

# Hornsby Shire Council

GENERAL PURPOSE FINANCIAL REPORT  
for the year ended 30 June 2009

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*"Creating a living environment"*



# Hornsby Shire Council

## General Purpose Financial Report for the financial year ended 30 June 2009

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### Overview

- (i) This Financial Report covers the consolidated operations for Hornsby Shire Council.
- (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 the 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 28/09/09. Council has the power to amend and reissue the financial report.
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# Hornsby Shire Council

## General Purpose Financial Report for the financial year ended 30 June 2009

### 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 9 September 2009.**



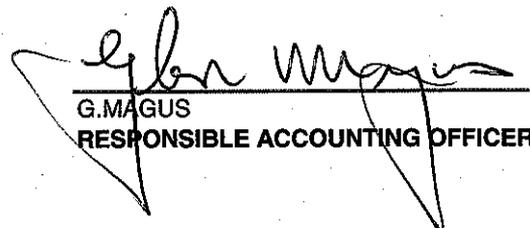
**N. BERMAN  
MAYOR**



**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 2009

Budget <sup>(1)</sup>				Actual	Actual
2009	\$ '000		Notes	2009	2008
<b>Income from Continuing Operations</b>					
<b>Revenue:</b>					
69,352	Rates & Annual Charges	3a		68,788	66,836
11,675	User Charges & Fees	3b		10,938	11,124
2,285	Interest & Investment Revenue	3c		-	-
4,523	Other Revenues	3d		6,150	5,342
7,730	Grants & Contributions provided for Operating Purposes	3e,f		11,119	9,267
5,882	Grants & Contributions provided for Capital Purposes	3e,f		8,153	4,531
<b>Other Income:</b>					
-	Net gains from the disposal of assets	5		-	17
-	Net Share of interests in Joint Ventures & Associated Entities using the Equity Method	19		-	-
<b>101,447</b>	<b>Total Income from Continuing Operations</b>			<b>105,148</b>	<b>97,117</b>
<b>Expenses from Continuing Operations</b>					
41,726	Employee Benefits & On-Costs	4a		41,224	39,059
1,562	Borrowing Costs	4b		1,534	1,528
30,221	Materials & Contracts	4c		32,625	31,396
12,930	Depreciation & Amortisation	4d		16,264	12,418
-	Impairment	4d		-	-
12,322	Other Expenses	4e		11,292	11,200
-	Interest & Investment Losses	3c		270	1,308
-	Net Losses from the Disposal of Assets	5		123	-
<b>98,761</b>	<b>Total Expenses from Continuing Operations</b>			<b>103,332</b>	<b>96,909</b>
<b>2,686</b>	<b>Operating Result from Continuing Operations</b>			<b>1,816</b>	<b>208</b>
<b>Discontinued Operations</b>					
-	Net Profit/(Loss) from Discontinued Operations	24		-	-
<b>2,686</b>	<b>Net Operating Result for the Year</b>			<b>1,816</b>	<b>208</b>
2,686	Net Operating Result attributable to Council			1,816	208
-	Net Operating Result attributable to Minority Interests			-	-
<b>(3,196)</b>	<b>Net Operating Result for the year before Grants and Contributions provided for Capital Purposes</b>			<b>(6,337)</b>	<b>(4,323)</b>

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

## Hornsby Shire Council

## Balance Sheet

as at 30 June 2009

\$ '000	Notes	Actual 2009	Actual 2008
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash & Cash Equivalents	6a	18,751	10,910
Investments	6b	12,063	23,370
Receivables	7	5,628	5,239
Inventories	8	876	870
Other	8	-	-
Non-current assets classified as "held for sale"	22	-	-
<b>Total Current Assets</b>		<b>37,318</b>	<b>40,389</b>
<b>Non-Current Assets</b>			
Investments	6b	-	-
Receivables	7	361	333
Inventories	8	-	-
Infrastructure, Property, Plant & Equipment	9	1,707,173	1,699,763
Investments accounted for using the equity method	19	-	-
Investment Property	14	-	-
Intangible Assets	25	3,994	4,836
Other	8	-	-
<b>Total Non-Current Assets</b>		<b>1,711,528</b>	<b>1,704,932</b>
<b>TOTAL ASSETS</b>		<b>1,748,846</b>	<b>1,745,321</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	10	8,749	6,990
Borrowings	10	3,022	2,702
Provisions	10	11,337	10,448
<b>Total Current Liabilities</b>		<b>23,108</b>	<b>20,140</b>
<b>Non-Current Liabilities</b>			
Payables	10	-	-
Borrowings	10	20,083	21,104
Provisions	10	370	608
<b>Total Non-Current Liabilities</b>		<b>20,453</b>	<b>21,712</b>
<b>TOTAL LIABILITIES</b>		<b>43,561</b>	<b>41,852</b>
<b>Net Assets</b>		<b>1,705,285</b>	<b>1,703,469</b>
<b>EQUITY</b>			
Retained Earnings	20	1,572,428	1,570,612
Revaluation Reserves	20	132,857	132,857
<b>Council Equity Interest</b>		<b>1,705,285</b>	<b>1,703,469</b>
<b>Minority Equity Interest</b>		<b>-</b>	<b>-</b>
<b>Total Equity</b>		<b>1,705,285</b>	<b>1,703,469</b>

## Hornsby Shire Council

Statement of Changes in Equity  
for the financial year ended 30 June 2009

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Equity Interest	Minority Interest	Total Equity
<b>2009</b>						
<b>Opening Balance</b> (as per Last Year's Audited Accounts)		1,570,893	132,857	1,703,750	-	1,703,750
a. Correction of Prior Period Errors	20 (c)	(281)	-	(281)	-	(281)
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
<b>Revised Opening Balance</b> (as at 1/7/08)		<b>1,570,612</b>	<b>132,857</b>	<b>1,703,469</b>	<b>-</b>	<b>1,703,469</b>
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)	-	-	-	-	-
<b>Net Income Recognised Directly in Equity</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
d. Net Operating Result for the Year		<b>1,816</b>	-	<b>1,816</b>	-	<b>1,816</b>
<b>Total Recognised Income &amp; Expenses</b> (c&d)		<b>1,816</b>	-	<b>1,816</b>	-	<b>1,816</b>
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
<b>Equity - Balance at end of the reporting period</b>		<b>1,572,428</b>	<b>132,857</b>	<b>1,705,285</b>	<b>-</b>	<b>1,705,285</b>

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Equity Interest	Minority Interest	Total Equity
<b>2008</b>						
<b>Opening Balance</b> (as per Last Year's Audited Accounts)		1,592,514	-	1,592,514	-	1,592,514
a. Correction of Prior Period Errors	20 (c)	1,307	-	1,307	-	1,307
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
<b>Revised Opening Balance</b> (as at 1/7/07)		<b>1,593,821</b>	<b>-</b>	<b>1,593,821</b>	<b>-</b>	<b>1,593,821</b>
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)
<b>Net Income Recognised Directly in Equity</b>		<b>(23,417)</b>	<b>132,857</b>	<b>109,440</b>	<b>-</b>	<b>109,440</b>
d. Net Operating Result for the Year		208	-	208	-	208
<b>Total Recognised Income &amp; Expenses</b> (c&d)		<b>(23,209)</b>	<b>132,857</b>	<b>109,648</b>	<b>-</b>	<b>109,648</b>
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
<b>Equity - Balance at end of the reporting period</b>		<b>1,570,612</b>	<b>132,857</b>	<b>1,703,469</b>	<b>-</b>	<b>1,703,469</b>

## Hornsby Shire Council

## Cash Flow Statement

for the financial year ended 30 June 2009

Budget 2009	\$ '000	Notes	Actual 2009	Actual 2008
<b>Cash Flows from Operating Activities</b>				
<b>Receipts:</b>				
68,798	Rates & Annual Charges		69,007	66,832
14,355	User Charges & Fees		10,951	11,599
2,285	Interest & Investment Revenue Received		1,975	1,773
14,973	Grants & Contributions		19,271	13,818
6,566	Other		5,416	10,234
<b>Payments:</b>				
(41,726)	Employee Benefits & On-Costs		(40,574)	(39,365)
(36,579)	Materials & Contracts		(31,303)	(34,730)
(1,562)	Borrowing Costs		(1,536)	(1,570)
(14,632)	Other		(10,864)	(13,361)
<b>12,478</b>	<b>Net Cash provided (or used in) Operating Activities</b>	11b	<b>22,343</b>	<b>15,230</b>
<b>Cash Flows from Investing Activities</b>				
<b>Receipts:</b>				
3,979	Sale of Investment Securities		9,739	21,427
6,199	Sale of Infrastructure, Property, Plant & Equipment		4,289	2,947
-	Deferred Debtors Receipts		-	5
<b>Payments:</b>				
-	Purchase of Investment Securities		(585)	(10,388)
(21,947)	Purchase of Infrastructure, Property, Plant & Equipment		(27,244)	(18,138)
<b>(11,769)</b>	<b>Net Cash provided (or used in) Investing Activities</b>		<b>(13,801)</b>	<b>(4,147)</b>
<b>Cash Flows from Financing Activities</b>				
<b>Receipts:</b>				
2,000	Proceeds from Borrowings & Advances		2,000	2,000
<b>Payments:</b>				
(2,709)	Repayment of Borrowings & Advances		(2,701)	(2,566)
<b>(709)</b>	<b>Net Cash Flow provided (used in) Financing Activities</b>		<b>(701)</b>	<b>(566)</b>
-	<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>		<b>7,841</b>	<b>10,517</b>
10,910	plus: <b>Cash &amp; Cash Equivalents - beginning of year</b>	11a	10,910	393
<b>10,910</b>	<b>Cash &amp; Cash Equivalents - end of the year</b>	11a	<b>18,751</b>	<b>10,910</b>

Please refer to Note 11 for information on the following:

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

# Hornsby Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2009

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n/a - not applicable

## Hornsby Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2009

#### 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 it 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

AAS 27 – Financial Reporting by Local Government was withdrawn from use from 1 July 2008.

All key elements however of the former Standard have been incorporated into other current Standards including AASB 1051, 1052 and 1004.

###### (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 that are accounted for at Fair Valuation.

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 2009

#### Note 1. Summary of Significant Accounting Policies (continued)

##### (vi) Critical Accounting Estimates

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

It also requires Council management to exercise their judgement in the process of applying 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 the impairment on rates receivables 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 contribution revenues levied on developers under the provisions of S94 of the EPA Act 1979.

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

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

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

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

##### User Charges, Fees and Other Income

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

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

##### 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 2009

#### 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.

##### (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 30/6/09) and **(ii)** all the related operating results (for the financial year ended the 30th June 2009).

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

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

- General Purpose Operations

Due to their immaterial value and nature, the following Committees, Entities & Operations have been excluded from Consolidation:

- Section 377 Committees

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

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

##### (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) Acquisition of Assets

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

##### (f) Cash and Cash Equivalents

Cash and cash equivalents includes;

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

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

##### (g) 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 2009

#### Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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.

#### Financial Assets – Reclassification

Following on from amendments made to AASB 139 - Financial Instruments: Recognition & Measurement in October 2008, Council may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term.

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

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

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

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

#### Actual Reclassifications

Council did not take up the option to reclassify some financial assets out of the held-for-trading category from 1 July 2008, following amendments made to AASB 139 in October 2008.

#### 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.

## Hornsby Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2009

#### Note 1. Summary of Significant Accounting Policies (continued)

##### (iii) Types of Investments

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

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

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

Council amended its policy during the current reporting year following revisions to the Investment Order arising from the Cole Inquiry recommendations. Certain investments the Council holds are no longer prescribed (eg. managed funds, CDOs, and equity linked notes), however they have been retained under grandfathering provisions of the Order.

These will be disposed of when most financially advantageous to Council.

##### (h) 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.

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

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

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

##### (i) Receivables

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

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

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

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

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

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

##### (j) 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

## Hornsby Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2009

#### Note 1. Summary of Significant Accounting Policies (continued)

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.

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

#### Land Held for Resale/Capitalisation of Borrowing Costs

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

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

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

#### (k) 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;

- **2009/10:** Roads, Bridges, Footpaths and Drainage assets

- **2010/11:** Community land, Land improvements, Other structures and other assets

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

##### Initial Recognition

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

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

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

Where infrastructure, property, plant and equipment assets are acquired for no cost or for an amount other than cost, the assets are recognised in the financial 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 (including Indexation)

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.

## Hornsby Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2009

#### Note 1. Summary of Significant Accounting Policies (continued)

- To the extent that the increase reverses a decrease previously recognised via the profit or loss, then 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.

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

#### Capitalisation Thresholds

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

##### Land

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

##### Plant & Equipment

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

##### Buildings & Land Improvements

Park Furniture & Equipment	> \$5,000
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##### Building

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

Other Structures	> \$5,000
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##### 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
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#### 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 residual values) over its estimated useful life.

Land is not depreciated.

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

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

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

#### 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.

#### (I) 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 2009

#### Note 1. Summary of Significant Accounting Policies (continued)

##### (m) Land under roads

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

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

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

Council will recognise all land under roads when the valuation methodology has been determined by the industry and is, in the meantime, collecting the necessary physical data to undertake the valuation.

##### (n) Intangible Assets

###### IT development and software

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

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

Amortisation is calculated on a straight line bases over periods generally ranging from 3 to 5 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.

##### (o) 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.

##### (p) 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 including land, buildings, plant & vehicles.

##### (q) Investment property

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

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

## Hornsby Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2009

#### Note 1. Summary of Significant Accounting Policies (continued)

##### **(r) Provisions for close down, restoration and for environmental clean up costs – including Tips and Quarries**

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

No decision has yet been made in respect of the Hornsby Quarry and subsequently no provisions has been made in Council's books.

##### **(s) 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.

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

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

##### **(t) 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.

##### **(u) 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.

##### **(v) 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.

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

## Hornsby Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2009

#### Note 1. Summary of Significant Accounting Policies (continued)

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

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

#### **(w) Employee benefits**

##### **(i) 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.

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.

##### **Defined Benefit Plans**

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

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

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

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

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

## Hornsby Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2009

#### Note 1. Summary of Significant Accounting Policies (continued)

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

Accordingly, Council's contributions to the scheme for the current reporting year have been recognised as an expense and disclosed as part of Superannuation Expenses at Note 4(a).

The Local Government Superannuation Scheme has advised member councils that, as a result of the global financial crisis, it has a significant deficiency of assets over liabilities amounting to around \$290 million at 30 June 2009.

As a result, they have asked for significant increases in contributions from 2009/2010 onwards to recover that deficiency.

