

Hornsby Shire Council

GENERAL PURPOSE FINANCIAL REPORT
for the year ended 30 June 2008

"Creating a living environment"



Hornsby Shire Council

General Purpose Financial Report for the financial year ended 30 June 2008

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Overview

- (i) This Financial Report covers the consolidated operations for Hornsby Shire Council, whose principal place of business is 296 Pacific Highway, Hornsby, NSW. 2077.
- (ii) Hornsby Shire Council is a body corporate of NSW, Australia - being constituted as a Local Government area by proclamation and is duly empowered by the Local Government Act (LGA) 1993 of NSW.

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

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

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

- (iii) All figures presented in this Financial Report represent Australian Currency.
- (iv) This Financial Report was authorised for issue by the Council on 16/10/08. Council has the power to amend and reissue the financial report.

Hornsby Shire Council

General Purpose Financial Report for the financial year ended 30 June 2008

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 Report has 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, this Report:

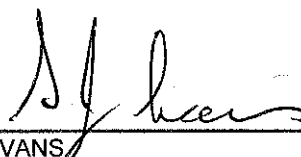
- presents fairly the Council's operating result and financial position for the year, and
- accords with Council's accounting and other records.

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

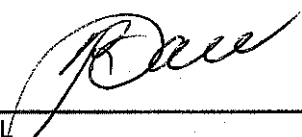
Signed in accordance with a resolution of Council made on 8 October 2008.



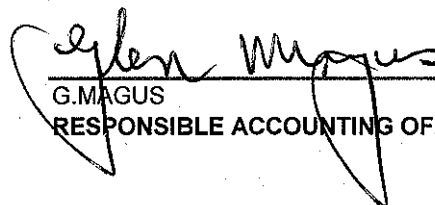
N. BERMAN
MAYOR



S. EVANS
DEPUTY MAYOR



R.J. BALL
GENERAL MANAGER



G. MAGUS
RESPONSIBLE ACCOUNTING OFFICER

Hornsby Shire Council

Income Statement

for the financial year ended 30 June 2008

Budget ⁽¹⁾ 2008	\$ '000	Notes	Actual 2008	Actual 2007
Income from Continuing Operations				
Revenue:				
67,115	Rates & Annual Charges	3a	66,836	64,670
11,463	User Charges & Fees	3b	11,124	11,044
2,798	Interest & Investment Revenue	3c	-	3,558
4,434	Other Revenues	3d	5,342	5,031
7,658	Grants & Contributions provided for Operating Purposes	3e,f	9,267	8,917
3,430	Grants & Contributions provided for Capital Purposes	3e,f	4,531	3,094
Other Income:				
4,788	Net gains from the disposal of assets	5	17	113
-	Share of interests in Joint Ventures & Associated Entities using the Equity Method	19	-	-
101,686	Total Income from Continuing Operations		97,117	96,427
Expenses from Continuing Operations				
40,649	Employee Benefits & On-Costs	4a	39,059	38,482
1,578	Borrowing Costs	4b	1,528	1,617
29,469	Materials & Contracts	4c	31,396	31,967
11,640	Depreciation & Amortisation	4d	12,418	11,922
-	Impairment	4d	-	-
11,398	Other Expenses	4e	11,200	10,885
-	Interest & Investment Losses ⁽²⁾	3c	1,308	-
94,734	Total Expenses from Continuing Operations		96,909	94,873
6,952	Operating Result from Continuing Operations		208	1,554
Discontinued Operations				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
6,952	Net Operating Result for the Year		208	1,554
6,952	Net Operating Result attributable to Council		208	1,554
-	Net Operating Result attributable to Minority Interests		-	-
3,522	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		(4,323)	(1,540)

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

(2) Net of income and fair value adjustment- refer Note 3

Hornsby Shire Council

Balance Sheet

as at 30 June 2008

\$ '000	Notes	Actual 2008	Actual 2007
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	10,910	393
Investments	6b	23,370	37,714
Receivables	7	5,239	5,426
Inventories	8	870	877
Other	8	-	-
Non-current assets classified as "held for sale"	22	-	-
Total Current Assets		40,389	44,410
Non-Current Assets			
Investments	6b	-	-
Receivables	7	333	279
Inventories	8	-	-
Infrastructure, Property, Plant & Equipment	9	1,700,044	1,586,230
Investments Accounted for using the equity method	19	-	-
Investment Property	14	-	-
Intangible Assets	25	4,836	5,694
Other	8	-	-
Total Non-Current Assets		1,705,213	1,592,203
TOTAL ASSETS		1,745,602	1,636,613
LIABILITIES			
Current Liabilities			
Payables	10	6,990	6,981
Borrowings	10	2,702	2,565
Provisions	10	10,448	10,685
Total Current Liabilities		20,140	20,231
Non-Current Liabilities			
Payables	10	-	-
Borrowings	10	21,104	21,807
Provisions	10	608	473
Total Non-Current Liabilities		21,712	22,280
TOTAL LIABILITIES		41,852	42,511
Net Assets		1,703,750	1,594,102
EQUITY			
Retained Earnings	20	1,570,893	1,594,102
Revaluation Reserves	20	132,857	-
Council Equity Interest		1,703,750	1,594,102
Minority Equity Interest		-	-
Total Equity		1,703,750	1,594,102

Hornsby Shire Council

Statement of Changes in Equity
for the financial year ended 30 June 2008

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Equity Interest	Minority Interest	Total Equity
2008						
Opening Balance (as per Last Year's Audited Accounts)		1,592,514	-	1,592,514	-	1,592,514
a. Correction of Prior Period Errors	20 (c)	1,588	-	1,588	-	1,588
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/07)		1,594,102	-	1,594,102	-	1,594,102
c. Current Year Income & Expenses Recognised direct to Equity						
- Transfers to/(from) Asset Revaluation Reserve	20b (ii)	-	132,857	132,857	-	132,857
- Transfers to/(from) Other Reserves	20b (ii)	-	-	-	-	-
- Other Income/Expenses recognised	20b (ii)	-	-	-	-	-
- Other Adjustments	20b (ii)	(23,417)	-	(23,417)	-	(23,417)
Net Income Recognised Directly in Equity		(23,417)	132,857	109,440	-	109,440
d. Net Operating Result for the Year		208	-	208	-	208
Total Recognised Income & Expenses (c&d)		(23,209)	132,857	109,648	-	109,648
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		1,570,893	132,857	1,703,750	-	1,703,750

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Equity Interest	Minority Interest	Total Equity
2007						
Opening Balance (as per Last Year's Audited Accounts)		1,590,960	-	1,590,960	-	1,590,960
a. Correction of Prior Period Errors	20 (c)	1,588	-	1,588	-	1,588
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/06)		1,592,548	-	1,592,548	-	1,592,548
c. Current Year Income & Expenses Recognised direct to Equity						
- Transfers to/(from) Asset Revaluation Reserve	20b (ii)	-	-	-	-	-
- Transfers to/(from) Other Reserves	20b (ii)	-	-	-	-	-
- Other Income/Expenses recognised	20b (ii)	-	-	-	-	-
- Other Adjustments	20b (ii)	-	-	-	-	-
Net Income Recognised Directly in Equity		-	-	-	-	-
d. Net Operating Result for the Year		1,554	-	1,554	-	1,554
Total Recognised Income & Expenses (c&d)		1,554	-	1,554	-	1,554
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		1,594,102	-	1,594,102	-	1,594,102

Hornsby Shire Council

Cash Flow Statement

for the financial year ended 30 June 2008

Budget 2008	\$ '000	Notes	Actual 2008	Actual 2007
Cash Flows from Operating Activities				
Receipts:				
67,115	Rates & Annual Charges		66,832	64,502
14,141	User Charges & Fees		11,599	14,004
2,798	Interest & Investment Revenue Received		1,773	3,932
12,197	Grants & Contributions		13,818	12,088
3,346	Other		10,234	7,445
Payments:				
(40,649)	Employee Benefits & On-Costs		(39,365)	(38,171)
(32,416)	Materials & Contracts		(34,730)	(33,302)
(1,578)	Borrowing Costs		(1,570)	(1,604)
(12,538)	Other		(13,361)	(15,074)
12,416	Net Cash provided (or used in) Operating Activities	11b	15,230	13,820
Cash Flows from Investing Activities				
Receipts:				
-	Sale of Investment Securities		21,427	52,100
4,788	Sale of Infrastructure, Property, Plant & Equipment		2,947	3,264
-	Deferred Debtors Receipts		5	-
Payments:				
-	Purchase of Investment Securities		(10,388)	(53,081)
(20,877)	Purchase of Infrastructure, Property, Plant & Equipment		(18,138)	(15,663)
(16,089)	Net Cash provided (or used in) Investing Activities		(4,147)	(13,380)
Cash Flows from Financing Activities				
Receipts:				
2,000	Proceeds from Borrowings & Advances		2,000	1,000
Payments:				
(2,567)	Repayment of Borrowings & Advances		(2,566)	(2,748)
(567)	Net Cash Flow provided (used in) Financing Activities		(566)	(1,748)
(4,240)	Net Increase/(Decrease) in Cash & Cash Equivalents		10,517	(1,308)
393	plus: Cash & Cash Equivalents - beginning of year	11a	393	1,701
(3,847)	Cash & Cash Equivalents - end of the year	11a	10,910	393

Please refer to Note 11 for information on the following:

- Non Cash Financing & Investing Activities.
- Financing Arrangements.

