



HORNSBY SHIRE COUNCIL

general purpose and special purpose

FINANCIAL REPORTS

and associated special schedules

30 June 2015



Hornsby Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2015



Hornsby Shire Council

General Purpose Financial Statements

for the financial year ended 30 June 2015

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Overview

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

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

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

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

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

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

(iv) These financial statements were authorised for issue by the Council on 12 October 2015. 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 2015

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 2015.

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate 5 "primary" financial statements:

1. The Income Statement

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

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW, the Auditor provides 2 audit reports:

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

Who uses the Financial Statements ?

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

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

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

Hornsby Shire Council

General Purpose Financial Statements for the financial year ended 30 June 2015

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:

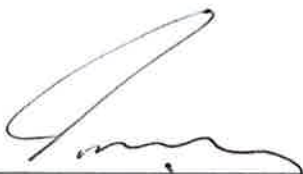
- The Local Government Act 1993 (as amended) and the Regulations made thereunder,
- The Australian Accounting Standards and professional pronouncements, and
- The Local Government Code of Accounting Practice and Financial Reporting.

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 09 September 2015.


S. Russell
MAYOR
M. Hutchence
COUNCILLOR
G. Bensley
ACTING GENERAL MANAGER
G. Magus
RESPONSIBLE ACCOUNTING OFFICER

Hornsby Shire Council

Income Statement

for the financial year ended 30 June 2015

Budget 2015	¹ \$ '000	Notes	Actual 2015	Actual 2014
Income from Continuing Operations				
Revenue:				
94,870	Rates & Annual Charges	3a	94,733	91,432
18,098	User Charges & Fees	3b	18,143	13,479
1,964	Interest & Investment Revenue	3c	2,633	2,102
5,940	Other Revenues	3d	6,832	12,369
11,823	Grants & Contributions provided for Operating Purposes	3e,f	12,968	9,850 ²
12,908	Grants & Contributions provided for Capital Purposes	3e,f	32,044	13,424
Other Income:				
735	Net gains from the disposal of assets	5	2,371	58
	Net Share of interests in Joint Ventures &			
-	Associates using the equity method	19	-	-
146,338	Total Income from Continuing Operations		169,724	142,714
Expenses from Continuing Operations				
49,350	Employee Benefits & On-Costs	4a	47,724	46,532
681	Borrowing Costs	4b	715	969
39,818	Materials & Contracts	4c	39,555	39,065
22,069	Depreciation & Amortisation	4d	19,429	22,954
-	Impairment	4d	-	-
14,165	Other Expenses	4e	13,115	13,024
126,083	Total Expenses from Continuing Operations		120,538	122,544
20,255	Operating Result from Continuing Operations		49,186	20,170
Discontinued Operations				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
20,255	Net Operating Result for the Year		49,186	20,170
20,255	Net Operating Result attributable to Council		49,186	20,170
-	Net Operating Result attributable to Non-controlling Interests		-	-
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes				
7,347			17,142	6,746

¹ Original Budget as approved by Council - refer Note 16

² Financial Assistance Grants for 13/14 were lower reflecting a one off timing difference due to a change in how the grant was paid in prior years - refer Note 3 (e)

Hornsby Shire Council

Statement of Comprehensive Income

for the financial year ended 30 June 2015

\$ '000	Notes	Actual 2015	Actual 2014
Net Operating Result for the year (as per Income statement)		49,186	20,170
Other Comprehensive Income:			
Amounts which will not be reclassified subsequently to the Operating Result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	86,814	22,609
Adjustment to correct prior period errors	20c	22,233	18,535
Total Items which will not be reclassified subsequently to the Operating Result		109,047	41,144
Amounts which will be reclassified subsequently to the Operating Result when specific conditions are met			
Nil			
Total Other Comprehensive Income for the year		109,047	41,144
Total Comprehensive Income for the Year		158,233	61,314
Total Comprehensive Income attributable to Council		158,233	61,314
Total Comprehensive Income attributable to Non-controlling Interests		-	-

Hornsby Shire Council

Statement of Financial Position
as at 30 June 2015

\$ '000	Notes	Actual 2015	Actual 2014
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	18,112	11,522
Investments	6b	72,300	33,191
Receivables	7	6,601	8,220
Inventories	8	168	150
Other	8	-	-
Non-current assets classified as "held for sale"	22	-	-
Total Current Assets		97,181	53,083
Non-Current Assets			
Investments	6b	4,000	2,000
Receivables	7	293	274
Inventories	8	-	-
Infrastructure, Property, Plant & Equipment	9	1,595,819	1,487,880
Investments accounted for using the equity method	19	-	-
Investment Property	14	-	-
Intangible Assets	25	6	8
Total Non-Current Assets		1,600,118	1,490,162
TOTAL ASSETS		1,697,299	1,543,245
LIABILITIES			
Current Liabilities			
Payables	10	11,216	10,858
Borrowings	10	1,523	4,817
Provisions	10	14,325	13,954
Total Current Liabilities		27,064	29,629
Non-Current Liabilities			
Payables	10	-	-
Borrowings	10	5,302	6,825
Provisions	10	309	400
Total Non-Current Liabilities		5,611	7,225
TOTAL LIABILITIES		32,675	36,854
Net Assets		1,664,624	1,506,391
EQUITY			
Retained Earnings	20	1,158,558	1,072,236
Revaluation Reserves	20	506,066	434,155
Council Equity Interest		1,664,624	1,506,391
Non-controlling Equity Interests		-	-
Total Equity		1,664,624	1,506,391

Hornsby Shire Council

Statement of Changes in Equity
for the financial year ended 30 June 2015

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non-controlling Interest	Total Equity
2015						
Opening Balance (as per Last Year's Audited Accounts)		1,072,236	434,155	1,506,391	-	1,506,391
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/14)		1,072,236	434,155	1,506,391	-	1,506,391
c. Net Operating Result for the Year		49,186	-	49,186	-	49,186
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	86,814	86,814	-	86,814
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
- Transfer of Land from Operating to Community	20b (ii)	-	(13,898)	(13,898)	-	(13,898)
- Prior Years Depreciation Overstated	20c	36,131	-	36,131	-	36,131
Other Comprehensive Income		36,131	72,916	109,047	-	109,047
Total Comprehensive Income (c&d)		85,317	72,916	158,233	-	158,233
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		1,005	(1,005)	-	-	-
Equity - Balance at end of the reporting period		1,158,558	506,066	1,664,624	-	1,664,624

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

Hornsby Shire Council

Statement of Cash Flows

for the financial year ended 30 June 2015

Budget 2015	\$ '000	Notes	Actual 2015	Actual 2014
Cash Flows from Operating Activities				
Receipts:				
94,510	Rates & Annual Charges		95,256	91,339
18,194	User Charges & Fees		19,059	14,700
1,905	Investment & Interest Revenue Received		2,410	1,803
24,393	Grants & Contributions		47,817	18,239
-	Bonds, Deposits & Retention amounts received		120	30
7,108	Other		11,941	19,919
Payments:				
(48,368)	Employee Benefits & On-Costs		(47,148)	(46,458)
(38,763)	Materials & Contracts		(45,483)	(39,245)
(681)	Borrowing Costs		(678)	(958)
(14,165)	Other		(14,796)	(17,571)
44,133	Net Cash provided (or used in) Operating Activities	11b	68,499	41,798
Cash Flows from Investing Activities				
Receipts:				
8,433	Sale of Investment Securities		95,300	7,476
1,895	Sale of Infrastructure, Property, Plant & Equipment		6,071	1,335
Payments:				
(2,348)	Purchase of Investment Securities		(136,400)	(34,200)
(18,388)	Purchase of Infrastructure, Property, Plant & Equipment		(22,019)	(36,676)
(10,408)	Net Cash provided (or used in) Investing Activities		(57,048)	(62,065)
Cash Flows from Financing Activities				
Receipts:				
Nil				
Payments:				
(4,472)	Repayment of Borrowings & Advances		(4,861)	(4,489)
(4,472)	Net Cash Flow provided (used in) Financing Activities		(4,861)	(4,489)
29,253	Net Increase/(Decrease) in Cash & Cash Equivalents		6,590	(24,756)
11,522	plus: Cash & Cash Equivalents - beginning of year	11a	11,522	36,278
40,775	Cash & Cash Equivalents - end of the year	11a	18,112	11,522
Additional Information:				
	plus: Investments on hand - end of year	6b	76,300	35,191
	Total Cash, Cash Equivalents & Investments		94,412	46,713

Please refer to Note 11 for information on the following:

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

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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n/a - not applicable

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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

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

(a) Basis of preparation

(i) Background

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

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

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

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

Because AASBs are sector neutral, some standards either:

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

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

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

(iii) New and amended standards adopted by Council

There were no accounting standards that became mandatory this year which materially impacted Council's financial statements.

(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 2014.

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

Council have early adopted AASB 2015-7 *Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities*, providing relief from AASB 13 *Fair Value Measurement* disclosures.

(v) Basis of Accounting

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

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

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

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

(vi) Changes in Accounting Policies

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

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

(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 Council's accounting policies.

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

Critical judgements in applying Council's accounting policies

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

(b) Revenue recognition

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to it and specific criteria have been met for each activity 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 receivable has not been established 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

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

unused grant or contribution is disclosed in Note 3(g).

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

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

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

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

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

User Charges, Fees and Other Income

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

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

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

Sale of Infrastructure, Property, Plant and Equipment

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

Interest and Rents

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

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

Other Income

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

(c) Principles of Consolidation

These financial statements incorporate (i) the assets and liabilities of Council and any entities (or operations) that it **controls** (as at 30 June 2015) and (ii) all the related operating results (for the financial year ended the 30th June 2015).

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

(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

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

Council in trust which must be applied only for the purposes of or in accordance with the trusts relating to those monies.

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

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

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

(iii) Joint Arrangements

Council has no interest in any Joint Arrangements.

(iv) Associates

Council has no interest in any Associates.

(v) County Councils

Council is not a member of any County Councils.

(vi) Unconsolidated Structured Entities

Council has no interest in any Unconsolidated Structured Entities.

(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

Council has no leases classified as Finance Leases.

Operating Leases

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

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

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

(e) Cash and Cash Equivalents

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

- cash **on hand**,
- deposits held **at call** with financial institutions,
- other short-term, highly liquid investments **with original maturities of three months or less** that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and
- bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet but are incorporated into Cash & Cash Equivalents for presentation of the Cash Flow Statement.

(f) Investments and Other Financial Assets

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

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

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

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

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

General Accounting & Measurement of Financial Instruments:

(i) Initial Recognition

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

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

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

(ii) Subsequent Measurement

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

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

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

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

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

Impairment

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

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

(iii) Types of Investments

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

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

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

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

(g) Fair value estimation

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

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

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

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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.

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.

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

Acquisition of assets

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

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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

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

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

Asset Revaluations (including Indexation)

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

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

For all material 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 minimum 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

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

- open space 100% Capitalised

Plant & Equipment

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

Buildings & Land Improvements

Park Furniture & Equipment	> \$5,000
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Building

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

Other Structures

	> \$5,000
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Stormwater Assets

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

Transport Assets

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

Depreciation

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

Land is not depreciated.

Estimated useful lives for Council's I,PP&E include:

Buildings	20-125 years
Plant & Equipment	6-10 years
Vehicles	5 years
Furniture & Fittings	5-15 years
Land Improvements	35 years
Road Assets	5-100 years
Drainage Assets	150 years
Bridges	20-80 years
Bulk Earthworks	Non Depreciable

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's

carrying amount is greater than its estimated recoverable amount – refer Note 1(s) on Asset Impairment.

Disposal and De-recognition

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

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

(k) Land

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

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

(l) Land under roads

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

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

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

(m) Intangible Assets

IT Development and Software

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

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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

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

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

(n) Crown Reserves

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

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

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

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

(o) Rural Fire Service assets

Under section 119 of the Rural Fires Act 1997, *"all fire fighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the council of the area for or on behalf of 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) Provisions for close down, restoration and for environmental clean up costs – including Tips and Quarries

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

Council's has no provisions for close down, restoration and environmental clean-up costs.

(q) Non-Current Assets (or Disposal Groups) "Held for Sale" & Discontinued Operations

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

Council has no non-current assets (or disposal groups) classified as held for sale.

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

Council has no discontinued operations for the year ended 30 June 2015.

(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

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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.

(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.

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

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

leave expected to be wholly settled within the 12 months after the reporting period.

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

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

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

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

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

(ii) Other Long Term Obligations

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

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

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

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

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

and take their leave entitlements in the next 12 months.

(iii) Retirement benefit obligations

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

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

Defined Benefit Plans

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

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

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

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

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

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

However the position is monitored annually and the Actuary has estimated that as at 30 June 2015 the prior period deficit still exists.

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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 2015 was \$1,592,327.

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

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 30/06/15.

(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.

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.

