

Hornsby Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2013



Hornsby Shire Council

General Purpose Financial Statements

for the financial year ended 30 June 2013

Contents	Page
1. Understanding Council's Financial Statements	2
2. Statement by Councillors & Management	3
3. Primary Financial Statements:	
- Income Statement	4
- Statement of Comprehensive Income	5
- Statement of Financial Position	6
- Statement of Changes in Equity	7
- Statement of Cash Flows	8
4. Notes to the Financial Statements	9
5. Independent Auditor's Reports:	
- On the Financial Statements (Sect 417 [2])	72
- On the Conduct of the Audit (Sect 417 [3])	74

Overview

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

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

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

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

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

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

(iv) These financial statements were authorised for issue by the Council on 25 October 2013. Council has the power to amend and reissue these financial statements.

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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 2013.

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. The Income Statement

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

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its Assets, Liabilities & "Net Wealth".

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

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

About the Notes to the Financial Statements

The Notes to the financial statements provide greater detail and additional information on the 5 primary financial statements.

About the Auditor's Reports

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

In NSW, the Auditor provides 2 audit reports:

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

Who uses the Financial Statements ?

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

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

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

Hornsby Shire Council

General Purpose Financial Statements

for the financial year ended 30 June 2013

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 18 September 2013.



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 2013

Budget ⁽¹⁾ 2013	\$ '000	Notes	Actual 2013	Actual 2012
Income from Continuing Operations				
Revenue:				
87,157	Rates & Annual Charges	3a	87,157	79,432
12,812	User Charges & Fees	3b	12,841	11,643
1,650	Interest & Investment Revenue	3c	2,706	2,545
4,766	Other Revenues	3d	5,990	4,991
8,984	Grants & Contributions provided for Operating Purposes	3e,f	12,473	13,195
2,953	Grants & Contributions provided for Capital Purposes	3e,f	4,836	3,684
Other Income:				
4,262	Net gains from the disposal of assets	5	271	82
-	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19	-	-
122,584	Total Income from Continuing Operations		126,274	115,572
Expenses from Continuing Operations				
44,756	Employee Benefits & On-Costs	4a	42,223	42,662
1,095	Borrowing Costs	4b	1,090	1,330
37,156	Materials & Contracts	4c	38,932	36,560
23,712	Depreciation & Amortisation	4d	23,739	23,420
-	Impairment	4d	-	-
12,895	Other Expenses	4e	12,411	11,948
119,614	Total Expenses from Continuing Operations		118,395	115,920
2,970	Operating Result from Continuing Operations		7,879	(348)
Discontinued Operations				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
2,970	Net Operating Result for the Year		7,879	(348)
2,970	Net Operating Result attributable to Council		7,879	(348)
-	Net Operating Result attributable to Non-controlling Interests		-	-
17	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		3,043	(4,032)

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

Hornsby Shire Council

Statement of Comprehensive Income
for the financial year ended 30 June 2013

\$ '000	Notes	Actual 2013	Actual 2012
Net Operating Result for the year (as per Income statement)		7,879	(348)
Other Comprehensive Income:			
Amounts which will not be reclassified subsequently to the Operating Result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	(6,831)	-
Total Items which will not be reclassified subsequently to the Operating Result		(6,831)	-
Amounts which will be reclassified subsequently to the Operating Result when specific conditions are met			
Other Movements in reserves	20b (ii)	-	300
Total Items which will be reclassified subsequently to the Operating Result when specific conditions are met		-	300
Total Other Comprehensive Income for the year		(6,831)	300
Total Comprehensive Income for the Year		1,048	(48)
Total Comprehensive Income attributable to Council		1,048	(48)
Total Comprehensive Income attributable to Non-controlling Interests		-	-

Hornsby Shire Council

Statement of Financial Position
as at 30 June 2013

\$ '000	Notes	Actual 2013	Actual 2012
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	36,278	16,657
Investments	6b	8,433	24,333
Receivables	7	5,642	5,295
Inventories	8	165	183
Other	8	3	140
Non-current assets classified as "held for sale"	22	-	-
Total Current Assets		50,521	46,608
Non-Current Assets			
Investments	6b	-	-
Receivables	7	256	275
Inventories	8	-	-
Infrastructure, Property, Plant & Equipment	9	1,431,405	1,433,889
Investments accounted for using the equity method	19	-	-
Investment Property	14	-	-
Intangible Assets	25	551	1,411
Total Non-Current Assets		1,432,212	1,435,575
TOTAL ASSETS		1,482,733	1,482,183
LIABILITIES			
Current Liabilities			
Payables	10	8,073	8,919
Borrowings	10	4,472	3,798
Provisions	10	13,102	12,529
Total Current Liabilities		25,647	25,246
Non-Current Liabilities			
Payables	10	-	-
Borrowings	10	11,642	12,369
Provisions	10	367	539
Total Non-Current Liabilities		12,009	12,908
TOTAL LIABILITIES		37,656	38,154
Net Assets		1,445,077	1,444,029
EQUITY			
Retained Earnings	20	1,033,531	1,025,610
Revaluation Reserves	20	411,546	418,419
Council Equity Interest		1,445,077	1,444,029
Non-controlling Interests		-	-
Total Equity		1,445,077	1,444,029

Hornsby Shire Council

Statement of Changes in Equity
for the financial year ended 30 June 2013

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

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non-controlling 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	20b (ii)	300	-	300	-	300
Other Comprehensive Income		300	-	300	-	300
Total Comprehensive Income (c&d)		(48)	-	(48)	-	(48)
e. Distributions to/(Contributions from) Non-controlling 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

Hornsby Shire Council

Statement of Cash Flows

for the financial year ended 30 June 2013

Budget 2013	\$ '000	Notes	Actual 2013	Actual 2012
Cash Flows from Operating Activities				
Receipts:				
86,883	Rates & Annual Charges		87,289	79,556
14,093	User Charges & Fees		12,275	12,415
1,780	Investment & Interest Revenue Received		2,513	2,049
13,131	Grants & Contributions		18,396	17,708
-	Bonds, Deposits & Retention amounts received		12	72
9,459	Other		12,169	9,860
Payments:				
(44,756)	Employee Benefits & On-Costs		(41,892)	(42,812)
(42,260)	Materials & Contracts		(43,780)	(38,799)
(1,095)	Borrowing Costs		(1,094)	(1,334)
-	Bonds, Deposits & Retention amounts refunded		-	(38)
(16,904)	Other		(15,739)	(15,003)
20,331	Net Cash provided (or used in) Operating Activities	11b	30,149	23,674
Cash Flows from Investing Activities				
Receipts:				
-	Sale of Investment Securities		22,596	13,537
4,688	Sale of Infrastructure, Property, Plant & Equipment		1,019	4,734
Payments:				
-	Purchase of Investment Securities		(6,587)	(23,037)
(25,356)	Purchase of Infrastructure, Property, Plant & Equipment		(25,758)	(17,717)
	Purchase of Real Estate Assets		-	(140)
(20,668)	Net Cash provided (or used in) Investing Activities		(8,730)	(22,623)
Cash Flows from Financing Activities				
Receipts:				
-	Proceeds from Borrowings & Advances		2,000	-
Payments:				
(3,798)	Repayment of Borrowings & Advances		(3,798)	(3,584)
(3,798)	Net Cash Flow provided (used in) Financing Activities		(1,798)	(3,584)
(4,135)	Net Increase/(Decrease) in Cash & Cash Equivalents		19,621	(2,533)
16,657	plus: Cash & Cash Equivalents - beginning of year	11a	16,657	19,190
12,522	Cash & Cash Equivalents - end of the year	11a	36,278	16,657
Additional Information:				
	plus: Investments on hand - end of year	6b	8,433	24,333
	Total Cash, Cash Equivalents & Investments		44,711	40,990

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 2013

Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Summary of Significant Accounting Policies	10
2(a)	Council Functions / Activities - Financial Information	27
2(b)	Council Functions / Activities - Component Descriptions	28
3	Income from Continuing Operations	29
4	Expenses from Continuing Operations	34
5	Gains or Losses from the Disposal of Assets	38
6(a)	Cash & Cash Equivalent Assets	39
6(b)	Investments	39
6(c)	Restricted Cash, Cash Equivalents & Investments - Details	41
7	Receivables	42
8	Inventories & Other Assets	43
9(a)	Infrastructure, Property, Plant & Equipment	44
9(b)	Externally Restricted Infrastructure, Property, Plant & Equipment	45 n/a
9(c)	Infrastructure, Property, Plant & Equipment - Current Year Impairments	45 n/a
10(a)	Payables, Borrowings & Provisions	46
10(b)	Description of (and movements in) Provisions	47
11	Statement of Cash Flows - Additional Information	48
12	Commitments for Expenditure	50
13	Statement of Performance Measures:	
	13a (i) Local Government Industry Indicators (Consolidated)	51
	13a (ii) Local Government Industry Graphs (Consolidated)	53
	13b Local Government Industry Indicators (by Fund)	n/a
14	Investment Properties	56 n/a
15	Financial Risk Management	56
16	Material Budget Variations	61
17	Statement of Developer Contributions	63
18	Contingencies and Other Liabilities/Assets not recognised	65
19	Controlled Entities, Associated Entities & Interests in Joint Ventures	67 n/a
20	Equity - Retained Earnings and Revaluation Reserves	68
21	Financial Result & Financial Position by Fund	69 n/a
22	"Held for Sale" Non Current Assets & Disposal Groups	69 n/a
23	Events occurring after the Reporting Period	69 n/a
24	Discontinued Operations	69 n/a
25	Intangible Assets	70
26	Reinstatement, Rehabilitation & Restoration Liabilities	70 n/a

Additional Council Disclosures

27	Council Information & Contact Details	71
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n/a - not applicable

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

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

(a) Basis of preparation

(i) Background

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

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

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

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

Because AASBs are sector neutral, some standards either:

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

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

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

(iii) New and amended standards adopted by Council

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2013 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

(iv) Early adoption of Accounting Standards

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

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

(v) Basis of Accounting

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

- (i) financial assets and liabilities at fair value through profit or loss, available-for-sale financial assets and investment properties which are all valued at fair value,
- (ii) the write down of any Asset on the basis of Impairment (if warranted) and
- (iii) certain classes of Infrastructure, property, plant & equipment that are accounted for at fair valuation.

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

(vi) Changes in Accounting Policies

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

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

There have also been no changes in accounting policies when compared with previous financial statements.

(vii) Critical Accounting Estimates

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

Accordingly this requires management to exercise its judgement in the process of applying the Council's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

The resulting accounting estimates will, by definition, seldom equal the related actual results.

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

Critical judgements in applying the entity's accounting policies

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

(b) Revenue recognition

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

specific criteria have been met for each of the Council's activities as described below.

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

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

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

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

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

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

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

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

Whilst Council generally incorporates these amounts as part of a Development Consents Order, such developer contributions are only recognised as income upon their physical receipt by Council, due to the possibility that individual Development Consents may not be acted upon by the applicant and accordingly would not be payable to Council.

Developer contributions may only be expended for the purposes for which the contributions were required but the Council may apply contributions according to the priorities established in work schedules.

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

User Charges, Fees and Other Income

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

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

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

Sale of Infrastructure, Property, Plant and Equipment

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

Interest and Rents

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.

Interest Income from Cash & Investments is accounted for using the Effective Interest method in accordance with AASB 139.

(c) Principles of Consolidation

These financial statements incorporate (i) the assets and liabilities of Council and any Entities (or operations) that it **controls** (as at 30 June 2013) and (ii) all the related operating results (for the financial year ended the 30th June 2013).

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

(i) The Consolidated Fund

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

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

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

Total expenditure from continuing operations \$400,000

Total net assets held (ie Equity) \$1,000,000

Note:

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

(ii) The Trust Fund

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

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

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

(iii) Joint Ventures

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

(iv) County Councils

Council is not a member of any County Councils.

(v) Additional Information

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

(d) Leases

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

Finance Leases

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

Council has no leases which are classified as finance leases.

Operating Leases

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

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

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

(e) Cash and Cash Equivalents

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

(f) Investments and Other Financial Assets

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

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

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

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

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

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

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

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

(ii) Loans and receivables

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

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

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

(iii) Held-to-maturity investments

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

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

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less

than 12 months from the reporting date, which are classified as current assets.