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

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n/a - not applicable

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 1. Summary of Significant Accounting Policies

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

Under Australian Equivalents to International Financial Reporting Standards (AIFRS), 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 reports.

(a) Basis of preparation

(i) Background

This financial report is a general purpose financial report which has been prepared in accordance with;

- applicable Australian equivalents to International Financial Reporting Standards (AIFRSs),
- other authoritative pronouncements of the Australian Accounting Standards Board,
- Urgent Issues Group Interpretations,
- the Local Government Act (1993) and Regulations and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

Australian Accounting Standards (AASB's) include Australian equivalents to International Financial Reporting Standards (IFRS's).

Because AASB's are sector neutral, some standards either (i) 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 (ii) specifically exclude application by Not for Profit entities.

Examples include;

- excluding Local Government from applying AASB 120 (IAS 20) for Grant Accounting and AASB 118 (IAS 18) for Segment Reporting, &

- different requirements on (a) Impairment of Assets relating to Not-For-Profit AASB 136 (IAS 36) and (b) AASB 116 (IAS 16) regarding accounting for the Revaluation of Assets.

Accordingly in preparing this Financial Report 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, 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 Australian Accounting Standards.

(iii) Application of AAS 27

Council is required to comply with AAS 27 –“Financial Reporting by Local Government”, and where AAS 27 conflicts with AIFRS, the requirements of AAS 27 have been applied.

Where AAS 27 makes reference to another Australian accounting standard, the new Australian IFRS equivalent standards will apply and in particular any specific “not for profit” reporting requirements.

(iv) Basis of Accounting

These financial statements have been prepared on an **historical cost basis** except for (i) financial assets and liabilities at fair value through profit or loss, available-for-sale financial assets and investment properties which are all valued at fair value, (ii) the write down of any Asset on the basis of Impairment (if warranted) and (iii) certain classes of Infrastructure, property, plant & equipment.

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

(v) Changes in Accounting Policies

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

Unless otherwise stated, there have also been no changes in accounting policies when compared with previous financial reports.

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2008

Note 1. Summary of Significant Accounting Policies (continued)

(vi) Critical Accounting Estimates

The preparation of this financial report (and financial statements) in conformity with AIFRS requires the use of certain critical accounting estimates.

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

(b) Revenue recognition

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 doubtful debts on rates 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.

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

Where grants or contributions recognised as revenues during the financial year were obtained on

condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused grant or contribution is disclosed in Note 3(g).

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

The Council has obligations to provide facilities from contributions required from developers under the provisions of S94 of the EPA Act 1979.

Whilst Council generally incorporates these amounts as part of A Development Consents Orders, 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 or 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 doubtful debt 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.

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 1. Summary of Significant Accounting Policies (continued)

Interest and Rents

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

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

(c) Principles of Consolidation

These Financial Reports incorporate (i) the assets and liabilities of Council and any entities (or operations) that it **controls** (as at 30/6/08) and (ii) all the related operating results (for the financial year ended the 30th June 2008).

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

Due to their immaterial value and nature, Section 377 Committees (run externally by volunteers) & their Operations have been excluded from Consolidation.

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

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

Note:

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

(d) Leases

Operating Leases

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

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

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

(e) Cash and Cash Equivalents

Cash and cash equivalents includes;

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

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

(f) Investments and Other Financial Assets

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

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

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 1. Summary of Significant Accounting Policies (continued)

Each classification depends on the purpose/intention for which the investment was acquired.

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

Council has classified all investments as financial assets at fair value through profit or loss.

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

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

Assets in this category are 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.

General Accounting & Measurement of Financial Instruments:

(i) Initial Recognition

Investments are initially recognised (and measured) at fair value.

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

Financial assets at fair value through profit and loss are subsequently carried at fair value.

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.

The fair values of quoted investments are based on current bid prices. Some investments do not have an active market and independent valuations are not readily available. In this instance fair values have been assessed based on estimates from issuers and/or evaluation models. These estimates have been reviewed by Council's investment advisor. In most cases there is limited market evidence available to verify their reasonableness and the ongoing volatility of financial markets creates greater uncertainty to the valuation process.

(iii) Types of Investments

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

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

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

(g) Fair value estimation

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

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

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

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

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

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 1. Summary of Significant Accounting Policies (continued)

Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

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

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

(h) Receivables

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

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 Councils policy.

A provision for doubtful 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.

(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.

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.

Land Held for Resale/Capitalisation of Borrowing Costs

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

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

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

(j) Infrastructure, property, plant and Equipment (I,PP&E)

Acquisition of assets

Council's non current assets are being progressively revalued to fair value in accordance with a staged implementation as advised by the Department of Local Government.

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

- **Operational Land** (External Valuation)
- **Buildings – Specialised/Non Specialised** (External Valuation)
- **Plant and Equipment** (as approximated by depreciated historical cost)

The remaining asset classes to be revalued in future reporting periods include;

- **2008/09:** Roads, bridges, footpaths and drainage, land improvements, other structures and other assets
- **2009/10:** Community land

Until these designated future reporting periods, the above asset classes are stated at cost (or deemed cost) less accumulated depreciation and any accumulated impairment losses.

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 1. Summary of Significant Accounting Policies (continued)

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 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 report 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

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

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

Capitalisation Thresholds

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

Land

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

Plant & Equipment

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

Buildings & Land Improvements

Park Furniture & Equipment	> \$5,000
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Building

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

Other Structures

> \$5,000

Stormwater Assets

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

Transport Assets

Road construction & reconstruction	100% Capitalised
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Bridge construction & reconstruction

100% Capitalised

Depreciation

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

Land is not depreciated.

The range of estimated useful lives for Councils assets include:

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

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2008

Note 1. Summary of Significant Accounting Policies (continued)

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 (p) 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) Intangible Assets

IT development and software

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

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

Amortisation is calculated on a straight line bases over periods ranging 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.

(l) 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.

A working party of interested representatives from both State and Local Government is being formed to consider the accounting issues related to the Crown Reserves, with the intention of developing a consistent approach to their recognition and future accounting treatment across both tiers of government.

(m) 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 the assets, their values and depreciation charges within these Financial Reports.

(n) Investment property

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

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

(o) Land

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

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

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 1. Summary of Significant Accounting Policies (continued)

(p) Land under roads

Council has elected not to recognise land under roads in accordance with the deferral arrangements available to it under AASB 1045.

These deferral arrangements cease to apply as of 1 July 2008.

(q) Impairment of assets

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

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

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

For non-cash generating assets of Council such as roads, drains, public buildings etc - value in use is represented by the "deprival value" of the asset which is approximated as it's written down replacement cost.

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

(r) 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.

(s) 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 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.

(t) Provisions

Provisions for legal claims and service warranties 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.

(u) Employee benefits

(i) Wages & salaries, annual leave and sick leave

Liabilities for wages and salaries (including non-monetary benefits), annual leave and vesting sick leave, are recognised in the provision for employee benefits in respect of employees' services up to the reporting date.

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

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 1. Summary of Significant Accounting Policies (continued)

Calculations therefore incorporate (where the leave is expected to be paid more than 12 months after the reporting date) the use of discounted cash flows.

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) Long service leave

The liability for long service leave is recognised in the provision for employee benefits in respect of services provided by employees up to the reporting date.

Long Service Leave is 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 discounted using market yields at the reporting date 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.

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.

Council's contributions to the schemes have been recognised as an expense and disclosed as part of Superannuation Expenses at Note 4(a).

(iv) Employee Benefit On-Costs

Council has recognised at year end the aggregate on-cost liabilities arising from employee benefits, and in particular those arising from the payment of employee benefits in future periods – including Superannuation and Workers Compensation expenses which will be payable upon the future payment of some Leave Liabilities accrued as at 30/6/08.

(v) Allocation between current and non-current

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

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 1. Summary of Significant Accounting Policies (continued)

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 classified as current even if not expected to be realised in the next 12 months.

Investing and Financing cash flows are treated on a net basis (where recoverable from the ATO), ie. they are exclusive of GST.

Accordingly, 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 taxation authority.

(w) New accounting standards and UIG interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2008.

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

Applicable to Local Government with the implications:

- Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101 and AASB 2007-10 Further Amendments to Australian Accounting Standards arising from AASB 101

- AASB 1051 Land Under Roads,

AASB 1051 will allow Council to recognise or not recognise land under roads acquired before 30 June 2008.

Council will be required to nominate whether to recognise Land under roads (acquired after 30 June 2008) or to exclude these Assets from recognition.

This Standard could have a significant impact on the Council's Balance Sheet depending on Council's accounting policy choice.

- AASB 1052 Disaggregated Disclosures,

AASB 1052 requires disclosure of financial information by function or activity.

Council already provides this information in Note 2(a) so there will be no additional impact on the financial statements.

- AASB 1004 Contributions (revised),

AASB 1004 requires contributions made to Council to be recognised at fair value when they are controlled and to be appropriately disclosed.

Council already accounts for contributions in this manner so there will be no additional impact on the financial statements.

- AASB 2007-9 Amendments to Australian Accounting Standards arising from the review of AAS 27, AAS 29 and AAS 31,

Council will no longer apply AAS 27 from 1 July 2008 due to its withdrawal. Council currently applies AIFRS (but with AAS 27 taking precedence).