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

For this reason, no liability for the deficiency has been recognised in Council's accounts.

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

#### Define Contribution Plans

Contributions to Defined Contribution Plans are recognised as an expense as they become payable.

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

#### (iv) Employee Benefit On-Costs

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

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of certain Leave Liabilities accrued as at 30/6/09.

#### (x) Allocation between current and non-current assets & liabilities

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

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

#### Exceptions

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

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

#### (y) Taxes

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

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

#### Goods & Services Tax (GST)

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

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

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

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

## Hornsby Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2009

#### Note 1. Summary of Significant Accounting Policies (continued)

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

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

#### **(z) 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 2009.

**Council has not adopted any of these standards early.**

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

#### **Applicable to Local Government with implications:**

##### ***Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101 (effective from 1 January 2009)***

The September 2007 revised AASB 101 requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements.

If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period.

Council will apply the revised standard from 1 July 2009.

#### **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 (effective from 1 January 2009)***

The revised AASB 123 has removed the option to expense all borrowing costs and - when adopted - will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial reports as Council already capitalises borrowing costs relating to qualifying assets.

##### ***AASB 2008-1 Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations (effective from 1 January 2009)***

AASB 2008-1 clarifies that vesting conditions are service conditions and performance conditions only and that other features of a share-based payment are not vesting conditions.

It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.

There will be no impact on the financial reports as Council makes no share based payments.

##### ***AASB Interpretation 15 Agreements for the Construction of Real Estate (effective 1 January 2009)***

AASB-I 15 clarifies whether AASB 118 Revenue or AASB 111 Construction Contracts should be applied to particular transactions.

Council intends to apply the interpretation from 1 July 2009. It has reviewed its current agreements for the sale of real estate in light of the new guidance and concluded that there would be no change to the accounting for these agreements if AASB-I 15 was adopted in the current financial year. Consequently, it does not expect to make any adjustment on the initial application of AASB-I 15.

## Hornsby Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2009

#### Note 1. Summary of Significant Accounting Policies (continued)

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

**Revised AASB 3 Business Combinations, AASB 127 Consolidated and Separate Financial Statements and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 (effective 1 July 2009)**

The revised AASB 3 continues to apply the acquisition method to business combinations, but with some significant changes.

For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the income statement.

There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

All acquisition-related costs must be expensed. The revised AASB 127 requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses.

The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss.

There will be no impact on the financial reports as Council has no exposure to these types of transactions.

**AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (effective 1 July 2009)**

The amendments to AASB 5 Discontinued Operations and AASB 1 First-Time Adoption of Australian-Equivalents to International Financial Reporting Standards are part of the IASB's annual improvements project published in May 2008.

They clarify that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control.

Relevant disclosures should be made for this subsidiary if the definition of a discontinued operation is met

There will be no impact on the financial reports as Council does not have any subsidiaries it is proposing to dispose of.

**AASB 2008-7 Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective 1 July 2009)**

In July 2008, the AASB approved amendments to AASB 1 First-time Adoption of International Financial Reporting Standards and AASB 127 Consolidated and Separate Financial Statements. Council will apply the revised rules prospectively from 1 July 2009.

After that date, all dividends received from investments in subsidiaries, jointly controlled entities or associates will be recognised as revenue, even if they are paid out of pre-acquisition profits, but the investments may need to be tested for impairment as a result of the dividend payment.

**AASB Interpretation 16 Hedges of a Net Investment in a Foreign Operation (effective 1 October 2008)**

AASB-I 16 clarifies which foreign currency risks qualify as hedged risk in the hedge of a net investment in a foreign operation and that hedging instruments may be held by any entity or entities within the group.

It also provides guidance on how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item.

There will be no impact on the financial reports as Council has no hedges of a net investment in a foreign operation.

## Hornsby Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2009

#### Note 1. Summary of Significant Accounting Policies (continued)

***AASB 2008-8 Amendment to IAS 39 Financial Instruments: Recognition and Measurement (effective 1 July 2009)***

AASB 2008-8 amends AASB 139 Financial Instruments: Recognition and Measurement and must be applied retrospectively in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.

The amendment makes two significant changes. It prohibits designating inflation as a hedgeable component of a fixed rate debt. It also prohibits including time value in the one-sided hedged risk when designating options as hedges.

Council will apply the amended standard from 1 July 2009. It is not expected to have any impact on the financial reports.

AASB Interpretation 17 Distribution of Non-cash Assets to Owners and AASB 2008-13 Amendments to Australian Accounting Standards arising from AASB Interpretation 17

AASB-I 17 applies to situations where an entity pays dividends by distributing non-cash assets to its shareholders.

These distributions will need to be measured at fair value and the entity will need to recognise the difference between the fair value and the carrying amount of the distributed assets in the income statement on distribution.

There will be no impact on the financial reports as Council has no exposure to these types of transactions.

**Not applicable to Local Government per se;**

***AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 (effective from 1 January 2009)***

AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment

performance and deciding how to allocate resources to operating segments.

**(aa) Rounding of amounts**

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

**(ab) 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.

**(ac) 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 2009

### 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 2009	Actual 2009	Actual 2008	Original Budget 2009	Actual 2009	Actual 2008	Original Budget 2009	Actual 2009	Actual 2008	Actual 2009	Actual 2008	Actual 2009	Actual 2008	
General Managers Division	5	13	21	1,354	1,363	1,321	(1,349)	(1,350)	(1,300)	-	208	-	-	
Strategy	1,848	1,726	1,822	2,251	2,153	1,918	(403)	(427)	(96)	11	16	-	-	
Corporate & Community	10,784	9,481	13,222	32,951	36,578	32,899	(22,167)	(27,097)	(19,677)	1,854	1,844	232,391	264,538	
Environment	22,692	24,744	21,239	31,251	31,922	30,415	(8,559)	(7,178)	(9,176)	2,533	1,760	1,244,027	1,214,762	
Works	6,573	9,471	7,055	22,203	22,826	22,059	(15,630)	(13,355)	(15,004)	3,350	1,638	272,428	266,021	
Planning	3,394	2,430	3,006	8,751	8,490	8,297	(5,357)	(6,060)	(5,291)	10	40	-	-	
<b>Total Functions &amp; Activities</b>	<b>45,296</b>	<b>47,865</b>	<b>46,365</b>	<b>98,761</b>	<b>103,332</b>	<b>96,909</b>	<b>(53,465)</b>	<b>(55,467)</b>	<b>(50,544)</b>	<b>7,758</b>	<b>5,506</b>	<b>1,748,846</b>	<b>1,745,321</b>	
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	-	-	-	-	-	-	-	-	-	-	-	-	
General Purpose Income <sup>1</sup>	56,151	57,283	50,752	-	-	-	56,151	57,283	50,752	5,957	4,614	-	-	
<b>Operating Result from Continuing Operations</b>	<b>101,447</b>	<b>105,148</b>	<b>97,117</b>	<b>98,761</b>	<b>103,332</b>	<b>96,909</b>	<b>2,686</b>	<b>1,816</b>	<b>208</b>	<b>13,715</b>	<b>10,120</b>	<b>1,748,846</b>	<b>1,745,321</b>	

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 2009

#### 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 2009

## Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2009	Actual 2008
<b>(a). Rates &amp; Annual Charges</b>			
<b>Ordinary Rates</b>			
Residential		44,919	43,379
less: Compulsory Pensioner Rebate		(1,257)	(1,189)
Farmland		411	400
Business		5,989	5,754
<b>Total Ordinary Rates</b>		<b>50,062</b>	<b>48,344</b>
<b>Special Rates</b>			
Catchments Remediation Rate		2,564	2,471
Hornsby Quarry Special Rate		2,726	2,641
less: Voluntary Pensioner Rebate		(66)	(62)
<b>Total Special Rates</b>		<b>5,224</b>	<b>5,050</b>
<b>Annual Charges</b> (pursuant to s.496 & s.501)			
Domestic Waste Management Services		13,502	13,442
<b>Total Annual Charges</b>		<b>13,502</b>	<b>13,442</b>
<b>TOTAL RATES &amp; ANNUAL CHARGES</b>		<b>68,788</b>	<b>66,836</b>

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 2009

## Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2009	Actual 2008
<b>(b). User Charges &amp; Fees</b>			
<b>Specific User Charges</b> (per s.502 - Specific "actual use" charges)			
Waste Management Services (non-domestic)		835	855
Sullage		14	29
<b>Total User Charges</b>		<b>849</b>	<b>884</b>
<b>Other User Charges &amp; Fees</b>			
<b>(i) Fees &amp; Charges - Statutory &amp; Regulatory Functions</b> (per s608, 610A & 611)			
Inspection Fees		373	435
Planning & Building Regulation		2,038	2,578
Registration Fees		62	91
Section 611 Charges		56	55
<b>Total Fees &amp; Charges - Statutory/Regulatory</b>		<b>2,529</b>	<b>3,159</b>
<b>(ii) Fees &amp; Charges - Other (incl. General User Charges)</b> (per s.610C)			
Childrens Centre - Pennant Hills		-	12
Community Centre Hire Fees		120	114
Indoor Sports Centre Stadium - Admission Fees		470	417
Library Fees & Charges		150	138
Nursery & Preschool Hire Fees		2,737	2,456
Park & Oval Hire Fees		724	657
Restoration Charges		844	1,083
Swimming Centre - Admission Fees		1,983	1,649
Tennis / Netball Hire Fees		147	144
Other Hire Fees		29	18
Other		356	393
<b>Total Fees &amp; Charges - Other</b>		<b>7,560</b>	<b>7,081</b>
<b>TOTAL USER CHARGES &amp; FEES</b>		<b>10,938</b>	<b>11,124</b>

## Hornsby Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2009

## Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2009	Actual 2008
<b>(c). Interest &amp; Investment Revenue (incl. losses)</b>			
<b>Interest &amp; Dividends</b>			
- Interest on Overdue Rates & Annual Charges		193	193
- Interest earned on Investments (interest & coupon payment income)		1,676	1,804
<b>Fair Value Adjustments</b>			
- Fair Valuation Movements in Investments (unrealised capital gains/(losses))		(2,153)	(3,305)
<b>Other</b>		14	-
<b><u>TOTAL INTEREST &amp; INVESTMENT REVENUE</u></b>		<b><u>(270)</u></b>	<b><u>(1,308)</u></b>
<b>Interest Revenue is attributable to:</b>			
<b>Unrestricted Investments/Financial Assets:</b>			
Overdue Rates & Annual Charges		193	193
General Council Cash & Investments		1,250	(2,223)
<b>Restricted Investments/Funds - External:</b>			
Development Contributions			
- Section 94		(1,693)	713
Catchments Remediation		(20)	9
<b><u>Total Interest &amp; Investment Revenue Recognised</u></b>		<b><u>(270)</u></b>	<b><u>(1,308)</u></b>
<b>(d). Other Revenues</b>			
Rental Income - Other Council Properties		1,368	1,346
Ex Gratia Rates		14	17
Parking Fines		1,350	1,119
Prosecution & Infringements		166	177
Legal Fees Recovery - Rates & Charges (Extra Charges)		187	128
Legal Fees Recovery - Planning		41	15
Legal Fees Recovery - Other		91	11
Commissions & Agency Fees		29	17
Insurance Claim Recoveries		30	121
Recycling Income (non domestic)		126	118
Sales - General		672	509
Bushfire Fund Income		72	28
Car Park Management		70	20
Crosslands Reserve Income		32	34
Department of Environment Waste Rebate		378	264
Florence Mall Incomes		113	56
Home Modification		223	223
Income from Community Events		13	21
Property Services Sundry Income		2	10
Road Closure Income		590	600
Salaries & Wages Charged Out		111	141

## Hornsby Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2009

## Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2009	Actual 2008
<b>(d). Other Revenues (continued)</b>			
Telecommunications Mobile Site Fees		31	82
Vehicular Crossing Income		24	8
Insurance Rebates & Incentives		202	-
Other		215	277
<b>TOTAL OTHER REVENUE</b>		<b>6,150</b>	<b>5,342</b>

\$ '000	2009 Operating	2008 Operating	2009 Capital	2008 Capital
<b>(e). Grants</b>				
<b>General Purpose (Untied)</b>				
Financial Assistance	5,301	3,957	-	-
Pensioners' Rates Subsidies - General Component	656	657	-	-
<b>Total General Purpose</b>	<b>5,957</b>	<b>4,614</b>	<b>-</b>	<b>-</b>
<b>Specific Purpose</b>				
Pensioners' Rates Subsidies:				
- Domestic Waste Management	219	208	-	-
Aged & Disabled	433	428	-	-
Bushfire & Emergency Services	441	559	-	-
Bushland	119	90	-	-
Child Care	702	830	-	-
Community Centres	-	-	11	-
Employment & Training Programs	22	-	-	-
Environmental Protection	649	633	1,226	-
Library	293	291	128	115
Noxious Weeds	-	24	-	-
Parks & Gardens	-	-	(104)	454
Street Lighting	275	244	-	-
Transport (Roads to Recovery)	200	200	739	300
Transport (Other Roads & Bridges Funding)	423	145	750	662
Youth Services	39	21	-	-
Community Infrastructure Program	-	-	833	-
Other	249	146	111	156
<b>Total Specific Purpose</b>	<b>4,064</b>	<b>3,819</b>	<b>3,694</b>	<b>1,687</b>
<b>Total Grants</b>	<b>10,021</b>	<b>8,433</b>	<b>3,694</b>	<b>1,687</b>
<b>Grant Revenue is attributable to:</b>				
- Commonwealth Funding	725	832	2,779	100
- State Funding	9,296	7,601	915	1,587
	<b>10,021</b>	<b>8,433</b>	<b>3,694</b>	<b>1,687</b>

## Hornsby Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2009

## Note 3. Income from Continuing Operations (continued)

\$ '000	2009 Operating	2008 Operating	2009 Capital	2008 Capital
<b>(f). Contributions</b>				
<b>Developer Contributions:</b>				
<b>(s93 &amp; s94 - EP&amp;A Act, s64 of the NSW LG Act):</b>				
S 94 - Contributions towards amenities/services	-	-	1,651	1,762
<b>Total Developer Contributions</b> 17	<b>-</b>	<b>-</b>	<b>1,651</b>	<b>1,762</b>
<b>Other Contributions:</b>				
Community Facilities	34	63	-	-
Employee Vehicle Contributions	630	643	-	-
Environment	206	-	160	-
Rural Fire Service	160	48	2,402	275
Childcare	-	-	137	-
Other	68	80	109	807
<b>Total Other Contributions</b>	<b>1,098</b>	<b>834</b>	<b>2,808</b>	<b>1,082</b>
<b>Total Contributions</b>	<b>1,098</b>	<b>834</b>	<b>4,459</b>	<b>2,844</b>
<b>TOTAL GRANTS &amp; CONTRIBUTIONS</b>	<b>11,119</b>	<b>9,267</b>	<b>8,153</b>	<b>4,531</b>