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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

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

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

(aa) New accounting standards and interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2015.

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.

Apart from the AASB disclosures below, there are no other standards that are "not yet effective" which are expected to have a material impact on Council in the current or future reporting periods and on foreseeable future transactions.

Applicable to Local Government:

AASB 9 - Financial Instruments (and associated amending standards)

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement and has an effective date for reporting periods beginning on or after 1 January 2018 (and must be applied retrospectively).

The overriding impact of AASB 9 is to change the requirements for the classification, measurement and disclosures associated with financial assets.

Under the new requirements the four current categories of financial assets stipulated in AASB 139 will be replaced with two measurement categories:

- fair value and
- amortised cost (where financial assets will only be able to be measured at amortised cost where very specific conditions are met).

AASB 15 - Revenue from contracts with customers and associated amending standards

AASB 15 will introduce a five step process for revenue recognition with the core principle of the new Standard being that entities recognise revenue so as to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

The changes in revenue recognition requirements in AASB 15 may cause changes to accounting policies relating to the timing and amount of revenue recorded in the financial statements as well as additional disclosures.

The full impact of AASB 15 has not yet been ascertained or quantified.

AASB 15 will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2017.

AASB 124 - Related Party Disclosures

From 1 July 2016, AASB 124 Related Party Disclosures will apply to Council.

This means that Council will be required to disclose information about related parties and Council transactions with those related parties.

Related parties will more than likely include the Mayor, Councillors and certain Council staff. In addition, the close family members of those people and any organisations that they control or are associated with will be classified as related parties (and fall under the related party reporting requirements).

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

(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.

Hornsby Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

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 2015	Actual 2015	Actual 2014	Original Budget 2015	Actual 2015	Actual 2014	Original Budget 2015	Actual 2015	Actual 2014	Actual 2015	Actual 2014		
Governance	-	-	-	1,971	1,894	1,969	(1,971)	(1,894)	(1,969)	-	-	76	-
General Managers Division	-	319	71	2,513	2,541	2,988	(2,513)	(2,222)	(2,917)	-	-	46	89
Corporate Support	8,502	6,609	13,578	32,491	29,131	33,625	(23,989)	(22,522)	(20,047)	3	36	236,792	207,804
Infrastructure & Recreation	37,627	42,067	37,076	59,323	55,980	52,921	(21,696)	(13,913)	(15,845)	4,942	5,910	1,396,001	1,291,060
Environment & Human Services	11,059	13,136	12,349	21,190	22,296	22,187	(10,131)	(9,160)	(9,838)	4,141	3,304	63,934	43,842
Planning	15,598	34,016	10,184	8,595	8,696	8,854	7,003	25,320	1,330	30	-	450	450
Total Functions & Activities	72,786	96,147	73,258	126,083	120,538	122,544	(53,297)	(24,391)	(49,286)	9,116	9,250	1,697,299	1,543,245
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	-	-	-	-	-	-	-	-	-	-	-	-
General Purpose Income ¹	73,552	73,577	69,456	-	-	-	73,552	73,577	69,456	5,716	3,228	-	-
Operating Result from Continuing Operations	146,338	169,724	142,714	126,083	120,538	122,544	20,255	49,186	20,170	14,832	12,478	1,697,299	1,543,245

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

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2015

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 2015

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2015	Actual 2014
(a) Rates & Annual Charges			
Ordinary Rates			
Residential		59,284	57,813
Farmland		541	526
Business		7,722	7,618
less: Compulsory Pensioner Rate		(1,318)	(1,327)
Total Ordinary Rates		66,229	64,630
Special Rates			
Catchment Remediation Rate		3,071	3,001
Hornsby Quarry Rate		3,258	3,187
less: Voluntary Pensioner Rebate		(217)	(215)
Total Special Rates		6,112	5,973
Annual Charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		22,315	20,759
Section 611 Charges		77	70
Total Annual Charges		22,392	20,829
<u>TOTAL RATES & ANNUAL CHARGES</u>		<u>94,733</u>	<u>91,432</u>

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 2015

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2015	Actual 2014
(b) User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Waste Management Services (non-domestic)		1,359	1,367
Sullage		8	8
Total User Charges		1,367	1,375
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s.608)			
Inspection Services		559	505
Planning & Building Regulation		4,676	3,494
Registration Fees		51	53
Total Fees & Charges - Statutory/Regulatory		5,286	4,052
(ii) Fees & Charges - Other (incl. General User Charges) (per s.608)			
Community Centres		1,008	616
Indoor Sports Centre Stadium - Admission Fees		581	539
Library Fees & Charges		168	111
Nursery & Preschool Hire Fees		3,185	3,071
Other Hire Fees		86	92
Park & Oval Hire Fees		965	859
Restoration Charges		1,196	1,046
Swimming Centres		3,534	1,077
Tennis/Netball Hire Fees		232	224
Other		535	417
Total Fees & Charges - Other		11,490	8,052
TOTAL USER CHARGES & FEES		18,143	13,479

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2015	Actual 2014
(c) Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges (incl. Special Purpose Rates)		190	202
- Interest earned on Investments (interest & coupon payment income)		2,434	1,866
Fair Value Adjustments			
- Fair Valuation movements in Investments (at FV or Held for Trading)		9	34
TOTAL INTEREST & INVESTMENT REVENUE		2,633	2,102
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges (General Fund)		190	202
General Council Cash & Investments		1,431	1,384
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		921	469
Catchments Remediation		91	47
Total Interest & Investment Revenue Recognised		2,633	2,102
(d) Other Revenues			
Rental Income - Other Council Properties		1,921	1,687
Ex Gratia Rates		11	12
Fines - Parking		1,777	2,042
Legal Fees Recovery - Rates & Charges (Extra Charges)		263	223
Legal Fees Recovery - Planning		52	5
Legal Fees Recovery - Other		6	-
Bushfire Fund Income		112	40
Car Park Management		101	102
Commissions & Agency Fees		9	11
Diesel Rebate		34	39
Florence Mall Incomes		79	84
Home Modification		194	199
Hornsby Quarry Legal Settlement		-	6,000
Income from Community Events		-	39
Income from Road Closure		120	-
Insurance Claim Recoveries		44	-
Insurance Rebates & Incentives		319	71
Prosecutions & Infringements		224	97
Property Services Sundry Income		8	17
Recycling Income (non domestic)		772	796
Refund from Sydney Water		-	164
Sales - General		544	444
Salaries & Wages Charged Out		-	54
Street Furniture Advertising		29	79
Vehicular Crossing Income		20	18
Other		193	146
TOTAL OTHER REVENUE		6,832	12,369

Hornsby Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations (continued)

\$ '000	2015 Operating	2014 Operating	2015 Capital	2014 Capital
(e) Grants				
General Purpose (Untied)				
Financial Assistance - General Component	3,448	1,722	-	-
Financial Assistance - Local Roads Component	1,509	747	-	-
Pensioners' Rates Subsidies - General Component	759	759	-	-
Total General Purpose	5,716	3,228	-	-

¹ The Financial Assistance Grant for the comparative 13/14 year reflects a one off timing difference (reduction). This grant ceased being paid in advance in the 13/14 year by up to 50% as had occurred in previous years.

Specific Purpose

Pensioners' Rates Subsidies:

- Domestic Waste Management	232	232	-	-
Aged & Disabled	504	501	-	-
Aged Care	-	1	-	-
Bushfire & Emergency Services	562	650	-	-
Bushland	117	87	27	-
Child Care	1,783	1,490	-	-
Community Care	421	402	-	-
Community Centres	-	10	4	200
Employment & Training Programs	3	36	-	-
Environmental Protection	1,185	494	-	14
Library	309	305	101	100
Noxious Weeds	26	27	-	-
Parks & Gardens	-	140	140	1,781
Recreation & Culture	-	-	18	-
Street Lighting	346	303	-	-
Transport (Other Roads & Bridges Funding)	581	519	2,511	1,805
Youth Services	18	18	-	-
Other	228	92	-	43
Total Specific Purpose	6,315	5,307	2,801	3,943
Total Grants	12,031	8,535	2,801	3,943

Grant Revenue is attributable to:

- Commonwealth Funding	2,338	2,046	603	1,061
- State Funding	9,683	6,489	2,198	2,855
- Other Funding	10	-	-	27
	12,031	8,535	2,801	3,943

Hornsby Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations (continued)

\$ '000	2015 Operating	2014 Operating	2015 Capital	2014 Capital
(f) Contributions				
Developer Contributions: (s93 & s94 - EP&A Act, s64 of the LGA):				
S 94 - Contributions towards amenities/services	-	-	28,622	6,503
Total Developer Contributions	17 -	-	28,622	6,503
Other Contributions:				
Bushfire Services	41	-	49	466
Community Facilities	232	626	-	-
Community Services	9	-	138	-
Dedications (other than by S94)	-	-	-	2,459
Employee Vehicle Contributions	429	457	-	-
Environment	130	51	75	-
Occupational Health & Safety Incentive	60	81	-	-
Parks & Gardens	-	-	359	49
Recreation & Culture	13	-	-	-
Roads & Bridges	2	36	-	-
Other	21	64	-	4
Total Other Contributions	937	1,315	621	2,978
Total Contributions	937	1,315	29,243	9,481
TOTAL GRANTS & CONTRIBUTIONS	12,968	9,850	32,044	13,424

\$ '000	Actual 2015	Actual 2014
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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	15,428	17,087
add: Grants & contributions recognised in the current period but not yet spent:	36,647	6,812
less: Grants & contributions recognised in a previous reporting period now spent:	(5,404)	(8,471)

Net Increase (Decrease) in Restricted Assets during the Period **31,243** **(1,659)**

Unexpended and held as Restricted Assets **46,671** **15,428**

Comprising:

- Specific Purpose Unexpended Grants	4,887	1,051
- Developer Contributions	41,784	14,377
	46,671	15,428

Hornsby Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2015	Actual 2014
(a) Employee Benefits & On-Costs			
Salaries and Wages		42,322	39,693
Travelling		50	18
Employee Leave Entitlements (ELE)		1,089	1,953
Superannuation		4,675	4,407
Workers' Compensation Insurance		777	1,372
Fringe Benefit Tax (FBT)		130	171
Training Costs (other than Salaries & Wages)		461	380
Protective Clothing		-	95
Other		107	78
Total Employee Costs		49,611	48,167
less: Capitalised Costs		(1,887)	(1,635)
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>		<u>47,724</u>	<u>46,532</u>
Number of "Equivalent Full Time" Employees at year end		571	550
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		671	952
Total Interest Bearing Liability Costs Expensed		671	952
(ii) Other Borrowing Costs			
Amortisation of discount on interest free loan		44	17
Total Other Borrowing Costs		44	17
<u>TOTAL BORROWING COSTS EXPENSED</u>		<u>715</u>	<u>969</u>

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2015	Actual 2014
(c) Materials & Contracts			
Raw Materials & Consumables		3,054	3,733
- Air Conditioning		126	81
- Animal Pound Service		32	28
- Building Maintenance		475	417
- Bush Regeneration		899	711
- Community Centres		132	92
- Computer Support		2,841	3,006
- Consultants		1,603	1,463
- Contractor & Agency Fees		1,342	1,231
- Contracts - Bushfire Hazard Reduction & Mitigation		120	128
- Contracts - Electrical		345	376
- Contracts - Environmental Protection		260	276
- Contracts - Grass Cutting		546	524
- Contracts - Plumbing		416	405
- Contracts - Property Management		3	36
- Contracts - RFS Equipment Maintenance		73	107
- Contracts - Tree Work		636	470
- Drainage Maintenance		854	736
- External Plant & Equipment Hire		161	97
- Florence Mall		-	30
- Footpath Maintenance		301	286
- Foreshore Facilities		164	274
- Garbage Collection, Tipping & Recycling		19,544	18,737
- Home Modification Service		169	162
- Litter Control		394	374
- Maintenance of Parks		733	833
- Mechanical Services		180	202
- Property Cleaning		393	373
- Road Maintenance		1,995	1,375
- Stormwater Asset Maintenance		215	186
Auditors Remuneration ⁽¹⁾		86	80
Legal Expenses:			
- Legal Expenses: Planning & Development		22	896
- Legal Expenses: Other		847	811
Operating Leases:			
- Operating Lease Rentals: Minimum Lease Payments ⁽²⁾		132	318
Events Management		83	4
Other		379	207
TOTAL MATERIALS & CONTRACTS		39,555	39,065

Hornsby Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2015	Actual 2014
(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):			
Audit and Other Assurance Services			
Audit & review of financial statements: Council's Auditor		86	80
Remuneration for audit and other assurance services		86	80
Total Auditor Remuneration		86	80
2. Operating Lease Payments are attributable to:			
Computers		132	318
		132	318