The withdrawal of AAS 27 will see specific paragraphs transferred to existing AIFRS, and accordingly there is little impact from its withdrawal.

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 1. Summary of Significant Accounting Policies (continued)

Applicable to Local Government but no implications for Council;

- Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]

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

- AASB-I 12 Service Concession Arrangements, AASB 2007-1 Amendments to Australian Accounting Standards arising from AASB Interpretation 12, revised UIG 4 Determining whether an Arrangement contains a Lease and revised UIG 129 Service Concession Arrangements: Disclosures
- ASB-I 13 Customer Loyalty Programmes
- AASB-I 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Not applicable to Local Government per se;

- AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8
- AASB 1049 Whole of Government and General Government Sector Financial Reporting
- AASB 1050 Administered Items
- Interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities (revised)

Council has not adopted any of these standards early.

(x) Rounding of amounts

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

(y) 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 this Financial Report and/or the Notes.

(z) Disclaimer

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

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 2(a). Functions / Activities - Financial Disclosures

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 2008	Actual 2008	Actual 2007	Original Budget 2008	Actual 2008	Actual 2007	Original Budget 2008	Actual 2008	Actual 2007	Actual 2008	Actual 2007	Actual 2008	Actual 2007
General Managers Division	1	21	11	1,321	1,321	1,311	(1,320)	(1,300)	(1,300)	208	1	-	-
Strategy	1,535	1,822	1,236	2,140	1,918	2,027	(605)	(96)	(791)	16	24	-	-
Corporate & Community	15,439	13,222	11,130	30,458	32,899	30,601	(15,019)	(19,677)	(19,471)	1,844	1,900	264,819	226,329
Environment	20,467	21,239	21,119	30,138	30,415	30,370	(9,671)	(9,176)	(9,251)	1,760	1,415	266,021	1,144,603
Works	6,392	7,055	6,658	21,987	22,059	22,402	(15,595)	(15,004)	(15,744)	1,638	1,329	1,214,762	265,681
Planning	3,315	3,006	2,844	8,690	8,297	8,162	(5,375)	(5,291)	(5,318)	40	25	-	-
Total Functions & Activities	47,149	46,365	42,998	94,734	96,909	94,873	(47,585)	(50,544)	(51,875)	5,506	4,694	1,745,602	1,636,613
General Purpose Income ¹	54,537	50,752	53,429	-	-	-	54,537	50,752	53,429	4,614	4,473	-	-
Operating Result from Continuing Operations	101,686	97,117	96,427	94,734	96,909	94,873	6,952	208	1,554	10,120	9,167	1,745,602	1,636,613

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

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2008

Note 2(b). Components of Functions / Activities

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

GENERAL MANAGERS DIVISION

Costs relating to community relations, internal audit, citizenship, ceremonies & other community events, annual reports & quarterly newsletters.

STRATEGY DIVISION

Human resources, Section 94 Development Contributions, Quality Systems & Corporate Projects.

CORPORATE & COMMUNITY DIVISION

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

ENVIRONMENTAL DIVISION

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

WORKS DIVISION

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

PLANNING DIVISION

Town Planning, Development Assessments, Subdivisions & Customer Service.

Hornsby Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2008

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2008	Actual 2007
(a). Rates & Annual Charges			
Ordinary Rates			
Residential		43,379	41,943
less: Compulsory Pensioner Rebate		(1,189)	(1,145)
Farmland		400	369
Business		5,754	5,533
Total Ordinary Rates		48,344	46,700
Special Rates			
Catchments Remediation Rate		2,471	2,381
Hornsby Quarry Special Rate		2,641	2,554
less: Voluntary Pensioner Rebate		(62)	(60)
Total Special Rates		5,050	4,875
Annual Charges (pursuant to s.496 & s.501)			
Domestic Waste Management Services		13,442	13,095
Total Annual Charges		13,442	13,095
TOTAL RATES & ANNUAL CHARGES		66,836	64,670

Council has used 2005 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 2008

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2008	Actual 2007
(b). User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Sullage		29	279
Commercial Waste Management		855	825
Total User Charges		884	1,104
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s608, 610A & 611)			
Inspection Fees		435	436
Planning & Building Regulation		2,578	2,436
Registration Fees		91	105
Section 611 Charges		55	54
Total Fees & Charges - Statutory/Regulatory		3,159	3,031
(ii) Fees & Charges - Other (incl. General User Charges (per s.610C))			
Childrens Centre - Pennant Hills		12	126
Community Centre Hire Fees		114	95
Indoor Sports Centre Stadium - Admission Fees		417	395
Library Fees & Charges		138	128
Nursery & Preschool Hire Fees		2,456	2,302
Park & Oval Hire Fees		657	647
Restoration Charges		1,083	1,014
Swimming Centre - Admission Fees		1,649	1,663
Tennis / Netball Hire Fees		144	135
Other Hire Fees		18	12
Other		393	392
Total Fees & Charges - Other		7,081	6,909
TOTAL USER CHARGES & FEES		11,124	11,044

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2008	Actual 2007
(c). Interest & Investment Revenue (incl. losses)			
Interest on Overdue Rates & Annual Charges		193	156
Interest earned on Investments (interest & coupon payment income)		1,804	2,930
Fair Valuation Movements in Investments (unrealised capital gains/(losses))		<u>(3,305)</u>	<u>472</u>
<u>TOTAL INTEREST & INVESTMENT REVENUE</u>		<u>(1,308)</u>	<u>3,558</u>
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges		193	156
General Council Cash & Investments		(2,223)	2,063
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		713	1,318
Catchments Remediation		<u>9</u>	<u>21</u>
Total Interest & Investment Revenue Recognised		<u>(1,308)</u>	<u>3,558</u>

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2008	Actual 2007
(d). Other Revenues			
Rental Income - Other Council Properties		1,346	1,363
Ex Gratia Rates		17	15
Prosecution & Infringements		177	230
Parking Fines		1,119	1,066
Legal Fees Recovery - Rates & Charges (Extra Charges)		128	82
Legal Fees Recovery - Other		11	13
Legal Fees Recovery - Planning		15	66
Commissions & Agency Fees		17	15
Insurance Claim Recoveries		121	265
Recycling Income (non domestic)		118	111
Sales - General		509	510
Bushfire Fund Income		28	27
Car Park Management		20	129
Centenary Celebrations		-	1
Crosslands Reserve Income		34	30
Department of Environmental Waste Rebate		264	127
Florence Mall Incomes		56	25
Home Modification		223	198
Income from Community Events		21	10
Property Services Sundry Income		10	13
Road Closure Income		600	50
Salaries & Wages Charged Out		141	95
Sustainability Advantage Program		-	29
Telecommunications Mobile Site Fees		82	166
Vehicle Dealer Rebate		-	41
Vehicluar Crossings Income		8	36
Other		277	318
<u>TOTAL OTHER REVENUE</u>		<u>5,342</u>	<u>5,031</u>

Hornsby Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2008

Note 3. Income from Continuing Operations (continued)

\$ '000	2008 Operating	2007 Operating	2008 Capital	2007 Capital
(e). Grants				
General Purpose (Untied)				
Financial Assistance	3,957	3,855	-	-
Pensioners' Rates Subsidies - General Component	657	618	-	-
Total General Purpose	4,614	4,473	-	-
Specific Purpose				
Pensioners' Rates Subsidies:				
- Domestic Waste Management	208	206	-	-
Aged & Disabled	428	291	-	89
Bushfire & Emergency Services	559	411	-	-
Bushland	90	128	-	-
Child Care	830	946	-	-
Environmental Protection	633	335	-	-
Library	291	291	115	124
Noxious Weeds	24	23	-	-
Parks & Gardens	-	-	454	286
Street Lighting	244	237	-	-
Transport (Other Roads & Bridges Funding)	345	341	962	657
Youth Services	21	17	-	-
Other	146	297	156	15
Total Specific Purpose	3,819	3,523	1,687	1,171
Total Grants	8,433	7,996	1,687	1,171
Grant Revenue is attributable to:				
- Commonwealth Funding	832	571	100	540
- State Funding	7,601	7,425	1,587	631
- Other Funding	-	-	-	-
	8,433	7,996	1,687	1,171

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 3. Income from Continuing Operations (continued)

\$ '000	2008 Operating	2007 Operating	2008 Capital	2007 Capital
(f). Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the NSW LG Act):				
S 94 - Contributions towards amenities/services	-	-	1,762	1,171
Total Developer Contributions	17 -	-	1,762	1,171
Other Contributions:				
Employee Vehicle Contributions	643	632	-	-
Environment	-	59	-	-
Rural Fire Service	48	167	275	606
Community Facilities	63	-	-	-
Other	80	63	807	146
Total Other Contributions	834	921	1,082	752
Total Contributions	834	921	2,844	1,923
TOTAL GRANTS & CONTRIBUTIONS	9,267	8,917	4,531	3,094

\$ '000	Actual 2008	Actual 2007
(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	22,416	23,757
add: Grants and contributions recognised in the current period which have not been spent:	4,098	4,391
less: Grants and contributions recognised in a previous reporting period which have been spent in the current reporting period:	(6,930)	(5,732)
Net Increase (Decrease) in Restricted Assets during the Current Reporting Period	(2,832)	(1,341)
Unexpended at the Close of this Reporting Period and held as Restricted Assets	19,584	22,416
Comprising:		
- Specific Purpose Unexpended Grants	2,611	2,183
- Developer Contributions	16,973	20,233
	19,584	22,416