\$ '000	Actual 2009	Actual 2008
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**(g). Restrictions relating to Grants and Contributions**

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

Unexpended at the Close of the Previous Reporting Period	19,584	22,416
add: Grants and contributions recognised in the current period which have not been spent:	2,288	4,098
less: Grants and contributions recognised in a previous reporting period which have been spent in the current reporting period:	(9,170)	(6,930)
<b>Net Increase (Decrease) in Restricted Assets during the Current Reporting Period</b>	<b>(6,882)</b>	<b>(2,832)</b>
<b>Unexpended at the Close of this Reporting Period and held as Restricted Assets</b>	<b>12,702</b>	<b>19,584</b>
<b>Comprising:</b>		
- Specific Purpose Unexpended Grants	2,689	2,611
- Developer Contributions	10,013	16,973
	<b>12,702</b>	<b>19,584</b>

## Hornsby Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2009

## Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2009	Actual 2008
<b>(a) Employee Benefits &amp; On-Costs</b>			
Salaries and Wages		35,657	34,072
Travelling		33	29
Employee Leave Entitlements (ELE)		1,424	1,076
Superannuation		3,272	2,604
Workers' Compensation Insurance		613	1,018
Fringe Benefit Tax (FBT)		171	152
Training Costs (other than Salaries & Wages)		535	451
Other		370	462
<b>Total Employee Costs</b>		<b>42,075</b>	<b>39,864</b>
less: Capitalised Costs		(851)	(805)
<b><u>TOTAL EMPLOYEE COSTS EXPENSED</u></b>		<b><u>41,224</u></b>	<b><u>39,059</u></b>
Number of "Equivalent Full Time" Employees at year end		<b>603</b>	<b>591</b>
<b>(b) Borrowing Costs</b>			
<b>(i) Interest Bearing Liability Costs</b>			
Interest on Loans		1,533	1,528
Other Debts		1	-
<b>Total Interest Bearing Liability Costs</b>		<b>1,534</b>	<b>1,528</b>
less: Capitalised Costs		-	-
<b>Total Interest Bearing Liability Costs Expensed</b>		<b>1,534</b>	<b>1,528</b>
<b>(ii) Other Borrowing Costs</b>			
Nil			
<b><u>TOTAL BORROWING COSTS EXPENSED</u></b>		<b><u>1,534</u></b>	<b><u>1,528</u></b>

## Hornsby Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2009

## Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2009	Actual 2008
<b>(c) Materials &amp; Contracts</b>			
Raw Materials & Consumables		5,295	5,017
Contractor & Consultancy Costs			
- Consultants		1,439	1,767
- Computer Support		1,826	1,823
- Home Modification Service		165	160
- Animal Pound Service		155	155
- Air Conditioning		101	97
- Garbage Collection, Tipping & Recycling		12,347	12,174
- Footpath Maintenance		278	172
- Mechanical Services		151	155
- Property Cleaning		340	302
- Litter Control		425	391
- Contracts - Tree Work		364	326
- Contracts - Grass Cutting		448	426
- Contracts - Electrical		295	315
- Contracts - Plumbing		313	331
- Building Maintenance		316	340
- Foreshore Facilities		187	-
- Drainage Maintenance		219	248
- Maintenance of Parks		220	186
- Road Maintenance		3,359	2,834
- External Plant & Equipment Hire		299	240
- Contractor & Agency Fees		817	979
- Bush Regeneration		303	264
- Stormwater Asset Maintenance		155	258
- Election Expenses		377	-
- Florence Mall		224	259
- Community Centres		127	13
Auditors Remuneration - Audit Services (Council's Auditor)		88	80
Auditors Remuneration - Other Services (Council's Auditor)		-	4
Legal Expenses:			
- Legal Expenses - Planning & Development		883	1,019
- Legal Expenses - Other		656	408
Operating Leases:			
Operating Lease Rentals - Minimum Lease Payments <sup>(1)</sup>		173	360
Other		280	293
<b>Total Materials &amp; Contracts</b>		<b>32,625</b>	<b>31,396</b>
less: Capitalised Costs		-	-
<b>TOTAL MATERIALS &amp; CONTRACTS</b>		<b>32,625</b>	<b>31,396</b>
<b>1. Operating Lease Payments are attributable to:</b>			
- Computers		173	360
		<b>173</b>	<b>360</b>

## Hornsby Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2009

## Note 4. Expenses from Continuing Operations (continued)

\$ '000	Depreciation/Amortisation		Impairment Costs	
	Actual 2009	Actual 2008	Actual 2009	Actual 2008
<b>(d) Depreciation, Amortisation &amp; Impairment</b>				
Plant and Equipment	1,999	2,006	-	-
Office Equipment	193	231	-	-
Furniture & Fittings	120	125	-	-
Land Improvements (depreciable)	2,672	2,408	-	-
Buildings - Non Specialised	2,188	516	-	-
Buildings - Specialised	2,112	489	-	-
Other Structures	272	243	-	-
Infrastructure:				
- Roads, Bridges & Footpaths	4,119	3,880	-	-
- Stormwater Drainage	1,303	1,287	-	-
- Water Supply Network	4	4	-	-
Other Assets				
- Library Books	422	371	-	-
Intangible Assets <span style="float: right;">25</span>	860	858	-	-
<b>Total Depreciation &amp; Impairment Costs</b>	<b>16,264</b>	<b>12,418</b>	<b>-</b>	<b>-</b>
less: Capitalised Costs	-	-	-	-
<b>TOTAL DEPRECIATION &amp; IMPAIRMENT COSTS EXPENSED</b>	<b>16,264</b>	<b>12,418</b>	<b>-</b>	<b>-</b>

## Hornsby Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2009

## Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2009	Actual 2008
<b>(e) Other Expenses</b>			
Other Expenses for the year include the following:			
Advertising		552	521
Bad & Doubtful Debts		(13)	65
Bank Charges & Cash Collection Expenses		265	262
Catering		293	275
Contributions to Other Levels of Government		2,674	2,639
Councillor Expenses - Mayoral Fee		51	49
Councillor Expenses - Councillors' Fees		190	191
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		28	23
Donations, Contributions & Assistance to other organisations (Section 356)		158	292
Electricity & Heating		821	719
Insurance		1,498	1,641
Licences & Registration		259	265
Postage		238	215
Printing & Stationery		571	436
Street Lighting		2,033	1,889
Subscriptions to Local Government Association		48	47
Subscriptions & Publications		264	238
Telephone & Communications		409	499
Valuation Fees		215	229
Water & Sewerage		357	330
Other		381	375
<b>Total Other Expenses</b>		<b>11,292</b>	<b>11,200</b>
less: Capitalised Costs		-	-
<b><u>TOTAL OTHER EXPENSES</u></b>		<b><u>11,292</u></b>	<b><u>11,200</u></b>

## Hornsby Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2009

## Note 5. Gains or Losses on Disposal of Assets

\$ '000	Notes	Actual 2009	Actual 2008
<b>Property</b> (excl. Investment Property)			
Proceeds from Disposal		2,410	-
less: Carrying Amount of Property Assets Sold		(2,410)	-
<b>Net Gain/(Loss) on Disposal</b>		<b>-</b>	<b>-</b>
<b>Plant &amp; Equipment</b>			
Proceeds from Disposal		1,879	2,947
less: Carrying Amount of P&E Assets Sold		(2,002)	(2,930)
<b>Financial Assets*</b>			
Proceeds from Disposal		9,739	21,427
less: Carrying Amount of Financial Assets Sold		(9,739)	(21,427)
<b>Net Gain/(Loss) on Disposal</b>		<b>-</b>	<b>-</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>(123)</b>	<b>17</b>

## Hornsby Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2009

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

\$ '000	2009 Actual Current	2009 Actual Non Current	2008 Actual Current	2008 Actual Non Current
<b>Cash &amp; Cash Equivalents (Note 6a)</b>				
Cash on Hand and at Bank	2,282	-	110	-
Cash-Equivalent Assets <sup>1</sup>				
- Short Term Deposits	16,469	-	10,800	-
<b>Total Cash &amp; Cash Equivalents</b>	<b>18,751</b>	<b>-</b>	<b>10,910</b>	<b>-</b>
<b>Investment Securities (Note 6b)</b>				
- Managed Funds	883	-	9,946	-
- NCD's, FRN's (with Maturities > 3 months)	1,728	-	1,892	-
- CDO's	3,360	-	5,044	-
- Capital Guaranteed Financial Instruments	6,092	-	6,488	-
<b>Total Investment Securities</b>	<b>12,063</b>	<b>-</b>	<b>23,370</b>	<b>-</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS &amp; INVESTMENTS</b>	<b>30,814</b>	<b>-</b>	<b>34,280</b>	<b>-</b>

<sup>1</sup> 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"	<b>18,751</b>	<b>-</b>	<b>10,910</b>	<b>-</b>
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**Investments**

a. "At Fair Value through the Profit & Loss"				
- "Held for Trading" 6(b-i)	-	-	-	-
- "Designated At Fair Value on Initial Recognition" 6(b-i)	12,063	-	23,370	-
b. "Held to Maturity" 6(b-ii)	-	-	-	-
c. "Loans & Receivables" 6(b-iii)	-	-	-	-
d. "Available for Sale" 6(b-iv)	-	-	-	-
<b>Investments</b>	<b>12,063</b>	<b>-</b>	<b>23,370</b>	<b>-</b>

## Hornsby Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2009

## Note 6b. Investments (continued)

\$ '000	2009 Actual Current	2009 Actual Non Current	2008 Actual Current	2008 Actual Non Current
<b>Note 6(b-i)</b>				
<b>Reconciliation of Investments classified as "At Fair Value through the Profit &amp; Loss"</b>				
Balance at the Beginning of the Year	23,370	-	37,714	-
Revaluations (through the Income Statement)	(2,153)	-	(3,305)	-
Additions	585	-	10,388	-
Disposals (sales & redemptions)	(9,739)	-	(21,427)	-
<b>Balance at End of Year</b>	<b>12,063</b>	<b>-</b>	<b>23,370</b>	<b>-</b>
<b>Comprising:</b>				
- Managed Funds	883	-	9,946	-
- NCD's, FRN's (with Maturities > 3 months)	1,728	-	1,892	-
- CDO's	3,360	-	5,044	-
- Capital Guaranteed Financial Instruments	6,092	-	6,488	-
<b>Total</b>	<b>12,063</b>	<b>-</b>	<b>23,370</b>	<b>-</b>
<b>Note 6(b-ii)</b>				
<b>Reconciliation of Investments classified as "Held to Maturity"</b>				
Nil				
<b>Note 6(b-iii)</b>				
<b>Reconciliation of Investments classified as "Loans &amp; Receivables"</b>				
Nil				
<b>Note 6(b-iv)</b>				
<b>Reconciliation of Investments classified as "Available for Sale"</b>				
Nil				

## Hornsby Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2009

## Note 6c. Restricted Cash, Cash Equivalents &amp; Investments

\$ '000	2009	2009	2008	2008
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investment Securities	30,814	-	34,280	-
<b>attributable to:</b>				
External Restrictions (refer below)	18,518	-	25,668	-
Internal Restrictions (refer below)	9,772	-	8,599	-
Unrestricted	2,524	-	13	-
	<b>30,814</b>	<b>-</b>	<b>34,280</b>	<b>-</b>

2009 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
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## Details of Restrictions

## External Restrictions - Included in Liabilities

Nil

## External Restrictions - Other

Developer Contributions - General (D)	16,973	(42)	(6,918)	10,013
Specific Purpose Unexpended Grants (F)	2,611	78	-	2,689
Domestic Waste Management (G)	5,005	13,572	(14,975)	3,602
Other	1,079	3,699	(2,564)	2,214
<b>External Restrictions - Other</b>	<b>25,668</b>	<b>17,307</b>	<b>(24,457)</b>	<b>18,518</b>
<b>Total External Restrictions</b>	<b>25,668</b>	<b>17,307</b>	<b>(24,457)</b>	<b>18,518</b>

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

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

**G** Water, Sewerage, Domestic Waste Management (DWM) & other Special Rates/Levies/Charges are externally restricted assets and must be applied for the purposes for which they were raised.