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2015	Actual 2014	Actual 2015	Actual 2014
(d) Depreciation, Amortisation & Impairment					
Plant and Equipment		-	-	1,343	1,393
Office Equipment		-	-	201	156
Furniture & Fittings		-	-	97	86
Land Improvements (depreciable)		-	-	862	3,266
Buildings - Non Specialised		-	-	2,690	2,397
Buildings - Specialised		-	-	2,323	1,853
Other Structures		-	-	826	711
Infrastructure:					
- Roads		-	-	5,550	6,431
- Bridges		-	-	124	124
- Footpaths		-	-	829	826
- Stormwater Drainage		-	-	3,413	4,373
- Water Supply Network		-	-	4	4
- Swimming Pools		-	-	647	202
Other Assets					
- Library Books		-	-	518	589
Intangible Assets	25	-	-	2	543
TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED		-	-	19,429	22,954

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2015	Actual 2014
(e) Other Expenses			
Other Expenses for the year include the following:			
Advertising		471	425
Bad & Doubtful Debts		50	5
Bank Charges & Cash Collection Expenses		388	330
Catering		298	357
Contributions/Levies to Other Levels of Government			
- Department of Planning Levy		293	287
- Emergency Services Levy (includes FRNSW, SES, and RFS Levies)		238	225
- NSW Fire Brigade Levy		1,657	1,656
- NSW Rural Fire Service Levy		512	555
- NSW State Revenue Infringement Processing Fees		194	279
Councillor Expenses - Mayoral Fee		61	59
Councillor Expenses - Councillors' Fees		229	223
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		16	20
Donations, Contributions & Assistance to other organisations (Section 356)		100	60
Electricity & Heating		1,360	1,052
Insurance		1,456	1,378
Licences & Registration		298	291
Postage		212	199
Printing & Stationery		533	412
Property Managers Fees		29	32
Street Lighting		2,692	3,318
Subscriptions & Publications		351	300
Subscriptions to Local Government Publications		59	46
Telephone & Communications		387	347
Valuation Fees		319	317
Veterinary Fees		2	31
Water & Sewerage		536	504
Other		374	316
<u>TOTAL OTHER EXPENSES</u>		<u>13,115</u>	<u>13,024</u>

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2015	Actual 2014
Property (excl. Investment Property)			
Proceeds from Disposal - Property		5,271	-
less: Carrying Amount of Property Assets Sold / Written Off		(3,048)	(56)
Net Gain/(Loss) on Disposal		2,223	(56)
Plant & Equipment			
Proceeds from Disposal - Plant & Equipment		800	1,335
less: Carrying Amount of P&E Assets Sold / Written Off		(652)	(1,221)
Net Gain/(Loss) on Disposal		148	114
Financial Assets*			
Proceeds from Disposal / Redemptions / Maturities - Financial Assets		95,300	7,476
less: Carrying Amount of Financial Assets Sold / Redeemed / Matured		(95,300)	(7,476)
Net Gain/(Loss) on Disposal		-	-
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		2,371	58

Hornsby Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

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

\$ '000	Notes	2015	2015	2014	2014
		Actual Current	Actual Non Current	Actual Current	Actual Non Current

Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		1,830	-	668	-
Cash-Equivalent Assets ¹					
- Deposits at Call		16,232	-	8,760	-
- Short Term Deposits		50	-	2,094	-
Total Cash & Cash Equivalents		18,112	-	11,522	-

Investments (Note 6b)					
- Long Term Deposits		72,300	4,000	32,200	2,000
- Capital Guaranteed Financial Instruments		-	-	991	-
Total Investments		72,300	4,000	33,191	2,000

TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS					
		90,412	4,000	44,713	2,000

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

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

Cash & Cash Equivalents					
a. "At Fair Value through the Profit & Loss"		18,112	-	11,522	-
Investments					
a. "At Fair Value through the Profit & Loss"					
- "Designated at Fair Value on Initial Recognition" 6(b-i)		-	-	991	-
b. "Held to Maturity" 6(b-ii)		72,300	4,000	32,200	2,000
Investments		72,300	4,000	33,191	2,000

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

Hornsby Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 6b. Investments (continued)

	2015 Actual Current	2015 Actual Non Current	2014 Actual Current	2014 Actual Non Current
\$ '000				
Note 6(b-i)				
Reconciliation of Investments classified as "At Fair Value through the Profit & Loss"				
Balance at the Beginning of the Year	991	-	1,933	-
Revaluations (through the Income Statement)	9	-	34	-
Disposals (sales & redemptions)	(1,000)	-	(976)	-
Balance at End of Year	-	-	991	-
Comprising:				
- Capital Guaranteed Financial Instruments	-	-	991	-
Total	-	-	991	-
Note 6(b-ii)				
Reconciliation of Investments classified as "Held to Maturity"				
Balance at the Beginning of the Year	32,200	2,000	6,500	-
Additions	132,400	4,000	32,200	2,000
Disposals (sales & redemptions)	(94,300)	-	(6,500)	-
Transfers between Current/Non Current	2,000	(2,000)	-	-
Balance at End of Year	72,300	4,000	32,200	2,000
Comprising:				
- Long Term Deposits	72,300	4,000	32,200	-
- Other Long Term Financial Assets	-	-	-	2,000
Total	72,300	4,000	32,200	2,000

Hornsby Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

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

	2015 Actual Current	2015 Actual Non Current	2014 Actual Current	2014 Actual Non Current
\$ '000				
Total Cash, Cash Equivalents and Investments	90,412	4,000	44,713	2,000
attributable to:				
External Restrictions (refer below)	44,012	4,000	15,757	2,000
Internal Restrictions (refer below)	40,788	-	22,896	-
Unrestricted	5,612	-	6,060	-
	90,412	4,000	44,713	2,000
2015 \$ '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 (A)	14,377	29,543	(2,136)	41,784
Specific Purpose Unexpended Grants (B)	1,051	5,091	(3,268)	2,874
Domestic Waste Management (C)	1,524	23,224	(22,402)	2,346
Other	805	3,133	(2,930)	1,008
External Restrictions - Other	17,757	60,991	(30,736)	48,012
Total External Restrictions	17,757	60,991	(30,736)	48,012
Internal Restrictions				
Employees Leave Entitlement	4,944	3,200	-	8,144
Buildings - Wallarobba	526	-	-	526
Civil Works - SRV	832	900	(427)	1,305
Community Centres	1,630	405	(272)	1,763
Corporate Systems Upgrade	1,286	1,400	-	2,686
Council Strategic Projects	4,795	11,874	-	16,669
Hornsby Quarry & Environs	6,006	-	(145)	5,861
Roads	2,350	-	-	2,350
Asset Maintenance & Renewal	47	397	(76)	368
Hornsby Aquatic Centre	-	575	-	575
Other	480	356	(295)	541
Total Internal Restrictions	22,896	19,107	(1,215)	40,788
TOTAL RESTRICTIONS	40,653	80,098	(31,951)	88,800

- A Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- B Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1)
- C 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 2015

Note 7. Receivables

\$ '000	Notes	2015		2014	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		1,652	293	2,124	274
Interest & Extra Charges		223	-	234	-
User Charges & Fees		186	-	182	-
Accrued Revenues					
- Interest on Investments		641	-	416	-
- Other Income Accruals		588	-	960	-
Government Grants & Subsidies		1,532	-	2,877	-
Net GST Receivable		726	-	988	-
Employee Vehicle Leases Paid in Advance		47	-	-	-
Facility Hire		376	-	151	-
Fines & Penalties		59	-	-	-
Licencing		48	-	28	-
Property Rentals		138	-	69	-
Restorations		263	-	67	-
Sullage		23	-	23	-
Workers Compensation Claims		1	-	4	-
Other Debtors		170	-	125	-
Total		6,673	293	8,248	274
less: Provision for Impairment					
Other Debtors		(72)	-	(28)	-
Total Provision for Impairment - Receivables		(72)	-	(28)	-
<u>TOTAL NET RECEIVABLES</u>		<u>6,601</u>	<u>293</u>	<u>8,220</u>	<u>274</u>
Externally Restricted Receivables					
Domestic Waste Management		498	-	599	-
Other					
- Catchment Remediation Rate		78	-	95	-
- Hornsby Quarry Special Rate		-	-	93	-
- Special Purpose Grants		2,013	-	3,818	-
Total External Restrictions		2,589	-	4,605	-
Internally Restricted Receivables					
Nil					
Unrestricted Receivables		4,012	293	3,615	274
TOTAL NET RECEIVABLES		6,601	293	8,220	274

Notes on Debtors above:

- Rates & Annual Charges Outstanding are secured against the property.
- Doubtful Rates Debtors are provided for (2014 & 2015: \$Nil) where the value of the property is less than the debt outstanding. An allowance for other debts is made when there is objective evidence a receivable is impaired.
- Interest was charged on overdue rates & charges at 8.50% (2014 9.00%).
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 2015

Note 8. Inventories & Other Assets

\$ '000	Notes	2015		2014	
		Current	Non Current	Current	Non Current
Inventories					
Stores & Materials		168	-	150	-
Total Inventories		168	-	150	-
Other Assets					
Nil					
TOTAL INVENTORIES / OTHER ASSETS		168	-	150	-

Externally Restricted Assets

There are no restrictions applicable to the above assets.

Hornsby Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2014					Asset Movements during the Reporting Period								as at 30/6/2015				
	At Cost	At Fair Value	Accumulated		Carrying Value	Asset Additions	WDV of Asset Disposals	Depreciation Expense	WIP Transfers	Adjustments & Transfers - Retained Earnings	Adjustments & Transfers - Revaluation Reserve	Revaluation Decrements to Equity (ARR)	Revaluation Increments to Equity (ARR)	At Cost	At Fair Value	Accumulated		Carrying Value
			Dep'n	Impairment												Dep'n	Impairment	
Capital Work in Progress	28,103	-	-	-	28,103	18,411	-	-	(40,407)	-	-	-	-	6,107	-	-	-	6,107
Plant & Equipment	-	15,428	10,805	-	4,623	1,544	(651)	(1,343)	579	-	-	-	-	-	16,127	11,375	-	4,752
Office Equipment	-	2,116	1,531	-	585	198	-	(201)	34	-	-	-	-	-	2,239	1,623	-	616
Furniture & Fittings	-	1,781	1,465	-	316	75	(1)	(97)	144	-	-	-	-	-	1,920	1,483	-	437
Land:																		
- Operational Land	-	125,016	-	-	125,016	1,200	(2,120)	-	-	-	-	-	-	-	124,096	-	-	124,096
- Community Land	-	430,596	-	-	430,596	-	-	-	-	-	(13,898)	-	-	-	416,698	-	-	416,698
Land Improvements - depreciable	-	65,203	36,546	-	28,657	-	(417)	(862)	758	-	-	-	-	-	65,538	37,402	-	28,136
Buildings - Non Specialised	-	99,874	39,492	-	60,382	-	-	(2,690)	794	-	-	-	-	-	100,575	42,089	-	58,486
Buildings - Specialised	-	95,600	36,984	-	58,616	-	(511)	(2,323)	142	-	-	-	-	-	94,430	38,506	-	55,924
Other Structures	-	19,923	6,369	-	13,554	31	-	(826)	-	-	-	-	-	-	19,956	7,197	-	12,759
Infrastructure:																		
- Roads	-	369,563	105,491	-	264,072	-	-	(5,550)	6,324	36,131	-	-	17,986	-	383,182	64,219	-	318,963
- Bridges	-	7,375	2,866	-	4,509	-	-	(124)	17	-	-	-	1,587	-	7,767	1,778	-	5,989
- Footpaths	-	41,546	11,278	-	30,268	-	-	(829)	650	-	-	(6,604)	-	-	37,906	14,421	-	23,485
- Bulk Earthworks (non-depreciable)	-	77,561	-	-	77,561	-	-	-	-	-	-	-	7,528	-	85,089	-	-	85,089
- Stormwater Drainage	-	492,072	134,662	-	357,410	-	-	(3,413)	1,911	-	-	-	66,317	-	532,968	110,743	-	422,225
- Water Supply Network	-	128	80	-	48	-	-	(4)	-	-	-	-	-	-	128	84	-	44
- Swimming Pools	-	8,972	6,718	-	2,254	-	-	(647)	29,054	-	-	-	-	-	38,026	7,365	-	30,661
Other Assets:																		
- Library Books	-	3,106	1,796	-	1,310	560	-	(518)	-	-	-	-	-	-	3,301	1,949	-	1,352
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	28,103	1,855,860	396,083	-	1,487,880	22,019	(3,700)	(19,427)	-	36,131	(13,898)	(6,604)	93,418	6,107	1,929,946	340,234	-	1,595,819

Additions to Buildings & Infrastructure Assets are made up of Asset Renewals (\$13,873K) and New Assets (\$29,900K). \$29,054k of New Assets are for the construction of Hornsby Aquatic Centre. Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets). These balances include Asset Additions to Capital Work in Progress not yet capitalised.