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2008	Actual 2007
(a) Employee Benefits & On-Costs			
Salaries and Wages		34,072	33,464
Travelling		29	30
Employee Leave Entitlements (ELE)		1,076	1,033
Superannuation		2,604	2,612
Workers' Compensation Insurance		1,018	1,107
Fringe Benefit Tax (FBT)		152	152
Training Costs (other than Salaries & Wages)		451	474
Other		462	442
Total Employee Costs		39,864	39,314
less: Capitalised Costs		(805)	(832)
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>		<u>39,059</u>	<u>38,482</u>
Number of "Equivalent Full Time" Employees at year end		591	584
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		1,528	1,617
Total Interest Bearing Liability Costs		1,528	1,617
less: Capitalised Costs		-	-
Total Interest Bearing Liability Costs Expensed		1,528	1,617
(ii) Other Borrowing Costs			
Nil			
<u>TOTAL BORROWING COSTS EXPENSED</u>		<u>1,528</u>	<u>1,617</u>

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2008	Actual 2007
(c) Materials & Contracts			
Raw Materials & Consumables		5,017	4,743
Contractor & Consultancy Costs			
- Consultants		1,767	1,567
- Computer Support		1,823	1,720
- Home Modification Service		160	151
- Animal Pound Service		155	140
- Air Conditioning		97	91
- Garbage Collection, Tipping & Recycling		12,174	11,429
- Footpath Maintenance		172	268
- Mechanical Services		155	176
- Property Cleaning		302	298
- Litter Control		391	370
- Contracts - Tree Work		326	311
- Contracts - Grass Cutting		426	427
- Contracts - Electrical		315	349
- Contracts - Plumbing		331	282
- Building Maintenance		340	285
- Berowra Ferry Operation		-	32
- Drainage Maintenance		248	311
- Maintenance of Parks		186	251
- Road Maintenance		2,834	3,270
- External Plant & Equipment Hire		240	379
- Contractor & Agency Fees		979	987
Auditors Remuneration			
- Council's Auditor:			
i. Audit Services		80	72
ii. Other Services		4	9
Legal Expenses - Planning & Development		1,019	1,235
Legal Expenses - Other		408	594
Operating Lease Rentals - Minimum Lease Payments ¹		360	508
Other		1,087	1,712
Total Materials & Contracts		31,396	31,967
less: Capitalised Costs		-	-
TOTAL MATERIALS & CONTRACTS		31,396	31,967
1. Operating Leases are attributable to:			
- Computers		360	508
		360	508

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Depreciation/Amortisation		Impairment Costs	
	Actual 2008	Actual 2007	Actual 2008	Actual 2007
(d) Depreciation, Amortisation & Impairment				
Plant and Equipment	2,006	2,008	-	-
Office Equipment	231	249	-	-
Furniture & Fittings	125	152	-	-
Land Improvements (depreciable)	2,408	2,240	-	-
Buildings - Non Specialised	516	438	-	-
Buildings - Specialised	489	421	-	-
Other Structures	243	288	-	-
Infrastructure:				
- Roads, Bridges & Footpaths	3,880	3,723	-	-
- Stormwater Drainage	1,287	1,266	-	-
- Water Supply Network	4	4	-	-
Other Assets				
- Library Books	371	273	-	-
Intangible Assets ²⁶	858	860	-	-
Total Depreciation & Impairment Costs	12,418	11,922	-	-
less: Capitalised Costs	-	-	-	-
<u>TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED</u>	<u>12,418</u>	<u>11,922</u>	<u>-</u>	<u>-</u>

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2008	Actual 2007
(e) Other Expenses			
Advertising		521	554
Bad & Doubtful Debts		65	69
Bank Charges & Cash Collection Expenses		262	324
Catering		275	315
Contributions to Other Levels of Government		2,639	2,502
Councillor Expenses - Mayoral Fee		49	47
Councillor Expenses - Councillors Fees		191	172
Councillors Expenses (incl. Mayor) - Other (excluding fees above)		23	25
Donations, Contributions & Assistance to other organisations (Section 356)		292	118
Electricity & Heating		719	703
Insurance		1,641	1,378
Licences & Registration		265	278
Postage		215	222
Printing, Stationery & Design		436	716
Street Lighting		1,889	1,718
Subscriptions & Publications		238	215
Subscription to Local Government Association		47	43
Telephone & Communications		499	459
Valuation Fees		229	185
Water & Sewerage		330	495
Other		375	347
Total Other Expenses		11,200	10,885
less: Capitalised Costs		-	-
TOTAL OTHER EXPENSES		11,200	10,885

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 5. Gains or Losses on Disposal of Assets

\$ '000	Notes	Actual 2008	Actual 2007
Property (excl. Investment Property)			
Proceeds from Disposal		-	-
less: Carrying Amount of Property Assets Sold		-	-
Net Gain/(Loss) on Disposal		-	-
Plant & Equipment			
Proceeds from Disposal		2,947	3,264
less: Carrying Amount of P&E Assets Sold		(2,930)	(3,151)
Net Gain/(Loss) on Disposal		17	113
Infrastructure			
Proceeds from Disposal		-	-
less: Carrying Amount of Infrastructure Assets Sold		-	-
Net Gain/(Loss) on Disposal		-	-
Real Estate Assets Held For Sale			
Proceeds from Disposal		-	-
less: Carrying Amount of Real Estate Assets Sold		-	-
Net Gain/(Loss) on Disposal		-	-
Investment Properties			
Proceeds from Disposal		-	-
less: Carrying Amount of Investment Properties Sold		-	-
Net Gain/(Loss) on Disposal		-	-
Financial Assets			
Proceeds from Disposal		21,427	-
less: Carrying Amount of Financial Assets Sold		(21,427)	-
Net Gain/(Loss) on Disposal		-	-
Non Current Assets Classified as "Available for Sale"			
Proceeds from Disposal		-	-
less: Carrying Amount of "Available for Sale" Assets Sold		-	-
Net Gain/(Loss) on Disposal		-	-
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		17	113

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

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

\$ '000	2008	2008	2007	2007
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Cash & Cash Equivalents (Note 6a)				
Cash on Hand and at Bank	110	-	393	-
Cash-Equivalent Assets ¹				
- Short Term Deposits	10,800	-	-	-
Total Cash & Cash Equivalents	10,910	-	393	-
Investment Securities (Note 6b)				
- Managed Funds	9,946	-	21,104	-
- NCD's, FRN's (with Maturities > 3 months)	1,892	-	1,015	-
- CDO's	5,044	-	7,585	-
- Capital Guaranteed Financial Instruments	6,488	-	8,010	-
Total Investment Securities	23,370	-	37,714	-
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS	34,280	-	38,107	-

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"	10,910	-	393	-
---	---------------	----------	------------	----------

Investments

a. "At Fair Value through the Profit & Loss"				
- "Held for Trading" 6(b-i)	-	-	-	-
- "Designated At Fair Value on Initial Recognition" 6(b-i)	23,370	-	37,714	-
b. "Held to Maturity" 6(b-ii)	-	-	-	-
c. "Loans & Receivables" 6(b-iii)	-	-	-	-
d. "Available for Sale" 6(b-iv)	-	-	-	-
Investments	23,370	-	37,714	-

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 6b. Investments (continued)

\$ '000	2008	2008	2007	2007
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Note 6(b-i)				
Reconciliation of Investments classified as "At Fair Value through the Profit & Loss"				
Balance at the Beginning of the Year	37,714	-	36,733	-
Revaluations (through the Income Statement)	(3,305)	-	472	-
Additions	10,388	-	52,609	-
Disposals (sales & redemptions)	(21,427)	-	(52,100)	-
Balance at End of Year	23,370	-	37,714	-
Comprising:				
- Managed Funds	9,946	-	21,104	-
- NCD's, FRN's (with Maturities > 3 months)	1,892	-	1,015	-
- CDO's	5,044	-	7,585	-
- Capital Guaranteed Financial Instruments	6,488	-	8,010	-
Total	23,370	-	37,714	-
Note 6(b-ii)				
Reconciliation of Investments classified as "Held to Maturity"				
Nil				
Note 6(b-iii)				
Reconciliation of Investments classified as "Loans & Receivables"				
Nil				
Note 6(b-iv)				
Reconciliation of Investments classified as "Available for Sale"				
Nil				

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 6c. Restricted Cash, Cash Equivalents & Investments

\$ '000	2008	2008	2007	2007
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investment Securities	34,280	-	38,107	-
attributable to:				
External Restrictions (refer below)	25,668	-	28,545	-
Internal Restrictions (refer below)	8,599	-	7,519	-
Unrestricted	13	-	2,043	-
	34,280	-	38,107	-

2008 \$ '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)	20,233	2,475	(5,735)	16,973
Specific Purpose Unexpended Grants (B)	2,183	428	-	2,611
Domestic Waste Management (C)	4,746	13,924	(13,665)	5,005
Other	1,383	2,515	(2,819)	1,079
External Restrictions - Other	28,545	19,342	(22,219)	25,668
Total External Restrictions	28,545	19,342	(22,219)	25,668

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 6c. Restricted Cash, Cash Equivalents & Investments (continued)

2008 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Plant & Vehicle Replacement	578	575	(340)	813
Employees Leave Entitlement	2,039	-	(500)	1,539
Construction of Buildings	638	180	(110)	708
M2 Open Space Land	543	-	(3)	540
Civil Works	2,481	1,205	(545)	3,141
Council Strategies Projects	214	690	(243)	661
Land Acquisition	302	-	-	302
Other	724	343	(172)	895
Total Internal Restrictions (D)	7,519	2,993	(1,913)	8,599
TOTAL RESTRICTIONS	36,064	22,335	(24,132)	34,267

- 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** 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.
- D** Council has approved borrowings from Internal Restrictions totalling approx. \$3.6M to fund the purchase of the CBA Building in George St .in 2002 (\$2.5M) , Energy Performance Contracts (\$1.0M) and the new Bushfire Control Centre at Berowra (\$65K).

