gain/(Loss) on Disposal		494	433
Infrastructure			
Proceeds from Disposal - Infrastructure		-	-
less: Carrying Amount of Infrastructure Assets Sold / Written Off		(12)	-
Net Gain/(Loss) on Disposal		(12)	-
Financial Assets*			
Proceeds from Disposal / Redemptions / Maturities - Financial Assets		13,537	4,104
less: Carrying Amount of Financial Assets Sold / Redeemed / Matured		(13,537)	(3,898)
Net Gain/(Loss) on Disposal		-	206
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>82</u>	<u>(71)</u>
* Financial Assets disposals / redemptions include:			
- Net Gain/(Loss) from Financial Instruments "At Fair Value through profit & loss"		-	206
Net Gain/(Loss) on Disposal of Financial Instruments		-	206

Hornsby Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 6a. - Cash Assets and Note 6b. - Investment Securities

\$ '000	Notes	2012 Actual Current	2012 Actual Non Current	2011 Actual Current	2011 Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		251	-	215	-
Cash-Equivalent Assets ¹					
- Deposits at Call		15,406	-	15,975	-
- Short Term Deposits		1,000	-	3,000	-
Total Cash & Cash Equivalents		16,657	-	19,190	-
Investment Securities (Note 6b)					
- Managed Funds		1,058	-	1,066	-
- Long Term Deposits		19,500	-	7,000	1,000
- NCD's, FRN's (with Maturities > 3 months)		-	-	2,026	-
- Capital Guaranteed Financial Instruments		3,775	-	3,445	-
Total Investment Securities		24,333	-	13,537	1,000
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		40,990	-	32,727	1,000

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

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

Cash & Cash Equivalents

a. "At Fair Value through the Profit & Loss"		16,657	-	19,190	-
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Investments

a. "At Fair Value through the Profit & Loss"					
- "Held for Trading"	6(b-i)	-	-	-	-
- "Designated at Fair Value on Initial Recognition"	6(b-i)	4,833	-	6,537	-
b. "Held to Maturity"	6(b-ii)	19,500	-	7,000	1,000
c. "Loans & Receivables"	6(b-iii)	-	-	-	-
d. "Available for Sale"	6(b-iv)	-	-	-	-
Investments		24,333	-	13,537	1,000

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 6b. Investments (continued)

\$ '000	2012 Actual Current	2012 Actual Non Current	2011 Actual Current	2011 Actual Non Current
Note 6(b-i)				
Reconciliation of Investments classified as "At Fair Value through the Profit & Loss"				
Balance at the Beginning of the Year	6,537	-	10,033	-
Revaluations (through the Income Statement)	296	-	402	-
Additions	3,537	-	-	-
Disposals (sales & redemptions)	(5,537)	-	(3,898)	-
Balance at End of Year	4,833	-	6,537	-
Comprising:				
- Managed Funds	1,058	-	1,066	-
- NCD's, FRN's (with Maturities > 3 months)	-	-	2,026	-
- Capital Guaranteed Financial Instruments	3,775	-	3,445	-
Total	4,833	-	6,537	-
Note 6(b-ii)				
Reconciliation of Investments classified as "Held to Maturity"				
Balance at the Beginning of the Year	7,000	1,000	4,000	-
Additions	19,500	-	3,000	1,000
Disposals (sales & redemptions)	(7,000)	(1,000)	-	-
Balance at End of Year	19,500	-	7,000	1,000
Comprising:				
- Long Term Deposits	19,500	-	7,000	1,000
Total	19,500	-	7,000	1,000

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

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

\$ '000	2012	2012	2011	2011
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investment Securities	40,990	-	32,727	1,000
attributable to:				
External Restrictions (refer below)	18,576	-	15,379	1,000
Internal Restrictions (refer below)	18,484	-	13,958	-
Unrestricted	3,930	-	3,390	-
	40,990	-	32,727	1,000
2012	Opening	Transfers to	Transfers from	Closing
\$ '000	Balance	Restrictions	Restrictions	Balance
Details of Restrictions				
External Restrictions - Included in Liabilities				
Nil				
External Restrictions - Other				
Developer Contributions - General (D)	12,460	1,892	(1,711)	12,641
Specific Purpose Unexpended Grants (F)	3,020	1,854	-	4,874
Domestic Waste Management (G)	28	16,503	(16,531)	-
Other	871	2,880	(2,690)	1,061
External Restrictions - Other	16,379	23,129	(20,932)	18,576
Total External Restrictions	16,379	23,129	(20,932)	18,576
Internal Restrictions				
Plant & Vehicle Replacement	1,015	1,587	(2,401)	201
Employees Leave Entitlement	3,339	200	-	3,539
Civil Works	3,094	789	(2,240)	1,643
Construction of Buildings	1,439	6,790	(1,018)	7,211
Council Strategic Projects	1,156	2,814	(2,841)	1,129
Hornsby Quarry GST Fund	2,870	2,767	(2,767)	2,870
Land Acquisition	103	-	(103)	-
Other	942	1,055	(106)	1,891
Total Internal Restrictions	13,958	16,002	(11,476)	18,484
TOTAL RESTRICTIONS	30,337	39,131	(32,408)	37,060

As at 30 June 2012 there were no outstanding loans from internal restricted assets.

- D Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- F Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1)
- G Water, Sewerage, Domestic Waste Management (DWM) & other Special Rates/Levies/Charges are externally restricted assets and must be applied for the purposes for which they were raised.

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 7. Receivables

\$ '000	Notes	2012		2011	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		2,106	275	2,157	280
Interest & Extra Charges		224	-	224	-
User Charges & Fees		172	-	182	-
Contributions to Works		21	-	-	-
Accrued Revenues					
- Interest on Investments		432	-	232	-
- Other Income Accruals		707	-	610	-
Government Grants & Subsidies		206	-	572	-
Net GST Receivable		766	-	659	-
Sullage		40	-	48	-
Restorations		112	-	233	-
Licencing		42	-	30	-
Property Rentals		91	-	192	-
Sale & Leaseback of Computer Equipment		-	-	113	-
Workers Compensation Claims		8	-	8	-
Facility Hire		303	-	-	-
Other Debtors		218	-	382	-
Total		5,448	275	5,642	280
less: Provision for Impairment					
Other Debtors		(153)	-	(101)	-
Total Provision for Impairment - Receivables		(153)	-	(101)	-
<u>TOTAL NET RECEIVABLES</u>		<u>5,295</u>	<u>275</u>	<u>5,541</u>	<u>280</u>
Externally Restricted Receivables					
Domestic Waste Management		530	-	510	-
Other					
- Catchment Remediation Rate		93	-	92	-
- Hornsby Quarry Special Rate		97	-	104	-
- Special Purpose Grants		885	-	1,134	-
Total External Restrictions		1,605	-	1,840	-
Internally Restricted Receivables					
Nil					
Unrestricted Receivables		3,690	275	3,701	280
<u>TOTAL NET RECEIVABLES</u>		<u>5,295</u>	<u>275</u>	<u>5,541</u>	<u>280</u>

Notes on Debtors above:

- (i) Rates & Annual Charges Outstanding are secured against the property.
- (ii) Doubtful Rates Debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates & charges at 11.00% (2011 9.00%).
Generally all other receivables are non interest bearing.
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

Hornsby Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 8. Inventories & Other Assets

\$ '000	Notes	2012		2011	
		Current	Non Current	Current	Non Current
Inventories					
Stores & Materials		183	-	181	-
Total Inventories		183	-	181	-
Other Assets					
Prepayments		140	-	54	-
Total Other Assets		140	-	54	-
TOTAL INVENTORIES / OTHER ASSETS		323	-	235	-

Externally Restricted Assets

There are no restrictions applicable to the above assets.