## Hornsby Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2009

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

2009 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
<b>Internal Restrictions</b>				
Plant & Vehicle Replacement	813	320	(247)	886
Employees Leave Entitlement	1,539	250	-	1,789
Construction of Buildings	708	2,407	(3,190)	(75)
M2 Open Space Land	540	-	(540)	-
Civil Works	3,141	213	(538)	2,816
Council Strategies Projects	661	444	(451)	654
Land Acquisition	302	-	-	302
Hornsby Quarry GST Refund	-	2,410	-	2,410
Other	895	3,414	(3,319)	990
<b>Total Internal Restrictions</b>	<b>8,599</b>	<b>9,458</b>	<b>(8,285)</b>	<b>9,772</b>
<b>TOTAL RESTRICTIONS</b>	<b>34,267</b>	<b>26,765</b>	<b>(32,742)</b>	<b>28,290</b>

**NOTE:**

The current balances of loans from Internal Restrictions are as follows:

- Purchase of old CBA building in George St Hornsby \$2.515M
- New Bushfire Control Centre Berowra \$1.039M
- Energy Performance Contracts \$805K

## Hornsby Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2009

## Note 7. Receivables

\$ '000	2009		2008	
	Current	Non Current	Current	Non Current
<b>Purpose</b>				
Rates & Annual Charges	1,905	361	2,152	333
Interest & Extra Charges	226	-	226	-
User Charges & Fees	140	-	147	-
Contributions to Works	380	-	-	-
Accrued Revenues				
- Interest on Investments	14	-	106	-
- Other Income Accruals	1,367	-	625	-
Government Grants & Subsidies	209	-	208	-
Net GST Receivable	750	-	551	-
Sullage	97	-	67	-
Restorations	22	-	385	-
Licencing	27	-	39	-
Property Rentals	40	-	372	-
Sale & Leaseback of Computer Equipment	129	-	44	-
Workers Compensation Claims	19	-	17	-
Facility Hire	74	-	23	-
Other Debtors	363	-	441	-
<b>Total</b>	<b>5,762</b>	<b>361</b>	<b>5,403</b>	<b>333</b>
<b>less: Provision for Impairment</b>				
Other Debtors	(134)	-	(164)	-
<b>Total Provision for Impairment - Receivables</b>	<b>(134)</b>	<b>-</b>	<b>(164)</b>	<b>-</b>
<b>TOTAL NET RECEIVABLES</b>	<b>5,628</b>	<b>361</b>	<b>5,239</b>	<b>333</b>
<b>Externally Restricted Receivables</b>				
Domestic Waste Management	452	-	514	-
Other				
- Catchment Remediation Rate	97	-	113	-
- Hornsby Quarry Special Rate	103	-	91	-
- Special Purpose Grants	1,557	-	208	-
<b>Total External Restrictions</b>	<b>2,209</b>	<b>-</b>	<b>926</b>	<b>-</b>
<b>Internally Restricted Receivables</b>				
Nil				
<b>Unrestricted Receivables</b>	<b>3,419</b>	<b>361</b>	<b>4,313</b>	<b>333</b>
<b>TOTAL NET RECEIVABLES</b>	<b>5,628</b>	<b>361</b>	<b>5,239</b>	<b>333</b>

**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% (2008 10.00%).  
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 2009

## Note 8. Inventories &amp; Other Assets

\$ '000	2009		2008	
	Current	Non Current	Current	Non Current
<b>Inventories</b>				
Real Estate for resale (refer below)	705	-	705	-
Stores & Materials	171	-	165	-
<b>Total Inventories</b>	<b>876</b>	<b>-</b>	<b>870</b>	<b>-</b>
<b>Other Assets</b>				
Nil				
<b><u>TOTAL INVENTORIES &amp; OTHER ASSETS</u></b>	<b><u>876</u></b>	<b><u>-</u></b>	<b><u>870</u></b>	<b><u>-</u></b>
<b>Details for Real Estate Development</b>				
Residential	705	-	705	-
<b>Total Real Estate for Resale</b>	<b>705</b>	<b>-</b>	<b>705</b>	<b>-</b>
(Valued at the lower of cost and net realisable value)				
<b>Represented by:</b>				
Acquisition Costs	705	-	705	-
<b>Total Costs</b>	<b>705</b>	<b>-</b>	<b>705</b>	<b>-</b>
less: Provision for Under Recovery	-	-	-	-
<b>Total Real Estate for Resale</b>	<b>705</b>	<b>-</b>	<b>705</b>	<b>-</b>
<b>Movements:</b>				
Real Estate assets at beginning of the year	705	-	705	-
<b>Total Real Estate for Resale</b>	<b>705</b>	<b>-</b>	<b>705</b>	<b>-</b>
 (i) Externally Restricted Assets				
Nil				
Total Externally Restricted Assets	-	-	-	-
Total Internally Restricted Assets	-	-	-	-
Total Unrestricted Assets	876	-	870	-
<b>TOTAL INVENTORIES &amp; OTHER ASSETS</b>	<b>876</b>	<b>-</b>	<b>870</b>	<b>-</b>

Notes to the Financial Statements  
for the financial year ended 30 June 2009

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2008					Asset Movements during the Reporting Period				as at 30/6/2009				
	At	At	Accumulated		Carrying	Asset Additions	WDV Asset Disposals	Depreciation Expense	Adjustments & Transfers (incl WIP Capitalisation)	At	At	Accumulated		Carrying
	Cost	Fair Value	Deprec.	Impairment	Value					Cost	Fair Value	Dep'n	Impairment	Value
Capital Work in Progress	9,427	-	-	-	9,427	19,900	-	-	(17,213)	12,114	-	-	-	12,114
Plant & Equipment	-	14,757	8,313	-	6,444	3,186	(2,002)	(1,999)	-	-	15,126	9,497	-	5,629
Office Equipment	-	1,304	716	-	588	101	-	(193)	-	-	1,248	752	-	496
Furniture & Fittings	-	2,528	1,874	-	654	38	-	(120)	-	-	2,480	1,908	-	572
<b>Land:</b>														
- Operational Land	-	146,305	-	-	146,305	2,000	-	-	-	-	148,305	-	-	148,305
- Community Land	1,172,436	-	-	-	1,172,436	657	(2,410)	-	-	1,170,683	-	-	-	1,170,683
Land Improvements - depreciable	50,024	-	19,368	-	30,656	-	-	(2,672)	3,514	53,538	-	22,040	-	31,498
Buildings - Non Specialised	-	67,068	27,801	-	39,267	759	-	(2,188)	3,369	-	71,196	29,989	-	41,207
Buildings - Specialised	-	76,442	30,259	-	46,183	-	-	(2,112)	3,238	-	79,681	32,372	-	47,309
Other Structures	8,017	-	3,483	-	4,534	79	-	(272)	377	8,464	-	3,746	-	4,718
<b>Infrastructure:</b>														
- Roads, Bridges, Footpaths	357,045	-	190,667	-	166,378	-	-	(4,119)	4,485	361,530	-	194,786	-	166,744
- Stormwater Drainage	121,000	-	45,153	-	75,847	-	-	(1,303)	2,230	123,230	-	46,456	-	76,774
- Water Supply Network	128	-	57	-	71	-	-	(4)	-	128	-	61	-	67
<b>Other Assets:</b>														
- Library Books	-	1,888	915	-	973	506	-	(422)	-	-	2,393	1,336	-	1,057
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT &amp; EQUIP.</b>	<b>1,718,077</b>	<b>310,292</b>	<b>328,606</b>	<b>-</b>	<b>1,699,763</b>	<b>27,226</b>	<b>(4,412)</b>	<b>(15,404)</b>	<b>-</b>	<b>1,729,687</b>	<b>320,429</b>	<b>342,943</b>	<b>-</b>	<b>1,707,173</b>

Additions to Buildings, Infrastructure and Depreciable Land Improvements (including Work in Progress) are made up of Asset Renewals (\$10,564) and New Assets (\$6,281). 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 2009

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

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

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

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Council has not recognised any impairment losses during the reporting period nor reversed any prior period losses.

## Hornsby Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2009

## Note 10a. Payables, Borrowings &amp; Provisions

\$ '000	Notes	2009		2008	
		Current	Non Current	Current	Non Current
<b>Payables</b>					
Goods & Services - operating expenditure		5,537	-	4,209	-
Payments Received In Advance		263	-	257	-
Accrued Expenses;					
- Borrowings		32	-	34	-
- Other Expenditure Accruals		2,256	-	1,869	-
Security Bonds, Deposits & Retentions		113	-	143	-
Contributions & Bonds		189	-	149	-
Employee Costs		333	-	281	-
Other		26	-	48	-
<b>Total Payables</b>		<b>8,749</b>	<b>-</b>	<b>6,990</b>	<b>-</b>
<b>Borrowings</b>					
Loans - Secured <sup>1</sup>		3,022	20,083	2,702	21,104
<b>Total Borrowings</b>		<b>3,022</b>	<b>20,083</b>	<b>2,702</b>	<b>21,104</b>
<b>Provisions</b>					
<b>Employee Benefits;</b>					
Annual Leave		3,056	-	3,008	-
Sick Leave		668	-	668	-
Long Service Leave		7,135	370	6,294	608
Gratuities		465	-	466	-
Sub Total - Aggregate Employee Benefits		11,324	370	10,436	608
Other		13	-	12	-
<b>Total Provisions</b>		<b>11,337</b>	<b>370</b>	<b>10,448</b>	<b>608</b>
<b>Total Payables, Borrowings &amp; Provisions</b>		<b>23,108</b>	<b>20,453</b>	<b>20,140</b>	<b>21,712</b>

## (i) Liabilities relating to Restricted Assets

	2009		2008	
	Current	Non Current	Current	Non Current
<b>Externally Restricted Assets</b>				
Domestic Waste Management	1,705	-	1,967	-
Liabilities relating to externally restricted assets	1,705	-	1,967	-
<b>Internally Restricted Assets</b>				
Employee Leave Entitlements	1,789	-	1,539	-
Liabilities relating to internally restricted assets	1,789	-	1,539	-
<b>Total Liabilities relating to restricted assets</b>	<b>3,494</b>	<b>-</b>	<b>3,506</b>	<b>-</b>

<sup>1</sup>: Loans are secured over the General Rating Income of Council

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

## Hornsby Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2009

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

\$ '000	2009	2008
<b>(ii) Current Liabilities not anticipated to be settled within the next 12 months</b>		
The following Liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions - Employees Benefits	7,449	6,776
	<u>7,449</u>	<u>6,776</u>

## Note 10b. Description of and movements in Provisions

Class of Provision	2008			2009		Closing Balance as at 30/6/09
	Opening Balance as at 1/7/08	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	
Annual Leave	3,008	2,493	(2,445)	-	-	3,056
Sick Leave	668	58	(58)	-	-	668
Long Service Leave	6,902	1,493	(890)	-	-	7,505
Gratuities	466	56	(57)	-	-	465
Other	12	1	-	-	-	13
<b>TOTAL</b>	<b>11,056</b>	<b>4,101</b>	<b>(3,450)</b>	<b>-</b>	<b>-</b>	<b>11,707</b>

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 2009

## Note 11. Cash Flow Statement - Additional Information

\$ '000	Notes	Actual 2009	Actual 2008
<b>(a) Reconciliation of Cash Assets</b>			
Total Cash & Cash Equivalent Assets	6a	18,751	10,910
Less Bank Overdraft	10	-	-
<b>BALANCES as per the CASH FLOW STATEMENT</b>		<b>18,751</b>	<b>10,910</b>
<b>(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities</b>			
<b>Net Operating Result from Income Statement</b>		<b>1,816</b>	<b>208</b>
<b>Adjust for non cash items:</b>			
Depreciation & Amortisation		16,264	12,418
Net Losses/(Gains) on Disposal of Assets		123	(17)
Non Cash Capital Grants and Contributions		-	(726)
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investments classified as "@ Fair Value" or "Held for Trading"		2,153	3,305
<b>+/- Movement in Operating Assets and Liabilities &amp; Other Cash Items:</b>			
Decrease/(Increase) in Receivables		(387)	102
Increase/(Decrease) in Provision for Doubtful Debts		(30)	26
Decrease/(Increase) in Inventories		(6)	7
Decrease/(Increase) in Other Current Assets		-	-
Increase/(Decrease) in Payables		1,328	(971)
Increase/(Decrease) in accrued Interest Payable		(2)	(4)
Increase/(Decrease) in other accrued Expenses Payable		387	1,020
Increase/(Decrease) in Other Current Liabilities		46	(36)
Increase/(Decrease) in Employee Leave Entitlements		650	(107)
Increase/(Decrease) in Other Provisions		1	5
<b>NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from CASH FLOW STATEMENT</b>		<b>22,343</b>	<b>15,230</b>

## Hornsby Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2009

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

\$ '000	Notes	Actual 2009	Actual 2008
<b>(c) Non-Cash Investing &amp; Financing Activities</b>			
Other Dedications		-	726
<b>Total Non-Cash Investing &amp; Financing Activities</b>		<b>-</b>	<b>726</b>
<b>(d) Financing Arrangements</b>			
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>			
Bank Overdraft Facilities <sup>(1)</sup>		2,000	2,000
Credit Cards / Purchase Cards		10	10
<b>Total Financing Arrangements</b>		<b>2,010</b>	<b>2,010</b>
<b>Amounts utilised as at Balance Date:</b>			
- Bank Overdraft Facilities		-	-
- Credit Cards / Purchase Cards		-	-
<b>Total Financing Arrangements Utilised</b>		<b>-</b>	<b>-</b>

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

**(ii) Secured Loan Liabilities**

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

**(e) Net Cash Flows Attributable to Discontinued Operations**

Please refer to Note 24 for details of Cash Flows that relate to Discontinued Operations

## Hornsby Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2009

## Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2009	Actual 2008
<b>(a) Capital Commitments (exclusive of GST)</b>			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
<b>Property, Plant &amp; Equipment</b>			
Plant & Equipment		429	191
Buildings & Land Improvements		1,026	198
Infrastructure - Roads, Bridges & Footpaths		200	19
Intellectual Property - "Council's Online"		5,208	6,948
Furniture & Fittings		31	21
Other		119	42
<b>Investment Property</b>			
Nil			
<b>Total Commitments</b>		<b>7,013</b>	<b>7,419</b>
<b>These expenditures are payable as follows:</b>			
Within the next year		3,567	2,216
Later than one year and not later than 5 years		3,446	5,203
Later than 5 years		-	-
<b>Total Payable</b>		<b>7,013</b>	<b>7,419</b>
<b>Sources for Funding of Capital Commitments:</b>			
Unrestricted General Funds		7,013	7,419
<b>Total Sources of Funding</b>		<b>7,013</b>	<b>7,419</b>
<b>(b) Other Expenditure Commitments (exclusive of GST)</b>			
Other Non Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
DWM & Recycling Services		68,671	11,304
Banking, Audit & Legal Services		270	785
Other		379	-
<b>Total Commitments</b>		<b>69,320</b>	<b>12,089</b>
<b>These expenditures are payable as follows:</b>			
Within the next year		12,162	7,525
Later than one year and not later than 5 years		36,285	4,564
Later than 5 years		20,873	-
<b>Total Payable</b>		<b>69,320</b>	<b>12,089</b>

## Hornsby Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2009

## Note 12. Commitments for Expenditure (continued)

\$ '000	Notes	Actual 2009	Actual 2008
<b>(c) Finance Lease Commitments</b>			
Nil			
<b>(d) Operating Lease Commitments (Non Cancellable)</b>			
<b>a. Commitments under Non Cancellable Operating Leases at the Reporting date, but not recognised as Liabilities are payable:</b>			
Within the next year		166	222
Later than one year and not later than 5 years		146	266
Later than 5 years		-	-
<b>Total Non Cancellable Operating Lease Commitments</b>		<b>312</b>	<b>488</b>
<b>b. Non Cancellable Operating Leases include the following assets:</b>			
Computer Equipment			
Contingent Rentals may be payable depending on the condition of items or usage during the lease term.			
<b>Conditions relating to Operating Leases:</b>			
- All Operating Lease Agreements are secured only against the Leased Asset.			
- No Lease Agreements impose any financial restrictions on Council regarding future debt etc.			
<b>(e) Investment Property Commitments</b>			
Nil			
<b>(f) Remuneration Commitments</b>			
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		1,019	1,094
Later than one year and not later than 5 years		1,623	2,554
Later than 5 years		-	-
<b>Total Payable</b>		<b>2,642</b>	<b>3,648</b>

## Hornsby Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2009

## Note 13. Statement of Performance Measurement - Indicators

\$ '000	Amounts 2009	Indicator 2009	Prior Periods 2008	2007
<b>1. Unrestricted Current Ratio</b>				
Current Assets less all External Restrictions <sup>(1)</sup>	<b>16,591</b>	<b>1.19 : 1</b>	<b>1.21</b>	<b>1.30</b>
Current Liabilities less Specific Purpose Liabilities <sup>(2,3)</sup>	<b>13,954</b>			
<b>2. Debt Service Ratio</b>				
Debt Service Cost	<b>4,234</b>	<b>4.61%</b>	<b>4.66%</b>	<b>5.00%</b>
Revenue from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions	<b>91,833</b>			
<b>3. Rates &amp; Annual Charges Coverage Ratio</b>				
Rates & Annual Charges	<b>68,788</b>	<b>65.42%</b>	<b>68.82%</b>	<b>67.00%</b>
Revenue from Continuing Operations	<b>105,148</b>			
<b>4. Rates, Annual Charges, Interest &amp; Extra Charges Outstanding Percentage</b>				
Rates, Annual & Extra Charges Outstanding	<b>2,492</b>	<b>3.47%</b>	<b>3.88%</b>	<b>3.95%</b>
Rates, Annual & Extra Charges Collectible	<b>71,879</b>			
<b>5. Building &amp; Infrastructure Renewals Ratio</b>				
Asset Renewals <sup>(4)</sup> [Buildings & Infrastructure]	<b>10,564</b>	<b>85.21%</b>	<b>123.75%</b>	<b>n/a</b>
Depreciation, Amortisation & Impairment (Building & Infrastructure Assets)	<b>12,398</b>			

## Notes

<sup>(1)</sup> Refer Notes 6-8 inclusive.