(iv) Available-for-sale financial assets

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

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

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

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

Financial Assets – Reclassification

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

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

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

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

Effective interest rates for financial assets reclassified to loans and receivables and held-to-

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

General Accounting & Measurement of Financial Instruments:

(i) Initial Recognition

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

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

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

(ii) Subsequent Measurement

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

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

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

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

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

Impairment

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

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

If there is evidence of impairment for any of Council's financial assets carried at amortised cost (eg. loans and receivables), the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

(iii) Types of Investments

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

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

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.

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

(g) Fair value estimation

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

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

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

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

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

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

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

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

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

(h) Receivables

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

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

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

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

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

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

When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account.

Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

(i) Inventories

Raw Materials and Stores, Work in Progress and Finished Goods

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

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

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

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

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

Land Held for Resale/Capitalisation of Borrowing Costs

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

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

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

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

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

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

Acquisition of assets

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

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

- **Operational Land** (External Valuation)
- **Buildings – Specialised/Non Specialised** (External/ Valuation)

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

Initial Recognition

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

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

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

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

Subsequent costs

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

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

Asset Revaluations (including Indexation)

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

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

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

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

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

Capitalisation Thresholds

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

Land

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

Plant & Equipment

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

Buildings & Land Improvements

Park Furniture & Equipment	> \$5,000
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Building

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

Other Structures

> \$5,000

Stormwater Assets

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

Transport Assets

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

Depreciation

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

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

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

All asset residual values and useful lives are reviewed and adjusted (where appropriate), at each balance sheet date.

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

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

Disposal and De-recognition

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

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

(k) Land

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

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

(l) Land under roads

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

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

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

(m) Intangible Assets

IT Development and Software

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

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

Amortisation is calculated on a straight line bases over periods up to 10 years.

(n) Crown Reserves

Crown Reserves under Council's care and control are recognised as assets of the Council.

While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated.

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

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

(o) Rural Fire Service assets

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

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

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

(p) Investment property

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

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

(q) 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.

(r) Impairment of assets

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

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where an asset is not held principally for cash generating purposes (for example Infrastructure Assets) and would be replaced if the Council was deprived of it then depreciated replacement cost is used as value in use, otherwise value in use is estimated by using a discounted cash flow model.

Non-financial assets (other than goodwill) that suffered a prior period impairment are reviewed for possible reversal of the impairment at each reporting date.

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

(s) Payables

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

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

(t) Borrowings

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

Borrowings are subsequently measured at amortised cost.

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

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

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

(u) Borrowing costs

Borrowing costs are expensed.

(v) Provisions

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

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

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

Provisions are not recognised for future operating losses.

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

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

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

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

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

(w) Employee benefits

(i) Short Term Obligations

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

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

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

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

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

(ii) Other Long Term Obligations

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

These liabilities are measured at the present value of the expected future payments to be made using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are then discounted using market yields at the reporting date based on national government bonds with terms to maturity and currency that match as closely as possible the estimated future cash outflows.

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

(iii) Retirement benefit obligations

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

Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

Defined Benefit Plans

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

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

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

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

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

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

The last valuation of the Scheme was performed by Mr Martin Stevenson (BSc, FIA, FIAA) on 20/02/13 and covers the period ended 30/06/13.

However the position is monitored annually and the Actuary has estimated that as at 30 June 2013 a deficit still exists.

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

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of Superannuation Expenses at Note 4(a) for the year ending 30 June 2013 was \$1,549,008.

The annual amount of additional contributions included in the total employer contribution advised above is \$751,360.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$3,493,331 as at 30 June 2013.

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

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

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

Defined Contribution Plans

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

(iv) Employee Benefit On-Costs

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

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of certain Leave Liabilities accrued as at 30/6/13.

(x) Self insurance

Council does not self insure.

(y) 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.

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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.

(z) Taxes

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

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

Goods & Services Tax (GST)

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

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

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

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

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

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

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

(aa) New accounting standards and UIG interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2013.

Council has not adopted any of these standards early.

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

Applicable to Local Government with implications:

AASB 9 Financial Instruments, associated standards, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and transitional disclosures (effective from 1 January 2015)

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

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

When adopted, the standard will affect in particular Council's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading.

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

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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

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

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

AASB 13 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.

Applicable to Local Government but no implications for Council;

AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities [AASB 132 & AASB 7] (effective 1 January 2013)

This Standard amends the required disclosures in AASB 7 to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

This Standard also amends AASB 132 to refer to the additional disclosures added to AASB 7 by this Standard.

The adoption of this standard will not change the reported financial position and performance of the entity, there are no impact on disclosures as there are no offsetting arrangements currently in place.

AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132] (effective 1 January 2014).

This Standard adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

The adoption of this standard will not change the reported financial position and performance of the entity, there are no impact on disclosures as there are no offsetting arrangements currently in place.

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

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

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

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

The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The amendments also introduce a "partial disposal" concept.

Council is still assessing the impact of these amendments.

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

They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

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)

This revised standard on accounting for employee benefits 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.

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

The amendments will have to be implemented retrospectively.

Council does not recognise defined benefit assets and liabilities for the reasons set out in paragraph (w) (iii) and so these changes will not have an impact on its reported results.

Not applicable to Local Government per se;

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle (effective 1 January 2013)

AASB 1 - this standard clarifies that an entity can apply AASB 1 more than once. An entity can elect to apply AASB 123 from the transition date or an earlier date.

AASB 101 - clarifies that a third statement of financial position is required when the opening statement of financial position is materially affected by any adjustments.

AASB 116 - clarifies the classification of servicing equipment.

AASB 132 and Interpretation 2 - clarifies that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with AASB 112 Income Taxes

AASB 134 - provides clarification about segment reporting.

The amendments arising from this standard are not expected to change the reported financial position or performance of the Council.

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.

(ab) Rounding of amounts

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

(ac) Comparative Figures

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

(ad) Disclaimer

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

Notes to the Financial Statements

for the financial year ended 30 June 2013

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 2013	Actual 2013	Actual 2012	Original Budget 2013	Actual 2013	Actual 2012	Original Budget 2013	Actual 2013	Actual 2012	Actual 2013	Actual 2012	Actual 2013	Actual 2012
Governance	-	-	-	2,854	2,497	1,993	(2,854)	(2,497)	(1,993)	-	-	-	-
General Managers Division	1	164	135	2,597	2,312	2,463	(2,596)	(2,148)	(2,328)	-	-	77	68
Corporate Support	6,298	5,594	5,480	33,275	33,481	32,954	(26,977)	(27,887)	(27,474)	16	49	181,026	180,968
Infrastructure & Recreation	34,231	33,451	28,390	53,465	52,455	50,931	(19,234)	(19,004)	(22,541)	2,684	2,762	1,180,376	1,179,938
Environment & Human Services	9,991	13,079	11,464	19,920	19,313	19,683	(9,929)	(6,234)	(8,219)	5,667	4,117	120,804	120,759
Planning	3,776	4,446	3,766	7,503	8,337	7,896	(3,727)	(3,891)	(4,130)	121	17	450	450
Total Functions & Activities	54,297	56,734	49,235	119,614	118,395	115,920	(65,317)	(61,661)	(66,685)	8,488	6,945	1,482,733	1,482,183
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	-	-	-	-	-	-	-	-	-	-	-	-
General Purpose Income ¹	68,287	69,540	66,337	-	-	-	68,287	69,540	66,337	5,441	6,731	-	-
Operating Result from Continuing Operations	122,584	126,274	115,572	119,614	118,395	115,920	2,970	7,879	(348)	13,929	13,676	1,482,733	1,482,183

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

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

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

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

GOVERNANCE

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

GENERAL MANAGERS DIVISION

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

CORPORATE & COMMUNITY DIVISION

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

INFRASTRUCTURE AND RECREATION DIVISION

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

ENVIRONMENT AND HUMAN SERVICES DIVISION

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

PLANNING DIVISION

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

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2013	Actual 2012
(a) Rates & Annual Charges			
Ordinary Rates			
Residential		55,432	51,912
less: Compulsory Pensioner Rate		(1,324)	(1,340)
Farmland		506	473
Business		7,194	6,848
Total Ordinary Rates		61,808	57,893
Special Rates			
Catchment Remediation Rate		2,901	2,809
Hornsby Quarry Rate		3,082	2,975
less: Voluntary Pensioner Rebate		(214)	(208)
Total Special Rates		5,769	5,576
Annual Charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		19,514	15,901
Section 611 Charges		66	62
Total Annual Charges		19,580	15,963
TOTAL RATES & ANNUAL CHARGES		87,157	79,432

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

Hornsby Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2013	Actual 2012
(b) User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Waste Management Services (non-domestic)		1,361	1,144
Sullage		13	13
Total User Charges		1,374	1,157
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s.608)			
Inspection Fees		461	482
Planning & Building Regulation		2,482	2,094
Registration Fees		58	77
Total Fees & Charges - Statutory/Regulatory		3,001	2,653
(ii) Fees & Charges - Other (incl. General User Charges) (per s.608)			
Community Centres		502	471
Indoor Sports Centre Stadium - Admission Fees		513	502
Library Fees & Charges		118	129
Nursery & Preschool Hire Fees		2,968	3,007
Other Hire Fees		92	69
Park & Oval Hire Fees		999	938
Restoration Charges		1,617	1,148
Swimming Centres		1,129	1,129
Tennis/Netball Hire Fees		203	137
Other		325	303
Total Fees & Charges - Other		8,466	7,833
TOTAL USER CHARGES & FEES		12,841	11,643

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2013	Actual 2012
(c) Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges (incl. Special Purpose Rates)		216	238
- Interest earned on Investments (interest & coupon payment income)		2,026	2,011
Fair Value Adjustments			
- Fair Valuation movements in Investments (at FV or Held for Trading)		109	296
Fair Valuation of Financial Liabilities on recognition			
- Discount taken up on interest free loan (deferred payment)		355	-
<u>TOTAL INTEREST & INVESTMENT REVENUE</u>		<u>2,706</u>	<u>2,545</u>
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges (General Fund)		216	238
General Council Cash & Investments		2,062	1,699
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		403	588
Catchments Remediation		25	20
<u>Total Interest & Investment Revenue Recognised</u>		<u>2,706</u>	<u>2,545</u>
(d) Other Revenues			
Rental Income - Other Council Properties		1,761	1,545
Ex Gratia Rates		13	14
Fines - Parking		1,840	1,426
Legal Fees Recovery - Rates & Charges (Extra Charges)		233	223
Legal Fees Recovery - Other		3	8
Prosecutions & Infringements		94	75
Bushfire Fund Income		50	26
Car Park Management		99	96
Commissions & Agency Fees		8	8
Diesel Rebate		-	55
Florence Mall Incomes		54	31
Home Modification		215	246
Income from Community Events		32	39
Insurance Claim Recoveries		13	19
Insurance Rebates & Incentives		164	134
Property Services Sundry Income		2	1
Recycling Income		773	267
Salaries & Wages Charged Out		91	77
Sales - General		358	461
Street Furniture Advertising		37	29
Telecommunications Mobile Site Fees		-	49
Vehicular Crossing Income		9	42
Youth Centre Income		3	8
Other		138	112
<u>TOTAL OTHER REVENUE</u>		<u>5,990</u>	<u>4,991</u>

Hornsby Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations (continued)

\$ '000	2013 Operating	2012 Operating	2013 Capital	2012 Capital
(e) Grants				
General Purpose (Untied)				
Financial Assistance - General Component	3,255	4,170	-	-
Financial Assistance - Local Roads Component	1,435	1,824	-	-
Pensioners' Rates Subsidies - General Component	751	737	-	-
Total General Purpose	5,441	6,731	-	-
Specific Purpose				
Pensioners' Rates Subsidies:				
- Domestic Waste Management	229	225	-	-
Aged & Disabled	593	475	-	-
Aged Care	1	35	-	-
Bushfire & Emergency Services	82	(9)	-	-
Bushland	378	328	-	55
Child Care	1,217	1,321	-	17
Community Care	349	373	-	-
Community Centres	-	-	1,427	-
Employment & Training Programs	17	49	-	-
Environmental Protection	1,175	1,013	-	4
Library	305	303	100	99
Noxious Weeds	19	25	-	-
Parks & Gardens	-	-	-	110
Street Lighting	303	312	-	-
Transport (Other Roads & Bridges Funding)	641	600	1,365	1,412
Youth Services	18	4	-	-
Other	241	121	28	73
Total Specific Purpose	5,568	5,175	2,920	1,770
Total Grants	11,009	11,906	2,920	1,770
Grant Revenue is attributable to:				
- Commonwealth Funding	2,065	1,345	1,963	614
- State Funding	8,944	10,561	957	1,156
- Other Funding	-	-	-	-
	11,009	11,906	2,920	1,770