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

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2015

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 2015

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2015		2014	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		5,824	-	6,665	-
Payments Received In Advance		892	-	391	-
Accrued Expenses:					
- Borrowings		5	-	12	-
- Salaries & Wages		1,895	-	1,516	-
- Other Expenditure Accruals		2,109	-	1,923	-
Security Bonds, Deposits & Retentions		328	-	208	-
Contributions & Bonds		124	-	130	-
Other		39	-	13	-
Total Payables		11,216	-	10,858	-
Borrowings					
Loans - Secured ¹		1,187	4,532	4,461	5,719
Interest Free Loan - Panthers Group		336	770	356	1,106
Total Borrowings		1,523	5,302	4,817	6,825
Provisions					
Employee Benefits;					
Annual Leave		3,707	-	3,662	-
Sick Leave		445	-	512	-
Long Service Leave		10,016	309	9,629	400
Gratuities		156	-	150	-
Other Leave		1	-	1	-
Total Provisions		14,325	309	13,954	400
Total Payables, Borrowings & Provisions		27,064	5,611	29,629	7,225
(i) Liabilities relating to Restricted Assets					
		2015		2014	
		Current	Non Current	Current	Non Current
Externally Restricted Assets					
Domestic Waste Management		2,179	-	1,702	-
Liabilities relating to externally restricted assets		2,179	-	1,702	-
Internally Restricted Assets					
Employee Leave Entitlements		8,144	-	4,944	-
Liabilities relating to internally restricted assets		8,144	-	4,944	-
Total Liabilities relating to restricted assets		10,323	-	6,646	-
Total Liabilities relating to Unrestricted Assets		16,741	5,611	22,983	7,225
TOTAL PAYABLES, BORROWINGS & PROVISIONS		27,064	5,611	29,629	7,225

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 2015

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

\$ '000	Actual 2015	Actual 2014
(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	9,694	10,377
	9,694	10,377

Note 11. Statement of Cash Flows - Additional Information

(a) Reconciliation of Cash Assets

Total Cash & Cash Equivalent Assets	6a	18,112	11,522
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		18,112	11,522

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

Net Operating Result from Income Statement		49,186	20,170
Adjust for non cash items:			
Depreciation & Amortisation		19,429	22,954
Net Losses/(Gains) on Disposal of Assets		(2,371)	(58)
Non Cash Capital Grants and Contributions		-	(2,459)
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investments classified as "At Fair Value" or "Held for Trading"		(9)	(34)
Amortisation of Premiums, Discounts & Prior Period Fair Valuations			
- Interest Exp. on Interest Free Loans received by Council (previously Fair Valued)		44	17
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		1,556	(2,551)
Increase/(Decrease) in Provision for Doubtful Debts		44	(45)
Decrease/(Increase) in Inventories		(18)	15
Decrease/(Increase) in Other Assets		-	3
Increase/(Decrease) in Payables		(841)	2,105
Increase/(Decrease) in accrued Interest Payable		(7)	(6)
Increase/(Decrease) in other accrued Expenses Payable		565	819
Increase/(Decrease) in Other Liabilities		641	(17)
Increase/(Decrease) in Employee Leave Entitlements		280	885
NET CASH PROVIDED FROM/(USED IN)		68,499	41,798
OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		68,499	41,798

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2015

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

\$ '000	Notes	Actual 2015	Actual 2014
(c) Non-Cash Investing & Financing Activities			
Other Dedications		-	2,459
Total Non-Cash Investing & Financing Activities		-	2,459
(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	29
Total Financing Arrangements		2,029	2,029
Amounts utilised as at Balance Date:			
- Credit Cards / Purchase Cards		4	6
Total Financing Arrangements Utilised		4	6

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.

(e) Bank Guarantees

Westpac Bank - favouree Sydney Water Corporation - security for drainage construction works - \$50k

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2015	Actual 2014
(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		69	179
Plant & Equipment		59	294
Land Improvements		25	18
Foreshore Facilities		-	19
Furniture & Fittings		5	14
Hornsby Aquatic Centre		-	2,099
Infrastructure - Roads, Bridges & Footpaths		5,383	215
Office Equipment		3	301
Stormwater Drainage		3	118
Recreational Facilities		828	581
Total Commitments		6,375	3,838
These expenditures are payable as follows:			
Within the next year		6,375	3,838
Total Payable		6,375	3,838
Sources for Funding of Capital Commitments:			
Unrestricted General Funds		6,375	3,838
Total Sources of Funding		6,375	3,838

Details of Capital Commitments

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

(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	134	132
Later than one year and not later than 5 years	129	166
Total Non Cancellable Operating Lease Commitments	263	298

b. Non Cancellable Operating Leases include the following assets:

Computer equipment under a Master Lease Agreement with Macquarie Bank

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 2015

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

\$ '000	Amounts 2015	Indicator 2015	Prior Periods 2014 2013	
Local Government Industry Indicators - Consolidated				
1. Operating Performance Ratio				
Total continuing operating revenue ⁽¹⁾				
(excl. Capital Grants & Contributions) - Operating Expenses	14,762	10.91%	5.15%	2.20%
Total continuing operating revenue ⁽¹⁾	135,300			
(excl. Capital Grants & Contributions)				
2. Own Source Operating Revenue Ratio				
Total continuing operating revenue ⁽¹⁾				
(excl. ALL Grants & Contributions)	122,332	73.10%	83.68%	86.25%
Total continuing operating revenue ⁽¹⁾	167,344			
3. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽²⁾	50,580	3.33x	1.79	1.99
Current Liabilities less Specific Purpose Liabilities ^(3, 4)	15,191			
4. Debt Service Cover Ratio				
Operating Result ⁽¹⁾ before capital excluding interest and depreciation / impairment / amortisation	34,906	6.26x	5.60	5.62
Principal Repayments (from the Statement of Cash Flows) + Borrowing Costs (from the Income Statement)	5,576			
5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual and Extra Charges Outstanding	2,168	2.22%	2.79%	2.86%
Rates, Annual and Extra Charges Collectible	97,818			
6. Cash Expense Cover Ratio				
Current Year's Cash and Cash Equivalents + All Term Deposits	94,412	10.03	5.05	4.83
Payments from cash flow of operating and financing activities	9,414	mths		

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

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

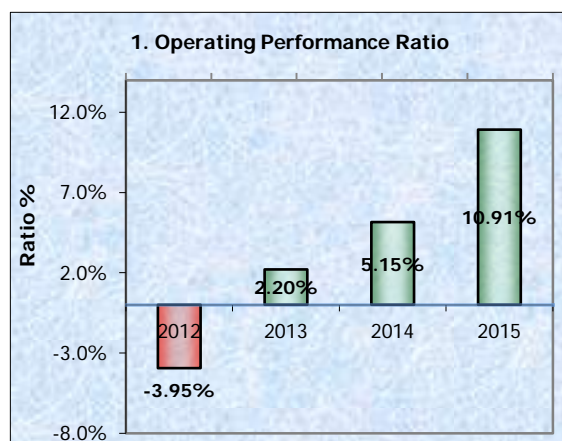
⁽³⁾ Refer to Note 10(a).

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

Hornsby Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

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

Benchmark: — Minimum $\geq 0.00\%$



Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

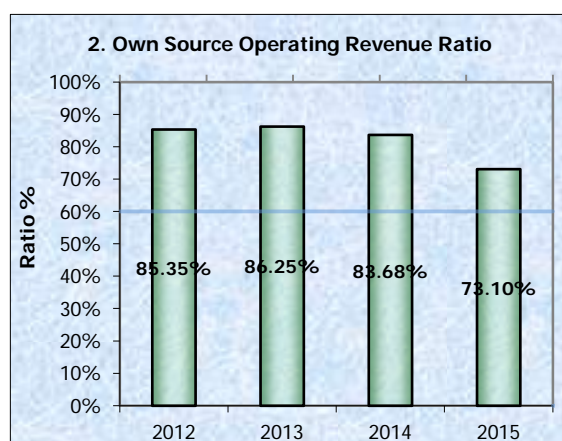
Purpose of Operating Performance Ratio

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

Commentary on 2014/15 Result**2014/15 Ratio 10.91%**

Continuous improvement in the Operating Performance Ratio is a result of restructuring and ongoing efficiency initiatives to reduce costs. Gains from the disposal of assets and the opening of Hornsby Aquatic Centre also contributed.

 Ratio is within Benchmark
 Ratio is outside Benchmark

Benchmark: — Minimum $\geq 60.00\%$



Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

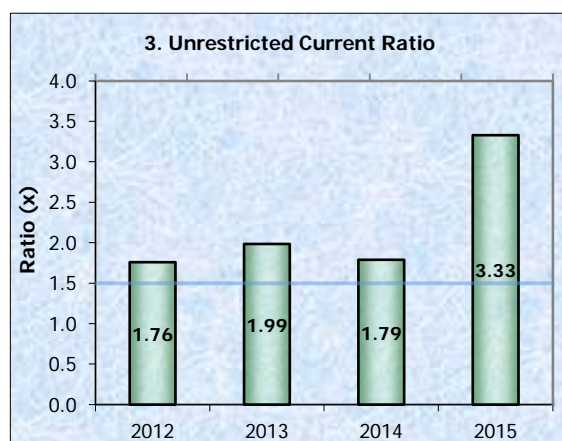
Purpose of Own Source Operating Revenue Ratio

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

Commentary on 2014/15 Result**2014/15 Ratio 73.10%**

Reliance on external funding sources has not changed significantly from prior years and is above the benchmark. Receipt of \$28.6m Section 94 income (2014: \$6.5m) has caused the ratio to decrease despite own source operating revenue increasing from the prior year.

 Ratio is within Benchmark
 Ratio is outside Benchmark

Benchmark: — Minimum ≥ 1.50



Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Purpose of Unrestricted Current Ratio

To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.

Commentary on 2014/15 Result**2014/15 Ratio 3.33x**

The ratio has increased as Council's unrestricted cash balance has risen in line with improved surplus results over the last three years.

 Ratio is within Benchmark
 Ratio is outside Benchmark

Hornsby Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

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

<div><div>4. Debt Service Cover Ratio</div><div><table><tr><th>Year</th><th>Ratio (x)</th></tr><tr><td>2012</td><td>4.14</td></tr><tr><td>2013</td><td>5.62</td></tr><tr><td>2014</td><td>5.60</td></tr><tr><td>2015</td><td>6.26</td></tr></table><div>Benchmark: <div></div> Minimum ≥ 2.00</div><div>Source for Benchmark: Code of Accounting Practice and Financial Reporting #23</div></div></div> <div><div>Purpose of Debt Service Cover Ratio</div><div>This ratio measures the availability of operating cash to service debt including interest, principal and lease payments</div></div>	Year	Ratio (x)	2012	4.14	2013	5.62	2014	5.60	2015	6.26
Year	Ratio (x)									
2012	4.14									
2013	5.62									
2014	5.60									
2015	6.26									
<div><div>Commentary on 2014/15 Result</div><div>2014/15 Ratio6.26x</div><div>The Debt Service Cover Ratio remains well above the benchmark due to operating performance improvement and the repayment of existing debt. No new debt has been taken out within the year (2014 also \$Nil).</div></div>	<div><div>Ratio is within Benchmark</div><div>Ratio is outside Benchmark</div></div>									

<div><div>5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage</div><div><table><tr><th>Year</th><th>Ratio %</th></tr><tr><td>2012</td><td>3.16%</td></tr><tr><td>2013</td><td>2.86%</td></tr><tr><td>2014</td><td>2.79%</td></tr><tr><td>2015</td><td>2.22%</td></tr></table><div>Benchmark: <div></div> Maximum $< 5.00\%$</div><div>Source for Benchmark: Code of Accounting Practice and Financial Reporting #23</div></div></div> <div><div>Purpose of Rates & Annual Charges Outstanding Ratio</div><div>To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.</div></div>	Year	Ratio %	2012	3.16%	2013	2.86%	2014	2.79%	2015	2.22%
Year	Ratio %									
2012	3.16%									
2013	2.86%									
2014	2.79%									
2015	2.22%									
<div><div>Commentary on 2014/15 Result</div><div>2014/15 Ratio2.22%</div><div>Council continues to apply strong debt recovery practices resulting in further improvements to the outstanding percentage.</div></div>	<div><div>Ratio is within Benchmark</div><div>Ratio is outside Benchmark</div></div>									

<div><div>6. Cash Expense Cover Ratio</div><div><table><tr><th>Year</th><th>Ratio (mths)</th></tr><tr><td>2012</td><td>4.27</td></tr><tr><td>2013</td><td>4.83</td></tr><tr><td>2014</td><td>5.05</td></tr><tr><td>2015</td><td>10.03</td></tr></table><div>Benchmark: <div></div> Minimum ≥ 3.00</div><div>Source for Benchmark: Code of Accounting Practice and Financial Reporting #23</div></div></div> <div><div>Purpose of Cash Expense Cover Ratio</div><div>This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.</div></div>	Year	Ratio (mths)	2012	4.27	2013	4.83	2014	5.05	2015	10.03
Year	Ratio (mths)									
2012	4.27									
2013	4.83									
2014	5.05									
2015	10.03									
<div><div>Commentary on 2014/15 Result</div><div>2014/15 Ratio10.03 mths</div><div>Council continues to maintain a high cash balance. The increase in the ratio is due to the receipt of Section 94 income and improved operating performance.</div></div>	<div><div>Ratio is within Benchmark</div><div>Ratio is outside Benchmark</div></div>									

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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.