Hornsby Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 9a. Infrastructure, Property, Plant & Equipment

	as at 30/6/2012						as at 30/6/2011						Asset Movements during the Reporting Period										
	At		Accumulated		Carrying		At		Accumulated		Carrying		Asset Additions	WDV of Asset Disposals	Depreciation Expense	WIP Transfers	Adjustments & Transfers	At	Fair Value	Dep'n	Accumulated Impairment	Carrying Value	
	Cost	Fair Value	Dep'n	Impairment	Value	Cost	Fair Value	Dep'n	Impairment	Value													
\$ '000	4,065	-	-	-	4,065	-	-	-	-	-	-	13,830	-	-	-	-	-	2,410	-	-	-	2,410	
Capital Work in Progress	-	-	-	-	-	-	-	-	-	-	-	2,602	(15,485)	-	-	-	-	-	-	-	-	-	2,410
Plant & Equipment	-	15,787	10,442	-	5,345	-	15,787	10,442	-	5,345	-	263	(1,512)	263	-	-	-	-	15,904	10,189	-	-	5,715
Office Equipment	-	1,732	1,191	-	541	-	1,732	1,191	-	541	-	99	(203)	-	-	-	-	-	1,759	1,322	-	-	437
Furniture & Fittings	-	2,523	2,085	-	438	-	2,523	2,085	-	438	-	-	(95)	92	-	-	-	-	2,580	2,145	-	-	435
Land:																							
- Operational Land	-	148,637	-	-	148,637	-	148,637	-	-	148,637	-	-	(3,074)	-	-	-	-	-	145,563	-	-	-	145,563
- Community Land	-	414,535	-	-	414,535	-	414,535	-	-	414,535	338	(390)	-	-	-	-	-	-	414,483	-	-	-	414,483
Land Improvements - depreciable	-	62,302	27,584	-	34,718	-	62,302	27,584	-	34,718	-	-	(32)	2,898	-	-	-	-	63,300	30,532	-	-	32,768
Buildings - Non Specialised	-	70,045	34,666	-	35,379	-	70,045	34,666	-	35,379	242	(19)	(2,293)	671	300	-	-	-	71,362	37,082	-	-	34,280
Buildings - Specialised	-	86,241	37,346	-	48,895	-	86,241	37,346	-	48,895	-	(141)	(1,998)	1,835	-	-	-	-	87,792	39,201	-	-	48,591
Other Structures	-	10,854	4,289	-	6,565	-	10,854	4,289	-	6,565	60	(13)	(359)	1,727	1,616	-	-	-	14,422	4,826	-	-	9,596
Infrastructure:																							
- Roads, Bridges, Footpaths	-	400,677	97,404	-	303,273	-	400,677	97,404	-	303,273	-	-	(7,437)	5,540	-	-	-	-	406,217	104,841	-	-	301,376
- Bulk Earthworks (non-depreciable)	-	77,561	-	-	77,561	-	77,561	-	-	77,561	-	-	-	-	-	-	-	-	77,561	-	-	-	77,561
- Stormwater Drainage	-	482,019	120,147	-	361,872	-	482,019	120,147	-	361,872	-	-	(5,014)	2,459	-	-	-	-	484,477	125,160	-	-	359,317
- Water Supply Network	-	128	68	-	60	-	128	68	-	60	-	-	(4)	-	-	-	-	-	128	72	-	-	56
Other Assets:																							
- Library Books	-	2,768	1,569	-	1,199	-	2,768	1,569	-	1,199	546	-	(444)	-	-	-	-	-	3,313	2,012	-	-	1,301
TOTAL INFRASTRUCTURE,	4,065	1,775,809	336,791	-	1,443,083	-	1,775,809	336,791	-	1,443,083	17,717	(4,652)	(22,559)	-	300	-	-	2,410	1,788,861	357,382	-	-	1,433,889
PROPERTY, PLANT & EQUIP.																							

Additions to Depreciable Land Improvements, Buildings, Other Structures & Infrastructure Assets are made up of Asset Renewals (\$10,339K) and New Assets (\$5,093K). Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2012

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

\$ '000

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

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

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

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2012		2011	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		4,808	-	4,252	-
Payments Received In Advance		300	-	286	-
Accrued Expenses:					
- Borrowings		22	-	26	-
- Salaries & Wages		1,328	-	1,952	-
- Other Expenditure Accruals		2,108	-	1,664	-
Security Bonds, Deposits & Retentions		166	-	132	-
Contributions & Bonds		150	-	163	-
Employee Costs		-	-	332	-
Other		37	-	57	-
Total Payables		8,919	-	8,864	-
Borrowings					
Loans - Secured ¹		3,798	12,369	3,584	16,167
Total Borrowings		3,798	12,369	3,584	16,167
Provisions					
Employee Benefits;					
Annual Leave		3,136	-	3,183	-
Sick Leave		625	-	631	-
Long Service Leave		8,433	539	7,797	492
Gratuities		321	-	328	-
Other Leave		14	-	15	-
Sub Total - Aggregate Employee Benefits		12,529	539	11,954	492
Total Provisions		12,529	539	11,954	492
Total Payables, Borrowings & Provisions		25,246	12,908	24,402	16,659

(i) Liabilities relating to Restricted Assets

	2012		2011	
	Current	Non Current	Current	Non Current
Externally Restricted Assets				
Domestic Waste Management	1,324	-	1,873	-
Liabilities relating to externally restricted assets	1,324	-	1,873	-
Internally Restricted Assets				
Employee Leave Entitlements	3,539	-	3,339	-
Liabilities relating to internally restricted assets	3,539	-	3,339	-
Total Liabilities relating to restricted assets	4,863	-	5,212	-

¹ Loans are secured over the General Rating Income of Council

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

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

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

\$ '000	2012	2011
(ii) Current Liabilities not anticipated to be settled within the next 12 months		
The following Liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions - Employees Benefits	8,940	8,463
	8,940	8,463

Note 10b. Description of and movements in Provisions

Class of Provision	2011		2012			Closing Balance as at 30/6/12
	Opening Balance as at 1/7/11	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	
Annual Leave	3,183	304	(351)	-	-	3,136
Sick Leave	631	52	(58)	-	-	625
Long Service Leave	8,289	1,856	(1,173)	-	-	8,972
Gratuities	328	27	(34)	-	-	321
Other Leave	15	-	(1)	-	-	14
TOTAL	12,446	2,239	(1,617)	-	-	13,068

a. Employees Leave Entitlements & On-Costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2012	Actual 2011
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	16,657	19,190
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		16,657	19,190
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		(348)	(6,393)
Adjust for non cash items:			
Depreciation & Amortisation		23,420	23,186
Net Losses/(Gains) on Disposal of Assets		(82)	71
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investments classified as "At Fair Value" or "Held for Trading"		(296)	(402)
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		199	637
Increase/(Decrease) in Provision for Doubtful Debts		52	33
Decrease/(Increase) in Inventories		(2)	(14)
Decrease/(Increase) in Other Assets		54	(54)
Increase/(Decrease) in Payables		556	1,175
Increase/(Decrease) in accrued Interest Payable		(4)	(1)
Increase/(Decrease) in other accrued Expenses Payable		(180)	1,966
Increase/(Decrease) in Other Liabilities		(317)	33
Increase/(Decrease) in Employee Leave Entitlements		622	400
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		23,674	20,637

Hornsby Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

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

\$ '000	Notes	Actual 2012	Actual 2011
(c) Non-Cash Investing & Financing Activities			
Nil			
(d) Financing Arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank Overdraft Facilities ⁽¹⁾		2,000	2,000
Credit Cards / Purchase Cards		10	10
Total Financing Arrangements		2,010	2,010
Amounts utilised as at Balance Date:			
- Credit Cards / Purchase Cards		-	4
Total Financing Arrangements Utilised		-	4

1. The Bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.
Interest rates on overdrafts are Interest Rates on Loans & Other Payables are disclosed in Note 15.