Hornsby Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

Note 3. Income from Continuing Operations (continued)

\$ '000	2013 Operating	2012 Operating	2013 Capital	2012 Capital
(f) Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the LGA):				
S 94 - Contributions towards amenities/services	-	-	1,699	1,304
Total Developer Contributions 17	-	-	1,699	1,304
Other Contributions:				
Bushfire Services	593	545	-	430
Employee Vehicle Contributions	668	640	-	-
Environment	23	1	-	-
Parks & Gardens	14	10	130	170
Recreation & Culture	-	-	30	-
Roads & Bridges	34	-	57	10
RMS Contributions (Regional Roads, Block Grant)	2	2	-	-
Occupational Health & Safety Incentive	40	-	-	-
Other	90	91	-	-
Total Other Contributions	1,464	1,289	217	610
Total Contributions	1,464	1,289	1,916	1,914
<u>TOTAL GRANTS & CONTRIBUTIONS</u>	<u>12,473</u>	<u>13,195</u>	<u>4,836</u>	<u>3,684</u>

\$ '000	Actual 2013	Actual 2012
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(g) Restrictions relating to Grants and Contributions

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

Unexpended at the Close of the Previous Reporting Period	17,515	15,480
add: Grants & contributions recognised in the current period but not yet spent:	9,423	7,181
less: Grants & contributions recognised in a previous reporting period now spent:	(9,851)	(5,146)
Net Increase (Decrease) in Restricted Assets during the Period	(428)	2,035
Unexpended and held as Restricted Assets	<u>17,087</u>	<u>17,515</u>
Comprising:		
- Specific Purpose Unexpended Grants	6,419	4,874
- Developer Contributions	10,668	12,641
	<u>17,087</u>	<u>17,515</u>

Hornsby Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2013	Actual 2012
(a) Employee Benefits & On-Costs			
Salaries and Wages		36,399	35,398
Travelling		18	19
Employee Leave Entitlements (ELE)		895	2,217
Superannuation		4,046	4,029
Workers' Compensation Insurance		867	909
Fringe Benefit Tax (FBT)		280	194
Training Costs (other than Salaries & Wages)		468	308
Other		46	247
Total Employee Costs		43,019	43,321
less: Capitalised Costs		(796)	(659)
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>		<u>42,223</u>	<u>42,662</u>
Number of "Equivalent Full Time" Employees at year end		544	539
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Overdraft		-	1
Interest on Loans		1,090	1,329
Total Interest Bearing Liability Costs Expensed		<u>1,090</u>	<u>1,330</u>
(ii) Other Borrowing Costs			
Nil			
<u>TOTAL BORROWING COSTS EXPENSED</u>		<u>1,090</u>	<u>1,330</u>

Hornsby Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2013	Actual 2012
(c) Materials & Contracts			
Raw Materials & Consumables		3,927	3,915
Contractor & Consultancy Costs			
- Animal Pound Service		18	23
- Air Conditioning		103	90
- Building Maintenance		218	199
- Bush Regeneration		493	514
- Computer Support		1,951	1,997
- Community Centres		138	83
- Consultants		1,687	1,274
- Contracts - Electrical		291	249
- Contracts - Grass Cutting		518	438
- Contracts - Plumbing		354	423
- Contracts - Tree Work		472	479
- Contractor & Agency Fees		1,211	1,542
- Drainage Maintenance		458	326
- External Plant & Equipment Hire		111	167
- Election Expense		637	-
- Florence Mall		108	112
- Footpath Maintenance		191	357
- Foreshore Facilities		144	114
- Garbage Collection, Tipping & Recycling		17,973	16,854
- Home Modification Service		204	176
- Litter Control		403	432
- Maintenance of Parks		542	445
- Mechanical Services		216	185
- Property Cleaning		387	357
- Road Maintenance		3,743	3,834
- Stormwater Asset Maintenance		221	220
Auditors Remuneration ⁽¹⁾		107	93
Legal Expenses:			
- Legal Expenses: Planning & Development		879	290
- Legal Expenses: Other		507	431
Operating Leases:			
- Operating Lease Rentals: Minimum Lease Payments ⁽²⁾		305	288
Contracts - Bushfire Hazard Reduction & Mitigation		170	262
Other		245	391
TOTAL MATERIALS & CONTRACTS		38,932	36,560

Hornsby Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2013	Actual 2012
(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		87	93
Remuneration for audit and other assurance services		87	93
(ii) Other Services			
- Report on Local Government Reform Process		20	-
Remuneration for other services		20	-
Total Auditor Remuneration		107	93
2. Operating Lease Payments are attributable to:			
Computers		305	288
		305	288

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2013	Actual 2012	Actual 2013	Actual 2012
(d) Depreciation, Amortisation & Impairment					
Plant and Equipment		-	-	1,563	1,512
Office Equipment		-	-	183	203
Furniture & Fittings		-	-	90	95
Land Improvements (depreciable)		-	-	3,223	3,200
Buildings - Non Specialised		-	-	2,324	2,293
Buildings - Specialised		-	-	1,994	1,998
Other Structures		-	-	527	359
Infrastructure:					
- Roads, Bridges & Footpaths		-	-	7,412	7,437
- Stormwater Drainage		-	-	5,106	5,014
- Water Supply Network		-	-	4	4
Other Assets					
- Library Books		-	-	453	444
Intangible Assets	25	-	-	860	861
TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED		-	-	23,739	23,420

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2013	Actual 2012
(e) Other Expenses			
Other Expenses for the year include the following:			
Advertising		424	346
Bad & Doubtful Debts		(40)	104
Bank Charges & Cash Collection Expenses		311	293
Catering		279	253
Contributions/Levies to Other Levels of Government			
- Department of Planning Levy		280	273
- Emergency Services Levy		215	172
- NSW Fire Brigade Levy		1,619	1,648
- NSW Rural Fire Service Levy		498	476
- NSW State Revenue Infringement Processing Fees		208	199
Councillor Expenses - Mayoral Fee		56	56
Councillor Expenses - Councillors' Fees		220	212
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		22	22
Donations, Contributions & Assistance to other organisations (Section 356)		66	93
Electricity & Heating		1,141	985
Insurance		1,356	1,561
Licences & Registration		267	255
Postage		197	230
Printing & Stationery		335	344
Street Lighting		3,252	2,888
Subscriptions to Local Government Publications		65	54
Subscriptions & Publications		301	293
Telephone & Communications		345	276
Valuation Fees		285	252
Water & Sewerage		439	332
Other		270	331
<u>TOTAL OTHER EXPENSES</u>		<u>12,411</u>	<u>11,948</u>

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2013	Actual 2012
Property (excl. Investment Property)			
Proceeds from Disposal - Property		88	3,257
less: Carrying Amount of Property Assets Sold / Written Off		(69)	(3,657)
Net Gain/(Loss) on Disposal		19	(400)
Plant & Equipment			
Proceeds from Disposal - Plant & Equipment		931	1,477
less: Carrying Amount of P&E Assets Sold / Written Off		(679)	(983)
Net Gain/(Loss) on Disposal		252	494
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		22,596	13,537
less: Carrying Amount of Financial Assets Sold / Redeemed / Matured		(22,596)	(13,537)
Net Gain/(Loss) on Disposal		-	-
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		271	82

Hornsby Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

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

		2013	2013	2012	2012
\$ '000	Notes	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		521	-	251	-
Cash-Equivalent Assets ¹					
- Deposits at Call		8,632	-	15,406	-
- Short Term Deposits		27,125	-	1,000	-
Total Cash & Cash Equivalents		36,278	-	16,657	-
Investments (Note 6b)					
- Managed Funds		-	-	1,058	-
- Long Term Deposits		6,500	-	19,500	-
- Capital Guaranteed Financial Instruments		1,933	-	3,775	-
Total Investments		8,433	-	24,333	-
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		44,711	-	40,990	-

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"		36,278	-	16,657	-
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Investments

a. "At Fair Value through the Profit & Loss"					
- "Designated at Fair Value on Initial Recognition"	6(b-i)	1,933	-	4,833	-
b. "Held to Maturity"	6(b-ii)	6,500	-	19,500	-
Investments		8,433	-	24,333	-

Hornsby Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

Note 6b. Investments (continued)

\$ '000	2013 Actual Current	2013 Actual Non Current	2012 Actual Current	2012 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	4,833	-	6,537	-
Revaluations (through the Income Statement)	109	-	296	-
Additions	87	-	3,537	-
Disposals (sales & redemptions)	(3,096)	-	(5,537)	-
Balance at End of Year	1,933	-	4,833	-
Comprising:				
- Managed Funds	-	-	1,058	-
- Capital Guaranteed Financial Instruments	1,933	-	3,775	-
Total	1,933	-	4,833	-
Note 6(b-ii)				
Reconciliation of Investments classified as "Held to Maturity"				
Balance at the Beginning of the Year	19,500	-	7,000	1,000
Additions	6,500	-	19,500	-
Disposals (sales & redemptions)	(19,500)	-	(7,000)	(1,000)
Balance at End of Year	6,500	-	19,500	-
Comprising:				
- Long Term Deposits	6,500	-	19,500	-
Total	6,500	-	19,500	-
Note 6(b-iii)				
Reconciliation of Investments classified as "Loans & Receivables"				
Nil				
Note 6(b-iv)				
Reconciliation of Investments classified as "Available for Sale"				
Nil				

Hornsby Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

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

\$ '000	2013 Actual Current	2013 Actual Non Current	2012 Actual Current	2012 Actual Non Current
Total Cash, Cash Equivalents and Investments	44,711	-	40,990	-
attributable to:				
External Restrictions (refer below)	18,538	-	18,576	-
Internal Restrictions (refer below)	22,710	-	18,484	-
Unrestricted	3,463	-	3,930	-
	44,711	-	40,990	-

2013 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
-----------------	--------------------	------------------------------	--------------------------------	--------------------

Details of Restrictions

External Restrictions - Included in Liabilities

Nil

External Restrictions - Other

Developer Contributions - General (D)	12,641	2,102	(4,075)	10,668
Specific Purpose Unexpended Grants (F)	4,874	1,545	-	6,419
Domestic Waste Management (G)	-	20,096	(19,302)	794
Other	1,061	2,960	(3,364)	657
External Restrictions - Other	18,576	26,703	(26,741)	18,538
Total External Restrictions	18,576	26,703	(26,741)	18,538

Internal Restrictions

Plant & Vehicle Replacement	201	1,824	(2,025)	-
Employees Leave Entitlement	3,539	200	(995)	2,744
Civil Works	1,643	2,917	(1,626)	2,934
Construction of Buildings	7,211	7,056	(5,641)	8,626
Council Strategic Projects	1,129	4,583	(916)	4,796
Hornsby Quarry Valuation Litigation	2,870	-	-	2,870
Other	1,891	1,131	(2,282)	740
Total Internal Restrictions	18,484	17,711	(13,485)	22,710
TOTAL RESTRICTIONS	37,060	44,414	(40,226)	41,248

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 2013

Note 7. Receivables

\$ '000	Notes	2013		2012	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		2,134	256	2,106	275
Interest & Extra Charges		226	-	224	-
User Charges & Fees		175	-	172	-
Contributions to Works		-	-	21	-
Accrued Revenues					
- Interest on Investments		159	-	432	-
- Other Income Accruals		343	-	707	-
Government Grants & Subsidies		442	-	206	-
Net GST Receivable		995	-	766	-
Sullage		23	-	40	-
Restorations		92	-	112	-
Licencing		41	-	42	-
Property Rentals		167	-	91	-
Workers Compensation Claims		10	-	8	-
Facility Hire		431	-	303	-
Section 611 Contributions		72	-	-	-
Sale of Recycling Materials		237	-	-	-
Other Debtors		168	-	218	-
Total		5,715	256	5,448	275
less: Provision for Impairment					
Rates & Annual Charges		(37)	-	-	-
Other Debtors		(36)	-	(153)	-
Total Provision for Impairment - Receivables		(73)	-	(153)	-
<u>TOTAL NET RECEIVABLES</u>		<u>5,642</u>	<u>256</u>	<u>5,295</u>	<u>275</u>
Externally Restricted Receivables					
Domestic Waste Management		586	-	530	-
- Catchment Remediation Rate		96	-	93	-
- Hornsby Quarry Special Rate		96	-	97	-
- Special Purpose Grants		774	-	885	-
Total External Restrictions		1,552	-	1,605	-
Internally Restricted Receivables					
Nil					
Unrestricted Receivables		4,090	256	3,690	275
TOTAL NET RECEIVABLES		5,642	256	5,295	275

Notes on Debtors above:

- Rates & Annual Charges Outstanding are secured against the property.
- 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.
- Interest was charged on overdue rates & charges at 10.00% (2012 11.00%).
Generally all other receivables are non interest bearing.
- 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 2013

Note 8. Inventories & Other Assets

\$ '000	Notes	2013		2012	
		Current	Non Current	Current	Non Current
Inventories					
Stores & Materials		165	-	183	-
Total Inventories		165	-	183	-
Other Assets					
Prepayments		3	-	140	-
Total Other Assets		3	-	140	-
TOTAL INVENTORIES / OTHER ASSETS		168	-	323	-

Externally Restricted Assets

There are no restrictions applicable to the above assets.