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

<sup>(2)</sup> Refer to Note 10(a).

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

<sup>(4)</sup> Asset Renewals represent the replacement &/or refurbishment of existing assets to an equivalent capacity or performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Hornsby Shire Council

Notes to the Financial Statements  
for the financial year ended 30 June 2009

Note 13a. Statement of Performance Measurement - Graphs

\$ '000

<p><b>1. Unrestricted Current Ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio : 1</th> </tr> </thead> <tbody> <tr> <td>2006</td> <td>1.18</td> </tr> <tr> <td>2007</td> <td>1.30</td> </tr> <tr> <td>2008</td> <td>1.21</td> </tr> <tr> <td>2009</td> <td>1.19</td> </tr> </tbody> </table>	Year	Ratio : 1	2006	1.18	2007	1.30	2008	1.21	2009	1.19	<p><b>Purpose of Unrestricted Current Ratio</b></p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p><b>Commentary on 2008/09 Result</b></p> <p><b>2008/09 Ratio 1.19 : 1</b></p> <p>Council remains above the auditor's accepted industry benchmark of 1.</p>
Year	Ratio : 1											
2006	1.18											
2007	1.30											
2008	1.21											
2009	1.19											
<p><b>2. Debt Service Ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2006</td> <td>5.00%</td> </tr> <tr> <td>2007</td> <td>5.00%</td> </tr> <tr> <td>2008</td> <td>4.66%</td> </tr> <tr> <td>2009</td> <td>4.61%</td> </tr> </tbody> </table>	Year	Ratio %	2006	5.00%	2007	5.00%	2008	4.66%	2009	4.61%	<p><b>Purpose of Debt Service Ratio</b></p> <p>To assess the impact of loan principal &amp; interest repayments on the discretionary revenue of council.</p>	<p><b>Commentary on 2008/09 Result</b></p> <p><b>2008/09 Ratio 4.61%</b></p> <p>The Department of Local Government's benchmark is that a ratio of less than 10% is satisfactory. In 2007/08 54% of NSW councils had a ratio between 0 and 5% and the average for Group 7 councils, in which Hornsby is included, was 6.25%.</p>
Year	Ratio %											
2006	5.00%											
2007	5.00%											
2008	4.66%											
2009	4.61%											
<p><b>3. Rates &amp; Annual Charges Coverage Ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2006</td> <td>64.00%</td> </tr> <tr> <td>2007</td> <td>67.00%</td> </tr> <tr> <td>2008</td> <td>68.82%</td> </tr> <tr> <td>2009</td> <td>65.42%</td> </tr> </tbody> </table>	Year	Ratio %	2006	64.00%	2007	67.00%	2008	68.82%	2009	65.42%	<p><b>Purpose of Rates &amp; Annual Charges Coverage Ratio</b></p> <p>To assess the degree of Council's dependence upon revenue from rates and annual charges and to assess the security of Council's income.</p>	<p><b>Commentary on 2008/09 Result</b></p> <p><b>2008/09 Ratio 65.42%</b></p> <p>The Rates and Annual Charges Coverage Ratio decreased from the prior year mainly due to increased grant revenues. In 2007/08 the average for Group 7 councils was 54%.</p>
Year	Ratio %											
2006	64.00%											
2007	67.00%											
2008	68.82%											
2009	65.42%											
<p><b>4. Rates, Annual Charges, Interest &amp; Extra Charges Outstanding Percentage</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2006</td> <td>3.89%</td> </tr> <tr> <td>2007</td> <td>3.95%</td> </tr> <tr> <td>2008</td> <td>3.88%</td> </tr> <tr> <td>2009</td> <td>3.47%</td> </tr> </tbody> </table>	Year	Ratio %	2006	3.89%	2007	3.95%	2008	3.88%	2009	3.47%	<p><b>Purpose of Rates &amp; Annual Charges Outstanding Ratio</b></p> <p>To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.</p>	<p><b>Commentary on 2008/09 Result</b></p> <p><b>2008/09 Ratio 3.47%</b></p> <p>The NSW average for 2007/08 was 5.2% and the Group 7 average was 5.79%. Council has made a concerted effort to reduce uncollected rates and annual charges and this is reflected by the decrease in the ratio from 3.88% in 2007/08.</p>
Year	Ratio %											
2006	3.89%											
2007	3.95%											
2008	3.88%											
2009	3.47%											

## Hornsby Shire Council

### Notes to the Financial Statements for the financial year ended 30 June 2009

#### Note 14. Investment Properties

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	Actual	Actual
\$ '000	2009	2008

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

## Hornsby Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2009

#### Note 15. Financial Risk Management

\$ '000

##### 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	
	2009	2008	2009	2008
<b>Financial Assets</b>				
Cash and Cash Equivalents	18,751	10,910	18,751	10,910
Investments				
- "Designated At Fair Value on Initial Recognition"	12,063	23,370	12,063	23,370
Receivables	5,989	5,572	5,989	5,572
<b>Total Financial Assets</b>	<b>36,803</b>	<b>39,852</b>	<b>36,803</b>	<b>39,852</b>
<b>Financial Liabilities</b>				
Payables	8,486	6,733	8,486	6,733
Loans / Advances	23,105	23,806	21,375	21,760
<b>Total Financial Liabilities</b>	<b>31,591</b>	<b>30,539</b>	<b>29,861</b>	<b>28,493</b>

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 far 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 2009

#### 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 & Minister's Investment Order. This Policy is regularly reviewed by Council and its staff and an Investment Report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance.

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

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

A further risk associated with Cash & Investments is credit risk - the risk that the 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 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
<b>2009</b>				
Possible impact of a 10% movement in Market Values	1,206	1,206	(1,206)	(1,206)
Possible impact of a 1% movement in Interest Rates	214	214	(214)	(214)
<b>2008</b>				
Possible impact of a 10% movement in Market Values	2,337	2,337	(2,337)	(2,337)
Possible impact of a 1% movement in Interest Rates	227	227	(227)	(227)

## Hornsby Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2009

#### 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.

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

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

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

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

	2009	2009	2008	2008
	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
<b>(i) Ageing of Receivables</b>				
Current (not yet overdue)	-	3,338	-	2,379
Overdue	2,266	519	2,485	872
	<u>2,266</u>	<u>3,857</u>	<u>2,485</u>	<u>3,251</u>
<b>(ii) Movement in Provision for Impairment of Receivables</b>			2009	2008
Balance at the beginning of the year			164	138
+ new provisions recognised during the year			-	26
- amounts already provided for & written off this year			(30)	-
<b>Balance at the end of the year</b>			<u>134</u>	<u>164</u>

## Hornsby Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2009

#### 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 & overdraft facilities can be 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		
<b>2009</b>									
Trade/Other Payables	113	8,373	-	-	-	-	-	8,486	8,486
Loans & Advances	-	4,552	4,518	4,488	4,464	4,452	6,940	29,414	23,105
<b>Total Financial Liabilities</b>	<b>113</b>	<b>12,925</b>	<b>4,518</b>	<b>4,488</b>	<b>4,464</b>	<b>4,452</b>	<b>6,940</b>	<b>37,900</b>	<b>31,591</b>
<b>2008</b>									
Trade/Other Payables	143	6,590	-	-	-	-	-	6,733	6,733
Loans & Advances	-	4,236	4,253	4,218	4,187	4,164	9,592	30,650	23,806
<b>Total Financial Liabilities</b>	<b>143</b>	<b>10,826</b>	<b>4,253</b>	<b>4,218</b>	<b>4,187</b>	<b>4,164</b>	<b>9,592</b>	<b>37,383</b>	<b>30,539</b>

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:

	2009		2008	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Bank Overdraft	-	0.0%	-	0.0%
Trade/Other Payables	8,486	0.0%	6,733	0.0%
Loans & Advances - Fixed Interest Rate	23,105	6.7%	23,806	6.6%
	<u>31,591</u>		<u>30,539</u>	

## Hornsby Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2009

#### Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 08/09 was incorporated as part of its Management Plan and was adopted by the Council on 11 June 2008.

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

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

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	2009 Budget	2009 Actual	----- 2009 Variance* -----		
<b>REVENUES</b>					
<b>Rates &amp; Annual Charges</b>	<b>69,352</b>	<b>68,788</b>	<b>(564)</b>	(1%)	<b>U</b>
<b>User Charges &amp; Fees</b>	<b>11,675</b>	<b>10,938</b>	<b>(737)</b>	(6%)	<b>U</b>
Planning & Building Fees under budget by 776K due to downturn in development activity.					
<b>Interest &amp; Investment Revenue</b>	<b>2,285</b>	<b>(270)</b>	<b>(2,555)</b>	(112%)	<b>U</b>
Book value of investments written down to market value - 2153K Investment income lower than budget by 500K					
<b>Other Revenues</b>	<b>4,523</b>	<b>6,150</b>	<b>1,627</b>	36%	<b>F</b>
Unexpected road closure income - 590K Waste Levy Rebate - 389K Insurance rebates & incentives - 202K Increase in property rentals - 198K					
<b>Operating Grants &amp; Contributions</b>	<b>7,730</b>	<b>11,119</b>	<b>3,389</b>	44%	<b>F</b>
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 expectations were received for environmental projects and bushfire services. In addition an amount received of 1057K represented an advance payment of the Financial Assistance Grant for 2009/2010.					
<b>Capital Grants &amp; Contributions</b>	<b>5,882</b>	<b>8,153</b>	<b>2,271</b>	39%	<b>F</b>
As above. Funding above expectations was received for library services and roads.					

## Hornsby Shire Council

## Notes to the Financial Statements

for the financial year ended 30 June 2009

## Note 16. Material Budget Variations (continued)

\$ '000	2009 Budget	2009 Actual	2009 Variance* -----		
<b>EXPENSES</b>					
<b>Employee Benefits &amp; On-Costs</b>	<b>41,726</b>	<b>41,224</b>	<b>502</b>	1%	<b>F</b>
<b>Borrowing Costs</b>	<b>1,562</b>	<b>1,534</b>	<b>28</b>	2%	<b>F</b>
<b>Materials &amp; Contracts</b>	<b>30,221</b>	<b>32,625</b>	<b>(2,404)</b>	(8%)	<b>U</b>
Road and footpath maintenance costs up by 922K					
Election expenses 377K					
Community Centre maintenance 112K					
Tree works over budget - 99K					
Plumbing contracts over budget - 114K					
Agency Temporary Staff over budget - 438K -offset by a reduction in salaries and wages					
<b>Depreciation &amp; Amortisation</b>	<b>12,930</b>	<b>16,264</b>	<b>(3,334)</b>	(26%)	<b>U</b>
Revaluation of buildings at June 2008 resulted in an increase in depreciation expense.					
<b>Other Expenses</b>	<b>12,322</b>	<b>11,292</b>	<b>1,030</b>	8%	<b>F</b>
Printing & Design costs below budget by 616K					
Insurance under budget by 291K due to rebates					
<b>Net Losses from Disposal of Assets</b>	<b>-</b>	<b>123</b>	<b>(123)</b>	0%	<b>U</b>

\$ '000	2009 Budget	2009 Actual	2009 Variance* -----		
<b>Budget Variations relating to Council's Cash Flow Statement include:</b>					
<b>Cash Flows from Operating Activities</b>	<b>12,478</b>	<b>22,343</b>	<b>9,865</b>	79.1%	<b>F</b>
User Charges under budget (2M) U					
Grants & contributions over budget 8.3M F					
Employee Benefits under budget 1M F					
Materials & contracts under budget 2M F					
<b>Cash Flows from Investing Activities</b>	<b>(11,769)</b>	<b>(13,801)</b>	<b>(2,032)</b>	17.3%	<b>U</b>
Sale of Investment Securities over budget 5M					
Asset purchases over budget (7.7M) U					
<b>Cash Flows from Financing Activities</b>	<b>(709)</b>	<b>(701)</b>	<b>8</b>	(1.1%)	<b>F</b>

## Hornsby Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2009

#### Note 16. Material Budget Variations (continued)

\$ '000	2009 Budget	2009 Actual	2009 ----- Variance* -----
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#### Budget Variations relating to Council's Operating Result by Functions include:

##### Income

- Corporate & Community had an unfavourable variance of 1.3M mainly due to net investment losses as a result of fair value adjustments.
- Works Division had a favourable variance to budget of 2.9M. This variance consisted of Road Closure income (590K), increases in admission fees (388K), payments from service authorities (364K) and grants (1,555K).
- Planning Division had an unfavourable variance of 1M due to the downturn in development activity.

##### Expenditure

- Corporate & Community had an unfavourable variance of 3.6M. This was due to net investment losses (270K) and increased depreciation (3M).