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 7. Receivables

\$ '000	2008		2007	
	Current	Non Current	Current	Non Current
Purpose				
Rates & Annual Charges	2,152	333	2,207	274
Interest & Extra Charges	226	-	180	-
User Charges & Fees	147	-	155	-
Accrued Revenues				
- Interest on Investments	106	-	-	-
- Other Income Accruals	625	-	754	-
Government Grants & Subsidies	208	-	341	-
Deferred Debtors	-	-	-	5
Net GST Receivable	551	-	779	-
Sullage	67	-	132	-
Restorations	385	-	204	-
Licencing	39	-	39	-
Commercial Rent	372	-	224	-
Sale & Leaseback of Computer Equipmer	44	-	228	-
Workers Compensation Claims	17	-	38	-
Facility Hire	23	-	5	-
Other Debtors	441	-	278	-
Total	5,403	333	5,564	279
less: Provision for Impairment				
Other Debtors	(164)	-	(138)	-
Total Provision for Impairment - Receivables	(164)	-	(138)	-
TOTAL NET RECEIVABLES	5,239	333	5,426	279
Externally Restricted Receivables				
Domestic Waste Management	514	-	518	-
Other				
- Catchment Remediation Rate	113	-	106	-
- Hornsby Quarry Special Rate	91	-	121	-
- Special Purpose Grants	208	-	341	-
Total External Restrictions	926	-	1,086	-
Unrestricted Receivables	4,313	333	4,340	279
TOTAL NET RECEIVABLES	5,239	333	5,426	279

Notes on Debtors above:

- (i) Rates & Annual Charges Outstanding are secured against the property.
- (ii) Interest is charged on overdue rates & charges at 10.00% (2007 9.00%).
Generally all other receivables are non interest bearing.
- (iii) 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 2008

Note 8. Inventories & Other Assets

\$ '000	2008		2007	
	Current	Non Current	Current	Non Current
Inventories				
Real Estate for resale (refer below)	705	-	705	-
Stores & Materials	165	-	172	-
Total Inventories	870	-	877	-
Other Assets				
TOTAL INVENTORIES & OTHER ASSETS	870	-	877	-
Details for Real Estate Development				
Residential	705	-	705	-
Total Real Estate for Resale	705	-	705	-
(Valued at the lower of cost and net realisable value)				
Represented by:				
Acquisition Costs	705	-	705	-
Total Costs	705	-	705	-
Total Real Estate for Resale	705	-	705	-
Movements:				
Real Estate assets at beginning of the year	705	-	705	-
Total Real Estate for Resale	705	-	705	-
 (i) Externally Restricted Assets				
Nil				
Total Externally Restricted Assets	-	-	-	-
Total Unrestricted Assets	870	-	877	-
TOTAL INVENTORIES & OTHER ASSETS	870	-	877	-

(ii) Other Disclosures

(a) Current Assets not anticipated to be settled within the next 12 months

The following Inventories & Other Assets, even though classified as current are not expected to be recovered in the next 12 months;

	2008	2007
Real Estate for Resale	-	-
	-	-

Notes to the Financial Statements
for the financial year ended 30 June 2008

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2007					Asset Movements during the Reporting Period					as at 30/6/2008				
	At	At	Accumulated		Carrying	Asset	WDV-Asset	Depreciation	Adjustments	Revaluation	At	At	Accumulated		Carrying
	Cost	Fair Value	Deprec.	Impairment	Value	Additions	Disposals	Expense	& Transfers (incl. WIP transfers)	Increases to Equity (ARR)	Cost	Fair Value	Dep'n	Impairment	Value
Capital Work in Progress	15,138	-	-	-	15,138	12,892	-	-	(18,603)	-	9,427	-	-	-	9,427
Plant & Equipment	14,280	-	7,413	-	6,867	4,120	(2,818)	(2,006)	281	-	-	14,757	8,313	-	6,444
Office Equipment	1,655	-	1,071	-	584	235	-	(231)	-	-	-	1,304	716	-	588
Furniture & Fittings	2,371	-	1,821	-	550	229	-	(125)	-	-	-	2,528	1,874	-	654
Plant & Equipment (under Finance Lease)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land:															
- Operational	37,541	-	-	-	37,541	-	-	-	4,114	103,800	-	145,455	-	-	145,455
- Community	1,176,013	-	-	-	1,176,013	726	-	-	(4,303)	-	1,172,436	-	-	-	1,172,436
- Land under Roads	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land Improvements - non depreciable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land Improvements - depreciable	44,962	-	16,964	-	27,998	13	(83)	(2,408)	5,136	-	50,024	-	19,368	-	30,656
Buildings - Non Specialised	47,362	-	5,102	-	42,260	-	-	(516)	(11,348)	8,871	-	67,068	27,801	-	39,267
Buildings - Specialised	42,019	-	5,139	-	36,880	-	-	(489)	(10,394)	20,186	-	76,442	30,259	-	46,183
Other Structures	7,214	-	3,323	-	3,891	89	(29)	(243)	1,957	-	9,413	-	3,748	-	5,665
Infrastructure:															
- Roads, Bridges, Footpaths	348,555	-	186,787	-	161,768	100	-	(3,880)	8,390	-	357,045	-	190,667	-	166,378
- Bulk Earthworks (non-depreciable)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Stormwater Drainage	119,647	-	43,866	-	75,781	-	-	(1,287)	1,353	-	121,000	-	45,153	-	75,847
- Water Supply Network	128	-	53	-	75	-	-	(4)	-	-	128	-	57	-	71
- Sewerage Network	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets:															
- Heritage Collections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Library Books	1,428	-	544	-	884	460	-	(371)	-	-	-	1,888	915	-	973
- Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reinstatement, Rehabilitation & Restoration Assets (refer Note 21):															
- Tip Asset	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Quarry Asset	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	1,858,313	-	272,083	-	1,586,230	18,864	(2,930)	(11,560)	(23,417)	132,857	1,719,473	309,442	328,871	-	1,700,044

Additions to Buildings and Infrastructure (including Work in Progress) are made up of Asset Renewals (\$7,643) and New assets (\$5,349). Renewals are defined as Replacements of existing assets as opposed to the acquisition of New Assets.

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2008

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

\$ '000

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

Note 9c. Infrastructure, Property, Plant & Equipment Gains/(Losses) arising from the Impairment of Assets

Council did not impair any I,PP&E during the year nor has there been any prior period impariments.

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2008		2007	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services		4,209	-	5,180	-
Payments Received In Advance		257	-	198	-
Accrued Expenses;					
- Borrowings		34	-	38	-
- Other Expenditure Accruals		1,869	-	849	-
Deposits, Retentions & Bonds		143	-	125	-
Contributions & Bonds		149	-	184	-
Employee Costs		281	-	337	-
Other		48	-	70	-
Total Payables		6,990	-	6,981	-
Borrowings					
Loans - Secured ¹		2,702	21,104	2,565	21,807
Total Borrowings		2,702	21,104	2,565	21,807
Provisions					
Employee Benefits;					
Annual Leave		3,008	-	3,062	-
Sick Leave		668	-	588	-
Long Service Leave		6,294	608	6,425	473
Gratuities		466	-	603	-
Sub Total - Aggregate Employee Benefits		10,436	608	10,678	473
Other		12	-	7	-
Total Provisions		10,448	608	10,685	473
Total Payables, Borrowings & Provisions		20,140	21,712	20,231	22,280

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

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

\$ '000

(i) Liabilities relating to Restricted Assets	2008		2007	
	Current	Non Current	Current	Non Current
Externally Restricted Assets				
Domestic Waste Management	1,967	-	1,515	-
Liabilities relating to externally restricted assets	1,967	-	1,515	-
Internally Restricted Assets				
Employee Leave entitlements	1539	-	2039	-
Liabilities relating to internally restricted assets	1,539	-	2,039	-
Total Liabilities relating to restricted assets	3,506	-	3,554	-

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.