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

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 Services Branch under policies approved by 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	
	2015	2014	2015	2014
Financial Assets				
Cash and Cash Equivalents	18,112	11,522	18,112	11,522
Investments				
- "Designated At Fair Value on Initial Recognition"	-	991	-	991
- "Held to Maturity"	76,300	34,200	76,300	34,200
Receivables	6,894	8,494	6,894	8,494
Total Financial Assets	101,306	55,207	101,306	55,207
Financial Liabilities				
Payables	10,324	10,467	10,324	10,467
Loans / Advances	6,825	11,642	6,825	11,642
Total Financial Liabilities	17,149	22,109	17,149	22,109

Fair Value is determined as follows:

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

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

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 15. Financial Risk Management (continued)

\$ '000

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

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

Council's Financial Services Branch manages Cash & Investments with the assistance of independent advisors.

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

The risks associated with the investments held are:

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

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

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

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

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

	Increase of Values/Rates		Decrease of Values/Rates	
	Profit	Equity	Profit	Equity
2015				
Possible impact of a 10% movement in Market Values	-	-	-	-
Possible impact of a 1% movement in Interest Rates	944	944	(944)	(944)
2014				
Possible impact of a 10% movement in Market Values	99	99	(99)	(99)
Possible impact of a 1% movement in Interest Rates	457	457	(457)	(457)

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 15. Financial Risk Management (continued)

\$ '000

(b) Receivables

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

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

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

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

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

The level of outstanding receivables is reported to Council monthly.

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:

		2015 Rates & Annual Charges	2015 Other Receivables	2014 Rates & Annual Charges	2014 Other Receivables
(i) Ageing of Receivables - %					
Current (not yet overdue)		0%	75%	0%	89%
Overdue		100%	25%	100%	11%
		100%	100%	100%	100%
		Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
(ii) Ageing of Receivables - value					
Rates & Annual Charges	Other Receivables				
Current	Current	-	3,535	-	5,238
< 1 year overdue	0 - 30 days overdue	1,387	872	1,684	390
1 - 2 years overdue	30 - 60 days overdue	244	236	296	126
2 - 5 years overdue	60 - 90 days overdue	297	36	360	58
> 5 years overdue	> 90 days overdue	240	119	292	78
		2,168	4,798	2,632	5,890
(iii) Movement in Provision for Impairment of Receivables				2015	2014
Balance at the beginning of the year				28	73
+ new provisions recognised during the year				48	2
- amounts already provided for & written off this year				(4)	(42)
- amounts provided for but recovered during the year				-	(5)
Balance at the end of the year				72	28

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 15. Financial Risk Management (continued)

\$ '000

(c) Payables & Borrowings

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total Cash Outflows	Actual Carrying Values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2015									
Trade/Other Payables	328	9,996	-	-	-	-	-	10,324	10,324
Loans & Advances	-	1,974	1,909	1,795	992	700	943	8,313	6,825
Total Financial Liabilities	328	11,970	1,909	1,795	992	700	943	18,637	17,149
2014									
Trade/Other Payables	208	10,259	-	-	-	-	-	10,467	10,467
Loans & Advances	-	5,542	1,974	1,909	1,795	992	1,643	13,855	11,642
Total Financial Liabilities	208	15,801	1,974	1,909	1,795	992	1,643	24,322	22,109

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:

	2015		2014	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Bank Overdraft	-	8.5%	-	9.0%
Trade/Other Payables	10,324	0.0%	10,467	0.0%
Loans & Advances - Fixed Interest Rate	6,825	6.3%	11,642	6.3%
	<u>17,149</u>		<u>22,109</u>	

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 14/15 was adopted by the Council on 11 June 2014.

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	2015 Budget	2015 Actual	2015 ----- Variance* -----	
REVENUES				
Rates & Annual Charges	94,870	94,733	(137)	(0%) U
User Charges & Fees	18,098	18,143	45	0% F
Interest & Investment Revenue	1,964	2,633	669	34% F
Funds available for investment were higher than expected, mainly due to \$28,600k of Section 94 income received throughout the year, \$16,700k greater than budget due to significant development activity.				
Other Revenues	5,940	6,832	892	15% F
Council received an additional \$230k in commercial property rent and \$160k in prosecution and infringement income due to increased development activity. \$190k in additional kiosk income was achieved following the opening of Hornsby Aquatic Centre. Unexpected receipts include insurance rebates of \$310k.				
Operating Grants & Contributions	11,823	12,968	1,145	10% F
Capital Grants & Contributions	12,908	32,044	19,136	148% F
The increase in income is attributable to the following: - Additional \$16,700k in Section 94 contributions due to significant development activity. - Additional funding for roads of \$1,530k. - Capital contributions and grants of \$570k and \$140k for parks, and capital grants of \$100k for libraries.				
Net Gains from Disposal of Assets	735	2,371	1,636	223% F
Council sold two properties during the year realising gains of \$2,220k. \$151k was also earned on disposal of minor pieces of plant and equipment, and motor vehicles.				

Hornsby Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 16. Material Budget Variations (continued)

\$ '000	2015 Budget	2015 Actual	2015 ----- Variance* -----	
EXPENSES				
Employee Benefits & On-Costs	49,350	47,724	1,626	3% F
Borrowing Costs	681	715	(34)	(5%) U
Materials & Contracts	39,818	39,555	263	1% F
Depreciation & Amortisation	22,069	19,429	2,640	12% F
Depreciation has reduced following an annual review of useful lives as required by AASB 166 <i>Property, Plant & Equipment</i> . Councils fixed asset register was aligned with strategic asset management plans for Buildings, Roads, Bridges, Footpaths and Stormwater Drainage. The useful life of Land Improvements was also increased following condition assessments and an industry benchmarking exercise.				
Other Expenses	14,165	13,115	1,050	7% F

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

Cash Flows from Operating Activities	44,133	68,499	24,366	55.2% F
Cash Flows from Operating Activities increased as Council received an additional \$16,700k in Section 94 income and \$3,600k greater than budget in grants and contributions. The receipt of additional interest earned on Section 94 funds and the increase in Other Revenues also contributed.				
Cash Flows from Investing Activities	(10,408)	(57,048)	(46,640)	448.1% U
Additional funds were invested due to the increase in Cash Flows from Operating Activities. The final 30 June 2014 net increase in cash also contributed, which was unknown at the date of setting the budget.				
Cash Flows from Financing Activities	(4,472)	(4,861)	(389)	8.7% U

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

Corporate Support income (\$6,609k) was below budget (Original Budget: \$8,502k) as less Operating Grant income was received.

Infrastructure & Recreation income (\$42,067k) was greater than budget (Original Budget: \$37,627k) due to the receipt of additional Capital Grant income, Net Gains from the sale of assets and the opening of Hornsby Aquatic Centre, which performed above budget.

Environment & Human Services income (\$13,136k) was greater than budget (Original Budget: \$11,059k) due to additional income from Operating Grants.

Planning income (\$34,016k) was greater than budget (Original Budget: \$15,598k) due to the receipt of Section 94 income and increased Statutory and Regulatory fees.

Expenses for Corporate Support (\$29,131k) were less than budget (Original Budget: \$32,491k) due to a reduction in the Depreciation expense following a review of useful lives.

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 17. Statement of Developer Contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS & LEVIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Roads	1,738	2,906	-	65	(752)	-	3,957	8,592	(16,123)	(3,574)	-
Open Space	3,701	21,281	-	573	(932)	-	24,623	52,714	(83,010)	(5,673)	-
Community Facilities	8,080	3,205	-	228	(137)	-	11,376	19,264	(59,755)	(29,115)	-
S94 Administration	8	186	-	-	-	-	194	76	(270)	-	-
S94 Contributions - under a Plan	13,527	27,578	-	866	(1,821)	-	40,150	80,646	(159,158)	(38,362)	-
S94A Levies - under a Plan	850	1,044	-	55	(315)	-	1,634				-
Total S94 Revenue Under Plans	14,377	28,622	-	921	(2,136)	-	41,784				-
Total Contributions	14,377	28,622	-	921	(2,136)	-	41,784	80,646	(159,158)	(38,362)	-

Hornsby Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

CONTRIBUTION PLAN NUMBER 1 (2012 to 2021)

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Roads	1,738	2,906	-	65	(752)	-	3,957	8,592	(16,123)	(3,574)	-
Open Space	3,701	21,281	-	573	(932)	-	24,623	52,714	(83,010)	(5,673)	-
Community Facilities	8,080	3,205	-	228	(137)	-	11,376	19,264	(59,755)	(29,115)	-
S94 Administration	8	186	-	-	-	-	194	76	(270)	-	-
Total	13,527	27,578	-	866	(1,821)	-	40,150	80,646	(159,158)	(38,362)	-

S94A LEVIES - UNDER A PLAN

2012 - 2021

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Other	850	1,044	-	55	(315)	-	1,634	-	-	-	-
Total	850	1,044	-	55	(315)	-	1,634				-

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined Benefit Superannuation Contribution Plans

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

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

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

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

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other Guarantees

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

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2015

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other Liabilities

(i) Third Party Claims

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

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

(ii) S94 Plans

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

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

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

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

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

Council has classified a number of privately owned land parcels as Local Open Space or Bushland.

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

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

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

(iv) Hornsby Quarry Site

Council plan to develop Hornsby Quarry into public recreational space by partially filling the void using spoil material from the Northconnex tunnel.

Council is not legally obliged to remediate the site, therefore a provision for future costs has not been recognised in line with AASB 137. Instead, expenditure will be accounted for as work is completed in future years, which is expected to be capital in nature.

ASSETS NOT RECOGNISED:

(i) Land Under Roads

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

(ii) Infringement Notices/Fines

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

Councils Revenue Recognition policy for such income is to account for it as revenue on receipt.

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

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

Hornsby Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 19. Interests in Other Entities

\$ '000

Council has no interest in any Controlled Entities, Joint Arrangements or Associates.

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2015	Actual 2014
(a) Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		1,072,236	1,033,531
a. Prior Years Depreciation Overstated	20 (c)	36,131	18,535
b. Net Operating Result for the Year		49,186	20,170
c. Transfers between Equity (asset disposals)		1,005	-
Balance at End of the Reporting Period		1,158,558	1,072,236

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

- Infrastructure, Property, Plant & Equipment Revaluation Reserve	506,066	434,155
Total	506,066	434,155

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

- Opening Balance	434,155	411,546
- Revaluations for the year	9(a) 86,814	22,609
- Transfer to Retained Earnings for Asset disposals	(1,005)	-
- Transfer of Land from Operating to Community	20 (c) (13,898)	-
- Balance at End of Year	506,066	434,155

TOTAL VALUE OF RESERVES**506,066** **434,155****(iii) Nature & Purpose of Reserves****Infrastructure, Property, Plant & Equipment Revaluation Reserve**

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

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000	Notes	Actual 2015	Actual 2014
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(c) Correction of Error/s relating to a Previous Reporting Period

Correction of errors disclosed in this year's financial statements:

Roads - Decrease to Accumulated Depreciation	36,131
Land - Transfer from Operating to Community	(13,898)
Total Prior Period Adjustments	22,233

Roads - Decrease to Accumulated Depreciation

During the current year revaluation of infrastructure assets Council aligned useful lives for depreciation with strategic asset management systems. This resulted in the cessation of depreciation charged to Road Sub Base as this layer of the road is no longer excavated during renewal due to modern techniques.

The adjustment reflects the reversal of accumulated depreciation expensed in previous years.

Transfer of Land from Operating to Community

The adjustment reflects the reduction in value of a parcel of land re-zoned from operating to community classification in the prior year, remeasured to fair value in the current year.

Sufficient gains on revaluation had been recognised in previous years for the reduction in value to be taken to the revaluation reserve.

Correction of errors as disclosed in last year's financial statements:

- Buildings Non-specialised decrease to accumulated depreciation	12,145
- Buildings specialised decrease to accumulated depreciation	6,390
Total Prior Period Adjustments - Prior Period Errors	18,535

(d) Voluntary Changes in Accounting Policies

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

Note 21. Financial Result & Financial Position by Fund

Council utilises only a General Fund for its operations.

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000

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

Note 23. Events occurring after the Reporting Date

Events that occur between the end of the reporting period (ending 30 June 2015) 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 12/10/15.

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 2015.