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2012					Asset Movements during the Reporting Period						as at 30/6/2013				
	At Cost	At Fair Value	Accumulated		Carrying Value	Asset Additions	WDV of Asset Disposals	Depreciation Expense	WIP Transfers	Adjustments & Transfers	Revaluation Decrements to Equity (ARR)	At Cost	At Fair Value	Accumulated		Carrying Value
			Dep'n	Impairment										Dep'n	Impairment	
Capital Work in Progress	2,410	-	-	-	2,410	23,179	-	-	(13,854)	-	-	11,735	-	-	-	11,735
Plant & Equipment	-	15,904	10,189	-	5,715	1,812	(679)	(1,563)	62	-	-	-	15,864	10,517	-	5,347
Office Equipment	-	1,759	1,322	-	437	62	-	(183)	-	-	-	-	1,800	1,484	-	316
Furniture & Fittings	-	2,580	2,145	-	435	4	-	(90)	-	-	-	-	2,572	2,223	-	349
Land:																
- Operational Land	-	145,563	-	-	145,563	-	-	-	-	(13,716)	(6,831)	-	125,016	-	-	125,016
- Community Land	-	414,483	-	-	414,483	2,400	(3)	-	-	13,716	-	-	430,596	-	-	430,596
Land Improvements - depreciable	-	63,300	30,532	-	32,768	-	-	(3,223)	1,458	(14)	-	-	64,586	33,597	-	30,989
Buildings - Non Specialised	-	71,362	37,082	-	34,280	-	-	(2,324)	317	581	-	-	72,259	39,405	-	32,854
Buildings - Specialised	-	87,792	39,201	-	48,591	-	(66)	(1,994)	1,191	(580)	-	-	88,152	41,010	-	47,142
Other Structures	-	14,422	4,826	-	9,596	-	-	(527)	1,842	(76)	-	-	16,261	5,426	-	10,835
Infrastructure:																
- Roads, Bridges, Footpaths	-	406,217	104,841	-	301,376	-	-	(7,412)	5,190	-	-	-	411,407	112,253	-	299,154
- Bulk Earthworks (non-depreciable)	-	77,561	-	-	77,561	-	-	-	-	-	-	-	77,561	-	-	77,561
- Stormwater Drainage	-	484,477	125,160	-	359,317	-	-	(5,106)	3,794	89	-	-	488,383	130,289	-	358,094
- Water Supply Network	-	128	72	-	56	-	-	(4)	-	-	-	-	128	76	-	52
Other Assets:																
- Library Books	-	3,313	2,012	-	1,301	517	-	(453)	-	-	-	-	3,031	1,666	-	1,365
<u>TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.</u>	2,410	1,788,861	357,382	-	1,433,889	27,974	(748)	(22,879)	-	-	(6,831)	11,735	1,797,616	377,946	-	1,431,405

Additions to Depreciable Land Improvements, Buildings, Other Structures & Infrastructure Assets are made up of Asset Renewals (\$8870K) and New Assets (\$4984K).
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 2013

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 2013

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2013		2012	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		4,560	-	4,808	-
Payments Received In Advance		392	-	300	-
Accrued Expenses:					
- Borrowings		18	-	22	-
- Salaries & Wages		1,398	-	1,328	-
- Other Expenditure Accruals		1,338	-	2,108	-
Security Bonds, Deposits & Retentions		178	-	166	-
Contributions & Bonds		155	-	150	-
Other		34	-	37	-
Total Payables		8,073	-	8,919	-
Borrowings					
Loans - Secured ¹		4,189	10,180	3,798	12,369
Other		283	1,462	-	-
Total Borrowings		4,472	11,642	3,798	12,369
Provisions					
Employee Benefits;					
Annual Leave		3,410	-	3,136	-
Sick Leave		531	-	625	-
Long Service Leave		8,864	367	8,433	539
Gratuities		284	-	321	-
Other Leave		13	-	14	-
Total Provisions		13,102	367	12,529	539
Total Payables, Borrowings & Provisions		25,647	12,009	25,246	12,908

(i) Liabilities relating to Restricted Assets

	2013		2012	
	Current	Non Current	Current	Non Current
Externally Restricted Assets				
Domestic Waste Management	764	-	1,324	-
Liabilities relating to externally restricted assets	764	-	1,324	-
Internally Restricted Assets				
Employee Leave Entitlements	2,744	-	3,539	-
Liabilities relating to internally restricted assets	2,744	-	3,539	-
Total Liabilities relating to restricted assets	3,508	-	4,863	-
Total Liabilities relating to Unrestricted Assets	22,139	12,009	20,383	12,908
TOTAL PAYABLES, BORROWINGS & PROVISIONS	25,647	12,009	25,246	12,908

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 2013

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

	Actual 2013	Actual 2012
\$ '000		

(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	9,555	8,940
	9,555	8,940

Note 10b. Description of and movements in Provisions

Class of Provision	2012	2013				Closing Balance as at 30/6/13
	Opening Balance as at 1/7/12	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	
Annual Leave	3,136	427	(153)	-	-	3,410
Sick Leave	625	(20)	(74)	-	-	531
Long Service Leave	8,972	525	(266)	-	-	9,231
Gratuities	321	8	(45)	-	-	284
Other Leave	14	-	(1)	-	-	13
TOTAL	13,068	940	(539)	-	-	13,469

- 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 2013

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2013	Actual 2012
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	36,278	16,657
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		36,278	16,657
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		7,879	(348)
Adjust for non cash items:			
Depreciation & Amortisation		23,739	23,420
Net Losses/(Gains) on Disposal of Assets		(271)	(82)
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investments classified as "At Fair Value" or "Held for Trading"		(109)	(296)
- Favourable Financial Liabilities (ie. Initial Recognition at Fair Value)		(355)	-
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		(248)	199
Increase/(Decrease) in Provision for Doubtful Debts		(80)	52
Decrease/(Increase) in Inventories		18	(2)
Decrease/(Increase) in Other Assets		137	54
Increase/(Decrease) in Payables		(248)	556
Increase/(Decrease) in accrued Interest Payable		(4)	(4)
Increase/(Decrease) in other accrued Expenses Payable		(816)	(180)
Increase/(Decrease) in Other Liabilities		106	(317)
Increase/(Decrease) in Employee Leave Entitlements		401	622
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		30,149	23,674

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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

\$ '000	Notes	Actual 2013	Actual 2012
(c) Non-Cash Investing & Financing Activities			
Other Non Cash Items - Interest free deferred payment on asset purchases		2,100	-
Total Non-Cash Investing & Financing Activities		2,100	-
(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		29	10
Total Financing Arrangements		2,029	2,010
Amounts utilised as at Balance Date:			
- Credit Cards / Purchase Cards		15	-
Total Financing Arrangements Utilised		15	-

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 2013

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2013	Actual 2012
(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		1,016	288
Plant & Equipment		432	195
Building & Land Improvements		-	118
Infrastructure - Roads, Bridges & Footpaths		498	769
Intellectual Property - "Council's Online"		-	728
Furniture & Fittings		25	-
Foreshore Facilities		19	20
Office Equipment		14	6
Hornsby Aquatic Centre		15,578	-
Stormwater Drainage		257	-
Recreational Facilities		317	-
Total Commitments		18,156	2,124
These expenditures are payable as follows:			
Within the next year		18,156	2,124
Total Payable		18,156	2,124
Sources for Funding of Capital Commitments:			
Unrestricted General Funds		18,056	2,124
Sect 64 & 94 Funds/Reserves		100	-
Total Sources of Funding		18,156	2,124

(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	312	315
Later than one year and not later than 5 years	117	351
Total Non Cancellable Operating Lease Commitments	429	666

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 2013

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

\$ '000	Amounts 2013	Indicator 2013	Prior Periods 20122011	
Local Government Industry Indicators - Consolidated				
1. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽¹⁾	30,431	1.99 : 1	1.76	1.51
Current Liabilities less Specific Purpose Liabilities ^(2,3)	15,328			
2. Debt Service Ratio				
Debt Service Cost	4,888	4.27%	4.66%	4.86%
Income from Continuing Operations (excl. Capital Items & Specific Purpose Grants/Contributions)	114,406			
3. Rates & Annual Charges Coverage Ratio				
Rates & Annual Charges	87,157	69.02%	68.73%	66.67%
Income from Continuing Operations	126,274			
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual & Extra Charges Outstanding	2,579	2.86%	3.16%	3.48%
Rates, Annual & Extra Charges Collectible	90,211			
5. Building & Infrastructure Renewals Ratio				
Asset Renewals ⁽⁴⁾	8,870	52.67%	61.74%	48.77%
Depreciation, Amortisation & Impairment	16,840			

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 2013

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

\$ '000	Amounts 2013	Indicator 2013	Prior Periods 2012 2011	
TCorp Performance Measures - Consolidated				
a. Operating Performance				
Operating Revenue (excl. Capital Grants & Contributions)				
- Operating Expenses	2,934	2.42%	-3.88%	-0.71%
Operating Revenue (excl. Capital Grants & Contributions)	121,329			
b. Own Source Operating Revenue				
Rates & Annual Charges + User Charges & Fees	99,998	79.26%	79.01%	77.86%
Total Operating Revenue (incl. Capital Grants & Contributions)	126,165			
c. Unrestricted Current Ratio				
Current Assets less all External Restrictions	30,431	1.99	1.76	1.51
Current Liabilities less Specific Purpose Liabilities	15,328			
d. Debt Service Cover Ratio				
Operating Result before Interest & Depreciation (EBITDA)	27,763	5.68	4.16	2.90
Principal Repayments (from the Statement of Cash Flows)	4,888			
+ Borrowing Interest Costs (from the Income Statement)				
e. Capital Expenditure Ratio				
Annual Capital Expenditure	27,226	1.15	0.56	0.66
Annual Depreciation	23,739			
f. Infrastructure Backlog Ratio				
Estimated Cost to bring Assets to a Satisfactory Condition	5,244	0.01	0.01	0.02
Total value of Infrastructure, Building, Other Structures & Depreciable Land Improvement Assets	779,120			
g. Asset Maintenance Ratio				
Actual Asset Maintenance	9,616	0.86	0.96	0.97
Required Asset Maintenance	11,124			
h. Building & Infrastructure Renewals Ratio				
Asset Renewals	8,870	0.53	0.62	0.49
Depreciation of Building and Infrastructure Assets	16,840			
i. Cash Expense Cover Ratio				
Current Year's Cash & Cash Equivalents	36,278	4.65	2.19	2.51
(Total Expenses - Depreciation - Interest Costs) x12	7,797			
j. Interest Cover Ratio				
Operating Results before Interest & Depreciation (EBITDA)	27,763	25.47	15.35	9.46
Borrowing Interest Costs (from the income statement)	1,090			