(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.	2008	2007
Provisions - Employees Benefits	6,776	7,373
	6,776	7,373

Note 10b. Description of and movements in Provisions

Class of Provision	2007			2008		Closing Balance as at 30/6/08
	Opening Balance as at 1/7/07	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	
Annual Leave	3,062	2,370	(2,424)	-	-	3,008
Sick Leave	588	174	(94)	-	-	668
Long Service Leave	6,898	972	(968)	-	-	6,902
Gratuities	603	50	(187)	-	-	466
Other	7	5	-	-	-	12
TOTAL	11,158	3,571	(3,673)	-	-	11,056

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

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 11. Cash Flow Statement - Additional Information

\$ '000	Notes	Actual 2008	Actual 2007
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	10,910	393
Less Bank Overdraft	10	-	-
BALANCES as per the CASH FLOW STATEMENT		10,910	393
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		208	1,554
Adjust for non cash items:			
Depreciation & Amortisation		12,418	11,922
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L			
- Investments classified as "@ Fair Value" or "Held for Trading"		3,305	-
Net Losses/(Gains) on Disposal of Assets		(17)	(113)
Non Cash Capital Grants and Contributions		(726)	-
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		102	(629)
Increase/(Decrease) in Provision for Doubtful Debts		26	55
Decrease/(Increase) in Inventories		7	3
Decrease/(Increase) in Other Current Assets		-	1
Increase/(Decrease) in Payables		(971)	1,989
Increase/(Decrease) in accrued Interest Payable		(4)	-
Increase/(Decrease) in other accrued Expenses Payable		1,020	(1,045)
Increase/(Decrease) in Other Current Liabilities		(36)	(165)
Increase/(Decrease) in Employee Leave Entitlements		(107)	283
Increase/(Decrease) in Other Provisions		5	(35)
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from CASH FLOW STATEMENT		15,230	13,820

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 11. Cash Flow Statement - Additional Information (continued)

\$ '000	Notes	Actual 2008	Actual 2007
(c) Non-Cash Investing & Financing Activities			
Other Dedications		726	-
Total Non-Cash Investing & Financing Activities		726	-
(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
Total Financing Arrangements		2,000	2,000
Amounts utilised as at Balance Date:			
- Bank Overdraft Facilities		-	-
Total Financing Arrangements Utilised		-	-

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

(ii) Secured Loan Liabilities

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

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2008	Actual 2007
(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 & Land Improvements		198	2,298
Infrastructure - Roads, Bridges & Footpaths		19	48
Plant & Equipment		191	149
Intellectual Property - "Councils on Line"		6,948	8,148
Furniture & Fittings		21	-
Other		42	10
Total Commitments		7,419	10,653
These expenditures are payable as follows:			
Within the next year		2,216	4,260
Later than one year and not later than 5 years		5,203	5,754
Later than 5 years		-	639
Total Payable		7,419	10,653
Sources for Funding of Capital Commitments:			
Unrestricted General Funds		7,419	10,653
Total Sources of Funding		7,419	10,653
(b) Other Expenditure Commitments (exclusive of GST)			
Other Non Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Waste Management Services		11,304	13,918
Banking, Audit & Legal Services		785	910
Total Commitments		12,089	14,828
These expenditures are payable as follows:			
Within the next year		7,525	7,173
Later than one year and not later than 5 years		4,564	7,655
Later than 5 years		-	-
Total Payable		12,089	14,828

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 12. Commitments for Expenditure (continued)

\$ '000	Notes	Actual 2008	Actual 2007
(c) Finance Lease Commitments			
Nil			
(d) 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		222	345
Later than one year and not later than 5 years		266	173
Later than 5 years		-	-
Total Non Cancellable Operating Lease Commitments		488	518

b. Non Cancellable Operating Leases include the following assets:

Computer Equipment

Contingent Rentals may be payable depending on the condition of items or usage during the lease term.

Conditions relating to Operating Leases:

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

(f) Remuneration Commitments

Commitments for the payment of salaries & other remuneration under long-term employment contracts in existence at reporting date but not recognised as liabilities are payable:

Within the next year		1,094	1,119
Later than one year and not later than 5 years		2,554	1,785
Later than 5 years		-	-
Total Payable		3,648	2,904

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 13. Statement of Performance Measurement

\$ '000	Amounts 2008	Indicator 2008	Prior Periods 2007 2006	
1. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽¹⁾	<u>13,795</u>	1.21 : 1	1.30	1.18
Current Liabilities less Specific Purpose Liabilities ^(2,3)	<u>11,397</u>			
2. Debt Service Ratio				
Debt Service Cost	<u>4,094</u>	4.66%	5.00%	5.00%
Revenue from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions	<u>87,933</u>			
3. Rates & Annual Charges Coverage Ratio				
Rates & Annual Charges	<u>66,836</u>	68.82%	67.00%	64.00%
Revenue from Continuing Operations	<u>97,117</u>			
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual & Extra Charges Outstanding	<u>2,711</u>	3.88%	3.95%	3.89%
Rates, Annual & Extra Charges Collectible	<u>69,818</u>			
5. Building & Infrastructure Renewals Ratio				
Asset Renewals ⁽⁴⁾	<u>7,643</u>	123.75%	n/a	n/a
Depreciation, Amortisation & Impairment (Building & Infrastructure Assets)	<u>6,176</u>			

Notes

⁽¹⁾ Refer Notes 6-8 inclusive.

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

⁽²⁾ Refer to Note 10(a).

⁽³⁾ Refer to Note 10(c) - excludes all ELE not expected to be paid in the next 12 months.

⁽⁴⁾ Asset Renewals represents Capital Expenditure on the replacement, refurbishment or upgrade to an existing Asset/s.

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

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 (i) price risk, (ii) credit risk, (iii) liquidity risk and (iv) interest rate risk.

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

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

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

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

	Carrying Value		Fair Value	
	2008	2007	2008	2007
Financial Assets				
Cash and Cash Equivalents	10,910	393	10,910	393
Investments				
- "Designated At Fair Value on Initial Recognition"	23,370	37,714	23,370	37,714
Receivables	5,572	5,705	5,572	5,705
Total Financial Assets	39,852	43,812	39,852	43,812
Financial Liabilities				
Payables	6,733	6,783	6,733	6,783
Loans / Advances	23,806	24,372	21,760	22,570
Total Financial Liabilities	30,539	31,155	28,493	29,353

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 at the reporting date or independent valuation.

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

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 Section manages its Cash & Investments portfolio with the assistance of independent advisors.

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

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

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

A further risk associated with Cash & Investments is credit risk - the risk that the counterparty (to an investment) 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 its 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 (during 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
2008				
Impact of a 10% movement in Market Values	2,337	2,337	(2,337)	(2,337)
Impact of a 1% movement in Interest Rates	227	227	(227)	(227)
2007				
Impact of a 10% movement in Market Values	3,771	3,771	(3,771)	(3,771)
Impact of a 1% movement in Interest Rates	225	225	(225)	(225)

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

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.

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:

	2008	2008	2007	2007
	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
(i) Aging of Receivables				
Current	-	2,379	-	2,977
Overdue	2,485	872	2,481	385
	<u>2,485</u>	<u>3,251</u>	<u>2,481</u>	<u>3,362</u>

(ii) Movement in Provision for Impairment of Receivables

	2008	2007
Balance at the beginning of the year	138	83
+ new provisions recognised during the year	26	55
Balance at the end of the year	<u>164</u>	<u>138</u>

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2008

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.

As well, payment terms can (in extenuating circumstances) be extended and overdraft facilities drawn down.

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

\$ '000	Subject to no maturity	payable in:						Total Cash Outflows	Actual Carrying Values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2008									
Trade/Other Payables	143	-	-	-	-	-	-	143	6,733
Loans & Advances	-	4,236	4,253	4,218	4,187	4,164	9,592	30,650	23,806
Total Financial Liabilities	143	4,236	4,253	4,218	4,187	4,164	9,592	30,793	30,539
2007									
Trade/Other Payables	125	6,094	-	-	-	-	-	6,219	6,783
Loans & Advances	-	4,097	3,937	3,954	3,919	3,886	11,960	31,753	24,372
Total Financial Liabilities	125	10,191	3,937	3,954	3,919	3,886	11,960	37,972	31,155

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:

	2008		2007	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	6,733		6,783	
Loans & Advances - Fixed Interest Rate	23,806	6.6%	24,372	6.4%
	<u>30,539</u>		<u>31,155</u>	

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 07/08 was incorporated as part of its Management Plan and was adopted by the Council on 13 June 2007.

While the Income Statement included in this General Purpose Financial Report must disclose the Original Budget adopted by Council, the Local Government Act permits Council to review its Financial Budget on a Quarterly Basis, so that it is able to manage the various movements in 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.

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

Note that for Variations: **F** = Favourable Budget Variation, **U** = Unfavourable Budget Variation

\$ '000	2008 Budget	2008 Actual	2008 Variance*		
REVENUES					
Rates & Annual Charges	67,115	66,836	(279)	(0.4%)	U
User Charges & Fees	11,463	11,124	(339)	(3%)	U
Interest & Investment Revenue	2,798	(1,308)	(4,106)	(147%)	U
Fair value adjustment to writedown book value of investments to current market value - (3,305) U					
Investment returns lower than budget due to downturn in the market - (801) U					
Other Revenues	4,434	5,342	908	20%	F
Road closure income received that was not expected when budget adopted - 600 F					
Waste performance improvement funds received from Dept of Climate Change - 264 F					
Operating Grants & Contributions	7,658	9,267	1,609	21%	F
In many instances the actual amount of grants received depends on decisions made by State and Federal governments after the original budget was adopted. Operating Grants above budgeted expectations were received for environmental issues and bushfire services.					
Capital Grants & Contributions	3,430	4,531	1,101	32%	F
As above. Funding above budgeted expectations was received for library services grants, S.94 contributions and road grants.					
Net Gains from Disposal of Assets	4,788	17	(4,771)	(100%)	U
The adopted budget only included the proceeds receivable from the sale of assets. It did not include the written down value of assets sold.					