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

These financial statements (& figures therein) do not incorporate any "non-adjusting events" that have occurred after 30 June 2015 and which are only indicative of conditions that arose after 30 June 2015.

Council is aware of the following "non-adjusting events" that merit disclosure;

Local Government Reform

The NSW Government's Fit for the Future program has recommended Hornsby Council voluntarily merge with Ku-ring-gai Council. Hornsby Council has made a submission to the Independent Pricing and Regulatory Tribunal, who are required to report to the NSW Government on whether Councils are "fit for the future". Within the submission, Council indicated if it is deemed unfit for the future, its preference is for an amalgamation with Ku-ring-gai Council. A response is pending at the date of signing the Financial Statements.

Discontinuation of Childcare Services

On 9 July 2015 Council resolved to exit Childcare Centres at Cherrybrook, Eastwood and Hornsby following an expression of interest and tender process. Resolution was passed for the sale of each business, coupled with a long term lease of premises to successful tenderers who will operate the centres from October 2015.

Council also resolved to sell Asquith Childcare Centre, which will cease operation in December 2015 with a gain on sale expected.

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 2015

Note 25. Intangible Assets

	Actual 2015	Actual 2014
\$ '000		
Intangible Assets represent identifiable non-monetary asset without physical substance.		
Intangible Assets are as follows;		
Opening Values:		
Gross Book Value (1/7)	8,608	8,608
Accumulated Amortisation (1/7)	(8,600)	(8,057)
Net Book Value - Opening Balance	8	551
Movements for the year		
- Amortisation charges	(2)	(543)
Closing Values:		
Gross Book Value (30/6)	8,608	8,608
Accumulated Amortisation (30/6)	(8,602)	(8,600)
<u>TOTAL INTANGIBLE ASSETS - NET BOOK VALUE ¹</u>	<u>6</u>	<u>8</u>

¹ The Net Book Value of Intangible Assets represent:

- Software	6	8
	6	8

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 2015

Note 27. Fair Value Measurement

\$ '000

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

- Infrastructure, Property, Plant and Equipment

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

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

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

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

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

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

		Fair Value Measurement Hierarchy			
2015		Level 1	Level 2	Level 3	Total
	Date of latest Valuation	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
Recurring Fair Value Measurements					
Infrastructure, Property, Plant & Equipment					
Plant & Equipment	30/06/15	-	-	4,752	4,752
Office Equipment	30/06/15	-	-	616	616
Furniture & Fittings	30/06/15	-	-	437	437
Operational Land	30/06/13	-	-	124,096	124,096
Community Land	30/06/11	-	-	416,698	416,698
Land Improvements	30/06/15	-	-	28,136	28,136
Buildings (Specialised & non-specialised)	30/06/14	-	-	114,410	114,410
Other Structures	30/06/15	-	-	12,759	12,759
Roads, Bridges, Footpaths & Bulk Earthworks	30/06/15	-	-	433,526	433,526
Stormwater Drainage	30/06/15	-	-	422,225	422,225
Swimming Pools	30/06/14	-	-	30,661	30,661
Water Supply Network	30/06/15	-	-	44	44
Library Books	30/06/15	-	-	1,352	1,352
Total Infrastructure, Property, Plant & Equipment		-	-	1,589,712	1,589,712

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

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

Fair Value Measurements		Fair Value Measurement Hierarchy			
2014		Level 1	Level 2	Level 3	Total
	Date of latest Valuation	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
Recurring Fair Value Measurements					
Financial Assets					
Investments					
- "Designated At Fair Value on Initial Recognition"	30/06/14	-	-	991	991
Total Financial Assets		-	-	991	991
Infrastructure, Property, Plant & Equipment					
Plant & Equipment	30/06/14	-	-	4,623	4,623
Office Equipment	30/06/14	-	-	585	585
Furniture & Fittings	30/06/14	-	-	316	316
Operational Land	30/06/13	-	-	125,016	125,016
Community Land	30/06/11	-	-	430,596	430,596
Land Improvements	30/06/14	-	-	28,657	28,657
Buildings (Specialised & non-specialised)	30/06/14	-	-	118,998	118,998
Other Structures	30/06/14	-	-	13,554	13,554
Roads, Bridges, Footpaths & Bulk Earthworks	30/06/10	-	-	376,410	376,410
Stormwater Drainage	30/06/10	-	-	357,410	357,410
Swimming Pools	30/06/14	-	-	2,254	2,254
Water Supply Network	30/06/14	-	-	48	48
Library Books	30/06/14	-	-	1,310	1,310
Total Infrastructure, Property, Plant & Equipment		-	-	1,459,777	1,459,777

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

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

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 27. Fair Value Measurement

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

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

Where Council is unable to derive fair value from quoted market prices of identical assets (i.e. level 1 inputs), Council utilises a spread of both observable (level 2) and unobservable (level 3) inputs.

The fair valuation techniques employed while utilising level 2 and level 3 inputs are below.

Infrastructure, Property, Plant & Equipment

Buildings (Specialised and Non-Specialised)

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

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

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

Land (Operational and Community)

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

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

Community and operational land were last remeasured to fair value at 30 June 2011 and 30 June 2013, respectively.

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

Infrastructure assets

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

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 27. Fair Value Measurement

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

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

All Other Asset Classes

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

(4). Highest and best use

All non financial assets are utilised at their highest and best use except for two residential properties currently vacant. These properties are to be sold or leased subject to Council resolution and have a written down value of \$1.315m at 30 June 2015. A gain on disposal is expected.

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 28. 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: <http://www.hornsby.nsw.gov.au>

Email: hsc@hornsby.nsw.gov.au

Officers

GENERAL MANAGER

G. Bensley

RESPONSIBLE ACCOUNTING OFFICER

G. Magus

Other Information

ABN: 20 706 996 972

Elected Members

MAYOR

S. Russell

COUNCILLORS

M. Gallagher

N. Tilbury

A. Anisse

N. Berman

R. Browne

G. Singh

M. Hutchence

J. Cox

B. Azizi



The Hornsby Shire Council

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

Report on the financial statements

We have audited the accompanying financial statements of the Hornsby Shire Council, which comprise the statement of financial position as at 30 June 2015 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 at 30 June 2015 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
12 October 2015



The Mayor
Councillor Steve Russell
Hornsby Shire Council
DX 9655
HORNSBY

Dear Councillor Russell

Report on the conduct of the Audit for year ended 30 June 2015 – Section 417(3)

We have completed our audit of the financial reports of the Council for the year ended 30 June 2015, in accordance with Section 415 of the Local Government Act 1993.

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

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

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

Operating result

Council's operating surplus increased from \$20 million in the previous year to \$49 million in the current period. The net operating result before Capital Contributions was a surplus of \$17 million against the previous year's surplus of \$7 million.

Cash position

Council's overall cash position increased from \$47 million to \$94 million during the period under review. The following table highlights the composition of cash.

	2015 \$m	2014 \$m
Externally restricted	48	18
Internally restricted	41	23
Unrestricted	5	6
Total	94	47

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Working capital

Council's net current assets increased from \$23 million to \$70 million during the period under review. The value of net current assets needs to be adjusted in order to establish the available working capital position.

	2015 \$m	2014 \$m
Net current assets	70	23
Less: External restrictions	(44)	(16)
Internal restrictions	(33)	(18)
Add: Current liabilities deferred	16	19
Available working capital	9	8

The effective unrestricted or available working capital upon which Council could build its 2016 budget was \$9 million.

Performance indicators

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

	2015 %	2014 %
Operating Performance Ratio	11	5
Own Source Operating Revenue Ratio	73	84
Unrestricted Current Ratio	333	179
Debt Service Cover Ratio	626	560
Rates Outstanding Ratio	2.2	2.8
Cash Expense Cover Ratio	10	5

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

The Own Source Operating Revenue Ratio reduced to 73% and remained above the industry benchmark of 60%.

The Unrestricted Current Ratio improved and remained above the industry benchmark of 150%.

The Debt Service Cover Ratio improved and remained above the industry benchmark of 200%

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

The Cash Expense Cover Ratio indicated that Council could continue to cover its operating costs for 10 months should cash inflows cease. This compares favourably with the industry benchmark of 3 months.



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

General

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

Yours faithfully

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

PricewaterhouseCoopers

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

P L Buchholz
Partner
12 October 2015

Sydney

Hornsby Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2015



Hornsby Shire Council

Special Purpose Financial Statements

for the financial year ended 30 June 2015

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
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Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Division of Local Government in fulfilling their requirements under National Competition Policy.
- (ii) The principle of competitive neutrality is based on the concept of a "level playing field" between persons/entities competing in a market place, particularly between private and public sector competitors.

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

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

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

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

Hornsby Shire Council

Special Purpose Financial Statements

for the financial year ended 30 June 2015

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:

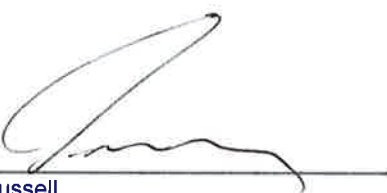
- The NSW Government Policy Statement "Application of National Competition Policy to Local Government".
- The Division of Local Government Guidelines "Pricing & Costing for Council Businesses - A Guide to Competitive Neutrality".
- The Local Government Code of Accounting Practice and Financial Reporting.
- 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 09 September 2015.



S. Russell
MAYOR



M. Hutchence
COUNCILLOR



G. Bensley
ACTING 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 2015

	Nurseries & Preschools		Aquatic Centres & Sports Stadium	
	Category 1		Category 1	
\$ '000	Actual 2015	Actual 2014	Actual 2015	Actual 2014
Income from continuing operations				
Access charges	-	-	-	-
User charges	3,185	3,076	4,169	1,625
Fees	11	11	-	-
Interest	-	-	-	-
Grants and contributions provided for non capital purposes	1,783	1,490	-	-
Profit from the sale of assets	-	15	-	79
Other income	16	24	288	227
Total income from continuing operations	4,995	4,616	4,457	1,931
Expenses from continuing operations				
Employee benefits and on-costs	3,753	3,433	3,278	1,757
Borrowing costs	-	-	-	-
Materials and contracts	564	730	901	605
Depreciation and impairment	155	184	1,004	491
Loss on sale of assets	-	-	-	-
Calculated taxation equivalents	269	177	223	159
Debt guarantee fee (if applicable)	-	-	-	-
Other expenses	221	192	835	317
Total expenses from continuing operations	4,962	4,716	6,241	3,329
Surplus (deficit) from Continuing Operations before capital amounts	33	(100)	(1,784)	(1,398)
Grants and contributions provided for capital purposes	-	-	-	-
Surplus (deficit) from Continuing Operations after capital amounts	33	(100)	(1,784)	(1,398)
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	33	(100)	(1,784)	(1,398)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(10)	-	-	-
SURPLUS (DEFICIT) AFTER TAX	23	(100)	(1,784)	(1,398)
plus Opening Retained Profits	3,830	(322)	4,180	(4,272)
plus/less: Prior Period Adjustments	-	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	269	177	223	159
- Debt guarantee fees	-	-	-	-
- Corporate taxation equivalent	10	-	-	-
add:				
- Subsidy Paid/Contribution To Operations	-	4,075	1,610	9,691
- Capital Contributions (Hornsby Aquatic Centre)	-	-	29,054	-
less:				
- TER dividend paid	(544)	-	-	-
- Dividend paid	-	-	-	-
Closing Retained Profits	3,588	3,830	33,283	4,180
Return on Capital %	0.3%	-0.9%	-4.5%	-12.7%
Subsidy from Council	311	511	2,979	1,791

Hornsby Shire Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2015

	Commercial Waste Category 2		Development Applications Category 2	
\$ '000	Actual 2015	Actual 2014	Actual 2015	Actual 2014
Income from continuing operations				
Access charges	-	-	-	-
User charges	1,359	1,367	-	-
Fees	-	-	484	356
Interest	-	-	-	-
Grants and contributions provided for non capital purposes	-	-	-	-
Profit from the sale of assets	-	-	14	49
Other income	387	376	-	-
Total income from continuing operations	1,746	1,743	498	405
Expenses from continuing operations				
Employee benefits and on-costs	43	42	554	485
Borrowing costs	-	-	-	-
Materials and contracts	1,326	1,339	109	69
Depreciation and impairment	23	7	34	41
Loss on sale of assets	-	-	-	-
Calculated taxation equivalents	-	-	-	-
Debt guarantee fee (if applicable)	-	-	-	-
Other expenses	1	2	2	1
Total expenses from continuing operations	1,393	1,390	699	596
Surplus (deficit) from Continuing Operations before capital amounts	353	353	(201)	(191)
Grants and contributions provided for capital purposes	-	-	-	-
Surplus (deficit) from Continuing Operations after capital amounts	353	353	(201)	(191)
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	353	353	(201)	(191)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(106)	(106)	-	-
SURPLUS (DEFICIT) AFTER TAX	247	247	(201)	(191)
plus Opening Retained Profits	208	80	10	123
plus/less: Prior Period Adjustments	-	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	-	-	-	-
- Debt guarantee fees	-	-	-	-
- Corporate taxation equivalent	106	106	-	-
add:				
- Subsidy Paid/Contribution To Operations	-	137	202	78
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	(248)	(362)	-	-
Closing Retained Profits	313	208	11	10
Return on Capital %	232.2%	1857.9%	-168.9%	-128.2%
Subsidy from Council	-	-	205	196