(ii) Secured Loan Liabilities

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

Hornsby Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2012	Actual 2011
(a) Capital Commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, Plant & Equipment			
Buildings		288	372
Plant & Equipment		195	-
Building & Land Improvements		118	905
Infrastructure - Roads, Bridges & Footpaths		769	1,283
Intellectual Property - "Council's Online"		728	2,426
Furniture & Fittings		-	2
Foreshore Facilities		20	-
Office Equipment		6	-
Other		-	1
Total Commitments		2,124	4,989
These expenditures are payable as follows:			
Within the next year		2,124	4,261
Later than one year and not later than 5 years		-	728
Later than 5 years		-	-
Total Payable		2,124	4,989
Sources for Funding of Capital Commitments:			
Unrestricted General Funds		2,124	4,989
Total Sources of Funding		2,124	4,989

Hornsby Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 12. Commitments for Expenditure (continued)

\$ '000	Notes	Actual 2012	Actual 2011
(b) Finance Lease Commitments			
Nil			
(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		315	305
Later than one year and not later than 5 years		351	529
Later than 5 years		-	-
Total Non Cancellable Operating Lease Commitments		666	834

b. Non Cancellable Operating Leases include the following assets:

Computer Equipment

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 financial year ended 30 June 2012

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

\$ '000	Amounts 2012	Indicator 2012	Prior Periods 2011 2010	
Local Government Industry Indicators				
1. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽¹⁾	<u>26,427</u>	1.76 : 1	1.51	1.43
Current Liabilities less Specific Purpose Liabilities ^(2,3)	<u>14,982</u>			
2. Debt Service Ratio				
Debt Service Cost	<u>4,914</u>	4.66%	4.86%	4.69%
Income from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions	<u>105,424</u>			
3. Rates & Annual Charges Coverage Ratio				
Rates & Annual Charges	<u>79,432</u>	68.73%	66.67%	65.10%
Income from Continuing Operations	<u>115,572</u>			
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual & Extra Charges Outstanding	<u>2,605</u>	3.16%	3.48%	3.71%
Rates, Annual & Extra Charges Collectible	<u>82,554</u>			
5. Building & Infrastructure Renewals Ratio				
Asset Renewals ⁽⁴⁾	<u>10,339</u>	61.74%	48.77%	82.22%
Depreciation, Amortisation & Impairment	<u>16,746</u>			

Notes

(1) Refer Notes 6-8 inclusive.

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

(2) Refer to Note 10(a).

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

(4) Asset Renewals represent the replacement &/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance. Asset Renewals include building and infrastructure assets only.

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 13a(ii). Statement of Performance Measurement - Graphs (Consolidated)

<p>1. Unrestricted Current Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio : 1</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>1.19</td> </tr> <tr> <td>2010</td> <td>1.43</td> </tr> <tr> <td>2011</td> <td>1.51</td> </tr> <tr> <td>2012</td> <td>1.76</td> </tr> </tbody> </table>	Year	Ratio : 1	2009	1.19	2010	1.43	2011	1.51	2012	1.76	<p>Purpose of Unrestricted Current Ratio</p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p>Commentary on 2011/12 Result</p> <p>2011/12 Ratio 1.76 : 1</p> <p>The improvement in the ratio to the prior year reflects a higher balance of cash and cash equivalents. This has mainly come from increased rate income as a result of the Special Rate Variation.</p>
Year	Ratio : 1											
2009	1.19											
2010	1.43											
2011	1.51											
2012	1.76											
<p>2. Debt Service Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>4.61%</td> </tr> <tr> <td>2010</td> <td>4.69%</td> </tr> <tr> <td>2011</td> <td>4.86%</td> </tr> <tr> <td>2012</td> <td>4.66%</td> </tr> </tbody> </table>	Year	Ratio %	2009	4.61%	2010	4.69%	2011	4.86%	2012	4.66%	<p>Purpose of Debt Service Ratio</p> <p>To assess the impact of loan principal & interest repayments on the discretionary revenue of council.</p>	<p>Commentary on 2011/12 Result</p> <p>2011/12 Ratio 4.66%</p> <p>The reduction in the Debt Service Ratio is also due to the increase in revenues from the Special Rate Variation.</p>
Year	Ratio %											
2009	4.61%											
2010	4.69%											
2011	4.86%											
2012	4.66%											
<p>3. Rates & Annual Charges Coverage Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>65.42%</td> </tr> <tr> <td>2010</td> <td>65.10%</td> </tr> <tr> <td>2011</td> <td>66.67%</td> </tr> <tr> <td>2012</td> <td>68.73%</td> </tr> </tbody> </table>	Year	Ratio %	2009	65.42%	2010	65.10%	2011	66.67%	2012	68.73%	<p>Purpose of Rates & Annual Charges Coverage Ratio</p> <p>To assess the degree of Council's dependence upon revenue from rates and annual charges and to assess the security of Council's income.</p>	<p>Commentary on 2011/12 Result</p> <p>2011/12 Ratio 68.73%</p> <p>Council's dependence upon revenue from rates increased because other revenues stayed constant while rate income increased.</p>
Year	Ratio %											
2009	65.42%											
2010	65.10%											
2011	66.67%											
2012	68.73%											
<p>4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>3.47%</td> </tr> <tr> <td>2010</td> <td>3.71%</td> </tr> <tr> <td>2011</td> <td>3.48%</td> </tr> <tr> <td>2012</td> <td>3.16%</td> </tr> </tbody> </table>	Year	Ratio %	2009	3.47%	2010	3.71%	2011	3.48%	2012	3.16%	<p>Purpose of Rates & Annual Charges Outstanding Ratio</p> <p>To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.</p>	<p>Commentary on 2011/12 Result</p> <p>2011/12 Ratio 3.16%</p> <p>Even though rates ,annual charges, interest and extra charges increased Council was still able to reduce the overall amount outstanding.</p>
Year	Ratio %											
2009	3.47%											
2010	3.71%											
2011	3.48%											
2012	3.16%											
<p>5. Building & Infrastructure Renewals Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>85.21%</td> </tr> <tr> <td>2010</td> <td>82.22%</td> </tr> <tr> <td>2011</td> <td>48.77%</td> </tr> <tr> <td>2012</td> <td>61.74%</td> </tr> </tbody> </table>	Year	Ratio %	2009	85.21%	2010	82.22%	2011	48.77%	2012	61.74%	<p>Purpose of Asset Renewals Ratio</p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<p>Commentary on Result</p> <p>2011/12 Ratio 61.74%</p> <p>The ratio suggests that Council is currently not spending enough on renewal of assets.</p>
Year	Ratio %											
2009	85.21%											
2010	82.22%											
2011	48.77%											
2012	61.74%											

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 14. Investment Properties

\$ '000

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

Note 15. Financial Risk Management

Risk Management

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

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

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

Financial risk management is carried out by Council's Finance Section under policies approved by the Council.

A comparison by category of the carrying amounts and fair values of Council's Financial Assets & Financial Liabilities recognised in the financial statements is presented below.

	Carrying Value		Fair Value	
	2012	2011	2012	2011
Financial Assets				
Cash and Cash Equivalents	16,657	19,190	16,657	19,190
Investments				
- "Designated At Fair Value on Initial Recognition"	4,833	6,537	4,833	6,537
- "Held to Maturity"	19,500	8,000	19,500	8,000
Receivables	5,570	5,821	5,570	5,821
Total Financial Assets	46,560	39,548	46,560	39,548
Financial Liabilities				
Payables	8,619	8,578	8,619	8,578
Loans / Advances	16,167	19,751	15,528	18,586
Total Financial Liabilities	24,786	28,329	24,147	27,164

Fair Value is determined as follows:

- **Cash & Cash Equivalents, Receivables, Payables** - are estimated to be the carrying value which approximates mkt value.
- **Borrowings & Held to Maturity Investments** - are based upon estimated future cash flows discounted by the current market interest rates applicable to assets & liabilities with similar risk profiles, unless quoted market prices are available.
- Financial Assets classified (i) **"at fair value through profit & loss"** or (ii) **Available for Sale** - are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 15. Financial Risk Management (continued)

\$ '000

(a) Fair Value Measurements

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

AASB 7 Financial Instruments: Disclosures, requires the disclosure of how fair valuations have been arrived at for all financial assets and financial liabilities that have been measured at fair value.

Arriving at fair values for financial assets & liabilities can be broken up into 3 distinct measurement hierarchies:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

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

The following table presents the financial assets and financial liabilities that have been measured & recognised at fair values:

2012	Level 1	Level 2	Level 3	Total
Financial Assets				
Investments				
- "Designated At Fair Value on Initial Recognition"	-	4,833	-	4,833
Total Financial Assets	-	4,833	-	4,833
2011	Level 1	Level 2	Level 3	Total
Financial Assets				
Investments				
- "Designated At Fair Value on Initial Recognition"	-	6,537	-	6,537
Total Financial Assets	-	6,537	-	6,537

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 15. Financial Risk Management (continued)

\$ '000

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

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

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

Council has an Investment Policy which complies with the Local Government Act & Minister's Investment Order. This Policy is regularly reviewed by Council and its staff and an Investment Report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance.