Hornsby Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

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

<p>1. Unrestricted Current Ratio</p> <table><tr><th>Year</th><th>Ratio : 1</th></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><tr><td>2013</td><td>1.99</td></tr></table>	Year	Ratio : 1	2010	1.43	2011	1.51	2012	1.76	2013	1.99	<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 2012/13 Result</p> <p>2012/13 Ratio 1.99 : 1</p> <p>The ratio continues to improve as a result of continuing increases in the balance of cash and cash equivalents. This is mainly due to increased rate revenue from the Special Rate Variation.</p>
Year	Ratio : 1											
2010	1.43											
2011	1.51											
2012	1.76											
2013	1.99											
<p>2. Debt Service Ratio</p> <table><tr><th>Year</th><th>Ratio %</th></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><tr><td>2013</td><td>4.27%</td></tr></table>	Year	Ratio %	2010	4.69%	2011	4.86%	2012	4.66%	2013	4.27%	<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 2012/13 Result</p> <p>2012/13 Ratio 4.27%</p> <p>While income from continuing operations increased significantly, due to increased rates revenue, debt service costs remained constant.</p>
Year	Ratio %											
2010	4.69%											
2011	4.86%											
2012	4.66%											
2013	4.27%											
<p>3. Rates & Annual Charges Coverage Ratio</p> <table><tr><th>Year</th><th>Ratio %</th></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><tr><td>2013</td><td>69.02%</td></tr></table>	Year	Ratio %	2010	65.10%	2011	66.67%	2012	68.73%	2013	69.02%	<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 2012/13 Result</p> <p>2012/13 Ratio 69.02%</p> <p>Council's dependence upon revenue from rates increased slightly from the previous year.</p>
Year	Ratio %											
2010	65.10%											
2011	66.67%											
2012	68.73%											
2013	69.02%											
<p>4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage</p> <table><tr><th>Year</th><th>Ratio %</th></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><tr><td>2013</td><td>2.86%</td></tr></table>	Year	Ratio %	2010	3.71%	2011	3.48%	2012	3.16%	2013	2.86%	<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 2012/13 Result</p> <p>2012/13 Ratio 2.86%</p> <p>Continuing good debt recovery practices.</p>
Year	Ratio %											
2010	3.71%											
2011	3.48%											
2012	3.16%											
2013	2.86%											
<p>5. Building & Infrastructure Renewals Ratio</p> <table><tr><th>Year</th><th>Ratio %</th></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><tr><td>2013</td><td>52.67%</td></tr></table>	Year	Ratio %	2010	82.22%	2011	48.77%	2012	61.74%	2013	52.67%	<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 2012/13 Result</p> <p>2012/13 Ratio 52.67%</p> <p>Given that our infrastructure backlog has been independently assessed as being under control we are reviewing how we identify renewal expenditure.</p>
Year	Ratio %											
2010	82.22%											
2011	48.77%											
2012	61.74%											
2013	52.67%											

Hornsby Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

Note 13a(ii). TCorp Performance Measures - Graphs (Consolidated)

<p>a. Operating Performance</p> <table><tr><th>Year</th><th>Ratio %</th></tr><tr><td>2011</td><td>-0.71%</td></tr><tr><td>2012</td><td>-3.88%</td></tr><tr><td>2013</td><td>2.42%</td></tr></table>	Year	Ratio %	2011	-0.71%	2012	-3.88%	2013	2.42%	<p>Purpose of Operating Performance Ratio</p> <p>This ratio measures Council's achievement of containing operating expenditure within operating revenue.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 2.42%</p> <p>The positive improvement from 2012 to 2013 is due to the significant increase in operating revenue mainly as a result of the special rate variation.</p>
Year	Ratio %									
2011	-0.71%									
2012	-3.88%									
2013	2.42%									
<p>b. Own Source Operating Revenue</p> <table><tr><th>Year</th><th>Ratio %</th></tr><tr><td>2011</td><td>77.86%</td></tr><tr><td>2012</td><td>79.01%</td></tr><tr><td>2013</td><td>79.26%</td></tr></table>	Year	Ratio %	2011	77.86%	2012	79.01%	2013	79.26%	<p>Purpose of Own Source Operating Revenue Ratio</p> <p>This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants & contributions.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 79.26%</p> <p>The reliance on external funding sources has not changed significantly from the prior year.</p>
Year	Ratio %									
2011	77.86%									
2012	79.01%									
2013	79.26%									
<p>c. Unrestricted Current Ratio</p> <table><tr><th>Year</th><th>Ratio (x)</th></tr><tr><td>2011</td><td>1.51</td></tr><tr><td>2012</td><td>1.76</td></tr><tr><td>2013</td><td>1.99</td></tr></table>	Year	Ratio (x)	2011	1.51	2012	1.76	2013	1.99	<p>Purpose of Unrestricted Current Ratio</p> <p>To assess the adequacy of unrestricted working capital and Council's ability to meet short term obligations as they fall due.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 1.99</p> <p>The ratio continues to improve as a result of continuing increases in the balance of cash and cash equivalents. This is mainly due to increased rate revenue from the Special Rate Variation.</p>
Year	Ratio (x)									
2011	1.51									
2012	1.76									
2013	1.99									
<p>d. Debt Service Cover Ratio</p> <table><tr><th>Year</th><th>Ratio (x)</th></tr><tr><td>2011</td><td>2.90</td></tr><tr><td>2012</td><td>4.16</td></tr><tr><td>2013</td><td>5.68</td></tr></table>	Year	Ratio (x)	2011	2.90	2012	4.16	2013	5.68	<p>Purpose of Debt Service Cover Ratio</p> <p>This ratio measures the availability of operating cash to service debt including interest, principal and lease payments</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 5.68 x</p> <p>The improved operating result has resulted in an increase to the Debt Service Cover Ratio.</p>
Year	Ratio (x)									
2011	2.90									
2012	4.16									
2013	5.68									
<p>e. Capital Expenditure Ratio</p> <table><tr><th>Year</th><th>Ratio (x)</th></tr><tr><td>2011</td><td>0.66</td></tr><tr><td>2012</td><td>0.56</td></tr><tr><td>2013</td><td>1.15</td></tr></table>	Year	Ratio (x)	2011	0.66	2012	0.56	2013	1.15	<p>Purpose of Capital Expenditure Ratio</p> <p>This ratio assesses the extent to which a Council is expanding its asset base with capital expenditure (on new assets, replacement & renewal of existing assets).</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 1.15 x</p> <p>The increase in the Capital Expenditure Ratio can be attributed to the construction of the new Hornsby Aquatic Centre.</p>
Year	Ratio (x)									
2011	0.66									
2012	0.56									
2013	1.15									

Hornsby Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2013

Note 13a(ii). TCorp Performance Measures - Graphs (Consolidated) continued

<p>f. Infrastructure Backlog Ratio</p> <table><tr><th>Year</th><th>Ratio (x)</th></tr><tr><td>2011</td><td>0.02</td></tr><tr><td>2012</td><td>0.01</td></tr><tr><td>2013</td><td>0.01</td></tr></table>	Year	Ratio (x)	2011	0.02	2012	0.01	2013	0.01	<p>Purpose of Infrastructure Backlog Ratio</p> <p>This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 0.01 x</p> <p>Independent consultants assessed the infrastructure backlog with the conclusion that it is within acceptable limits and below the Tcorp benchmark.</p>
Year	Ratio (x)									
2011	0.02									
2012	0.01									
2013	0.01									
<p>g. Asset Maintenance Ratio</p> <table><tr><th>Year</th><th>Ratio (x)</th></tr><tr><td>2011</td><td>0.97</td></tr><tr><td>2012</td><td>0.96</td></tr><tr><td>2013</td><td>0.86</td></tr></table>	Year	Ratio (x)	2011	0.97	2012	0.96	2013	0.86	<p>Purpose of Asset Maintenance Ratio</p> <p>Compares actual vs. required annual asset maintenance. A ratio of > 1.0x indicates enough has been spent to stop the Infrastructure Backlog from growing.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 0.86 x</p> <p>Council's maintenance spending has historically been at a level which has helped to prevent the infrastructure backlog from growing.</p>
Year	Ratio (x)									
2011	0.97									
2012	0.96									
2013	0.86									
<p>h. Building & Infrastructure Renewals Ratio</p> <table><tr><th>Year</th><th>Ratio (x)</th></tr><tr><td>2011</td><td>0.49</td></tr><tr><td>2012</td><td>0.62</td></tr><tr><td>2013</td><td>0.53</td></tr></table>	Year	Ratio (x)	2011	0.49	2012	0.62	2013	0.53	<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 2012/13 Result</p> <p>2012/13 Ratio 0.53 x</p> <p>Given that our infrastructure backlog has been independently assessed as being under control we are reviewing how we identify renewal expenditure.</p>
Year	Ratio (x)									
2011	0.49									
2012	0.62									
2013	0.53									
<p>i. Cash Expense Cover Ratio</p> <table><tr><th>Year</th><th>Ratio (mths)</th></tr><tr><td>2011</td><td>2.51</td></tr><tr><td>2012</td><td>2.19</td></tr><tr><td>2013</td><td>4.65</td></tr></table>	Year	Ratio (mths)	2011	2.51	2012	2.19	2013	4.65	<p>Purpose of Cash Expense Cover Ratio</p> <p>This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 4.65 mths</p> <p>The significant improvement in the Operating Result has led to an improvement in the Cash Expense Cover Ratio.</p>
Year	Ratio (mths)									
2011	2.51									
2012	2.19									
2013	4.65									
<p>j. Interest Cover Ratio</p> <table><tr><th>Year</th><th>Ratio (x)</th></tr><tr><td>2011</td><td>9.46</td></tr><tr><td>2012</td><td>15.35</td></tr><tr><td>2013</td><td>25.47</td></tr></table>	Year	Ratio (x)	2011	9.46	2012	15.35	2013	25.47	<p>Purpose of Interest Cover Ratio</p> <p>This ratio indicates the extent to which a Council can service (thru operating cash) its interest bearing debt & take on additional borrowings.</p>	<p>Commentary on 2012/13 Result</p> <p>2012/13 Ratio 25.47 x</p> <p>The improved operating result has resulted in an increase to the Debt Service Cover Ratio.</p>
Year	Ratio (x)									
2011	9.46									
2012	15.35									
2013	25.47									

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

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	
	2013	2012	2013	2012
Financial Assets				
Cash and Cash Equivalents	36,278	16,657	36,278	16,657
Investments				
- "Designated At Fair Value on Initial Recognition"	1,933	4,833	1,933	4,833
- "Held to Maturity"	6,500	19,500	6,500	19,500
Receivables	5,898	5,570	5,899	5,570
Total Financial Assets	50,609	46,560	50,610	46,560
Financial Liabilities				
Payables	7,681	8,619	7,681	8,619
Loans / Advances	16,114	16,167	15,537	15,528
Total Financial Liabilities	23,795	24,786	23,218	24,147

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 2013

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:

2013	Level 1	Level 2	Level 3	Total
Financial Assets				
Investments				
- "Designated At Fair Value on Initial Recognition"	-	1,933	-	1,933
Total Financial Assets	-	1,933	-	1,933

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

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

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 it's 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 there changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.

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
2013				
Possible impact of a 10% movement in Market Values	193	193	(193)	(193)
Possible impact of a 1% movement in Interest Rates	428	428	(428)	(428)
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)

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

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.

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:

	2013	2013	2012	2012
	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
(i) Ageing of Receivables				
Current (not yet overdue)	-	3,090	-	2,751
Overdue	2,390	491	2,381	591
	2,390	3,581	2,381	3,342
(ii) Movement in Provision for Impairment of Receivables			2013	2012
Balance at the beginning of the year			153	101
+ new provisions recognised during the year			42	98
- amounts already provided for & written off this year			(78)	(46)
- amounts provided for but recovered during the year			(44)	-
Balance at the end of the year			73	153

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

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		
2013									
Trade/Other Payables	178	7,503	-	-	-	-	-	7,681	7,681
Loans & Advances	-	5,446	5,542	1,974	1,909	1,795	2,635	19,301	16,114
Total Financial Liabilities	178	12,949	5,542	1,974	1,909	1,795	2,635	26,982	23,795
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

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:

	2013		2012	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	7,681	0.0%	8,619	0.0%
Loans & Advances - Fixed Interest Rate	16,114	7.1%	16,167	7.0%
	<u>23,795</u>		<u>24,786</u>	

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 12/13 was adopted by the Council on 20 June 2012.