Hornsby Shire Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2015

Property
Services

Category 1

\$ '000	Actual	
	2015	2014
Income from continuing operations		
Access charges	-	-
User charges	474	386
Fees	39	41
Interest	-	-
Grants and contributions provided for non capital purposes	21	-
Profit from the sale of assets	2,215	33
Other income	8	2
Total income from continuing operations	2,757	462
Expenses from continuing operations		
Employee benefits and on-costs	115	140
Borrowing costs	-	-
Materials and contracts	(48)	(32)
Depreciation and impairment	819	589
Loss on sale of assets	-	-
Calculated taxation equivalents	577	601
Debt guarantee fee (if applicable)	-	-
Other expenses	93	121
Total expenses from continuing operations	1,556	1,419
Surplus (deficit) from Continuing Operations before capital amounts	1,201	(957)
Grants and contributions provided for capital purposes	-	-
Surplus (deficit) from Continuing Operations after capital amounts	1,201	(957)
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	1,201	(957)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(360)	-
SURPLUS (DEFICIT) AFTER TAX	841	(957)
plus Opening Retained Profits	27,891	28,159
plus/less: Prior Period Adjustments	-	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	577	601
- Debt guarantee fees	-	-
- Corporate taxation equivalent	360	-
add:		
- Subsidy Paid/Contribution To Operations	-	88
less:		
- TER dividend paid	-	-
- Dividend paid (Proceeds from Disposal of Assets)	(2,597)	-
Closing Retained Profits	27,072	27,891
Return on Capital %	2.9%	-2.2%
Subsidy from Council	48	2,473

Hornsby Shire Council

Statement of Financial Position - Council's Other Business Activities

as at 30 June 2015

	Nurseries & Preschools Category 1		Aquatic Centres & Sports Stadium Category 1	
\$ '000	Actual 2015	Actual 2014	Actual 2015	Actual 2014
ASSETS				
Current Assets				
Cash and cash equivalents	-	-	575	-
Investments	-	-	-	-
Receivables	-	69	58	36
Inventories	-	-	15	15
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
Total Current Assets	-	69	648	51
Non-Current Assets				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	11,389	11,554	39,561	11,051
Investment property	-	-	-	-
Intangible Assets	-	-	-	-
Other	-	-	-	-
Total Non-Current Assets	11,389	11,554	39,561	11,051
TOTAL ASSETS	11,389	11,623	40,209	11,102
LIABILITIES				
Current Liabilities				
Bank Overdraft	-	-	-	-
Payables	-	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	408	400	221	217
Total Current Liabilities	408	400	221	217
Non-Current Liabilities				
Payables	-	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	-	-	-	-
Other Liabilities	-	-	-	-
Total Non-Current Liabilities	-	-	-	-
TOTAL LIABILITIES	408	400	221	217
NET ASSETS	10,981	11,223	39,988	10,885
EQUITY				
Retained earnings	3,588	3,830	33,283	4,180
Revaluation reserves	7,393	7,393	6,705	6,705
Council equity interest	10,981	11,223	39,988	10,885
Non-controlling equity interest	-	-	-	-
TOTAL EQUITY	10,981	11,223	39,988	10,885

Hornsby Shire Council

Statement of Financial Position - Council's Other Business Activities

as at 30 June 2015

	Commercial Waste Category 2		Development Applications Category 2	
\$ '000	Actual 2015	Actual 2014	Actual 2015	Actual 2014
ASSETS				
Current Assets				
Cash and cash equivalents	-	-	-	-
Investments	-	-	-	-
Receivables	186	214	48	14
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
Total Current Assets	186	214	48	14
Non-Current Assets				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	152	19	119	149
Investment property	-	-	-	-
Intangible Assets	-	-	-	-
Other	-	-	-	-
Total Non-Current Assets	152	19	119	149
TOTAL ASSETS	338	233	167	163
LIABILITIES				
Current Liabilities				
Bank Overdraft	-	-	-	-
Payables	-	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	25	25	156	153
Total Current Liabilities	25	25	156	153
Non-Current Liabilities				
Payables	-	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	-	-	-	-
Other Liabilities	-	-	-	-
Total Non-Current Liabilities	-	-	-	-
TOTAL LIABILITIES	25	25	156	153
NET ASSETS	313	208	11	10
EQUITY				
Retained earnings	313	208	11	10
Revaluation reserves	-	-	-	-
Council equity interest	313	208	11	10
Non-controlling equity interest	-	-	-	-
TOTAL EQUITY	313	208	11	10

Hornsby Shire Council

Statement of Financial Position - Council's Other Business Activities

as at 30 June 2015

	Property Services Category 1	
\$ '000	Actual 2015	Actual 2014
ASSETS		
Current Assets		
Cash and cash equivalents	-	-
Investments	-	-
Receivables	138	10
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	138	10
Non-Current Assets		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	41,364	42,579
Investment property	-	-
Intangible Assets	-	-
Other	-	-
Total Non-Current Assets	41,364	42,579
TOTAL ASSETS	41,502	42,589
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	-	-
Interest bearing liabilities	-	-
Provisions	71	70
Total Current Liabilities	71	70
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	-	-
Provisions	-	-
Other Liabilities	-	-
Total Non-Current Liabilities	-	-
TOTAL LIABILITIES	71	70
NET ASSETS	41,431	42,519
EQUITY		
Retained earnings	27,072	27,891
Revaluation reserves	14,359	14,628
Council equity interest	41,431	42,519
Non-controlling equity interest	-	-
TOTAL EQUITY	41,431	42,519

Hornsby Shire Council

Special Purpose Financial Statements for the financial year ended 30 June 2015

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 2015

Note 1. Significant Accounting Policies

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

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

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

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

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

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

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

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

National Competition Policy

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

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

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

The pricing & costing guidelines outline the process for identifying and allocating costs to activities and provide a standard of disclosure requirements. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents; council subsidies; return on investments (rate of return); and dividends paid.

Declared Business Activities

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

Category 1

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

a. Nurseries & Preschools

Operation of children's nurseries & preschools

b. Aquatic & Sports Centres

Operation of swimming pools, gymnasiums & indoor sports centres

c. Property Services

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

Category 2

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

d. Commercial Waste Service

Services provided for the collection of commercial waste and sullage

e. Development Assessments

Development assessment & inspection services

Monetary Amounts

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

Hornsby Shire Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2015

Note 1. Significant Accounting Policies

(i) Taxation Equivalent Charges

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

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 **\$432,000** of combined land values attracts **0%**. From \$432,001 to \$2,641,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,641,000, a premium marginal rate of **2.0%** applies.

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

Income Tax

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

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

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

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

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

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

Local Government Rates & Charges

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

Loan & Debt Guarantee Fees

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

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

(ii) Subsidies

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

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

Accordingly, Subsidies disclosed (in relation to National Competition Policy) represents the difference between revenue generated from 'rate of

Hornsby Shire Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2015

Note 1. Significant Accounting Policies

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.

(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 3.02% at 30 June 2015.

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

(iv) Dividends

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



The Hornsby Shire Council

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

Report on the financial statements

We have audited the accompanying financial statements, being the special purpose financial statements, of the Hornsby Shire Council (the Council), which comprises the Statement of Financial Position by Business Activity for the year ended 30 June 2015, the Income Statements by Business Activity for the year then ended, Notes to the financial statements for the Business Activities identified by Council and the Statement by Councillors and Management made pursuant to the Local Government Code of Accounting Practice and Financial Reporting for the year ended 30 June 2015.

Councillors' responsibility for the financial report

The Councillors of the Council are responsible for the preparation and fair presentation of the financial statements and have determined that the accounting policies described in note 1 to the financial statements which form part of the financial statements, 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 statements that are free from material misstatement, whether due to error or fraud.

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. 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 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.

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

PricewaterhouseCoopers, ABN 52 780 433 757

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Auditor's opinion:

In our opinion, the financial statements presents fairly, in all material respects, the financial position by Business Activity of The Hornsby Shire Council as of 30 June 2015 and its financial performance by Business Activity for the year then ended in accordance with the requirements of those applicable Accounting Standards detailed in Note 1 to the financial statements, 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 statements, which describe the basis of accounting. The financial statements have 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 statements may not be suitable for another purpose. Our report is intended solely for the Council.

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

PricewaterhouseCoopers

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

Peter Buchholz
Partner

Sydney
12 October 2015

Hornsby Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2015



Hornsby Shire Council

Special Schedules

for the financial year ended 30 June 2015

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- Special Schedule No. 3	Water Supply Operations - incl. Income Statement	n/a
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¹ Special Schedules are not audited (with the exception of Special Schedule 9).

Background

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

Hornsby Shire Council

Special Schedule No. 1 - Net Cost of Services

for the financial year ended 30 June 2015

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Governance	1,893	-	-	(1,893)
Administration	16,202	7,885	-	(8,317)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	3,033	600	49	(2,384)
Beach Control	-	-	-	-
Enforcement of Local Govt. Regulations	-	-	-	-
Animal Control	324	80	-	(244)
Other	-	-	-	-
Total Public Order & Safety	3,357	680	49	(2,628)
Health	513	310	-	(203)
Environment				
Noxious Plants and Insect/Vermin Control	-	-	-	-
Other Environmental Protection	5,528	4,181	27	(1,320)
Solid Waste Management	22,188	25,514	-	3,326
Street Cleaning	1,495	-	-	(1,495)
Drainage	5,111	44	-	(5,067)
Stormwater Management	-	-	-	-
Total Environment	34,322	29,739	27	(4,556)
Community Services and Education				
Administration & Education	1,025	-	-	(1,025)
Social Protection (Welfare)	1,273	489	-	(784)
Aged Persons and Disabled	749	698	-	(51)
Children's Services	5,091	5,007	-	(84)
Total Community Services & Education	8,138	6,194	-	(1,944)
Housing and Community Amenities				
Public Cemeteries	-	-	-	-
Public Conveniences	-	-	-	-
Street Lighting	2,867	346	-	(2,521)
Town Planning	7,862	5,004	28,622	25,764
Other Community Amenities	1,278	42	138	(1,098)
Total Housing and Community Amenities	12,007	5,392	28,760	22,145
Water Supplies	-	-	-	-
Sewerage Services	-	-	-	-

Hornsby Shire Council

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

for the financial year ended 30 June 2015

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Recreation and Culture				
Public Libraries	7,490	528	101	(6,861)
Museums	-	-	-	-
Art Galleries	-	-	-	-
Community Centres and Halls	2,042	1,591	4	(447)
Performing Arts Venues	-	-	-	-
Other Performing Arts	-	-	-	-
Other Cultural Services	-	-	-	-
Sporting Grounds and Venues	2,789	1,673	157	(959)
Swimming Pools	5,082	3,755	-	(1,327)
Parks & Gardens (Lakes)	1,873	344	40	(1,489)
Other Sport and Recreation	7,416	611	302	(6,503)
Total Recreation and Culture	26,692	8,502	604	(17,586)
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	7,353	1,753	1,774	(3,826)
Urban Roads - Regional	-	-	-	-
Sealed Rural Roads (SRR) - Local	-	-	-	-
Sealed Rural Roads (SRR) - Regional	-	-	-	-
Unsealed Rural Roads (URR) - Local	196	-	-	(196)
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	42	-	-	(42)
Footpaths	1,463	-	-	(1,463)
Aerodromes	-	-	-	-
Other Transport & Communication	5,302	2,310	755	(2,237)
Total Transport and Communication	14,480	4,063	2,529	(7,888)
Economic Affairs				
Camping Areas & Caravan Parks	-	-	-	-
Other Economic Affairs	2,934	1,338	75	(1,521)
Total Economic Affairs	2,934	1,338	75	(1,521)
Totals – Functions	120,538	64,103	32,044	(24,391)
General Purpose Revenues ⁽²⁾		73,577		73,577
Share of interests - joint ventures & associates using the equity method	-	-		-
NET OPERATING RESULT ⁽¹⁾	120,538	137,680	32,044	49,186

(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

Hornsby Shire Council

Special Schedule No. 2(a) - Statement of Long Term Debt (all purpose)
for the financial year ended 30 June 2015