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 17. Statement of Developer Contributions

\$ '000

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

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

**SUMMARY OF CONTRIBUTIONS & LEVIES**

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	444	132	-	(79)	-	-	497	484	(2,500)	(1,519)	-
Roads	1,851	131	-	(294)	-	-	1,688	181	(4,291)	(2,422)	-
Traffic Facilities	145	180	-	(45)	-	-	280	815	(3,458)	(2,363)	-
Parking	-	10	-	(1)	-	-	9	120	-	129	-
Open Space	4,584	515	-	(397)	(2,293)	-	2,409	3,709	(10,605)	(4,487)	-
Community Facilities	7,242	339	-	(608)	(3,185)	-	3,788	1,827	(5,282)	333	-
Civic Improvements	2,132	285	-	(186)	(1,053)	-	1,178	1,272	(2,607)	(157)	-
Bushfire Facilities	214	-	-	(4)	(183)	-	27	-	(31)	(4)	-
S94 Administration	(216)	59	-	-	(204)	-	(361)	169	(546)	(738)	-
<b>S94 Contributions - under a Plan</b>	<b>16,396</b>	<b>1,651</b>	<b>-</b>	<b>(1,614)</b>	<b>(6,918)</b>	<b>-</b>	<b>9,515</b>	<b>8,577</b>	<b>(29,320)</b>	<b>(11,228)</b>	<b>-</b>
<b>S94A Levies - under a Plan</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>				<b>-</b>
<b>Total S94 Revenue Under Plans</b>	<b>16,396</b>	<b>1,651</b>	<b>-</b>	<b>(1,614)</b>	<b>(6,918)</b>	<b>-</b>	<b>9,515</b>				<b>-</b>
S94 not under Plans	577	-	-	(79)	-	-	498	-	(498)	-	-
S93F Planning Agreements	-	-	-	-	-	-	-				-
S64 Contributions	-	-	-	-	-	-	-				-
<b>Total Contributions</b>	<b>16,973</b>	<b>1,651</b>	<b>-</b>	<b>(1,693)</b>	<b>(6,918)</b>	<b>-</b>	<b>10,013</b>	<b>8,577</b>	<b>(29,818)</b>	<b>(11,228)</b>	<b>-</b>

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 17. Statement of Developer Contributions (continued)

\$ '000

**S94 CONTRIBUTIONS - UNDER A PLAN**

CONTRIBUTION PLAN NUMBER 1 (2007 to 2011)

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	444	132	-	(79)	-	-	497	484	(2,500)	(1,519)	-
Roads	1,851	131	-	(294)	-	-	1,688	181	(4,291)	(2,422)	-
Traffic Facilities	145	180	-	(45)	-	-	280	815	(3,458)	(2,363)	-
Parking	-	10	-	(1)	-	-	9	120	-	129	-
Open Space	4,584	515	-	(397)	(2,293)	-	2,409	3,709	(10,605)	(4,487)	-
Community Facilities	7,242	339	-	(608)	(3,185)	-	3,788	1,827	(5,282)	333	-
Civic Improvements	2,132	285	-	(186)	(1,053)	-	1,178	1,272	(2,607)	(157)	-
Bushfire Facilities	214	-	-	(4)	(183)	-	27	-	(31)	(4)	-
S94 Administration	(216)	59	-	-	(204)	-	(361)	169	(546)	(738)	-
<b>Total</b>	<b>16,396</b>	<b>1,651</b>	<b>-</b>	<b>(1,614)</b>	<b>(6,918)</b>	<b>-</b>	<b>9,515</b>	<b>8,577</b>	<b>(29,320)</b>	<b>(11,228)</b>	<b>-</b>

**S94 CONTRIBUTIONS - NOT UNDER A PLAN**

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Parking	577	-	-	(79)	-	-	498	-	(498)	-	-
<b>Total</b>	<b>577</b>	<b>-</b>	<b>-</b>	<b>(79)</b>	<b>-</b>	<b>-</b>	<b>498</b>	<b>-</b>	<b>(498)</b>	<b>-</b>	<b>-</b>

## Hornsby Shire Council

### Notes to the Financial Statements for the financial year ended 30 June 2009

#### Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

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

#### LIABILITIES NOT RECOGNISED:

##### 1. Guarantees

##### (i) Defined Benefit Superannuation Contribution Plans

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

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

The Schemes most recent full actuarial review indicated that the Net Assets of the Scheme were not sufficient to meet the accrued benefits of the Schemes Defined Benefit member category and that member Councils will need to make significantly higher contributions from 2009/10 & beyond.

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

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

##### (ii) Statewide Limited

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

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

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

##### (iii) StateCover Limited

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

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

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

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

##### (iv) Other Guarantees

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

## Hornsby Shire Council

### Notes to the Financial Statements for the financial year ended 30 June 2009

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

\$ '000

#### LIABILITIES NOT RECOGNISED:

##### 2. Other Liabilities

###### (i). Third Party Claims

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

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

###### (ii) S94 Plans

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

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

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

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

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

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

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

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

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

###### (iv) Hornsby Quarry Site

Council has 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.

#### ASSETS NOT RECOGNISED:

###### (i) Land Under Roads

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

###### (ii) Infringement Notices/Fines

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

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

Accordingly, at Year End, there is a potential asset due to Council representing issued but not updated Infringement Notices.

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

## Hornsby Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2009

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

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**\$ '000**

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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 2009

## Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2009	Actual 2008
<b>a. Retained Earnings</b>			
<b>Movements in Retained Earnings were as follows:</b>			
Balance at beginning of Year (from previous years audited accounts)		1,570,893	1,592,514
a. Correction of Prior Period Errors	20 (c)	(281)	1,307
b. Changes in Accounting Policies (Prior Period Effects)	20 (d)	-	-
c. Current Year Income & Expenses Recognised direct to Equity excluding direct to Reserves transactions		-	(23,417)
d. Net Operating Result for the Year		1,816	208
e. Distributions to/(Contributions from) Minority Interests		-	-
f. Transfers between Equity		-	-
g. Other Changes (disclosure required)		-	-
<b>Balance at End of the Reporting Period</b>		<b><u>1,572,428</u></b>	<b><u>1,570,612</u></b>

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

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

**(ii) Reconciliation of movements in Reserves:**

<b>Infrastructure, Property, Plant &amp; Equipment Revaluation Reserve</b>		
- Opening Balance	132,857	-
- Revaluations for the year	-	132,857
<b>- Balance at End of Year</b>	<b><u>132,857</u></b>	<b><u>132,857</u></b>
<b>TOTAL VALUE OF RESERVES</b>	<b><u>132,857</u></b>	<b><u>132,857</u></b>

**(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 2009

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

\$ '000	Notes	Actual 2009	Actual 2008
<b>c. Correction of Error/s relating to a Previous Reporting Period</b>			
<b>08/09 Year Corrections</b>			
- Land owned by Council not previously recorded in the asset register		850	
- Building structure duplicated during the prior period revaluation process		(1,131)	
Opening balances for Operational Land and Other Structures on note 9a have been adjusted accordingly.			
<b>07/08 Year Corrections</b>			
1. 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 a decrease in Liabilities.			1,588
2. 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)
			<u>(23,417)</u>
<b>In accordance with AASB 108 - Accounting Policies, Changes in Accounting Estimates and Errors, the above Prior Period Errors have been recognised retrospectively.</b>			
<b>These amounted to the following Equity Adjustments:</b>			
- Adjustments to Opening Equity - 1/7/07 (relating to adjustments for the 30/6/07 reporting year end and prior periods)		-	1,588
- Adjustments to Closing Equity - 30/6/08 (relating to adjustments for the 30/6/08 year end)		(281)	-
<b>Total Prior Period Adjustments - Prior Period Errors</b>		<u>(281)</u>	<u>1,588</u>

#### d. Voluntary Changes in Accounting Policies

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

## Hornsby Shire Council

### Notes to the Financial Statements for the financial year ended 30 June 2009

#### Note 21. Financial Result & Financial Position by Fund

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\$ '000

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Council operates within a General Fund environment only.

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

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

#### Note 23. Events occurring after Balance Sheet Date

---

Events that occur after the reporting date of 30 June 2009, 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 28/09/09.

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 2009.

**(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 2009 and which are only indicative of conditions that arose after 30 June 2009.

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

#### Note 24. Discontinued Operations

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

## Hornsby Shire Council

### Notes to the Financial Statements

for the financial year ended 30 June 2009

#### Note 25. Intangible Assets

\$ '000

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

	Actual 2009 Carrying Amount	Actual 2008 Carrying Amount
<b>Intangible Assets are as follows;</b>		
<b>Opening Values:</b>		
Gross Book Value (1/7)	8,590	8,590
Accumulated Amortisation & Impairment	(3,754)	(2,896)
<b>Net Book Value - Opening Balance</b>	<b>4,836</b>	<b>5,694</b>
<b>Movements for the year</b>		
- Purchases	18	-
- Amortisation charges	(860)	(858)
<b>Closing Values:</b>		
Gross Book Value (30/6)	8,608	8,590
Accumulated Amortisation & Impairment	(4,614)	(3,754)
<b><u>TOTAL INTANGIBLE ASSETS - NET BOOK VALUE</u></b> <sup>1</sup>	<b><u>3,994</u></b>	<b><u>4,836</u></b>

<sup>1</sup> The Net Book Value of Intangible Assets represent:

- Software (representing the "Council's Online" software development)	3,994	4,836
	<b><u>3,994</u></b>	<b><u>4,836</u></b>

#### Note 26. Reinstatement, Rehabilitation & Restoration Liabilities

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

## Hornsby Shire Council

### Notes to the Financial Statements for the financial year ended 30 June 2009

#### Note 27. Additional Council Disclosures - Council Information

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**Principal Place of Business:**

296 Pacific Highway  
Hornsby NSW 2077

**Contact Details****Mailing Address:**

PO Box 37  
Hornsby NSW 1630

**Telephone:** 02 9847 6666**Facsimile:** 02 9847 6999**Opening Hours**

Monday to Friday 8:30am to 5pm

**Internet:** [www.hornsby.nsw.gov.au](http://www.hornsby.nsw.gov.au)**Email:** [hsc@hornsby.nsw.gov.au](mailto:hsc@hornsby.nsw.gov.au)**Officers****GENERAL MANAGER**

R. J. Ball

**RESPONSIBLE ACCOUNTING OFFICER**

G. Magus

**PUBLIC OFFICER****AUDITORS**

PricewaterhouseCoopers

**Elected Members****MAYOR**

N. Berman

**COUNCILLORS**

S. Evans

W. McMurdo

S. Russell

M. Smart

D. Chopra

B. Mills

R. Browne

M. Hutchence

A. Martin

**Other Information****ABN:** 20 706 996 972

**Hornsby Shire Council  
Independent Audit Report to the Council  
(Section 417(2) – report on the general purpose financial report)**

**Scope**

We have audited the financial report of **Hornsby Shire Council** for the financial year ended 30 June 2009 as set out on pages 1 to 67. The financial report consists of the general purpose financial report and Council's statement in the approved form as required by Section 413(2)(a) of the Local Government Act, 1993. Our audit responsibility does not extend to the Original Budget figures disclosed in the Income Statement, Statement of Cash Flows, Notes 2(a) and 16 to the financial statements nor the attached Special Schedules. The Council is responsible for the preparation and presentation of the financial statements and the information they contain. We have conducted an independent audit of these financial statements in order to express an opinion on them to the Council.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, 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 statements are presented fairly in accordance with Australian Accounting Standards and other mandatory professional reporting requirements and 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.

The audit opinion expressed in this report has been formed on the above basis.

**Audit opinion**

In our opinion:

- a) The Council's accounting records have been kept in accordance with the requirements of the Local Government Act, 1993 Chapter 13, Part 3, Division 2.
- b) The Council's financial report
  - i. has been properly prepared in accordance with the requirements of this Division;
  - ii. is consistent with the Council's accounting records;
  - iii. present fairly the Council's financial position and the results of its operations; and
  - iv. is in accordance with applicable Accounting Standards.
- c) All information relevant to the conduct of the audit has been obtained.
- d) There are no material deficiencies in the accounting records or financial reports that have come to light during the course of the audit.



PricewaterhouseCoopers



Brian Hunter  
Partner

28 September 2009

The Mayor  
Councillor Nick Berman  
Hornsby Shire Council  
DX 9655  
HORNSBY NSW 2066

**PricewaterhouseCoopers**  
**ABN 52 780 433 757**

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Facsimile +61 2 8266 9999  
Direct Phone +61 2 8266 4431  
Direct Fax +61 2 8286 4431

Dear Councillor Berman

**Report on the conduct of the audit for year ended 30 June 2009**  
**Section 417(3)**

We have completed our audit of the financial reports of Hornsby Council for the year ended 30 June 2009, 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 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.

**Operating result**

Council's operating surplus improved from \$208k in the previous year to \$1.8m. Some reasons for this movement included:

- Higher capital grants and contributions (up to \$3.6m)
- Higher depreciation (up \$3.8m).

**The Mayor**

**Cash position**

Council's overall cash position fell from \$34 million to \$31 million during the period under review. The following table highlights the composition of cash.

	<b>June 2008</b>	<b>June 2009</b>
	<b>\$m</b>	<b>\$m</b>
Externally restricted	26	18
Internally restricted	8	10
Unrestricted	-	3
	<hr/> 34	<hr/> 31

The drop in external restrictions is mainly in developer contributions held at year-end (down \$7m).

**Working capital**

Council's net current assets fell from \$20 million to \$14 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.

	<b>June 2008</b>	<b>June 2009</b>
	<b>\$'000</b>	<b>\$'000</b>
Net current assets	20,249	14,210
<b>Less</b> External restrictions	25,668	18,518
Internal restrictions	8,599	9,772
	<hr/> (14,048)	<hr/> (14,080)
<b>Add</b> Current liabilities to be funded from other sources	13,150	14,359
<b>Available working capital</b>	<hr/> <b>(898)</b>	<hr/> <b>279</b>

The effective unrestricted or available working capital upon which Council could build its 2009/10 budget was \$279k.

**The Mayor**

**Performance indicators**

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

	<b>June 2008</b>	<b>June 2009</b>
	<b>%</b>	<b>%</b>
Unrestricted Current Ratio	121	119
Debt Service Ratio	4.7	4.6
Rate Coverage Ratio	69	65
Rates Outstanding Ratio	3.9	3.5
Asset Renewal Ratio	124	85

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

Council's Debt Service Ratio dropped to 4.6% of total revenue and remained below the industry benchmark of 10%.

The Rate Coverage Ratio dropped to 65% of total revenue reflecting the increase in other income previously discussed.

The Rates Outstanding Ratio improved to 3.5% of collectables and remained better than the accepted industry benchmark of 5%.

The Asset Renewal Ratio indicates that Council is renewing key infrastructure at 85% 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 Debt Obligations (CDOs), Equity Linked Notes (ELNs) and certain other managed funds.