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	2013 Budget	2013 Actual	2013 ----- Variance* -----	
REVENUES				
Rates & Annual Charges	87,157	87,157	-	0% F
User Charges & Fees	12,812	12,841	29	0% F
Planning & Building Fees over budget by \$800K				
Commercial Waste charges over budget by \$256K				
Restoration fees over budget by \$544				
Federal subsidy for childcare fees included in Operating Grants (\$1,405K)				
Interest & Investment Revenue	1,650	2,706	1,056	64% F
Council maintained a higher average portfolio balance and returns were higher than the benchmark. The income also includes favourable fair value adjustments of \$463K.				
Other Revenues	4,766	5,990	1,224	26% F
Sale of waste materials for recycling over budget by \$506K, Parking fines over budget by \$190K				
Legal fees recovered over budget by \$73K				
Prior year insurance rebates not included in budget \$164K				
Rental income for Council owned properties over budget by \$316K				
Operating Grants & Contributions	8,984	12,473	3,489	39% F
The actual amount of grants received depends on decisions made by State and Federal Governments after the original budget has been adopted. Funding that was not budgeted included Bushland grants \$378K and Environmental grants \$1,164K. Pensioner Rates subsidies were in excess of budget by \$275K.				
Federal subsidies for childcare were budgeted for under User Fees and Charges \$1,050K.				
Capital Grants & Contributions	2,953	4,836	1,883	64% F
The actual amount of grants received depends on decisions made by State and Federal Governments after the original budget has been adopted. Funding that was not budgeted included:				
\$1.4m for the upgrade to the Roselea Community Centre				
Additional S94 Developer Contributions of \$675K				
Net Gains from Disposal of Assets	4,262	271	(3,991)	(94%) U
Budget did not include the written down value of assets sold				

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 16. Material Budget Variations (continued)

\$ '000	2013 Budget	2013 Actual	2013 Variance*	
EXPENSES				
Employee Benefits & On-Costs	44,756	42,223	2,533	6% F
Borrowing Costs	1,095	1,090	5	0% F
Materials & Contracts	37,156	38,932	(1,776)	(5%) U
Depreciation & Amortisation	23,712	23,739	(27)	(0%) U
Other Expenses	12,895	12,411	484	4% F

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

Cash Flows from Operating Activities	20,331	30,149	9,818	48.3%	F
Grants & contributions received was over over budget by \$5m. Savings in employee costs of \$3m. Other income receipts up by \$3M.					
Cash Flows from Investing Activities	(20,668)	(8,730)	11,938	(57.8%)	F
Investment cash flows not included in budget - net favourable variance of \$16m. Proceeds from the sale of assets greater than budget by \$3.5m.					
Cash Flows from Financing Activities	(3,798)	(1,798)	2,000	(52.7%)	F
New borrowing of \$2m was not anticipated in the original budget.					

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

General Manager's Division

Income - Favourable variance of \$163K due to receipt of prior year insurance rebates.

Expense - Favourable variance of \$285K due to reduction in insurance premiums.

Corporate Support

Income - Unfavourable variance of \$740K - Budget did not include written down value of assets sold.

Environment & Human Services

Income - Favourable variance of \$3088K mainly due to unbudgeted grant income.

Planning

Income - Favourable variance of \$670K mainly due to increased S94 Developer Contributions.

Expense - Unfavourable variance of \$834K due to legal expenses in relation to the Hornsby Quarry site and employee costs under budgeted.

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 17. Statement of Developer Contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS & LEVIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	827	75	-	28	(303)	-	627	64	(1,178)	(487)	-
Roads	2,369	132	-	27	(2,353)	-	175	71	(1,304)	(1,058)	-
Traffic Facilities	699	100	-	27	-	-	826	89	(1,620)	(705)	-
Parking	58	-	-	-	(56)	-	2	-	-	2	-
Open Space	2,355	673	-	79	(480)	-	2,627	442	(8,073)	(5,004)	-
Community Facilities	3,772	528	-	146	(146)	-	4,300	226	(4,139)	387	-
Civic Improvements	1,950	179	-	73	(53)	-	2,149	84	(1,540)	693	-
Bushfire Facilities	31	-	-	-	(30)	-	1	24	(436)	(411)	-
S94 Administration	(1)	12	-	17	-	-	28	-	-	28	-
Other	-	-	-	-	(86)	-	(86)	-	-	(86)	-
S94 Contributions - under a Plan	12,060	1,699	-	397	(3,507)	-	10,649	1,000	(18,290)	(6,641)	-
Total S94 Revenue Under Plans	12,060	1,699	-	397	(3,507)	-	10,649				-
S94 not under Plans	581	-	-	6	(568)	-	19	-	-	19	-
Total Contributions	12,641	1,699	-	403	(4,075)	-	10,668	1,000	(18,290)	(6,622)	-

Notes to the Financial Statements

for the financial year ended 30 June 2013

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	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	827	75	-	28	(303)	-	627	64	(1,178)	(487)	-
Roads	2,369	132	-	27	(2,353)	-	175	71	(1,304)	(1,058)	-
Traffic Facilities	699	100	-	27	-	-	826	89	(1,620)	(705)	-
Parking	58	-	-	-	(56)	-	2	-	-	2	-
Open Space	2,355	673	-	79	(480)	-	2,627	442	(8,073)	(5,004)	-
Community Facilities	3,772	528	-	146	(146)	-	4,300	226	(4,139)	387	-
Civic Improvements	1,950	179	-	73	(53)	-	2,149	84	(1,540)	693	-
Bushfire Facilities	31	-	-	-	(30)	-	1	24	(436)	(411)	-
S94 Administration	(1)	12	-	17	-	-	28	-	-	28	-
Other	-	-	-	-	(86)	-	(86)	-	-	(86)	-
Total	12,060	1,699	-	397	(3,507)	-	10,649	1,000	(18,290)	(6,641)	-

S94 CONTRIBUTIONS - NOT UNDER A PLAN

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Parking	581	-	-	6	(568)	-	19	-	-	19	-
Total	581	-	-	6	(568)	-	19	-	-	19	-

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined Benefit Superannuation Contribution Plans

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

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

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

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

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other Guarantees

From time to time Council is required to issue bank guarantees in favour of utility companies to ensure satisfactory reinstatement of their infrastructure.

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

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 2013

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

\$ '000

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

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2013

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2013	Actual 2012
(a) Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		1,025,610	1,022,465
a. Other Comprehensive Income - Correction of Error		(42)	300
b. Net Operating Result for the Year		7,879	(348)
c. Transfers between Equity		84	3,193
Balance at End of the Reporting Period		1,033,531	1,025,610

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

- Infrastructure, Property, Plant & Equipment Revaluation Reserve	411,546	418,419
Total	411,546	418,419

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

- Opening Balance	418,419	421,612
- Revaluations for the year	9(a) (6,831)	-
- Transfer to Retained Earnings for Asset disposals	(42)	(3,193)
- Balance at End of Year	411,546	418,419
TOTAL VALUE OF RESERVES	411,546	418,419

(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.

(d) Voluntary Changes in Accounting Policies

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

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2013

Note 21. Financial Result & Financial Position by Fund

\$ '000

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".

Note 23. Events occurring after the Reporting Period

Events that occur between the end of the reporting period (ending 30 June 2013) and the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

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

Accordingly, the "authorised for issue" date is 25/10/13.

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

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

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2013.

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

An action that Council was pursuing against several parties in relation to the valuation of the Hornsby Quarry has settled out of court in September 2013. As a result Council will receive the sum of \$6 million.

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 2013

Note 25. Intangible Assets

\$ '000

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

	Actual 2013 Carrying Amount	Actual 2012 Carrying Amount
Intangible Assets are as follows;		
Opening Values:		
Gross Book Value (1/7/12)	8,608	8,608
Accumulated Amortisation (1/7/12)	(7,197)	(6,336)
Accumulated Impairment (1/7/12)	-	-
Net Book Value - Opening Balance	1,411	2,272
Movements for the year		
- Amortisation charges	(860)	(861)
Closing Values:		
Gross Book Value (30/6/13)	8,608	8,608
Accumulated Amortisation (30/6/13)	(8,057)	(7,197)
Accumulated Impairment (30/6/13)	-	-
<u>TOTAL INTANGIBLE ASSETS - NET BOOK VALUE</u>¹	<u>551</u>	<u>1,411</u>

¹ The Net Book Value of Intangible Assets represent:

- Software	551	1,411
	551	1,411

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 2013

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, which comprise the statement of financial position as at 30 June 2013 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.

PricewaterhouseCoopers, ABN 52 780 433 757

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

Auditor's opinion:

In our opinion:

- (a) the Council's accounting records have been kept in accordance with the requirements of the Local Government Act 1993, Chapter 13 part 3 Division 2 (the Division); and
- (b) the financial statements:
 - (i) have been presented, in all material respects, in accordance with the requirements of this Division
 - (ii) are consistent with the Council's accounting records
 - (iii) present fairly, in all material respects, the Council's financial position as of 30 June 2013 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.

A handwritten signature in blue ink, appearing to read 'Peter Buchholz'.

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'Peter Buchholz'.

Peter Buchholz
Partner

Sydney
25 October 2013



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 2013 – Section 417(3)

We have completed our audit of the financial reports of the Hornsby Shire Council for the year ended 30 June 2013, 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 \$348K in the previous year to a surplus of \$7.9 million in the current period. The operating result before capital grants and contributions was a surplus of \$3 million compared with a deficit of \$7.9 million in the previous period.

Cash Position

Council's overall cash position increased from \$41 million to \$45 million during the period under review. The following table highlights the composition of cash.

	June 2013 \$m	June 2012 \$m
Externally restricted	19	19
Internally restricted	22	18
Unrestricted	3	4
Total	34	41

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Working Capital

Council's net current assets increased from \$21 million to \$25 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 2013 \$'000	June 2012 \$'000
Net current assets	24,874	21,362
Less:		
External restrictions	18,538	18,576
Internal restrictions	22,710	18,484
	<u>(16,374)</u>	<u>(15,698)</u>
Add:		
Current Liabilities to be funded from other sources	17,574	16,327
Available Working Capital	<u>1,200</u>	<u>629</u>

The effective unrestricted or available working capital upon which Council could build its 2013/14 budget was \$1.2 million.

Performance Indicators

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

	June 2013 %	June 2012 %
Unrestricted Current Ratio	199	176
Debt Service Ratio	4.3	4.7
Rate Coverage Ratio	69	69
Rates Outstanding Ratio	2.9	3.2
Asset Renewals Ratio	53	62

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

Council's Debt Service Ratio improved to 4.3% of revenue and remained below the industry benchmark of 10%.

The Rate Coverage Ratio was stable at 69% of total revenue.

The Rates Outstanding Ratio improved to 2.9% of collectibles and remained better than the accepted industry benchmark of 5%.

The Asset Renewals Ratio indicates that Council is renewing key infrastructure at 53% 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

A handwritten signature in blue ink, appearing to read 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'P L Buchholz'.

P L Buchholz
Partner

25 October 2013

Hornsby Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2013



Hornsby Shire Council

Special Purpose Financial Statements

for the financial year ended 30 June 2013

Contents	Page
1. Statement by Councillors & Management	2
2. Special Purpose Financial Statements:	
Income Statement - Water Supply Business Activity	n/a
Income Statement - Sewerage Business Activity	n/a
Income Statement - Other Business Activities	3
Statement of Financial Position - Water Supply Business Activity	n/a
Statement of Financial Position - Sewerage Business Activity	n/a
Statement of Financial Position - Other Business Activities	6
3. Notes to the Special Purpose Financial Statements	9
4. Auditor's Report	13

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 2013

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:

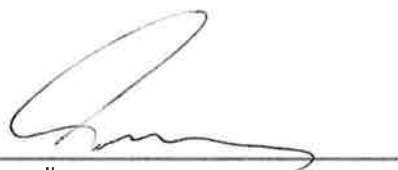
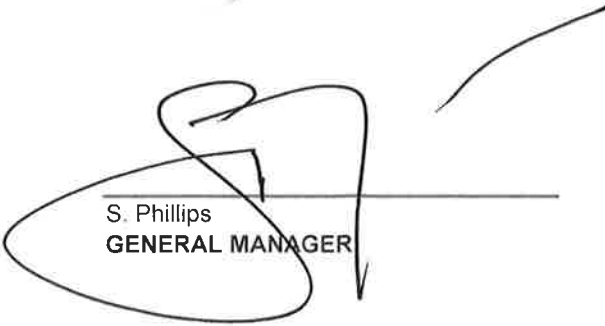
- The NSW Government Policy Statement "Application of National Competition Policy to Local Government".
- The Division of Local Government Guidelines "Pricing & Costing for Council Businesses - A Guide to Competitive Neutrality".
- The Local Government Code of Accounting Practice and Financial Reporting.
- 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 18 September 2013.