\$'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	4,461	5,719	10,180	-	4,461	-	-	671	1,187	4,532	5,719
Other	-	-	-	-	-	-	-	-	-	-	-
Total Loans	4,461	5,719	10,180	-	4,461	-	-	671	1,187	4,532	5,719
Other Long Term Debt											
Ratepayers Advances	-	-	-	-	-	-	-	-	-	-	-
Government Advances	-	-	-	-	-	-	-	-	-	-	-
Finance Leases	-	-	-	-	-	-	-	-	-	-	-
Deferred Payments	400	1,400	1,800	-	400	-	-	-	400	1,000	1,400
Total Long Term Debt	400	1,400	1,800	-	400	-	-	-	400	1,000	1,400
Total Debt	4,861	7,119	11,980	-	4,861	-	-	671	1,587	5,532	7,119

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

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

Hornsby Shire Council

Special Schedule No. 7 - Report on Infrastructure Assets

as at 30 June 2015

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard refer (1)	Required Annual Maintenance refer (2)	Actual Maintenance 2014/15 refer (3)	Written Down Value (WDV) refer (4)	Assets in Condition as a % of WDV				
						1	2	3	4	5
								refer (4) & (5)		
Buildings	Council Offices / Administration Centres	178	273	87	16,139	0%	25%	75%	0%	0%
	Council Works Depot	-	101	113	3,516	0%	19%	81%	0%	0%
	Council Public Halls	766	710	256	27,987	0%	90%	10%	0%	0%
	Libraries	87	134	69	10,121	60%	18%	22%	0%	0%
	Childcare Centres & Pre Schools	10	26	26	3,218	60%	18%	22%	0%	0%
	Amenities	200	456	456	16,578	0%	3%	97%	0%	0%
	Commercial/Residential Buildings*	-	32	32	20,415	0%	10%	83%	6%	1%
	Rural Fire Service Buildings	-	203	49	8,298	0%	100%	0%	0%	0%
	Indoor Sports Stadium	227	63	38	8,138	0%	100%	0%	0%	0%
	sub total	1,468	1,998	1,126	114,410	7.0%	44.8%	46.9%	1.1%	0.2%
Other Structures	Other Structures	214	250	40	9,406	24%	58%	18%	0%	0%
	Wharves, pontoons & Seawalls	600	200	187	3,353	34%	40%	15%	11%	0%
	sub total	814	450	227	12,759	26.6%	53.3%	17.2%	2.9%	0.0%
Roads	Sealed Roads Surface	591	4,149	3,984	268,258	52%	35%	10%	3%	0%
	Unsealed Roads	-	150	151	1,142	0%	0%	100%	0%	0%
	Bridges	-	93	89	5,989	0%	93%	7%	0%	0%
	Footpaths	52	300	276	23,485	2%	27%	70%	1%	0%
	Cycle ways	-	9	9	598	100%	0%	0%	0%	0%
	Kerb and Gutter	81	566	544	36,599	0%	43%	55%	2%	0%
	Traffic Facilities	19	133	127	8,575	9%	90%	1%	0%	0%
	Signs	2	16	16	1,060	87%	6%	7%	0%	0%
	Traffic Barrier Fencing	5	33	32	2,165	22%	76%	2%	0%	0%
	Car Parks	-	30	27	566	5%	0%	94%	1%	0%
	sub total	750	5,480	5,255	348,437	41.0%	37.6%	18.9%	2.6%	0.0%

*All maintenance except for major structural maintenance is the responsibility of lessee's for Commercial Buildings

Hornsby Shire Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)
as at 30 June 2015

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard refer (1)	Required Annual Maintenance refer (2)	Actual Maintenance 2014/15 refer (3)	Written Down Value (WDV) refer (4)	Assets in Condition as a % of WDV				
						1	2	3	4	5
Stormwater Drainage	Pits	455	114	106	48,081	24%	67%	9%	0%	0%
	Pipes	3,205	801	745	338,323	6%	83%	11%	0%	0%
	Culverts	214	56	50	22,825	57%	37%	6%	0%	0%
	Head Walls	21	5	5	2,171	19%	74%	6%	1%	0%
	Channels	30	8	7	3,191	0%	36%	64%	0%	0%
	Other	72	18	17	7,633	6%	83%	11%	0%	0%
	sub total	3,998	1,002	930	422,225	10.8%	78.3%	10.9%	0.0%	0.0%
Open Space/ Recreational Assets	Acquatic Centres**	-	324	100	30,661	97%	0%	3%	0%	0%
	sub total	-	324	100	30,661	97.0%	0.0%	3.0%	0.0%	0.0%
	TOTAL - ALL ASSETS	7,030	9,254	7,638	928,492	24.7%	56.0%	18.1%	1.1%	0.0%

** The estimated cost to bring Epping Aquatic Centre to a satisfactory standard is \$Nil as possible future enhancement does not meet the definition of this category (refer (1))

Notes:

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

(5). Infrastructure Asset Condition Assessment "Key"

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

4	Poor	Renewal required
5	Very Poor	Urgent renewal/upgrading required

Hornsby Shire Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)

for the financial year ended 30 June 2015

\$ '000	Amounts 2015	Indicator 2015	Prior Periods	
			2014	2013
Infrastructure Asset Performance Indicators Consolidated				
1. Building, Infrastructure & Other Structures Renewals Ratio				
Asset Renewals				
(Building, Infrastructure & Other Structures) ⁽¹⁾	13,873	84.56%	75.60%	52.67%
Depreciation, Amortisation & Impairment	16,406			
2. Infrastructure Backlog Ratio				
Estimated Cost to bring Assets to a Satisfactory Condition	7,030			
Total value ⁽²⁾ of Infrastructure, Building, Other Structures & depreciable Land Improvement Assets	928,492	0.76%	0.52%	0.70%
3. Asset Maintenance Ratio				
Actual Asset Maintenance	7,638			
Required Asset Maintenance	9,254	0.83	0.79	0.86
4. Capital Expenditure Ratio				
Annual Capital Expenditure	18,319			
Annual Depreciation	19,429	0.94	1.70	1.15

Notes

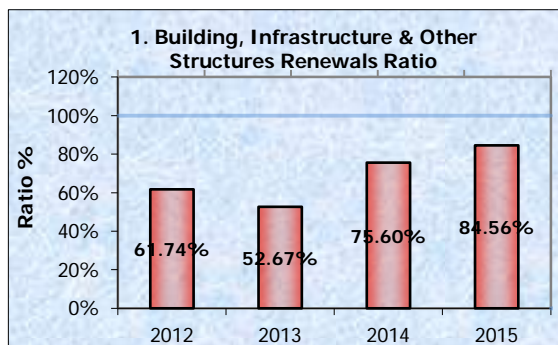
⁽¹⁾ Asset Renewals represent the replacement &/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance. Asset Renewals include building, infrastructure & Other Structure assets only.

⁽²⁾ Written Down Value

Hornsby Shire Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)

for the financial year ended 30 June 2015



Benchmark: — Minimum $\geq 100.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Purpose of Asset Renewals Ratio

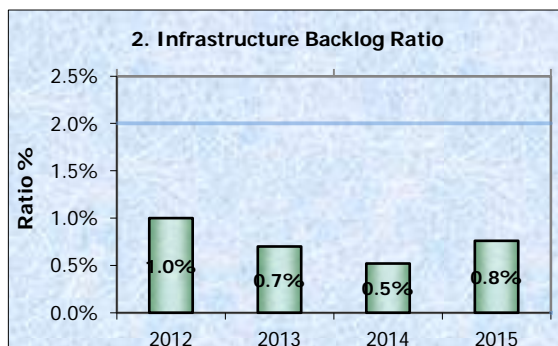
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

Commentary on 2014/15 Result

2014/15 Ratio 84.56%

Depreciation exceeds asset renewals for infrastructure assets. However, the ratio has improved in line with the continued development of strategic asset management plans and systems.

Ratio is within Benchmark
Ratio is outside Benchmark



Benchmark: — Maximum < 0.02

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Purpose of Infrastructure Backlog Ratio

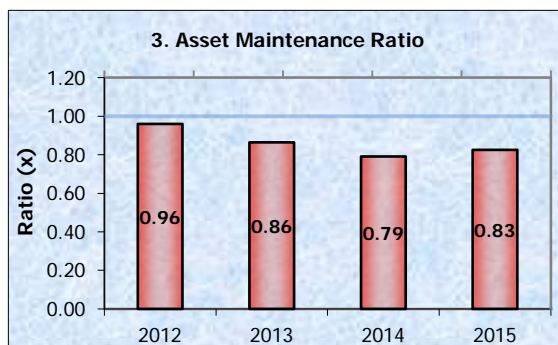
This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

Commentary on 2014/15 Result

2014/15 Ratio 0.76%

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

Ratio is within Benchmark
Ratio is outside Benchmark



Benchmark: — Minimum > 1.00

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Purpose of Asset Maintenance Ratio

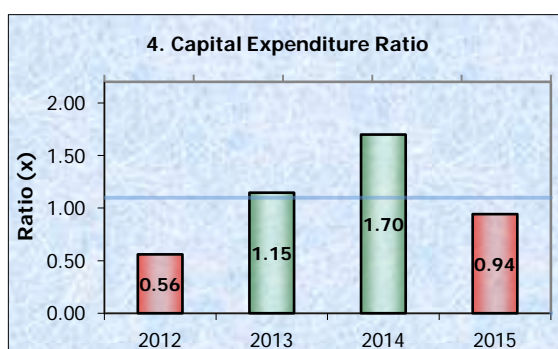
Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the Infrastructure Backlog growing.

Commentary on 2014/15 Result

2014/15 Ratio 0.83 x

The ratio indicates Council is not spending enough on maintenance to stop the infrastructure backlog from growing. However, the ratio has improved in line with the continued development of strategic asset management plans and systems.

Ratio is within Benchmark
Ratio is outside Benchmark



Benchmark: — Minimum > 1.10

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Purpose of Capital Expenditure Ratio

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

Commentary on 2014/15 Result

2014/15 Ratio 0.94 x

The ratio is below the benchmark due to the timing of expenditure and a significant amount of capital works in the previous two years.

Ratio is within Benchmark
Ratio is outside Benchmark

Hornsby Shire Council

Special Schedule No. 9 - Permissible Income Calculation

for the financial year ended 30 June 2016

\$'000		Calculation 2014/15	Calculation 2015/16
Notional General Income Calculation ⁽¹⁾			
Last Year Notional General Income Yield	a	72,212	74,011
Plus or minus Adjustments ⁽²⁾	b	225	271
Notional General Income	c = (a + b)	72,437	74,282
Permissible Income Calculation			
Special variation percentage ⁽³⁾	d	0.00%	0.00%
or Rate peg percentage	e	2.30%	2.40%
or Crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
less expiring Special variation amount	g	-	(3,528)
plus Special variation amount	h = d x (c-g)	-	-
or plus Rate peg amount	i = c x e	1,666	1,698
or plus Crown land adjustment and rate peg amount	j = c x f	-	-
sub-total	k = (c+g+h+i+j)	74,103	72,452
plus (or minus) last year's Carry Forward Total	l	2	0
less Valuation Objections claimed in the previous year	m	(92)	-
sub-total	n = (l + m)	(90)	0
Total Permissible income	o = k + n	74,013	72,452
less Notional General Income Yield	p	74,011	-
Catch-up or (excess) result	q = o - p	2	72,452
plus Income lost due to valuation objections claimed ⁽⁴⁾	r	-	-
less Unused catch-up ⁽⁵⁾	s	(2)	-
Carry forward to next year	t = q + r - s	0	72,452

Notes

- The Notional General Income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called "supplementary valuations" as defined in the Valuation of Land Act 1916.
- The Special Variation Percentage is inclusive of the Rate Peg percentage and where applicable crown land adjustment.
- Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- Carry forward amounts which are in excess (an amount that exceeds the permissible income) require Ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from councils' Special Schedule 9 in the Financial Data Return (FDR) to administer this process.

Hornsby Shire Council

Special Schedule No. 9 - Independent Auditors Report for the financial year ended 30 June 2016

Report on Special Schedule No. 9

We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 9) of Hornsby Shire Council for the year ending 30 June 2016.

Responsibility of Council for Special Schedule No. 9

The Council is responsible for the preparation and fair presentation of Special Schedule No. 9 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 23. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Special Schedule No. 9 that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

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

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

Independence

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



The Hornsby Shire Council

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

Report on the Special Schedule No. 9

We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 9) of the Hornsby Shire Council ("the Council") for the year ending 30 June 2016.

Councillors' responsibility for Special Schedule No. 9

The Councillors of the Council are responsible for the preparation and fair presentation of Special Schedule No. 9 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 23. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Special Schedule No. 9 that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757

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Audit Opinion

In our opinion, Special Schedule No. 9 of the Hornsby Shire Council for the year ending 30 June 2016 is properly drawn up in all material respects in accordance with the requirements of the Office of Local Government and in accordance with the books and records of the Council.

Restriction on distribution

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

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

PricewaterhouseCoopers

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

Peter Buchholz
Partner

Sydney
12 October 2015



Image; Brooklyn by Francis Keogh