The major risk associated with Investments is price risk - the risk that the capital value of Investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.

Cash & Investments are also subject to interest rate risk - the risk that movements in interest rates could affect returns and income.

A further risk associated with Cash & Investments is credit risk - the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council - be it of a capital or income nature.

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

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

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

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

	Increase of Values/Rates		Decrease of Values/Rates	
	Profit	Equity	Profit	Equity
2012				
Possible impact of a 10% movement in Market Values	483	483	(483)	(483)
Possible impact of a 1% movement in Interest Rates	362	362	(362)	(362)
2011				
Possible impact of a 10% movement in Market Values	654	654	(654)	(654)
Possible impact of a 1% movement in Interest Rates	271	271	(271)	(271)

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 15. Financial Risk Management (continued)

\$ '000

(c) Receivables

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

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

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

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

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

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:

	2012	2012	2011	2011
	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
(i) Ageing of Receivables				
Current (not yet overdue)	-	2,751	-	2,853
Overdue	2,381	591	2,437	632
	<u>2,381</u>	<u>3,342</u>	<u>2,437</u>	<u>3,485</u>
(ii) Movement in Provision for Impairment of Receivables			2012	2011
Balance at the beginning of the year			101	68
+ new provisions recognised during the year			98	55
- amounts already provided for & written off this year			(46)	(22)
Balance at the end of the year			<u>153</u>	<u>101</u>

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 15. Financial Risk Management (continued)

\$ '000

(d) Payables & Borrowings

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

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

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

The contractual undiscounted cash outflows (ie. principal and interest) of Council's Payables & Borrowings are set out in the Liquidity 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		
2012									
Trade/Other Payables	166	8,453	-	-	-	-	-	8,619	8,619
Loans & Advances	-	4,893	4,880	4,877	1,308	1,143	2,334	19,435	16,167
Total Financial Liabilities	166	13,346	4,880	4,877	1,308	1,143	2,334	28,054	24,786
2011									
Trade/Other Payables	132	8,446	-	-	-	-	-	8,578	8,578
Loans & Advances	-	4,916	4,893	4,880	4,876	1,308	3,478	24,351	19,751
Total Financial Liabilities	132	13,362	4,893	4,880	4,876	1,308	3,478	32,929	28,329

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

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

	2012		2011	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	8,619	0.0%	8,578	0.0%
Loans & Advances - Fixed Interest Rate	16,167	7.0%	19,751	6.9%
	<u>24,786</u>		<u>28,329</u>	

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 11/12 was adopted by the Council on 23 March 2011.

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

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

Note that for Variations* of Budget to Actual :

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

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

\$ '000	2012 Budget	2012 Actual	2012 ----- Variance* -----		
REVENUES					
Rates & Annual Charges	79,528	79,432	(96)	(0%)	U
User Charges & Fees	14,492	11,643	(2,849)	(20%)	U
Actuals reclassified to Other Revenues (1,514)					
Federal subsidy for childcare fees included in Grants (957)					
Westleigh Childcare leased to external party (658)					
Childcare occupancy rates overstated (193)					
Budget for Development Applications overstated (201)					
Budget for revenue from Service Authority restorations understated 637					
Interest & Investment Revenue	1,650	2,545	895	54%	F
Higher average portfolio balance and favourable fair value adjustment					
Other Revenues	3,232	4,991	1,759	54%	F
Actuals reclassified from User Charges and Fees 1,514					
Insurance rebates and bonuses not included in budget 134					
Budget for commercial property rentals understated 157					

Hornsby Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 16. Material Budget Variations (continued)

\$ '000	2012 Budget	2012 Actual	2012 ----- Variance* -----		
REVENUES (continued)					
Operating Grants & Contributions	8,733	13,195	4,462	51%	F
The actual amount of grants received depends on decisions made by state and federal governments after the original budget has been adopted. Unexpected funding included:					
Advance on 2012/13 Financial Assistance Grant 1,449					
Federal Government childcare subsidies 957					
Waste & Sustainability Improvement 918					
Aboriginal Services Development 119					
Grant for community bus 130					
Capital Grants & Contributions	4,681	3,684	(997)	(21%)	U
Expected income from capital grants was overstated					
Net Gains from Disposal of Assets	2,029	82	(1,947)	(96%)	U
Budget did not include the written down value of assets sold					
EXPENSES					
Employee Benefits & On-Costs	46,067	42,662	3,405	7%	F
Borrowing Costs	1,372	1,330	42	3%	F
Materials & Contracts	29,172	36,560	(7,388)	(25%)	U
Reclassification of actuals from Other Expenses (3,800)					
Contract staff used to fill vacancies during staffing & service reviews (1,000)					
More road maintenance work outsourced due to staff vacancies & increase in restorations (1,300)					
Tipping budget understated - excessive green waste due to weather (600)					
Original budget for waste contractors understated (550)					
Depreciation & Amortisation	21,171	23,420	(2,249)	(11%)	U
Depreciation for new acquisitions understated					
Other Expenses	16,534	11,948	4,586	28%	F
Reclassification of actuals to Materials and Contracts 3,800					
Budget for Fire Levy overstated 300					
Budget for Other Services overstated 175					
Reduction in actual advertising expense 90					
Reduction in actual insurance premiums 120					

Hornsby Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 16. Material Budget Variations (continued)

\$ '000	2012 Budget	2012 Actual	2012 ----- Variance* -----		
Budget Variations relating to Council's Cash Flow Statement include:					
Cash Flows from Operating Activities	23,195	23,674	479	2.1%	F
Cash Flows from Investing Activities	(18,101)	(22,623)	(4,522)	25.0%	U
Net increase in investment portfolio not included in cash flow budget (9,500)					
Proceeds from sale of assets greater than budget 2,600					
Purchases of Infrastructure, Plant & Equipment less than budget 2,400					
Cash Flows from Financing Activities	(2,582)	(3,584)	(1,002)	38.8%	U
Council did not need to borrow this year (1,000)					

Budget Variations relating to Council's Operating Result by Functions include:**Income - Corporate & Community Division - Unfavourable variance - (2,471)**

The Original budget did not include the written down value of assets sold - (1,947)

Childcare income was less due to the lease of one centre to an external party - (658)

Income - Works Division - Favourable variance - 2,188

Increased revenue from service authority restorations - 637

Budget for grants understated - 1,089

Profit on asset sales not included in budget - 443

Income - Planning Division - Unfavourable variance - (1,710)

S94 Funds overstated in budget - (1,200)

Development Application fees overstated in budget - (200)

Grants overstated in budget - (130)

Expenses - Planning Division - Favourable variance 1,166

Salaries and wages under budget as a result of review - 900

Consultant expenses under budget - 113

Planning legal expenses under budget - 195

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 17. Statement of Developer Contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS & LEVIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Reclassifications	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	703	67	-	35	-	22	827	106	(1,514)	(581)	-
Roads	2,174	114	-	105	(93)	69	2,369	117	(1,583)	903	-
Traffic Facilities	560	92	-	29	-	18	699	145	(2,083)	(1,239)	-
Parking	54	-	-	3	-	1	58	-	-	58	-
Open Space	2,176	582	-	99	(572)	70	2,355	724	(9,804)	(6,725)	-
Community Facilities	4,186	279	-	183	(1,009)	133	3,772	371	(4,311)	(168)	-
Civic Improvements	1,658	158	-	82	-	52	1,950	138	(1,797)	291	-
Bushfire Facilities	29	-	-	1	-	1	31	39	-	70	-
S94 Administration	381	12	-	26	(37)	(383)	(1)	-	(523)	(524)	-
S94 Contributions - under a Plan	11,921	1,304	-	563	(1,711)	(17)	12,060	1,640	(21,615)	(7,915)	-
S94A Levies - under a Plan	-	-	-	-	-	-	-	-	-	-	-
Total S94 Revenue Under Plans	11,921	1,304	-	563	(1,711)	(17)	12,060	-	-	-	-
S94 not under Plans	539	-	-	25	-	17	581	-	-	581	-
S64 Contributions	-	-	-	-	-	-	-	-	-	-	-
Total Contributions	12,460	1,304	-	588	(1,711)	-	12,641	1,640	(21,615)	(7,334)	-