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 2013

	Nurseries & Preschools		Aquatic Centres & Sports Stadium	
	Category 1		Category 2	
\$ '000	Actual 2013	Actual 2012	Actual 2013	Actual 2012
Income from continuing operations				
Access charges	-	-	-	-
User charges	2,971	3,011	1,650	1,640
Fees	10	9	-	-
Interest	-	39	-	-
Grants and contributions provided for non capital purposes	1,217	1,163	-	-
Profit from the sale of assets	-	-	6	-
Other income	19	16	239	237
Total income from continuing operations	4,217	4,238	1,895	1,877
Expenses from continuing operations				
Employee benefits and on-costs	3,158	3,264	1,607	1,681
Borrowing costs	-	-	-	-
Materials and contracts	786	874	421	456
Depreciation and impairment	188	222	485	448
Loss on sale of assets	-	-	-	24
Calculated taxation equivalents	169	199	159	189
Debt guarantee fee (if applicable)	-	109	-	219
Other expenses	190	166	360	293
Total expenses from continuing operations	4,491	4,834	3,032	3,310
Surplus (deficit) from Continuing Operations before capital amounts	(274)	(596)	(1,137)	(1,433)
Grants and contributions provided for capital purposes	-	-	-	-
Surplus (deficit) from Continuing Operations after capital amounts	(274)	(596)	(1,137)	(1,433)
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	(274)	(596)	(1,137)	(1,433)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-	-	-
SURPLUS (DEFICIT) AFTER TAX	(274)	(596)	(1,137)	(1,433)
plus Opening Retained Profits	(217)	71	(3,614)	(2,589)
plus/less: Prior Period Adjustments	-	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	169	199	159	189
- Debt guarantee fees	-	109	-	219
- Corporate taxation equivalent	-	-	-	-
add:				
- Subsidy Paid/Contribution To Operations	-	-	320	-
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	-	-	-	-
Closing Retained Profits	(322)	(217)	(4,272)	(3,614)
Return on Capital %	-2.6%	-5.3%	-12.6%	-11.7%
Subsidy from Council	669	937	1,477	1,804

Hornsby Shire Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2013

	Commercial Waste		Development Applications	
	Category 2		Category 2	
\$ '000	Actual 2013	Actual 2012	Actual 2013	Actual 2012
Income from continuing operations				
Access charges	-	-	-	-
User charges	1,361	1,144	-	320
Fees	-	-	292	-
Interest	-	56	-	29
Grants and contributions provided for non capital purposes	-	-	-	-
Profit from the sale of assets	-	-	-	10
Other income	353	342	-	-
Total income from continuing operations	1,714	1,542	292	359
Expenses from continuing operations				
Employee benefits and on-costs	45	42	359	297
Borrowing costs	-	-	-	-
Materials and contracts	1,301	1,211	69	126
Depreciation and impairment	7	12	22	19
Loss on sale of assets	-	-	-	-
Calculated taxation equivalents	-	-	-	-
Debt guarantee fee (if applicable)	-	-	-	9
Other expenses	4	17	1	1
Total expenses from continuing operations	1,357	1,282	451	452
Surplus (deficit) from Continuing Operations before capital amounts	357	260	(159)	(93)
Grants and contributions provided for capital purposes	-	-	-	-
Surplus (deficit) from Continuing Operations after capital amounts	357	260	(159)	(93)
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	357	260	(159)	(93)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(107)	(78)	-	-
SURPLUS (DEFICIT) AFTER TAX	250	182	(159)	(93)
plus Opening Retained Profits	1,743	1,483	282	366
plus/less: Prior Period Adjustments	-	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	-	-	-	-
- Debt guarantee fees	-	-	-	9
- Corporate taxation equivalent	107	78	-	-
add:				
- Subsidy Paid/Contribution To Operations	-	-	-	-
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	(2,020)	-	-	-
Closing Retained Profits	80	1,743	123	282
Return on Capital %	1373.1%	160.5%	-203.8%	-42.5%
Subsidy from Council	-	-	162	100

Hornsby Shire Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2013

Property Services

Category 2

\$ '000	Category 2	
	Actual 2013	Actual 2012
Income from continuing operations		
Access charges	-	-
User charges	721	777
Fees	96	-
Interest	-	543
Grants and contributions provided for non capital purposes	-	-
Profit from the sale of assets	-	201
Other income	56	-
Total income from continuing operations	873	1,521
Expenses from continuing operations		
Employee benefits and on-costs	79	121
Borrowing costs	-	-
Materials and contracts	318	295
Depreciation and impairment	564	320
Loss on sale of assets	-	-
Calculated taxation equivalents	601	591
Debt guarantee fee (if applicable)	-	-
Other expenses	135	84
Total expenses from continuing operations	1,697	1,411
Surplus (deficit) from Continuing Operations before capital amounts	(824)	110
Grants and contributions provided for capital purposes	-	-
Surplus (deficit) from Continuing Operations after capital amounts	(824)	110
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	(824)	110
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	(33)
SURPLUS (DEFICIT) AFTER TAX	(824)	77
plus Opening Retained Profits	28,382	27,681
plus/less: Prior Period Adjustments	-	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	601	591
- Debt guarantee fees	-	-
- Corporate taxation equivalent	-	33
add:		
- Subsidy Paid/Contribution To Operations	-	-
less:		
- TER dividend paid	-	-
- Dividend paid	-	-
Closing Retained Profits	28,159	28,382
Return on Capital %	-2.4%	0.6%
Subsidy from Council	2,111	477

Hornsby Shire Council

Statement of Financial Position - Council's Other Business Activities

as at 30 June 2013

	Nurseries & Preschools		Aquatic Centres & Sports Stadium	
	Category 1		Category 2	
\$ '000	Actual 2013	Actual 2012	Actual 2013	Actual 2012
ASSETS				
Current Assets				
Cash and cash equivalents	-	10	-	10
Investments	-	325	-	-
Receivables	67	68	37	37
Inventories	-	-	19	23
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
Total Current Assets	67	403	56	70
Non-Current Assets				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	10,489	11,256	9,016	12,245
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	-	-
Total Non-Current Assets	10,489	11,256	9,016	12,245
TOTAL ASSETS	10,556	11,659	9,072	12,315
LIABILITIES				
Current Liabilities				
Bank Overdraft	-	-	-	-
Payables	449	451	173	178
Interest bearing liabilities	3,895	4,892	8,679	11,262
Provisions	401	400	220	217
Total Current Liabilities	4,745	5,743	9,072	11,657
Non-Current Liabilities				
Payables	-	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	-	-	-	-
Other Liabilities	-	-	-	-
Total Non-Current Liabilities	-	-	-	-
TOTAL LIABILITIES	4,745	5,743	9,072	11,657
NET ASSETS	5,811	5,916	-	658
EQUITY				
Retained earnings	(322)	(217)	(4,272)	(3,614)
Revaluation reserves	6,133	6,133	4,272	4,272
Council equity interest	5,811	5,916	-	658
Non-controlling equity interest	-	-	-	-
TOTAL EQUITY	5,811	5,916	-	658

Hornsby Shire Council

Statement of Financial Position - Council's Other Business Activities

as at 30 June 2013

	Commercial Waste		Development Applications	
	Category 2		Category 2	
\$ '000	Actual 2013	Actual 2012	Actual 2013	Actual 2012
ASSETS				
Current Assets				
Cash and cash equivalents	-	10	-	-
Investments	-	1,508	-	762
Receivables	214	216	251	7
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
Total Current Assets	214	1,734	251	769
Non-Current Assets				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	26	162	78	219
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	-	-
Total Non-Current Assets	26	162	78	219
TOTAL ASSETS	240	1,896	329	988
LIABILITIES				
Current Liabilities				
Bank Overdraft	-	-	-	-
Payables	135	128	31	40
Interest bearing liabilities	-	-	-	495
Provisions	25	25	175	171
Total Current Liabilities	160	153	206	706
Non-Current Liabilities				
Payables	-	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	-	-	-	-
Other Liabilities	-	-	-	-
Total Non-Current Liabilities	-	-	-	-
TOTAL LIABILITIES	160	153	206	706
NET ASSETS	80	1,743	123	282
EQUITY				
Retained earnings	80	1,743	123	282
Revaluation reserves	-	-	-	-
Council equity interest	80	1,743	123	282
Non-controlling equity interest	-	-	-	-
TOTAL EQUITY	80	1,743	123	282

Hornsby Shire Council

Statement of Financial Position - Council's Other Business Activities

as at 30 June 2013

Property Services

Category 2

\$ '000	Category 2	
	Actual 2013	Actual 2012
ASSETS		
Current Assets		
Cash and cash equivalents	-	-
Investments	-	15,088
Receivables	18	17
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	18	15,105
Non-Current Assets		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	34,127	19,385
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total Non-Current Assets	34,127	19,385
TOTAL ASSETS	34,145	34,490
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	96	218
Interest bearing liabilities	-	-
Provisions	70	70
Total Current Liabilities	166	288
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	-	-
Provisions	-	-
Other Liabilities	-	-
Total Non-Current Liabilities	-	-
TOTAL LIABILITIES	166	288
NET ASSETS	33,979	34,202
EQUITY		
Retained earnings	28,159	28,382
Revaluation reserves	5,820	5,820
Council equity interest	33,979	34,202
Non-controlling equity interest	-	-
TOTAL EQUITY	33,979	34,202

Hornsby Shire Council

Special Purpose Financial Statements

for the financial year ended 30 June 2013

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 2013

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 is not a reporting not-for-profit entity.

The figures presented in these special purpose financial statements, unless otherwise stated, have been prepared in accordance with:

- the recognition and measurement criteria of relevant Australian Accounting Standards,
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB) &
- Australian Accounting Interpretations.

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

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

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

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

National Competition Policy

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

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

The "Pricing & Costing for Council Businesses A Guide to Competitive Neutrality" issued by the 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

Category 2

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

a. Commercial Waste Service

Services provided for the collection of commercial waste and sullage

b. Property Services

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

c. Development Assessments

Development assessment & inspection services

d. Aquatic & Sports Centres

Operation of swimming pools, gymnasiums & indoor sports centres

Monetary Amounts

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

(i) Taxation Equivalent Charges

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

Hornsby Shire Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2013

Note 1. Significant Accounting Policies

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

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

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

Notional Rate Applied %

Corporate Income Tax Rate – 30%

Land Tax – The first **\$406,000** of combined land values attracts **0%**. From \$406,001 to \$2,482,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,482,000, a premium marginal rate of **2.0%** applies.

Payroll Tax – **5.45%** on the value of taxable salaries and wages in excess of \$689,000.

Income Tax

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

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

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

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

Since this taxation equivalent is notional - that is, it is payable to the "Council" as the owner of business operations, it represents an internal payment and

has no effect on the operations of the council. Accordingly, there is no need for disclosure of internal charges in Council's General Purpose Financial Statements.

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

Local Government Rates & Charges

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

Loan & Debt Guarantee Fees

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

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

(ii) Subsidies

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

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

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

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

Hornsby Shire Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2013

Note 1. Significant Accounting Policies

(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 3.77% at 30/6/13.

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 Statement of Financial Position by Business Activity for the year ended 30 June 2013, 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 2013.

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 2013 and its financial performance by Business Activities for the year then ended in accordance with the requirements of those applicable Accounting Standards detailed in Note 1 to the financial report, and the Local Government Code of Accounting Practice and Financial Reporting.

Basis of Accounting and Restriction on Distribution and Use

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

A handwritten signature in blue ink, appearing to read 'Peter Buchholz', written over the printed name.

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'Peter Buchholz', written over the printed name.