**The Mayor**

At 30 June 2009 Council's investment portfolio totalled \$31 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 \$2.2 million to their fair value during the period.

**Land Under Roads**

Council has elected not to recognise Land Under Roads acquired before 1 July 2008 in accordance with Accounting Standard AASB1051. No land under roads was acquired during the current reporting period.

**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



BK Hunter  
Partner  
Sydney

28 September 2009

# Hornsby Shire Council

SPECIAL PURPOSE FINANCIAL REPORTS  
for the year ended 30 June 2009

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*"Creating a living environment"*



# Hornsby Shire Council

## Special Purpose Financial Reports

for the financial year ended 30 June 2009

Contents	Page
<b>1. Statement by Councillors &amp; Management</b>	2
<b>2. Special Purpose Financial Reports:</b>	
- Income Statement of Water Supply Business Activity	n/a
- Income Statement of Sewerage Business Activity	n/a
- Income Statement of Other Business Activities	3
- Balance Sheet of Water Supply Business Activity	n/a
- Balance Sheet of Sewerage Business Activity	n/a
- Balance Sheet of Other Business Activities	6
<b>3. Notes to the Special Purpose Financial Reports</b>	9
<b>4. Auditor's Report</b>	13

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### Background

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

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

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

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

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

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

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# Hornsby Shire Council

## Special Purpose Financial Reports for the financial year ended 30 June 2009

### Statement by Councillors and Management made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

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

**To the best of our knowledge and belief, these Reports:**

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

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

**Signed in accordance with a resolution of Council made on 9 September 2009.**



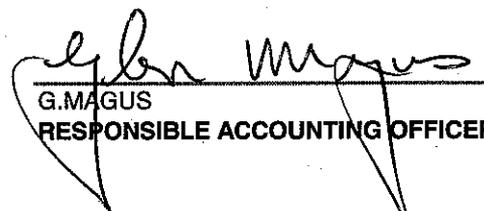
N. BERMAN  
MAYOR



S. EVANS  
DEPUTY MAYOR



R.J. BALL  
GENERAL MANAGER



G. MAGUS  
RESPONSIBLE ACCOUNTING OFFICER

## Hornsby Shire Council

## Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2009

\$ '000	Nurseries & Preschools		Aquatic Centres & Sports Stadium	
	Actual 2009	Actual 2008	Actual 2009	Actual 2008
<b>Income from continuing operations</b>				
Access charges	-	-	-	-
User charges	2,737	2,457	2,505	2,109
Fees	-	-	-	-
Interest	-	-	-	-
Grants and contributions provided for non capital purposes	713	788	-	-
Profit from the sale of assets	-	2	-	-
Other income	18	14	435	420
<b>Total income from continuing operations</b>	<b>3,468</b>	<b>3,261</b>	<b>2,940</b>	<b>2,529</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	2,855	2,690	2,327	2,284
Borrowing costs	-	-	-	-
Materials and contracts	453	509	695	663
Depreciation and impairment	216	77	647	186
Loss on sale of assets	-	-	-	1
Calculated taxation equivalents	242	216	218	267
Debt guarantee fee (if applicable)	-	-	-	-
Other expenses	235	176	530	392
<b>Total expenses from continuing operations</b>	<b>4,001</b>	<b>3,668</b>	<b>4,417</b>	<b>3,793</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>(533)</b>	<b>(407)</b>	<b>(1,477)</b>	<b>(1,264)</b>
Grants and contributions provided for capital purposes	137	-	11	11
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>(396)</b>	<b>(407)</b>	<b>(1,466)</b>	<b>(1,253)</b>
Surplus (deficit) from discontinued operations	-	-	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>(396)</b>	<b>(407)</b>	<b>(1,466)</b>	<b>(1,253)</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-	-	-
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(396)</b>	<b>(407)</b>	<b>(1,466)</b>	<b>(1,253)</b>
plus Opening Retained Profits	1,326	1,838	326	348
plus/less: Prior Period Adjustments	-	(321)	-	964
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	242	216	218	267
- Debt guarantee fees	-	-	-	-
- Corporate taxation equivalent	-	-	-	-
add:				
- Subsidy Paid/Contribution To Operations	-	-	922	-
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	-	-	-	-
<b>Closing Retained Profits</b>	<b>1,172</b>	<b>1,326</b>	<b>-</b>	<b>326</b>
<b>Return on Capital %</b>	<b>-4.0%</b>	<b>-3.9%</b>	<b>-10.7%</b>	<b>-8.8%</b>
<b>Subsidy from Council</b>	<b>1,280</b>	<b>1,065</b>	<b>2,243</b>	<b>2,157</b>

## Hornsby Shire Council

## Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2009

\$ '000	Commercial Waste		Development Applications	
	Actual 2009	Actual 2008	Actual 2009	Actual 2008
<b>Income from continuing operations</b>				
Access charges	-	-	-	-
User charges	835	864	350	522
Fees	-	-	-	-
Interest	-	-	-	-
Grants and contributions provided for non capital purposes	-	-	-	-
Profit from the sale of assets	-	-	-	-
Other income	173	219	-	-
<b>Total income from continuing operations</b>	<b>1,008</b>	<b>1,083</b>	<b>350</b>	<b>522</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	42	38	470	208
Borrowing costs	-	-	-	-
Materials and contracts	534	639	126	147
Depreciation and impairment	30	47	25	28
Loss on sale of assets	-	345	-	6
Calculated taxation equivalents	-	-	-	-
Debt guarantee fee (if applicable)	-	-	-	-
Other expenses	57	25	-	1
<b>Total expenses from continuing operations</b>	<b>663</b>	<b>1,094</b>	<b>621</b>	<b>390</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>345</b>	<b>(11)</b>	<b>(271)</b>	<b>132</b>
Grants and contributions provided for capital purposes	-	-	-	-
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>345</b>	<b>(11)</b>	<b>(271)</b>	<b>132</b>
Surplus (deficit) from discontinued operations	-	-	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>345</b>	<b>(11)</b>	<b>(271)</b>	<b>132</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(104)	-	-	(40)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>242</b>	<b>(11)</b>	<b>(271)</b>	<b>92</b>
plus Opening Retained Profits	719	802	1,004	872
plus/less: Prior Period Adjustments	-	(72)	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	-	-	-	-
- Debt guarantee fees	-	-	-	-
- Corporate taxation equivalent	104	-	-	40
add:				
- Subsidy Paid/Contribution To Operations	-	-	-	-
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	-	-	-	-
<b>Closing Retained Profits</b>	<b>1,064</b>	<b>719</b>	<b>733</b>	<b>1,004</b>
<b>Return on Capital %</b>	<b>210.4%</b>	<b>-5.7%</b>	<b>-157.6%</b>	<b>146.7%</b>
<b>Subsidy from Council</b>	<b>-</b>	<b>23</b>	<b>281</b>	<b>-</b>

## Hornsby Shire Council

## Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2009

\$ '000	Property Services	
	Actual 2009	Actual 2008
<b>Income from continuing operations</b>		
Access charges	-	-
User charges	1,283	1,200
Fees	-	-
Interest	-	-
Grants and contributions provided for non capital purposes	-	-
Profit from the sale of assets	-	-
Other income	2	10
<b>Total income from continuing operations</b>	<b>1,285</b>	<b>1,210</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	87	82
Borrowing costs	-	-
Materials and contracts	80	99
Depreciation and impairment	335	93
Loss on sale of assets	-	-
Calculated taxation equivalents	175	175
Debt guarantee fee (if applicable)	-	-
Other expenses	69	34
<b>Total expenses from continuing operations</b>	<b>746</b>	<b>483</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>539</b>	<b>727</b>
Grants and contributions provided for capital purposes	-	-
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>539</b>	<b>727</b>
Surplus (deficit) from discontinued operations	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>539</b>	<b>727</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(162)	(218)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>377</b>	<b>509</b>
plus Opening Retained Profits	26,779	26,636
plus/less: Prior Period Adjustments	-	(759)
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	175	175
- Debt guarantee fees	-	-
- Corporate taxation equivalent	162	218
add:		
- Subsidy Paid/Contribution To Operations	-	-
less:		
- TER dividend paid	-	-
- Dividend paid	-	-
<b>Closing Retained Profits</b>	<b>27,493</b>	<b>26,779</b>
<b>Return on Capital %</b>	<b>2.5%</b>	<b>4.0%</b>
<b>Subsidy from Council</b>	<b>649</b>	<b>409</b>

## Hornsby Shire Council

## Balance Sheet of Council's Other Business Activities

as at 30 June 2009

\$ '000	Nurseries & Preschools		Aquatic Centres & Sports Stadium	
	Category 1		Category 1	
	Actual 2009	Actual 2008	Actual 2009	Actual 2008
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	6	-	5	-
Investments	-	174	-	305
Receivables	65	54	56	46
Inventories	-	-	27	27
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
<b>Total Current Assets</b>	<b>71</b>	<b>228</b>	<b>88</b>	<b>378</b>
<b>Non-Current Assets</b>				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	13,485	10,524	13,823	14,294
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	-	-
<b>Total Non-Current Assets</b>	<b>13,485</b>	<b>10,524</b>	<b>13,823</b>	<b>14,294</b>
<b>TOTAL ASSETS</b>	<b>13,556</b>	<b>10,752</b>	<b>13,911</b>	<b>14,672</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Payables	381	322	304	247
Interest bearing liabilities	5,551	2,666	9,137	9,640
Provisions	320	306	197	186
<b>Total Current Liabilities</b>	<b>6,252</b>	<b>3,294</b>	<b>9,638</b>	<b>10,073</b>
<b>Non-Current Liabilities</b>				
Payables	-	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	-	-	-	-
Other Liabilities	-	-	-	-
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>6,252</b>	<b>3,294</b>	<b>9,638</b>	<b>10,073</b>
<b>NET ASSETS</b>	<b>7,304</b>	<b>7,458</b>	<b>4,273</b>	<b>4,599</b>
<b>EQUITY</b>				
Retained earnings	1,172	1,326	-	326
Revaluation reserves	6,132	6,132	4,273	4,273
Council equity interest	<b>7,304</b>	<b>7,458</b>	<b>4,273</b>	<b>4,599</b>
Minority equity interest	-	-	-	-
<b>TOTAL EQUITY</b>	<b>7,304</b>	<b>7,458</b>	<b>4,273</b>	<b>4,599</b>

## Hornsby Shire Council

## Balance Sheet of Council's Other Business Activities

as at 30 June 2009

\$ '000	Commercial Waste Category 2		Development Applications Category 2	
	Actual 2009	Actual 2008	Actual 2009	Actual 2008
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	5	-	5	-
Investments	999	552	733	1,108
Receivables	23	214	8	11
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
<b>Total Current Assets</b>	<b>1,027</b>	<b>766</b>	<b>746</b>	<b>1,119</b>
<b>Non-Current Assets</b>				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	164	194	172	90
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	-	-
<b>Total Non-Current Assets</b>	<b>164</b>	<b>194</b>	<b>172</b>	<b>90</b>
<b>TOTAL ASSETS</b>	<b>1,191</b>	<b>960</b>	<b>918</b>	<b>1,209</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Payables	106	121	38	60
Interest bearing liabilities	-	99	-	-
Provisions	21	21	147	145
<b>Total Current Liabilities</b>	<b>127</b>	<b>241</b>	<b>185</b>	<b>205</b>
<b>Non-Current Liabilities</b>				
Payables	-	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	-	-	-	-
Other Liabilities	-	-	-	-
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>127</b>	<b>241</b>	<b>185</b>	<b>205</b>
<b>NET ASSETS</b>	<b>1,064</b>	<b>719</b>	<b>733</b>	<b>1,004</b>
<b>EQUITY</b>				
Retained earnings	1,064	719	733	1,004
Revaluation reserves	-	-	-	-
Council equity interest	<b>1,064</b>	<b>719</b>	<b>733</b>	<b>1,004</b>
Minority equity interest	-	-	-	-
<b>TOTAL EQUITY</b>	<b>1,064</b>	<b>719</b>	<b>733</b>	<b>1,004</b>

## Hornsby Shire Council

## Balance Sheet of Council's Other Business Activities

as at 30 June 2009

\$ '000	Property Services Category 2	
	Actual 2009	Actual 2008
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	5	-
Investments	12,209	14,570
Receivables	70	31
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
<b>Total Current Assets</b>	<b>12,284</b>	<b>14,601</b>
<b>Non-Current Assets</b>		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	21,445	18,180
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
<b>Total Non-Current Assets</b>	<b>21,445</b>	<b>18,180</b>
<b>TOTAL ASSETS</b>	<b>33,729</b>	<b>32,781</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Payables	354	120
Interest bearing liabilities	-	-
Provisions	62	62
<b>Total Current Liabilities</b>	<b>416</b>	<b>182</b>
<b>Non-Current Liabilities</b>		
Payables	-	-
Interest bearing liabilities	-	-
Provisions	-	-
Other Liabilities	-	-
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>416</b>	<b>182</b>
<b>NET ASSETS</b>	<b>33,313</b>	<b>32,599</b>
<b>EQUITY</b>		
Retained earnings	27,493	26,779
Revaluation reserves	5,820	5,820
Council equity interest	<b>33,313</b>	<b>32,599</b>
Minority equity interest	-	-
<b>TOTAL EQUITY</b>	<b>33,313</b>	<b>32,599</b>

## Hornsby Shire Council

### Special Purpose Financial Reports for the financial year ended 30 June 2009

#### Contents of the Notes accompanying the Financial Statements

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

## Hornsby Shire Council

### Notes to the Special Purpose Financial Reports

for the financial year ended 30 June 2009

#### Note 1. Significant Accounting Policies

These financial statements are a Special Purpose Financial Report (SPFR) prepared for use by the Council and the Department of Local Government.

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

This special purpose financial report, unless otherwise stated, has been prepared in accordance with;

- applicable Australian Accounting Standards,
- other authoritative pronouncements of the Australian Accounting Standards Board,
- Urgent Issues Group Consensus Views,
- the Local Government Act and Regulations,
- the Local Government Code of Accounting Practice and Financial Reporting, and
- the Local Government Asset Accounting Manual.

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

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

#### National Competition Policy

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

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

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

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

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

#### Declared Business Activities

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

##### Category 1

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

##### a. Nurseries & Preschools

Operation of children's nurseries & preschools

##### b. Aquatic & Sports Centres

Operation of swimming pools, gymnasiums & indoor sports centres

##### Category 2

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

##### a. Commercial Waste Service

Services provided for the collection of commercial waste and sillage

##### b. Property Services

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

##### c. Development Assessments

Development assessment & inspection services

#### Monetary Amounts

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

#### (i) Taxation Equivalent Charges

Council is liable to pay various taxes and financial duties. Where this is the case, they are disclosed as a

## Hornsby Shire Council

### Notes to the Special Purpose Financial Reports

for the financial year ended 30 June 2009

#### Note 1. Significant Accounting Policies (continued)

cost of operations (General Purpose Financial Report) just like all other costs.