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

CONTRIBUTION PLAN NUMBER 1 (2007 to 2011)

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Reclassifications	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	703	67	-	35	-	22	827	106	(1,514)	(581)	-
Roads	2,174	114	-	105	(93)	69	2,369	117	(1,583)	903	-
Traffic Facilities	560	92	-	29	-	18	699	145	(2,083)	(1,239)	-
Parking	54	-	-	3	-	1	58	-	-	58	-
Open Space	2,176	582	-	99	(572)	70	2,355	724	(9,804)	(6,725)	-
Community Facilities	4,186	279	-	183	(1,009)	133	3,772	371	(4,311)	(168)	-
Civic Improvements	1,658	158	-	82	-	52	1,950	138	(1,797)	291	-
Bushfire Facilities	29	-	-	1	-	1	31	39	-	70	-
S94 Administration	381	12	-	26	(37)	(383)	(1)	-	(523)	(524)	-
Total	11,921	1,304	-	563	(1,711)	(17)	12,060	1,640	(21,615)	(7,915)	-

S94 CONTRIBUTIONS - NOT UNDER A PLAN

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Reclassifications	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Parking	539	-	-	25	-	17	581	-	-	581	-
Total	539	-	-	25	-	17	581	-	-	581	-

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

The following assets and liabilities do not qualify for recognition in the Balance Sheet, but their knowledge & disclosure is considered relevant to the users of Council's Financial Report.

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined Benefit Superannuation Contribution Plans

Council participates in an employer sponsored Defined Benefit Superannuation Scheme, and makes contributions as determined by the Superannuation Scheme's Trustees.

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

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

The Local Government Superannuation Scheme however is unable to provide Council with an accurate estimate of its share of the net deficit and accordingly Council has not recorded any net liability from its Defined Benefit Scheme obligations in accordance with AASB 119. The share of the deficit that can be broadly attributed to Hornsby Council was estimated to be in the order of \$5,340,389 as at 30 June 2012.

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

Council is a member of StateCover Mutual Limited and holds a partly paid share in the entity.

StateCover is a company providing workers compensation insurance cover to the NSW Local Government Industry and specifically Council.

Council has a contingent liability to contribute further equity in the event of the erosion of the Company's capital base as a result of the company's past performance and/or claims experience or as a result of any increased prudential requirements from APRA.

These future equity contributions would be required to maintain the company's minimum level of Net Assets in accordance with its Licence Requirements.

(iv) Other Guarantees

Council has provided no other Guarantees other than those listed above.

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2012

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other Liabilities

(i) Third Party Claims

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

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

(ii) S94 Plans

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

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

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

These future expenses do not yet qualify as liabilities as of the Reporting Date, but represent 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.

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

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

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

(iv) Hornsby Quarry Site

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

ASSETS NOT RECOGNISED:

(i) Land Under Roads

As permitted under AASB 1051, Council has elected not to bring to account Land Under Roads that it owned or controlled up to & including 30/6/08.

(ii) Infringement Notices/Fines

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

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

Accordingly, at Year End, there is a potential asset due to Council representing issued but unpaid Infringement Notices.

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

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

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

\$ '000

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

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2012	Actual 2011
a. Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		1,022,465	1,785,628
a. Other Comprehensive Income - Correction of error		300	(756,819)
b. Net Operating Result for the Year		(348)	(6,393)
c. Transfers between Equity		3,193	49
Balance at End of the Reporting Period		<u>1,025,610</u>	<u>1,022,465</u>
b. Reserves			
(i) Reserves are represented by:			
- Infrastructure, Property, Plant & Equipment Revaluation Reserve		418,419	421,612
Total		<u>418,419</u>	<u>421,612</u>
(ii). Reconciliation of movements in Reserves:			
Infrastructure, Property, Plant & Equipment Revaluation Reserve			
- Opening Balance		421,612	421,661
- Transfer to Retained Earnings for Asset disposals		(3,193)	(49)
- Balance at End of Year		<u>418,419</u>	<u>421,612</u>
TOTAL VALUE OF RESERVES		<u>418,419</u>	<u>421,612</u>
(iii). Nature & Purpose of Reserves			
Infrastructure, Property, Plant & Equipment Revaluation Reserve			
- The Infrastructure, Property, Plant & Equipment Revaluation Reserve is used to record increments/decrements of Non Current Asset values due to their revaluation.			

c. Correction of Error/s relating to a Previous Reporting Period

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

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2012

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

\$ '000	Notes	Actual 2012	Actual 2011
d. Voluntary Changes in Accounting Policies			
Adjustments relating to the 2010/11 Financial Year			
<p>The policy for revaluation of community land has changed. Community Land was previously valued using an average value per square metre on rateable property as determined by the Valuer General. Community land has now been revalued using specific Valuer General values where available and an average of these used to calculate a psm rate to use in valuing those without a VG valuation.</p>			
It has been deemed to be impractical to restate prior year numbers.		-	(756,819)

Note 21. Financial Result & Financial Position by Fund

Council utilises only a General Fund for its operations.

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

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

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 23. Events occurring after Balance Sheet Date

\$ '000

Events that occur after the reporting date of 30 June 2012, up to and including 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 appropriate "authorised for issue" date relating to these General Purpose Financial Statements.

Accordingly, the "authorised for issue" date is 17/10/12.

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

(i) Events that have provided evidence of conditions that existed at the Reporting Date

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2012.

(ii) Events that have provided evidence of conditions that arose after the Reporting Date

These financial statements (& figures therein) do not incorporate any "non adjusting events" that have occurred after 30 June 2012 and which are only indicative of conditions that arose after 30 June 2012.

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

Note 24. Discontinued Operations

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

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 25. Intangible Assets

\$ '000

Intangible Assets represent identifiable non-monetary asset without physical substance.

	Actual 2012 Carrying Amount	Actual 2011 Carrying Amount
Intangible Assets are as follows;		
Opening Values:		
Gross Book Value (1/7/11)	8,608	8,608
Accumulated Amortisation (1/7/11)	(6,336)	(5,475)
Accumulated Impairment (1/7/11)	-	-
Net Book Value - Opening Balance	2,272	3,133
Movements for the year		
- Amortisation charges	(861)	(861)
Closing Values:		
Gross Book Value (30/6/12)	8,608	8,608
Accumulated Amortisation (30/6/12)	(7,197)	(6,336)
Accumulated Impairment (30/6/12)	-	-
<u>TOTAL INTANGIBLE ASSETS - NET BOOK VALUE</u> ¹	<u>1,411</u>	<u>2,272</u>

¹ The Net Book Value of Intangible Assets represent:

- Software (representing the "Council Online" software development)	1,411	2,272
	<u>1,411</u>	<u>2,272</u>

Note 26. Reinstatement, Rehabilitation & Restoration Liabilities

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

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 27. Council Information & Contact Details

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: www.hornsby.nsw.gov.au

Email: hsc@hornsby.nsw.gov.au

Officers**GENERAL MANAGER**

S. Phillips

RESPONSIBLE ACCOUNTING OFFICER

G. Magus

PUBLIC OFFICER

R. Abicair

AUDITORS

PricewaterhouseCoopers

Elected Members**MAYOR**

S. Russell

COUNCILLORS

M. Gallagher

N. Tilbury

A. Anisse

N. Berman

R. Browne

G. Singh

M. Hutchence

J. Cox

B. Azizi



Hornsby Shire Council

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

Report on the financial statements

We have audited the accompany financial statements of **Hornsby Shire Council** (the Council), which comprise the balance sheet as at 30 June 2012 and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, accompanying notes to the financial statements and the Statement by Councillors and Management in the approved form as required by Section 413(2) of the Local Government Act 1993.