Peter Buchholz
Partner

Sydney
25 October 2013

Hornsby Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2013



Hornsby Shire Council

Special Schedules

for the financial year ended 30 June 2013

Contents

Page

Special Schedules¹

- Special Schedule No. 1	Net Cost of Services	2
- 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 - Statement of Financial Position	n/a
- Special Schedule No. 5	Sewerage Service - Income Statement	n/a
- Special Schedule No. 6	Sewerage Service - Statement of Financial Position	n/a
- Notes to Special Schedules No. 3 & 5		n/a
- Special Schedule No. 7	Condition of Public Works	5
- Special Schedule No. 8	Financial Projections	7

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 2013

\$'000

Function or Activity	Expenses from. Continuing. Operations.	Income from continuing operations		Net Cost. of Services.
		Non Capital.	Capital.	
Governance	2,497	-	-	(2,497)
Administration	16,888	5,947	54	(10,887)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	3,036	676	-	(2,360)
Beach Control	-	-	-	-
Enforcement of Local Govt. Regulations	-	-	-	-
Animal Control	313	87	-	(226)
Other	-	-	-	-
Total Public Order & Safety	3,349	763	-	(2,586)
Health	568	252	-	(316)
Environment				
Noxious Plants and Insect/Vermin Control	-	-	-	-
Other Environmental Protection	6,115	3,610	-	(2,505)
Solid Waste Management	19,912	22,297	-	2,385
Street Cleaning	1,129	-	-	(1,129)
Drainage	5,600	46	-	(5,554)
Stormwater Management	-	-	-	-
Total Environment	32,756	25,953	-	(6,803)
Community Services and Education				
Administration & Education	1,019	2	-	(1,017)
Social Protection (Welfare)	956	428	-	(528)
Aged Persons and Disabled	796	794	-	(2)
Children's Services	4,596	4,231	-	(365)
Total Community Services & Education	7,367	5,455	-	(1,912)
Housing and Community Amenities				
Public Cemeteries	-	-	-	-
Public Conveniences	-	-	-	-
Street Lighting	3,281	303	-	(2,978)
Town Planning	7,529	2,409	1,699	(3,421)
Other Community Amenities	1,703	13	-	(1,690)
Total Housing and Community Amenities	12,513	2,725	1,699	(8,089)
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 2013

\$'000

Function or Activity	Expenses from Continuing Operations.	Income from continuing operations		Net Cost. of Services.
		Non Capital.	Capital.	
Recreation and Culture				
Public Libraries	6,865	528	100	(6,237)
Museums	-	-	-	-
Art Galleries	-	-	-	-
Community Centres and Halls	1,689	908	1,457	676
Performing Arts Venues	-	-	-	-
Other Performing Arts	-	-	-	-
Other Cultural Services	-	-	-	-
Sporting Grounds and Venues	2,552	1,513	130	(909)
Swimming Pools	2,249	1,271	-	(978)
Parks & Gardens (Lakes)	3,270	336	-	(2,934)
Other Sport and Recreation	6,670	455	-	(6,215)
Total Recreation and Culture	23,295	5,011	1,687	(16,597)
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	11,054	2,524	827	(7,703)
Urban Roads - Regional	-	-	-	-
Sealed Rural Roads (SRR) - Local	-	-	-	-
Sealed Rural Roads (SRR) - Regional	-	-	-	-
Unsealed Rural Roads (URR) - Local	269	10	-	(259)
Unsealed Rural Roads (URR) - Regional	-	-	-	-
Bridges on UR - Local	124	-	-	(124)
Bridges on SRR - Local	-	-	-	-
Bridges on URR - Local	-	-	-	-
Bridges on Regional Roads	-	-	-	-
Parking Areas	69	-	-	(69)
Footpaths	1,450	-	-	(1,450)
Aerodromes	-	-	-	-
Other Transport & Communication	4,188	2,356	569	(1,263)
Total Transport and Communication	17,154	4,890	1,396	(10,868)
Economic Affairs				
Camping Areas & Caravan Parks	-	-	-	-
Other Economic Affairs	2,004	902	-	(1,102)
Total Economic Affairs	2,004	902	-	(1,102)
Totals – Functions	118,395	51,898	4,836	(61,661)
General Purpose Revenues⁽²⁾		69,540		69,540
Share of interests - joint ventures & associates using the equity method	-	-		-
NET OPERATING RESULT⁽¹⁾	118,395	121,438	4,836	7,879

(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) & Interest on overdue Rates & Annual Charges

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

for the financial year ended 30 June 2013

\$'000

Classification of Debt	Principal outstanding at beginning of the year			New Loans raised during the year	Debt redemption during the year		Transfers to Sinking Funds	Interest applicable for Year	Principal outstanding at the end of the year		
	Current	Non Current	Total		From Revenue	Sinking Funds			Current	Non Current	Total
Loans (by Source)											
Commonwealth Government	-	-	-	-	-	-	-	-	-	-	-
Treasury Corporation	-	-	-	-	-	-	-	-	-	-	-
Other State Government	-	-	-	-	-	-	-	-	-	-	-
Public Subscription	-	-	-	-	-	-	-	-	-	-	-
Financial Institutions	3,798	12,369	16,167	2,000	3,798	-	-	1,090	4,189	10,180	14,369
Other	-	-	-	-	-	-	-	-	-	-	-
Total Loans	3,798	12,369	16,167	2,000	3,798	-	-	1,090	4,189	10,180	14,369
Other Long Term Debt											
Ratepayers Advances	-	-	-	-	-	-	-	-	-	-	-
Government Advances	-	-	-	-	-	-	-	-	-	-	-
Finance Leases	-	-	-	-	-	-	-	-	-	-	-
Deferred Payments	-	-	-	2,100	-	-	-	-	300	1,800	2,100
Total Long Term Debt	-	-	-	2,100	-	-	-	-	300	1,800	2,100
Total Debt	3,798	12,369	16,167	4,100	3,798	-	-	1,090	4,489	11,980	16,469

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).

ASSET CLASS	Asset Category	Dep'n. Rate (%)	Dep'n Expense (\$)	Cost	Valuation	Accum. Depreciation Amortisation & Impairment	Carrying Amount (WDV)	Asset Condition [#] .	Estimated cost to bring up to a satisfactory condition / standard ⁽¹⁾	Required ⁽²⁾ Annual Maintenance	Current ⁽³⁾ Annual Maintenance	
Buildings		per Note 1	per Note 4	<<<<<<<<<< per Note 9 >>>>>>>>>>								
	Council Offices	1-4%	653		20,335	11,033	9,302	2	-	-	-	
	Council Works Depot	1-4%	135		4,204	2,387	1,817	3	-	-	-	
	Council Halls	1-4%	1,051		36,718	18,657	18,061	3	-	-	-	
	Council Houses	1-4%	51		3,125	1,774	1,351	3	-	-	-	
	Library	1-4%	554		15,896	7,695	8,201	2	-	-	-	
	Childcare Centre(s)	1-4%	300		10,042	5,671	4,371	2	-	-	-	
	Bus Shelters	5.00%	20		968	745	223	3	-	-	-	
	Amenities/Toilets	1-4%	507		21,134	10,131	11,003	3	-	-	-	
	Aquatic Centres	1-4%	202		10,708	8,112	2,596	3	-	-	-	
	Commercial Buildings	1-4%	228		9,750	6,430	3,320	3	-	-	-	
	Rural Fire Service Buildings	1-4%	188		10,664	2,370	8,294	3	-	-	-	
	Indoor Sports Stadium	1-4%	219		7,414	1,356	6,058	3	-	-	-	
	Other	1-4%	230		10,421	4,799	5,622	3	-	-	-	
	sub total			4,338	-	161,379	81,160	80,219		1,251	2,675	2,675
	Other Structures											
Pontoons, Seawalls & Wharves		3.00%	87		2,890	974	1,916	3	510	199	199	
Other		5.00%	420		12,403	3,707	8,696	2	-	-	-	
sub total			507	-	15,293	4,681	10,612		510	199	199	
Public Roads												
	Sealed Roads	1.00%	5,098		285,369	74,111	211,258	3	-	5,600	4,690	
	Unsealed Roads	1.00%	40		4,128	1,820	2,308	2	-	200	322	
	Bridges	1.50%	124		7,375	2,742	4,633	3	-	-	-	
	Footpaths	2.00%	810		41,271	10,452	30,819	3	-	900	460	
	Cycle ways	1.00%	24		1,359	153	1,206	2	-	-	-	
	Kerb and Gutter	1.00%	782		55,084	19,382	35,702	3	-	-	-	
	Road Furniture	2.00%	534		16,821	3,593	13,228	3	-	-	-	
	sub total		7,412	-	411,407	112,253	299,154		3,251	6,700	5,472	

		Dep'n. Rate (%)	Dep'n Expense (\$)	Cost	Valuation	Accum. Depreciation Amortisation & Impairment	Carrying Amount (WDV)	Asset Condition [#] .	Estimated cost to bring up to a satisfactory condition / standard ⁽¹⁾	Required ⁽²⁾ Annual Maintenance	Current ⁽³⁾ Annual Maintenance
ASSET CLASS	Asset Category										
Water		per Note 1	per Note 4	<<<<<<<<< per Note 9 >>>>>>>>>							
	Other		4		128	76	52	3	-	-	-
	sub total		4	-	128	76	52		-	-	-
Drainage Works											
	Headwalls	1.00%	35		3,511	967	2,544	3	-	-	-
	Pits	1.00%	697		69,684	18,315	51,369	3	-	-	-
	Pipes	1.00%	3,962		396,129	107,471	288,658	3	-	1,200	920
	Culverts	1.00%	60		5,968	1,320	4,648	3	-	-	-
	Channels	1.00%	23		2,352	988	1,364	3	-	-	-
	Pollutant Traps/Sediment Basins	1.00%	326		7,791	1,225	6,566	2	-	350	350
	Other		3		2,948	3	2,945	3	-	-	-
	sub total		5,106	-	488,383	130,289	358,094		232	1,550	1,270
	TOTAL - ALL ASSETS		17,367	-	1,076,590	328,459	748,131		5,244	11,124	9,616

- (1). Satisfactory refers to estimated cost to bring the asset to a satisfactory condition as deemed by Council. It does not include any planned enhancements to the existing asset.
- (2). Required Annual Maintenance is what should be spent to maintain assets in a satisfactory standard.
- (3). Current Annual Maintenance is what has been spent in the current year to maintain assets.

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

Hornsby Shire Council

Special Schedule No. 8 - Financial Projections

as at 30 June 2013

\$'000	Actual ⁽¹⁾ 12/13	Forecast ⁽³⁾ 13/14	Forecast ⁽³⁾ 14/15	Forecast ⁽³⁾ 15/16	Forecast ⁽³⁾ 16/17	Forecast ⁽³⁾ 17/18	Forecast ⁽³⁾ 18/19	Forecast ⁽³⁾ 19/20	Forecast ⁽³⁾ 20/21	Forecast ⁽³⁾ 21/22	Forecast ⁽³⁾ 22/23
(i) OPERATING BUDGET											
Income from continuing operations	126,274	130,692	135,266	140,001	144,901	149,972	155,221	160,654	166,277	172,097	178,120
Expenses from continuing operations	118,395	122,538	126,827	131,266	135,861	140,616	145,537	150,631	155,903	161,360	167,007
Operating Result from Continuing Operations	7,879	8,154	8,439	8,735	9,040	9,356	9,684	10,023	10,374	10,737	11,113
(ii) CAPITAL BUDGET											
New Capital Works ⁽²⁾	8,509	17,491	500	4,420	-	-	-	-	-	-	-
Replacement/Refurbishment of Existing Assets	19,465	15,836	16,390	16,963	17,557	18,171	18,806	19,465	20,146	20,851	21,581
Total Capital Budget	27,974	33,327	16,890	21,383	17,557	18,171	18,806	19,465	20,146	20,851	21,581
Funded by:											
– Loans	2,000	-	-	4,000	-	-	-	-	-	-	-
– Asset sales	1,018	1,895	1,895	1,895	1,895	1,895	1,895	1,895	1,895	1,895	1,895
– Reserves	15,358	23,672	6,964	7,176	7,059	7,372	7,695	8,032	8,378	8,738	9,110
– Grants/Contributions	4,836	5,905	5,180	5,361	5,549	5,743	5,944	6,152	6,368	6,590	6,821
– Recurrent revenue	2,662	1,755	2,851	2,951	3,054	3,161	3,272	3,386	3,505	3,628	3,755
– Other	2,100	-	-	-	-	-	-	-	-	-	-
	27,974	33,227	16,890	21,383	17,557	18,171	18,806	19,465	20,146	20,851	21,581

Notes:

- (1) From 12/13 Income Statement.
- (2) New Capital Works are major non-recurrent projects, eg new Leisure Centre, new Library, new Swimming pool etc.
- (3) Financial projections should be in accordance with Council's Integrated Planning and Reporting framework.
- (4) Revised LTFP to be issued for 14/15 Financial Year.