However, where council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all council nominated business activities and are reflected in the SPFR.

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

#### Notional Rate Applied %

Corporate Income Tax Rate – **30%**

Land Tax – The first **\$368,000** of combined land values attracts **0%**. From \$368,001 to \$2,250,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,250,000, a premium marginal rate of **2.0%** applies.

Payroll Tax – **5.875%** on the value of taxable salaries and wages in excess of \$623,000.

#### Income Tax

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

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

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

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

Since the taxation equivalent is notional - that is, it is payable to the "Council" as the owner of business operations, it represents an internal payment and has no effect on the operations of the council. Accordingly,

there is no need for disclosure of internal charges in the GPFR.

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

#### Local Government Rates & Charges

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

#### Loan & Debt Guarantee Fees

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

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

#### (ii) Subsidies

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

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

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

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

#### (iii) Return on Investments (Rate of Return)

The Policy statement requires that councils with Category 1 businesses "would be expected to

## Hornsby Shire Council

### Notes to the Special Purpose Financial Reports for the financial year ended 30 June 2009

#### Note 1. Significant Accounting Policies (continued)

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generate a return on capital funds employed that is comparable to rates of return for private businesses operating in a similar field”.

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

The Rate of Return on Capital is calculated as follows:

#### Operating Result before Capital Income + Interest Expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 5.54% at 30/6/09.

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

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

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

**Hornsby Shire Council  
Special Purpose Financial Report  
Independent Auditors' Report**

**Scope**

We have audited the special purpose financial report of **Hornsby Shire Council** for the year ended 30 June 2009, comprising the Statement by Council, Income Statements of Business Activities, Balance Sheets of Business Activities, and accompanying Notes to the Accounts. The financial statements include the accounts of the business activities of the Council and the entities it controlled at the year's end or from time to time during the year. The Council is responsible for the preparation and presentation of the financial statements and the information they contain. We have conducted an independent audit of these financial statements in order to express an opinion on them to the Council.

The special purpose financial report has been prepared for distribution to the Council and the Department of Premier & Cabinet - Division of Local Government for the purpose of fulfilling the requirements of National Competition Policy reporting. We disclaim any assumption of responsibility for any reliance on this report or on the financial statements to which it relates to any person other than the Council or the Department of Premier & Cabinet - Division of Local Government or for any purpose other than for which the report was prepared.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, 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 statements are presented fairly in accordance with those Australian Accounting Standards adopted and the Local Government Code of Accounting Practice and Financial Reporting so as to present a view which is consistent with our understanding of the business activities of the Council and their financial position and the results of their operations.

The audit opinion expressed in this report has been formed on the above basis.

**Audit opinion**

In our opinion, the Special Purpose Financial Report of **Hornsby Shire Council** is presented fairly in accordance with the requirements of those applicable Accounting Standards detailed in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting.



PricewaterhouseCoopers



Brian Hunter  
Partner

28 September 2009

# Hornsby Shire Council

SPECIAL SCHEDULES  
for the year ended 30 June 2009

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*"Creating a living environment"*



# Hornsby Shire Council

## Special Schedules

for the financial year ended 30 June 2009

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#### Special Schedules<sup>1</sup>

- Special Schedule No. 1	Net Cost of Services	2
- Special Schedule No. 2(a)	Statement of Long Term debt (all purposes)	5
- Special Schedule No. 2(b)	Statement of Internal Loans (Sect. 410(3) LGA 1993)	n/a
- Special Schedule No. 3	Water Supply - Income Statement	n/a
- Special Schedule No. 4	Water Supply - Balance Sheet	n/a
- Special Schedule No. 5	Sewerage Service - Income Statement	n/a
- Special Schedule No. 6	Sewerage Service - Balance Sheet	n/a
- Notes to Special Schedules No. 3 & 5		n/a
- Special Schedule No. 7	Condition of Public Works	6
- Special Schedule No. 8	Financial Projections	8

<sup>1</sup> Special Purpose Schedules are not audited.

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#### Background

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

## Hornsby Shire Council

Special Schedule No. 1 - Net Cost of Services  
for the financial year ended 30 June 2009

\$'000

Function or Activity	Expenses from continuing operations		Income from continuing operations			Net Cost of Services	
	Expenses	Group Totals	Non Capital Revenues	Capital Revenues	Group Totals	Net Cost	Group Totals
<b>Governance</b>	2,388	<b>2,388</b>	-	-	-	(2,388)	<b>(2,388)</b>
<b>Administration</b>							
Corporate Support	10,194		2,784	60		(7,350)	
Engineering and Works	7,594		1,000	1,009		(5,585)	
Other Support Services	-	<b>17,788</b>	-	-	<b>4,853</b>	-	<b>(12,935)</b>
<b>Public Order and Safety</b>							
Contributions to Fire Service Levy	1,707		-	-		(1,707)	
Fire Protection – Other	1,637		602	2,402		1,367	
Animal Control	396		73	-		(323)	
Beach Control	-		-	-		-	
Enforcement of Local Govt Regs	-		-	-		-	
Emergency Services	68		-	-		(68)	
Other	-	<b>3,808</b>	-	-	<b>3,077</b>	-	<b>(731)</b>
<b>Health</b>							
Administration and Inspection	446		131	-		(315)	
Immunisations	-		-	-		-	
Food Control	-		-	-		-	
Insect/Vermin Control	-		-	-		-	
Noxious Plants	-		-	-		-	
Health Centres	-		-	-		-	
Other	37	<b>483</b>	-	-	<b>131</b>	(37)	<b>(352)</b>
<b>Community Services and Education</b>							
Administration	817		3	-		(814)	
Family Day Care	3,698		3,469	137		(92)	
Child Care	52		3	-		(49)	
Youth Services	424		48	-		(376)	
Other Families and Children	397		256	-		(141)	
Aged and Disabled	857		680	-		(177)	
Migrant Services	-		-	-		-	
Aboriginal Services	-		-	-		-	
Other Community Services	672		-	-		(672)	
Education	-	<b>6,917</b>	-	-	<b>4,596</b>	-	<b>(2,321)</b>

## Hornsby Shire Council

Special Schedule No. 1 - Net Cost of Services (continued)  
for the financial year ended 30 June 2009

\$'000

Function or Activity	Expenses from continuing operations		Income from continuing operations			Net Cost of Services	
	Expenses	Group Totals	Non Capital Revenues	Capital Revenues	Group Totals	Net Cost	Group Totals
<b>Housing and Community Amenities</b>							
Housing	-		-	-		-	
Town Planning	8,490		2,430	-		(6,060)	
Domestic Waste Management	13,928		14,402	-		474	
Other Waste Management	1,828		1,016	-		(812)	
Street Cleaning	262		-	-		(262)	
Other Sanitation and Garbage	764		230	-		(534)	
Drainage	-		-	-		-	
Stormwater Management	2,613		-	151		(2,462)	
Environmental Protection	4,189		3,341	1,207		359	
Public Cemeteries	-		-	-		-	
Public Conveniences	-		-	-		-	
Other Community Amenities	182	<b>32,256</b>	3	214	<b>22,994</b>	35	<b>(9,262)</b>
<b>Water Supplies</b>	4	<b>4</b>	-	-	-	(4)	<b>(4)</b>
<b>Sewerage Services</b>	-	-	-	-	-	-	-
<b>Recreation and Culture</b>							
Public Libraries	6,251		575	253		(5,423)	
Museums	-		-	-		-	
Art Galleries	-		-	-		-	
Community Centres	1,346		265	11		(1,070)	
Public Halls	-		-	-		-	
Other Cultural Services	-		-	-		-	
Swimming Pools	3,498		2,344	-		(1,154)	
Sporting Grounds	1,113		-	-		(1,113)	
Parks and Gardens (Lakes)	10,630		1,141	588		(8,901)	
Other Sport and Recreation	933	<b>23,771</b>	752	-	<b>5,929</b>	(181)	<b>(17,842)</b>
<b>Fuel and Energy</b>							
Gas Supplies	-	-	-	-	-	-	-
<b>Mining, Manufacturing and Construction</b>							
Building Control	-		-	-		-	
Abattoirs	-		-	-		-	
Quarries and Pits	-		-	-		-	
Other	-	-	-	-	-	-	-

## Hornsby Shire Council

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

for the financial year ended 30 June 2009

\$'000

Function or Activity	Expenses from continuing operations		Income from continuing operations			Net Cost of Services	
	Expenses	Group Totals	Non Capital Revenues	Capital Revenues	Group Totals	Net Cost	Group Totals
<b>Transport and Communication</b>							
Urban Roads (UR) - Local	8,187		614	864		(6,709)	
Urban Roads - Regional	-		-	-		-	
Sealed Rural Roads (SRR) - Local	-		-	-		-	
Sealed Rural Roads - Regional	-		-	-		-	
Unsealed Rural Roads (URR) - Local	357		-	-		(357)	
Unsealed Rural Roads - Regional	-		-	-		-	
Bridges on UR - Local	103		-	-		(103)	
Bridges on UR - Regional	-		-	-		-	
Bridges on SRR - Local	-		-	-		-	
Bridges on SRR - Regional	-		-	-		-	
Bridges on URR - Local	-		-	-		-	
Bridges on URR - Regional	-		-	-		-	
Footpaths	1,378		19	133		(1,226)	
Aerodromes	-		-	-		-	
Parking Areas	50		-	10		(40)	
Bus Shelters and Services	17		-	-		(17)	
Water Transport	279		1	-		(278)	
RTA Works (State)	-		-	-		-	
Street Lighting	2,034		275	-		(1,759)	
Other	1,716	14,121	1,460	962	4,338	706	(9,783)
<b>Economic Affairs</b>							
Camping Areas	-		-	-		-	
Caravan Parks	-		-	-		-	
Tourism and Area Promotion	-		-	-		-	
Industrial Development Promotion	-		-	-		-	
Saleyards and Markets	-		-	-		-	
Real Estate Development	-		-	-		-	
Commercial Nurseries	-		-	-		-	
Other Business Undertakings	1,796	1,796	1,795	152	1,947	151	151
<b>Totals – Functions</b>		103,332	39,712	8,153	47,865		(55,467)
<b>General Purpose Revenues<sup>(1)</sup></b>			57,283		57,283	57,283	57,283
Share of interests - joint ventures & associates using the equity method	-	-	-	-	-	-	-
<b>NET OPERATING RESULT FOR YEAR</b>		103,332	96,995	8,153	105,148	1,816	1,816

Notes:

(1) Includes: Rates &amp; Annual Charges (incl. Ex Gratia), Non Capital General Purpose Grants &amp; Interest on Investments (excl. Restricted Assets)

# Hornsby Shire Council

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

for the financial year ended 30 June 2009

\$'000

Classification of Debt	Principal outstanding at beginning of the year			New Loans raised during the year	Debt redemption during the year		Transfers to Sinking Funds	Interest applicable for Year	Principal outstanding at the end of the year		
	Current	Non Current	Total		From Revenue	Sinking Funds			Current	Non Current	Total
<b>Loans (by Source)</b>											
Commonwealth Government	-	-	-						-	-	-
Treasury Corporation	-	-	-						-	-	-
Other State Government	-	-	-						-	-	-
Public Subscription	-	-	-						-	-	-
Financial Institutions	2,702	21,104	<b>23,806</b>	2,000	2,701	-	-	1,533	3,022	20,083	<b>23,105</b>
Other	-	-	-						-	-	-
<b>Total Loans</b>	<b>2,702</b>	<b>21,104</b>	<b>23,806</b>	<b>2,000</b>	<b>2,701</b>	<b>-</b>	<b>-</b>	<b>1,533</b>	<b>3,022</b>	<b>20,083</b>	<b>23,105</b>
<b>Other Long Term Debt</b>											
Ratepayers Advances	-	-	-						-	-	-
Government Advances	-	-	-						-	-	-
Finance Leases	-	-	-						-	-	-
Deferred Payments	-	-	-						-	-	-
<b>Total Long Term Debt</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Debt</b>	<b>2,702</b>	<b>21,104</b>	<b>23,806</b>	<b>2,000</b>	<b>2,701</b>	<b>-</b>	<b>-</b>	<b>1,533</b>	<b>3,022</b>	<b>20,083</b>	<b>23,105</b>

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

This Schedule is prepared using the Face Value of debt obligations, rather than Fair Value (as per the GPFR's).





## Hornsby Shire Council

## Special Schedule No. 8 - Financial Projections

as at 30 June 2009

\$'000	Actual <sup>(1)</sup> 08/09	Forecast 09/10	Forecast 10/11	Forecast <sup>(3)</sup> 11/12	Forecast <sup>(3)</sup> 12/13
<b>(i) RECURRENT BUDGET</b>					
Income from continuing operations	105,148	102,203	105,269	108,427	111,679
Expenses from continuing operations	103,332	102,357	105,269	108,427	111,679
<b>Operating Result from Continuing Operations</b>	<b><u>1,816</u></b>	<b><u>(154)</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>(ii) CAPITAL BUDGET</b>					
New Capital Works <sup>(2)</sup>	7,053	1,297	6,200	6,200	6,300
Replacement/Refurbishment of Existing Assets	20,191	12,877	18,600	18,500	18,400
<b>Total Capital Budget</b>	<b><u>27,244</u></b>	<b><u>14,174</u></b>	<b><u>24,800</u></b>	<b><u>24,700</u></b>	<b><u>24,700</u></b>
<b>Funded by:</b>					
– Loans	2,000	3,065	1,000	1,000	1,000
– Asset sales	4,289	1,959	5,400	5,400	5,400
– Reserves	-	-	-	-	-
– Grants/Contributions	8,153	1,164	7,700	7,700	7,700
– Recurrent revenue	5,920	6,115	4,500	4,600	4,600
– Other	6,882	1,871	6,200	6,000	6,000
	<b><u>27,244</u></b>	<b><u>14,174</u></b>	<b><u>24,800</u></b>	<b><u>24,700</u></b>	<b><u>24,700</u></b>

**Notes:**

(1) From 08/09 Income Statement.

(2) New Capital Works are major non-recurrent projects, eg new Fire Control Centre, Leisure Centre, new Childcare Centre etc.

(3) If Council has only adopted 3 years of projections then only show 3 years.