Councillors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

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

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

Auditor's opinion:

In our opinion:

- (a) the Council's accounting records have been kept in accordance with the requirements of the Local Government Act 1993, Chapter 13 part 3 Division 2 (the Division); and
- (b) the financial statements:
 - (i) have been presented, in all material respects, in accordance with the requirements of this Division
 - (ii) are consistent with the Council's accounting records
 - (iii) present fairly, in all material respects, the Council's financial position as of 30 June 2012 and its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial statements that have come to light during the course of the audit.


PricewaterhouseCoopers


Peter Buchholz
Partner

Sydney
2012
19 October,



The Mayor
Councillor Steve Russell
Hornsby Shire Council
DX9655
HORNSBY

Dear Councillor Russell

Report on the conduct of the audit for year ended 30 June 2012 – Section 417(3)

We have completed our audit of the financial reports of the Hornsby Shire Council for the year ended 30 June 2012, in accordance with Section 415 of the Local Government Act 1993.

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

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

Operating Result

Council's operating result improved from a deficit of \$6.4 million in the previous year to a deficit of \$348k in the current period. The operating result before capital grants and contributions was a deficit of \$4 million compared with \$10.4 million in the previous period.

Cash Position

Council's overall cash position increased from \$34 million to \$41 million during the period under review. The following table highlights the composition of cash.

	June 2011 \$m	June 2012 \$m
Externally restricted	16	19
Internally restricted	14	18
Unrestricted	4	4
Total	34	41



Working Capital

Council’s net current assets increased from \$14 million to \$21 million during the period under review.

The value of net current assets needs to be adjusted in order to establish Council’s available working capital.

	June 2011 \$'000	June 2012 \$'000
Net current assets	14,101	21,362
Less:		
External restrictions	15,379	18,576
Internal restrictions	13,958	18,484
	<u>(15,236)</u>	<u>(15,698)</u>
Add:		
Current Liabilities to be funded from other sources	15,538	16,327
Available Working Capital	<u>302</u>	<u>629</u>

The effective unrestricted or available working capital upon which Council could build its 2012/13 budget was \$629k.

Performance Indicators

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

	June 2011 %	June 2012 %
Unrestricted Current Ratio	151	176
Debt Service Ratio	4.9	4.7
Rate Coverage Ratio	67	69
Rates Outstanding Ratio	3.5	3.2
Asset Renewals Ratio	49	62

The Unrestricted Current Ratio improved and is above the accepted industry benchmark of 100%.

Council’s Debt Service Ratio improved to 4.7% of revenue and remained below the industry benchmark of 10%.

The Rate Coverage Ratio increased to 69% of total revenue reflecting the special rating variation received for the year.

The Rates Outstanding Ratio improved to 3.2% of collectibles and remained better than the accepted industry benchmark of 5%.

The Asset Renewals Ratio indicates that Council is renewing key infrastructure at 62% of the rate at which they are depreciating.

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



General

The books of accounts and records inspected by us have been kept in an accurate and conscientious manner.

We thank the General Manager and his staff for the co-operation and courtesy extended to us during the course of our audit.

Yours faithfully


PricewaterhouseCoopers


P L Buchholz
Partner

19 Sydney
October 2012

Hornsby Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2012



Hornsby Shire Council

Special Purpose Financial Statements

for the financial year ended 30 June 2012

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2. Special Purpose Financial Statements:	
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Background

(i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Division of Local Government in fulfilling their requirements under National Competition Policy.

(ii) The principle of competitive neutrality is based on the concept of a "level playing field" between persons/entities competing in a market place, particularly between private and public sector competitors.

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

(iii) For Council, the principle of competitive neutrality & public reporting applies only to declared business activities.

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

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

Hornsby Shire Council

Special Purpose Financial Statements

for the financial year ended 30 June 2012

Statement by Councillors and Management

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 17 October 2012.



S. Russell
MAYOR



R. Browne
COUNCILLOR



S. Phillips
GENERAL MANAGER



G. Magus
RESPONSIBLE ACCOUNTING OFFICER

Hornsby Shire Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2012

	Nurseries & Preschools Category 1		Aquatic Centres & Sports Stadium Category 1	
	Actual 2012	Actual 2011	Actual 2012	Actual 2011
\$ '000				
Income from continuing operations				
Access charges	-	-	-	-
User charges	3,011	4,524	1,640	1,973
Fees	9	-	-	-
Interest	39	64	-	-
Grants and contributions provided for non capital purposes	1,163	-	-	-
Profit from the sale of assets	-	5	-	-
Other income	16	20	237	363
Total income from continuing operations	4,238	4,613	1,877	2,336
Expenses from continuing operations				
Employee benefits and on-costs	3,264	4,014	1,681	2,079
Borrowing costs	-	-	-	-
Materials and contracts	874	188	456	424
Depreciation and impairment	222	217	448	760
Loss on sale of assets	-	-	24	-
Calculated taxation equivalents	199	279	189	254
Debt guarantee fee (if applicable)	109	114	219	201
Other expenses	166	450	293	537
Total expenses from continuing operations	4,834	5,262	3,310	4,255
Surplus (deficit) from Continuing Operations before capital amounts	(596)	(649)	(1,433)	(1,919)
Grants and contributions provided for capital purposes	-	-	-	-
Surplus (deficit) from Continuing Operations after capital amounts	(596)	(649)	(1,433)	(1,919)
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	(596)	(649)	(1,433)	(1,919)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-	-	-
SURPLUS (DEFICIT) AFTER TAX	(596)	(649)	(1,433)	(1,919)
plus Opening Retained Profits	72	328	(2,589)	(1,125)
plus/less: Prior Period Adjustments	-	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	199	279	189	254
- Debt guarantee fees	109	114	219	201
- Corporate taxation equivalent	-	-	-	-
add:				
- Subsidy Paid/Contribution To Operations	-	-	-	-
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	-	-	-	-
Closing Retained Profits	(216)	72	(3,614)	(2,589)
Return on Capital %	-5.3%	-5.7%	-11.7%	-15.3%
Subsidy from Council	937	1,246	1,804	2,572

Hornsby Shire Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2012

	Commercial Waste Category 2		Development Applications Category 2	
	Actual 2012	Actual 2011	Actual 2012	Actual 2011
\$ '000				
Income from continuing operations				
Access charges	-	-	-	-
User charges	1,144	1,018	320	348
Fees	-	-	-	-
Interest	56	57	29	15
Grants and contributions provided for non capital purposes	-	-	-	-
Profit from the sale of assets	-	-	10	3
Other income	342	287	-	-
Total income from continuing operations	1,542	1,362	359	366
Expenses from continuing operations				
Employee benefits and on-costs	42	40	297	412
Borrowing costs	-	-	-	-
Materials and contracts	1,211	1,076	126	127
Depreciation and impairment	12	14	19	19
Loss on sale of assets	-	-	-	-
Calculated taxation equivalents	-	-	-	4
Debt guarantee fee (if applicable)	-	-	9	5
Other expenses	17	2	1	-
Total expenses from continuing operations	1,282	1,132	452	567
Surplus (deficit) from Continuing Operations before capital amounts	260	230	(93)	(201)
Grants and contributions provided for capital purposes	-	-	-	-
Surplus (deficit) from Continuing Operations after capital amounts	260	230	(93)	(201)
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	260	230	(93)	(201)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(78)	(69)	-	-
SURPLUS (DEFICIT) AFTER TAX	182	161	(93)	(201)
plus Opening Retained Profits	1,483	1,253	366	558
plus/less: Prior Period Adjustments	-	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	-	-	-	4
- Debt guarantee fees	-	-	9	5
- Corporate taxation equivalent	78	69	-	-
add:				
- Subsidy Paid/Contribution To Operations	-	-	-	-
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	-	-	-	-
Closing Retained Profits	1,743	1,483	282	366
Return on Capital %	160.5%	191.7%	-42.5%	-97.1%
Subsidy from Council	-	-	100	212