Hornsby Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2008

Note 16. Material Budget Variations (continued)

\$ '000	2008 Budget	2008 Actual	2008 Variance*		
EXPENSES					
Employee Benefits & On-Costs	40,649	39,059	1,590	4%	F
Borrowing Costs	1,578	1,528	50	3%	F
Materials & Contracts	29,469	31,396	(1,927)	(7%)	U
Depreciation & Amortisation	11,640	12,418	(778)	(7%)	U
Increase in depreciation for buildings due to the reassessment of the expired life of building assets.					
Other Expenses	11,398	11,200	198	2%	F

Additional Variations

Additional Variations set out the details of MATERIAL VARIATIONS between Council's Original Budget and its Actual Results for the year as per Note 2a & Cash Flow Statement - even though such variations may have been adjusted for during each Quarterly Budget Review.

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

Note that for Variations: F = Favourable Budget Variation, U = Unfavourable Budget Variation

\$ '000	2008 Budget	2008 Actual	2008 Variance*		
Note 2a REVENUES					
General Managers Division	1	21	20	2000.0%	F
Events run by the Community Relations Dept for which revenues were not included in the budget.					
Strategy	1,535	1,822	287	19%	F
S94 contributions greater than expected.					
Corporate & Community	15,439	13,222	(2,217)	(14%)	U
Written Down Value of assets sold not included in Original Budget.					
Environment	20,467	21,239	772	4%	F
Works	6,392	7,055	663	10%	F
Service authority restorations greater than expected.					
Planning	3,315	3,006	(309)	(9%)	U

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 16. Material Budget Variations (continued)

\$ '000	2008 Budget	2008 Actual	2008 Variance*		
Note 2a					
EXPENSES					
General Managers Division	1,321	1,321	-	0.0%	F
Strategy	2,140	1,918	222	10%	F
Unfilled staff vacancies in Human Resources Department.					
Corporate & Community	30,458	32,899	(2,441)	(8%)	U
Environment	30,138	30,415	(277)	(1%)	U
Works	21,987	22,059	(72)	(0%)	U
Planning	8,690	8,297	393	5%	F
Cash Flow Statement					
Cash Flows from Operating Activities	12,416	15,230	2,814	22.7%	F
GST claimable not taken into consideration in budget process.					
Cash Flows from Investing Activities	(16,089)	(4,147)	11,942	(74%)	F
Reduction in investment portfolio balance to meet expenditures.					
Cash Flows from Financing Activities	(567)	(566)	1	(0%)	F

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 17. Statement of Developer Contributions

\$ '000

Under Section 94 & Section 94A of the Environmental Planning and Assessment Act 1979, a Council may require (i) the payment of a monetary contribution or dedication of land or (ii) a % levy on the value of development, in relation to development works that are subject to a development consent issued by Council.

These developer contributions (under S94) or developer levies (under S94A) must be spent specifically for the purpose they were levied and any interest applicable to unspent funds must be attributed to the funds and also spent in accordance with the purpose levied.

As well, Council may under Section 93F enter into a Planning Agreement with Developers under which the developer is required to either dedicate land free of cost, pay a monetary contribution, or provide any other material public benefit (or any combination of the three) to be used for or applied towards a public purpose.

S94F funds are also required to be spent on the public purposes nominated within each individual Planning Agreement.

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 use by their nature and must be spent for the specific purposes raised.

SUMMARY OF CONTRIBUTIONS & LEVIES

PURPOSE	Opening Balance	Received during Year		Interest earned in Yr	Exp. during Yr	Internal Borrowing (to)/from	Held as Restricted Asset	Projections		
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding
Drainage	416	11	-	17	-	-	444	616	(2,500)	(1,440)
Roads	1,888	125	-	74	(236)	-	1,851	312	(4,291)	(2,128)
Traffic Facilities	213	14	-	8	(90)	-	145	995	(3,458)	(2,318)
Parking	-	-	-	-	-	-	-	130	-	130
Open Space	7,624	985	-	221	(4,246)	-	4,584	4,224	(12,898)	(4,090)
Community Facilities	6,759	463	-	279	(259)	-	7,242	2,166	(8,467)	941
Civic Improvements	2,183	23	-	84	(158)	-	2,132	1,557	(3,660)	29
Bushfire Facilities	204	2	-	8	-	-	214	-	(214)	-
S94 Administration	(22)	99	-	(8)	(285)	-	(216)	228	(750)	(738)
Other	413	40	-	8	(461)	-	-	-	-	-
S94 Contributions - under a Plan	19,678	1,762	-	691	(5,735)	-	16,396	10,228	(36,238)	(9,614)
S94A Levies - under a Plan	-	-	-	-	-	-	-	-	-	-
Total S94 Revenue Under Plans	19,678	1,762	-	691	(5,735)	-	16,396	10,228	(36,238)	(9,614)
S94 not under Plans	555	-	-	22	-	-	577	-	(577)	-
Total Contributions	20,233	1,762	-	713	(5,735)	-	16,973	10,228	(36,815)	(9,614)

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

CONTRIBUTION PLAN NUMBER 1 (2007 to 2011)

PURPOSE	Opening Balance	Received during Year		Interest earned in Yr	Exp. during Yr	Internal Borrowing (to)/from	Held as Restricted Asset	Projections		
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding
Drainage	416	11	-	17	-	-	444	616	(2,500)	(1,440)
Roads	1,888	125	-	74	(236)	-	1,851	312	(4,291)	(2,128)
Traffic Facilities	213	14	-	8	(90)	-	145	995	(3,458)	(2,318)
Parking	-	-	-	-	-	-	-	130	-	130
Open Space	7,624	985	-	221	(4,246)	-	4,584	4,224	(12,898)	(4,090)
Community Facilities	6,759	463	-	279	(259)	-	7,242	2,166	(8,467)	941
Civic Improvements	2,183	23	-	84	(158)	-	2,132	1,557	(3,660)	29
Bushfire Facilities	204	2	-	8	-	-	214	-	(214)	-
S94 Administration	(22)	99	-	(8)	(285)	-	(216)	228	(750)	(738)
Other	413	40	-	8	(461)	-	-	-	-	-
Total	19,678	1,762	-	691	(5,735)	-	16,396	10,228	(36,238)	(9,614)

S94 CONTRIBUTIONS - NOT UNDER A PLAN

PURPOSE	Opening Balance	Received during Year		Interest earned in Yr	Exp. during Yr	Internal Borrowing (to)/from	Held as Restricted Asset	Projections		
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding
Parking	555	-	-	22	-	-	577	-	(577)	-
Total	555	-	-	22	-	-	577	-	(577)	-

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

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

1. Potential Insurance Losses

Council is a multi-purpose organisation providing a large range of building, parks infrastructure, playgrounds and other facilities accessible to the public. At any time it is likely that claims will have been made against Council that remain unsettled.

Council insures against all known insurable risks using a range of insurance policies, each of which is subject to a deductible "insurance excess", the amount of which varies according to the class of insurance.

Council has recognised the potential losses arising from claims known at reporting date based on average historical net cost (including insurance excesses) of similar types of claims. Other potential claims not reported to Council may have existed at reporting date.

2. Land Acquisition

There are a number of properties in the Shire affected by the Land Acquisition (Just Terms Compensation) Act (as amended). Council may be required to acquire some of these properties in the future. If Council does acquire some of these properties it will record a liability and an equal asset.

3. Legal Expenses

Council is the planning consent authority for its area under the Environmental Planning and Assessment Act (as amended). Pursuant to that Act, certain persons aggrieved by a planning decision of the Council may appeal to the Land and Environment Court. It is the Court's normal practice that parties bear their own legal costs irrespective of the outcome of the proceedings. In addition Council has initiated against various parties in relation to other matters. The full amount of costs cannot be known until all appeals are determined.

4. Hornsby Quarry Site

Council has yet to resolve the future of the old CSR Hornsby quarry site.

Currently, there is no obligation upon Council to carry out any remediation work on the property.

5. Defined Benefit Superannuation Contribution Plans

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

The Schemes most recent full actuarial review indicated that the Net Assets of the Scheme were more than sufficient to meet the accrued benefits of the Schemes defined benefit member category.

Council has not recorded any asset in these Financial Reports to represent any future economic benefit relating to the Scheme's Financial Position, nor has it recorded any movements in the Schemes Financial Position in these Accounts.