Hornsby Shire Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2012

Property
Services
Category 2

\$ '000	Actual 2012	Actual 2011
Income from continuing operations		
Access charges	-	-
User charges	777	766
Fees	-	-
Interest	543	249
Grants and contributions provided for non capital purposes	-	-
Profit from the sale of assets	201	-
Other income	-	-
Total income from continuing operations	1,521	1,015
Expenses from continuing operations		
Employee benefits and on-costs	121	208
Borrowing costs	-	-
Materials and contracts	295	133
Depreciation and impairment	320	317
Loss on sale of assets	-	-
Calculated taxation equivalents	591	175
Debt guarantee fee (if applicable)	-	-
Other expenses	84	218
Total expenses from continuing operations	1,411	1,051
Surplus (deficit) from Continuing Operations before capital amounts	110	(36)
Grants and contributions provided for capital purposes	-	-
Surplus (deficit) from Continuing Operations after capital amounts	110	(36)
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	110	(36)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(33)	-
SURPLUS (DEFICIT) AFTER TAX	77	(36)
plus Opening Retained Profits	27,681	27,542
plus/less: Prior Period Adjustments	-	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	591	175
- Debt guarantee fees	-	-
- Corporate taxation equivalent	33	-
add:		
- Subsidy Paid/Contribution To Operations	-	-
less:		
- TER dividend paid	-	-
- Dividend paid	-	-
Closing Retained Profits	28,382	27,681
Return on Capital %	0.6%	-0.2%
Subsidy from Council	477	1,125

Hornsby Shire Council

Balance Sheet of Council's Other Business Activities

as at 30 June 2012

\$ '000	Nurseries & Preschools Category 1		Aquatic Centres & Sports Stadium Category 1	
	Actual 2012	Actual 2011	Actual 2012	Actual 2011
ASSETS				
Current Assets				
Cash and cash equivalents	10	114	10	201
Investments	325	1,270	-	-
Receivables	68	101	37	45
Inventories	-	-	23	27
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
Total Current Assets	403	1,485	70	273
Non-Current Assets				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	11,256	11,465	12,245	12,539
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	-	-
Total Non-Current Assets	11,256	11,465	12,245	12,539
TOTAL ASSETS	11,659	12,950	12,315	12,812
LIABILITIES				
Current Liabilities				
Bank Overdraft	-	-	-	-
Payables	451	498	178	251
Interest bearing liabilities	4,892	5,892	11,262	10,681
Provisions	400	355	217	197
Total Current Liabilities	5,743	6,745	11,657	11,129
Non-Current Liabilities				
Payables	-	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	-	-	-	-
Other Liabilities	-	-	-	-
Total Non-Current Liabilities	-	-	-	-
TOTAL LIABILITIES	5,743	6,745	11,657	11,129
NET ASSETS	5,916	6,205	658	1,683
EQUITY				
Retained earnings	(217)	72	(3,614)	(2,589)
Revaluation reserves	6,133	6,133	4,272	4,272
Council equity interest	5,916	6,205	658	1,683
Minority equity interest	-	-	-	-
TOTAL EQUITY	5,916	6,205	658	1,683

Hornsby Shire Council

Balance Sheet of Council's Other Business Activities

as at 30 June 2012

\$ '000	Commercial Waste Category 2		Development Applications Category 2	
	Actual 2012	Actual 2011	Actual 2012	Actual 2011
ASSETS				
Current Assets				
Cash and cash equivalents	10	-	-	5
Investments	1,508	1,303	762	733
Receivables	216	214	7	8
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
Total Current Assets	1,734	1,517	769	746
Non-Current Assets				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	162	120	219	207
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	-	-
Total Non-Current Assets	162	120	219	207
TOTAL ASSETS	1,896	1,637	988	953
LIABILITIES				
Current Liabilities				
Bank Overdraft	-	-	-	-
Payables	128	131	40	40
Interest bearing liabilities	-	-	495	386
Provisions	25	23	171	161
Total Current Liabilities	153	154	706	587
Non-Current Liabilities				
Payables	-	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	-	-	-	-
Other Liabilities	-	-	-	-
Total Non-Current Liabilities	-	-	-	-
TOTAL LIABILITIES	153	154	706	587
NET ASSETS	1,743	1,483	282	366
EQUITY				
Retained earnings	1,743	1,483	282	366
Revaluation reserves	-	-	-	-
Council equity interest	1,743	1,483	282	366
Minority equity interest	-	-	-	-
TOTAL EQUITY	1,743	1,483	282	366

Hornsby Shire Council

Balance Sheet of Council's Other Business Activities

as at 30 June 2012

Property
Services
Category 2

\$ '000	Actual 2012	Actual 2011
ASSETS		
Current Assets		
Cash and cash equivalents	-	-
Investments	15,088	12,734
Receivables	17	17
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	15,105	12,751
Non-Current Assets		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	19,385	20,898
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total Non-Current Assets	19,385	20,898
TOTAL ASSETS	34,490	33,649
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	218	83
Interest bearing liabilities	-	-
Provisions	70	65
Total Current Liabilities	288	148
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	-	-
Provisions	-	-
Other Liabilities	-	-
Total Non-Current Liabilities	-	-
TOTAL LIABILITIES	288	148
NET ASSETS	34,202	33,501
EQUITY		
Retained earnings	28,382	27,681
Revaluation reserves	5,820	5,820
Council equity interest	34,202	33,501
Minority equity interest	-	-
TOTAL EQUITY	34,202	33,501

Hornsby Shire Council

Special Purpose Financial Statements

for the financial year ended 30 June 2012

Contents of the Notes accompanying the Financial Statements

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

Hornsby Shire Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2012

Note 1. Significant Accounting Policies

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

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

These special purpose financial statements, unless otherwise stated, have been prepared in accordance with;

- applicable Australian Accounting Standards,
- other authoritative pronouncements of the Australian Accounting Standards Board,
- Australian Accounting Interpretations,
- the Local Government Act and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

National Competition Policy

Council has adopted the principle of 'competitive neutrality' to its business activities as part of the national competition policy which is being applied throughout Australia at all levels of government.

The framework for its application is set out in the June 1996 Government Policy statement on the "Application of National Competition Policy to Local Government".

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

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

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

Declared Business Activities

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

Category 1

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

a. Nurseries & Preschools

Operation of children's nurseries & preschools

b. Aquatic & Sports Centres

Operation of swimming pools, gymnasiums & indoor sports centres

Category 2

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

a. Commercial Waste Service

Services provided for the collection of commercial waste and sillage

b. Property Services

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

c. Development Assessments

Development assessment & inspection services

Monetary Amounts

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

(i) Taxation Equivalent Charges

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

Hornsby Shire Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2012

Note 1. Significant Accounting Policies (continued)

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

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

Notional Rate Applied %

Corporate Income Tax Rate – 30%

Land Tax – The first **\$396,000** of combined land values attracts **0%**. From \$396,001 to \$2,421,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,421,000, a premium marginal rate of **2.0%** applies.

Payroll Tax – **5.45%** on the value of taxable salaries and wages in excess of \$678,000.

Income Tax

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

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

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

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

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

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

Local Government Rates & Charges

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

Loan & Debt Guarantee Fees

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

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

(ii) Subsidies

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

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

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

The overall effect of subsidies is contained within the Income Statement of Business Activities.

Hornsby Shire Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2012

Note 1. Significant Accounting Policies (continued)

(iii) Return on Investments (Rate of Return)

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

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

The Rate of Return on Capital is calculated as follows:

Operating Result before Capital Income + Interest Expense

Written Down Value of I,PP&E as at 30 June

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 3.03% at 30/6/12.

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

(iv) Dividends

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



Hornsby Shire Council

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

Report on the financial report

We have audited the accompanying financial report, being a special purpose financial report, of **Hornsby Shire Council** (the Council), which comprises the Balance Sheets by Business Activity for the year ended 30 June 2012, the Income Statements by Business Activity for the year then ended, Notes to the financial report for the business activities identified by Council and the Statement by Councillors and Management for Council for the year ended 30 June 2012.

Councillors' responsibility for the financial report

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

Auditor's responsibility

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

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

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



Auditor's opinion:

In our opinion, the financial report presents fairly, in all material respects, the financial position by Business Activities of **Hornsby Shire Council** as of 30 June 2012 and its financial performance by Business Activities for the year then ended in accordance with the requirements of those applicable Accounting Standards detailed in Note 1 to the financial report, and the Local Government Code of Accounting Practice and Financial Reporting.