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2008

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

\$ '000

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

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2008	Actual 2007
a. Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		1,592,514	1,590,960
a. Correction of Prior Period Errors - Employee leave entitlements	20 (c)	1,588	1,588
b. Changes in Accounting Policies (Prior Period Effects)		-	-
c. Correction of Prior Period Errors - Revaluation of Buildings and Operational Land		(23,417)	-
d. Net Operating Result for the Year		208	1,554
e. Distributions to/(Contributions from) Minority Interests		-	-
f. Transfers between Equity		-	-
Balance at End of the Reporting Period		<u><u>1,570,893</u></u>	<u><u>1,594,102</u></u>

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

- Infrastructure, Property, Plant & Equipment Reserve	132,857	-
Total	<u><u>132,857</u></u>	<u><u>-</u></u>

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

- Opening Balance	-	-
- Revaluations for the year	132,857	-
- Balance at End of Year	<u><u>132,857</u></u>	<u><u>-</u></u>

TOTAL VALUE OF RESERVES

<u><u>132,857</u></u>	<u><u>-</u></u>
-----------------------	-----------------

(iii) Nature & Purpose of Reserves**Infrastructure, Property, Plant & Equipment Revaluation Reserve**

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

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2008

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

\$ '000	Notes	Actual 2008	Actual 2007
c. Correction of Error/s relating to a Previous Reporting Period			
The methodology for discounting the employee leave entitlements at the end of June 2007 was incorrect. The total provision figure in Note 10 of the June 2007 accounts should have been \$11,151K instead of \$12,739K, resulting in decrease in Liabilities.		1,588	-
- Adjustments to Closing Equity - 30/6/07 (relating to adjustments for the 30/6/07 year end)		1,588	-
Total Prior Period Adjustments - Prior Period Errors		1,588	-
Council had not previously reassessed the useful life of its buildings and, as a result, was found to have significantly understated their depreciation. It was also found that certain buildings and land parcels had not previously been recognised or derecognised.			
A revaluation exercise in the 2008 year identified these errors and an adjustment has been made against the current balances of IPPE and Retained Earnings to correct the errors because it was found to be impractical to restate the prior year comparatives.			
Buildings not recognised		944	-
Operational Land not derecognised		(188)	-
Depreciation understated		(24,173)	-
Total Current Period adjustments - Prior Period Errors	9 (a)	(23,417)	-

d. Voluntary Changes in Accounting Policies

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

Note 21. Reinstatement, Rehabilitation & Restoration Liabilities

Not Applicable

Note 22. Non Current Assets/Liabilities classified as "Held for Sale"

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

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2008

Note 23. Events occurring after Balance Sheet Date

\$ '000

Events that occur after the reporting date of 30 June 2008, up to and including the date when the financial report is "authorised for issue" have been taken into account in preparing this financial report.

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

Accordingly, the "authorised for issue" date is 16/10/08.

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

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

These financial reports (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2008.

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

These financial reports (and figures therein) do not incorporate any "non adjusting events" that have occurred after 30 June 2008 and which are only indicative of conditions that arose after 30 June 2008.

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

Note 24. Discontinued Operations

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

Hornsby Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2008

Note 25. Intangible Assets

\$ '000

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

	Actual 2008 Carrying Amount	Actual 2007 Carrying Amount
Intangible Assets are as follows;		
Opening Values:		
Gross Book Value (1/7)	8,590	8,590
Accumulated Amortisation & Impairment	<u>(2,896)</u>	<u>(2,036)</u>
Net Book Value - Opening Balance	<u>5,694</u>	<u>6,554</u>
Movements for the year		
- Amortisation charges	(858)	(860)
Closing Values:		
Gross Book Value (30/6)	8,590	8,590
Accumulated Amortisation & Impairment	(3,754)	(2,896)
<u>TOTAL INTANGIBLE ASSETS - NET BOOK VALUE</u> ¹	<u>4,836</u>	<u>5,694</u>

¹ The Net Book Value of Intangible Assets represent:

- Software (representing the "Council's Online" software development)	<u>4,836</u>	<u>5,694</u>
	<u>4,836</u>	<u>5,694</u>

HORNSBY SHIRE COUNCIL

**Independent Audit Report to the Council
S417(2) – Report on the general purpose financial report**

Qualified audit opinion

In our opinion because of the existence of the limitation on the scope of our work as described in the paragraph below titled Basis for qualified Auditor's Opinion and except for the effects of such adjustments if any, as might have been determined to be necessary on the financial statements had the limitation not existed,

- (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; and
- (b) the financial report:
 - (i) has been presented in accordance with the requirements of this Division;
 - (ii) is consistent with the Council's accounting records;
 - (iii) presents fairly the Council's financial position, the results of its operations and its cash flows; and
 - (iv) are in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia.
- (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 report that have come to light during the course of the audit.

This opinion must be read in conjunction with the rest of our audit report.

Basis for Qualified Auditor's Opinion

Since July 2008, global financial markets have experienced a period of high volatility led by events in the US housing market, particularly sub prime loans, which has impacted the value, recoverability, liquidity, cash flows and rates of return of many financial assets including Collateralised Debt Obligations (CDOs), Equity Linked Notes (ELNs) and certain other Managed Funds.

At 30 June 2008, Hornsby Shire Council's investment portfolio totalled \$34 million and included securities totalling \$11.5 million that have been impacted by this market volatility. The impact on individual securities varies depending on their degree of exposure to affected markets.

Many of these securities do not have market values that are independently quoted and they are not widely traded. Independent market valuations are not readily available and in many cases, values are assessed based on estimates from issuers and/or evaluation models for which there is limited market evidence available to verify their reasonableness. Further, the ongoing volatility of financial markets creates greater uncertainty to the valuation process.

These circumstances have resulted in our inability to obtain sufficient appropriate audit evidence to satisfy ourselves as to the fair value and recoverability of \$11.5 million of Council's total investment portfolio.

Scope and summary of our role

The financial report and Council's responsibility

The financial report comprises the Balance Sheet, Income Statement, Cash Flow Statement, 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 for Hornsby Shire Council (the Council), for the year ended 30 June 2008.

The Council is responsible for the preparation and true and fair presentation of the financial report in accordance with the Local Government Act 1993. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on them to the Council. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. Our audit responsibility does not extend to the Original Budget figures included in the Income Statement, Cash Flow Statement and the Original Budget disclosures in Notes 2(a) and 16 to the financial statements and accordingly, we express no opinion on them. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected. For further explanation of an audit.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Local Government Act 1993, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Council's financial position, and its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Council.

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 report.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Our audit did not involve an analysis of the prudence of business decisions made by Councillors or management.

Independence

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



PricewaterhouseCoopers
Chartered Accountants



J A Gordon
Partner

The Mayor
Councillor Nick Berman
Hornsby Shire Council
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Dear Councillor Berman

**Report on the conduct of the audit for year ended 30 June 2008
Section 417(3)**

We have completed our audit of the financial reports of Hornsby Council for the year ended 30 June 2008, in accordance with Section 415 of the Local Government Act, 1993.

Our audit has been conducted in accordance with Australian 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 Accounting Standards and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) 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.

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.

The Mayor

Operating result

Council's operating surplus declined from \$1.6 million in the previous year to \$208k. Some reasons for this movement were:

- Lower interest and investment revenue (down \$4.9m)
- Higher capital grants and contributions (up to \$1.5m).

Cash position

Council's overall cash position fell from \$38.1 million to \$34.3 million during the period under review. The following table highlights the composition of cash.

	June 2008	June 2007
	\$m	\$m
Externally restricted	25.7	28.5
Internally restricted	8.6	7.4
Unrestricted	-	2.2
	34.3	38.1

Working capital

Council's net current assets fell from \$24 million to \$20 million during the period under review.

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

The Mayor

	June 2008	June 2007
	\$'000	\$'000
Net current assets	20,249	24,179
Less External restrictions	25,668	28,545
Internal restrictions	8,599	7,519
	(14,048)	(11,885)
Add Current liabilities to be funded from other sources	13,150	13,250
Available working capital	(898)	1,365

The effective unrestricted or available working capital upon which Council could build its 2008/09 budget was a deficit of \$898k.

Performance indicators

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

	June 2008	June 2006
	%	%
Unrestricted Current Ratio	121	130
Debt Service Ratio	4.7	5.1
Rate Coverage Ratio	69	67
Rates Outstanding Ratio	3.9	4.0
Asset Renewal Ratio	124	-

The Unrestricted Current Ratio declined and remained above the accepted industry benchmark of 100%.

Council's Debt Service Ratio dropped to 4.7% of total revenue and remained below the industry benchmark of 10%.

The Rate Coverage Ratio increased to 69% of total revenue reflecting the decline in interest and investment revenue previously discussed.

The Mayor

The Rates Outstanding Ratio improved to 3.9% of collectables and remained better than the accepted industry benchmark of 5%.

The Asset Renewal Ratio indicates that Council is renewing key infrastructure at 124% of the rate at which they are depreciating.

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

Investments

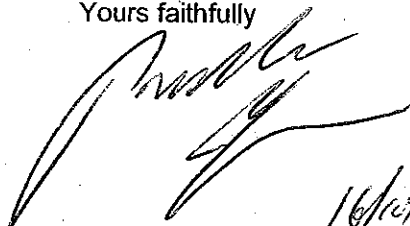
Since July 2007 global financial markets have experienced a period of high volatility led by events in the United States housing market, particularly sub-prime loans, which has impacted the value, recoverability, liquidity, cash flows and rates of return of many financial assets, including Collateralised Deb Obligations (CDOs), Equity Linked Notes (ELNs) and certain other managed funds.

At 30 June 2008 Council's investment portfolio totalled \$34 million and included securities that have been impacted by this market volatility. These securities were principally CDOs and Equity Linked Notes which were written down by \$3.3 million to their fair value.

General

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

Yours faithfully



16/Jul 2008

JA Gordon
Partner
Assurance and Business Advisory Services