Basis of Accounting and Restriction on Distribution and Use

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


PricewaterhouseCoopers


Peter Buchholz
Partner

19 October,
Sydney
2012

Hornsby Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2012



Hornsby Shire Council

Special Schedules

for the financial year ended 30 June 2012

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- Special Schedule No. 2(a)	Statement of Long Term Debt (all purposes)	4
- Special Schedule No. 2(b)	Statement of Internal Loans (Sect. 410(3) LGA 1993)	n/a
- Special Schedule No. 3	Water Supply - Income Statement	n/a
- Special Schedule No. 4	Water Supply - Balance Sheet	n/a
- Special Schedule No. 5	Sewerage Service - Income Statement	n/a
- Special Schedule No. 6	Sewerage Service - Balance Sheet	n/a
- Notes to Special Schedules No. 3 & 5		n/a
- Special Schedule No. 7	Condition of Public Works	5
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¹ Special Purpose Schedules are not audited.

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,
 - the Department of Environment, Climate Change and Water, and
 - the Division of Local Government (DLG).
- (ii) The financial data is collected for various uses including;
- the allocation of Financial Assistance Grants,
 - the incorporation of Local Government financial figures in national statistics,
 - the monitoring of loan approvals,
 - the allocation of borrowing rights, and
 - the monitoring of the financial activities of specific services.

Hornsby Shire Council

Special Schedule No. 1 - Net Cost of Services

for the financial year ended 30 June 2012

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Governance	1,993	-	-	(1,993)
Administration	19,667	6,472	21	(13,174)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	3,000	601	430	(1,969)
Beach Control	-	-	-	-
Enforcement of Local Govt. Regulations	-	-	-	-
Animal Control	335	110	-	(225)
Other	-	-	-	-
Total Public Order & Safety	3,335	711	430	(2,194)
Health	530	239	-	(291)
Environment				
Noxious Plants and Insect/Vermin Control	-	-	-	-
Other Environmental Protection	4,479	3,955	4	(520)
Solid Waste Management	20,589	18,100	-	(2,489)
Street Cleaning	216	-	-	(216)
Drainage	6,184	-	112	(6,072)
Stormwater Management	-	-	-	-
Total Environment	31,468	22,055	116	(9,297)
Community Services and Education				
Administration & Education	1,158	2	17	(1,139)
Social Protection (Welfare)	987	428	-	(559)
Aged Persons and Disabled	849	797	-	(52)
Children's Services	4,368	4,350	-	(18)
Total Community Services & Education	7,362	5,577	17	(1,768)
Housing and Community Amenities				
Public Cemeteries	-	-	-	-
Public Conveniences	-	-	-	-
Street Lighting	2,914	312	-	(2,602)
Town Planning	7,037	2,111	-	(4,926)
Other Community Amenities	243	4	219	(20)
Total Housing and Community Amenities	10,194	2,427	219	(7,548)
Water Supplies	4	-	-	(4)
Sewerage Services	-	-	-	-

Hornsby Shire Council

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

for the financial year ended 30 June 2012

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Recreation and Culture				
Public Libraries	6,699	527	159	(6,013)
Museums	-	-	-	-
Art Galleries	-	-	-	-
Community Centres and Halls	1,827	568	-	(1,259)
Sporting Grounds and Venues	1,445	-	-	(1,445)
Swimming Pools	2,155	1,271	-	(884)
Parks & Gardens (Lakes)	10,916	1,569	917	(8,430)
Other Sport and Recreation	916	731	-	(185)
Total Recreation and Culture	23,958	4,666	1,076	(18,216)
Fuel & Energy	-	-	-	-
Agriculture	-	-	-	-
Mining, Manufacturing and Construction				
Building Control	-	-	-	-
Other Mining, Manufacturing & Construction	-	-	-	-
Total Mining, Manufacturing and Const.	-	-	-	-
Transport and Communication				
Urban Roads (UR) - Local	11,396	704	903	(9,789)
Unsealed Rural Roads (URR) - Local	241	-	-	(241)
Unsealed Rural Roads (URR) - Regional	-	-	-	-
Bridges on UR - Local	124	-	-	(124)
Parking Areas	43	-	-	(43)
Footpaths	1,835	2	70	(1,763)
Aerodromes	-	-	-	-
Other Transport & Communication	2,111	1,571	744	204
Total Transport and Communication	15,750	2,277	1,717	(11,756)
Economic Affairs				
Camping Areas & Caravan Parks	-	-	-	-
Other Economic Affairs	1,659	1,127	88	(444)
Total Economic Affairs	1,659	1,127	88	(444)
Totals – Functions	115,920	45,551	3,684	(66,685)
General Purpose Revenues⁽²⁾		66,337		66,337
Share of interests - joint ventures & associates using the equity method	-	-		-
NET OPERATING RESULT⁽¹⁾	115,920	111,888	3,684	(348)

(1) As reported in the Income Statement | (2) Includes: Rates & Annual Charges (incl. Ex Gratia, excl. Water & Sewer), Non Capital General Purpose Grants & Interest on Investments (excl. Ext. Restricted Assets)

Hornsby Shire Council

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

for the financial year ended 30 June 2012

\$'000

Classification of Debt	Principal outstanding at beginning of the year		New Loans raised during the year	Debt redemption during the year		Transfers to Sinking Funds	Interest applicable for Year	Principal outstanding at the end of the year	
	Current	Non Current		From Revenue	Sinking Funds			Current	Non Current
Loans (by Source)									
Commonwealth Government	-	-	-	-	-	-	-	-	-
Treasury Corporation	-	-	-	-	-	-	-	-	-
Other State Government	-	-	-	-	-	-	-	-	-
Public Subscription	-	-	-	-	-	-	-	-	-
Financial Institutions	3,584	16,167	-	3,584	-	-	1,329	3,798	12,369
Other	-	-	-	-	-	-	-	-	-
Total Loans	3,584	16,167	-	3,584	-	-	1,329	3,798	12,369
Other Long Term Debt									
Ratepayers Advances	-	-	-	-	-	-	-	-	-
Government Advances	-	-	-	-	-	-	-	-	-
Finance Leases	-	-	-	-	-	-	-	-	-
Deferred Payments	-	-	-	-	-	-	-	-	-
Total Long Term Debt	-	-	-	-	-	-	-	-	-
Total Debt	3,584	16,167	-	3,584	-	-	1,329	3,798	12,369
									16,167

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

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

Hornsby Shire Council

Special Schedule No. 8 - Financial Projections

as at 30 June 2012

\$'000	Actual ⁽¹⁾ 11/12	Forecast 12/13	Forecast 13/14	Forecast ⁽³⁾ 14/15	Forecast ⁽³⁾ 15/16
(i) OPERATING BUDGET					
Income from continuing operations	115,572	115,274	119,453	122,988	131,426
Expenses from continuing operations	115,920	118,737	122,290	126,957	126,686
Operating Result from Continuing Operations	<u>(348)</u>	<u>(3,463)</u>	<u>(2,837)</u>	<u>(3,969)</u>	<u>4,740</u>
(ii) CAPITAL BUDGET					
New Capital Works ⁽²⁾	600	3,340	12,470	7,250	700
Replacement/Refurbishment of Existing Assets	17,117	16,187	17,529	18,053	18,480
Total Capital Budget	<u>17,717</u>	<u>19,527</u>	<u>29,999</u>	<u>25,303</u>	<u>19,180</u>
Funded by:					
– Loans	1,000	-	10,000	6,250	700
– Asset sales	1,879	4,262	895	921	948
– Reserves	1,795	1,707	2,077	2,137	2,199
– Grants/Contributions	4,681	4,835	4,976	5,120	5,268
– Recurrent revenue	6,912	6,678	10,012	8,766	7,886
– Other	1,450	2,045	2,039	2,109	2,179
	<u>17,717</u>	<u>19,527</u>	<u>29,999</u>	<u>25,303</u>	<u>19,180</u>

Notes:

- (1) From 11/12 Income Statement.
(2) New Capital Works are major non-recurrent projects, eg new Leisure Centre, new Library, new Swimming pool etc.
(3) If Council has only adopted 3 years of projections then only show 3 years.
(4) Financial Projections should be in accordance with Council's Integrated Planning & Reporting framework.