

Hornsby Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2010

"Creating a living environment"



Hornsby Shire Council

General Purpose Financial Statements for the financial year ended 30 June 2010

Contents	Page
1. Statement by Councillors & Management	2
2. Primary Financial Statements:	
- Income Statement	3
- Statement of Comprehensive Income	4
- Balance Sheet	5
- Statement of Changes in Equity	6
- Statement of Cash Flows	7
3. Notes to the Financial Statements	8
4. Independent Auditor's Reports:	
- On the Financial Statements (Sect 417 [2])	65
- On the Conduct of the Audit (Sect 417 [3])	66

Overview

- (i) These financial statements are General Purpose Financial Statements and cover the consolidated operations for Hornsby Shire Council.
- (ii) Hornsby Shire Council is a body 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 these financial statements are presented in Australian Currency.
- (iv) These financial statements were authorised for issue by the Council on 05/10/10.
Council has the power to amend and reissue the financial statements.
-

Hornsby Shire Council

General Purpose Financial Statements for the financial year ended 30 June 2010

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

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

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

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

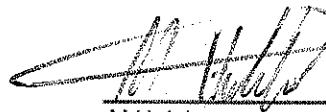
- present fairly the Council's operating result and financial position for the year, and
- accords with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 15 September 2010.



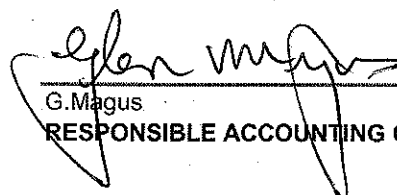
N. Berman
MAYOR



M. Hutchence
DEPUTY MAYOR



R. J. Ball
GENERAL MANAGER



G. Magus
RESPONSIBLE ACCOUNTING OFFICER

Hornsby Shire Council

Income Statement

for the financial year ended 30 June 2010

Budget ⁽¹⁾			Actual	Actual
2010	\$ '000	Notes	2010	2009
Income from Continuing Operations				
Revenue:				
72,186	Rates & Annual Charges	3a	71,225	68,788
13,883	User Charges & Fees	3b	12,017	10,938
1,016	Interest & Investment Revenue	3c	3,031	-
3,137	Other Revenues	3d	5,488	6,150
7,843	Grants & Contributions provided for Operating Purposes	3e,f	10,777	11,119
1,679	Grants & Contributions provided for Capital Purposes	3e,f	6,855	8,153
Other Income:				
-	Net gains from the disposal of assets	5	21	-
-	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19	-	-
99,744	Total Income from Continuing Operations		109,414	105,148
Expenses from Continuing Operations				
46,228	Employee Benefits & On-Costs	4a	43,066	41,224
1,527	Borrowing Costs	4b	1,520	1,534
29,188	Materials & Contracts	4c	34,157	32,625
13,000	Depreciation & Amortisation	4d	20,397	16,264
-	Impairment	4d	-	-
13,416	Other Expenses	4e	11,356	11,292
-	Interest & Investment Losses	3c	-	270
-	Net Losses from the Disposal of Assets	5	-	123
103,359	Total Expenses from Continuing Operations		110,496	103,332
(3,615)	Operating Result from Continuing Operations		(1,082)	1,816
Discontinued Operations				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
(3,615)	Net Operating Result for the Year		(1,082)	1,816
(3,615)	Net Operating Result attributable to Council		(1,082)	1,816
-	Net Operating Result attributable to Minority Interests		-	-
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes				
(5,294)			(7,937)	(6,337)

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

Hornsby Shire Council

Statement of Comprehensive Income

for the financial year ended 30 June 2010

\$ '000	Notes	Actual 2010	Actual 2009
Net Operating Result for the year (as per Income statement)		(1,082)	1,816
Other Comprehensive Income			
Gain (loss) on revaluation & impairment of I,PP&E	20b (ii)	289,856	-
Gain (loss) on revaluation of available-for-sale investments	20b (ii)	-	-
Gain (loss) on revaluation of other reserves	20b (ii)	-	-
Realised (gain) loss on available-for-sale investments recognised in P&L	20b (ii)	-	-
Realised (gain) loss from other reserves recognised in P&L	20b (ii)	-	-
Other Movements in Reserves	20c	213,230	-
Total Other Comprehensive Income for the year		503,086	-
Total Comprehensive Income for the Year		502,004	1,816
Total Comprehensive Income attributable to Council		502,004	1,816
Total Comprehensive Income attributable to Minority Interests		-	-

Hornsby Shire Council

Balance Sheet

as at 30 June 2010

\$ '000	Notes	Actual 2010	Actual 2009
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	16,444	18,751
Investments	6b	14,033	12,063
Receivables	7	6,136	5,628
Inventories	8	167	876
Other	8	-	-
Non-current assets classified as "held for sale"	22	-	-
Total Current Assets		36,780	37,318
Non-Current Assets			
Investments	6b	-	-
Receivables	7	357	361
Inventories	8	-	-
Infrastructure, Property, Plant & Equipment	9	2,206,838	1,707,173
Investments accounted for using the equity method	19	-	-
Investment Property	14	-	-
Intangible Assets	25	3,133	3,994
Other	8	-	-
Total Non-Current Assets		2,210,328	1,711,528
TOTAL ASSETS		2,247,108	1,748,846
LIABILITIES			
Current Liabilities			
Payables	10	5,691	8,749
Borrowings	10	3,331	3,022
Provisions	10	11,502	11,337
Total Current Liabilities		20,524	23,108
Non-Current Liabilities			
Payables	10	-	-
Borrowings	10	18,751	20,083
Provisions	10	544	370
Total Non-Current Liabilities		19,295	20,453
TOTAL LIABILITIES		39,819	43,561
Net Assets		2,207,289	1,705,285
EQUITY			
Retained Earnings	20	1,785,628	1,572,428
Revaluation Reserves	20	421,661	132,857
Council Equity Interest		2,207,289	1,705,285
Minority Equity Interest		-	-
Total Equity		2,207,289	1,705,285

Hornsby Shire Council

Statement of Changes in Equity
for the financial year ended 30 June 2010

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Equity Interest	Minority Interest	Total Equity
2010						
Opening Balance (as per Last Year's Audited Accounts)		1,572,428	132,857	1,705,285	-	1,705,285
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/09)		1,572,428	132,857	1,705,285	-	1,705,285
c. Net Operating Result for the Year		(1,082)	-	(1,082)	-	(1,082)
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Reserve	20b (ii)	-	289,856	289,856	-	289,856
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Other Movements (enter details here)	20b (ii)	213,230	-	213,230	-	213,230
Other Comprehensive Income		213,230	289,856	503,086	-	503,086
Total Comprehensive Income (c&d)		212,148	289,856	502,004	-	502,004
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		1,052	(1,052)	-	-	-
Equity - Balance at end of the reporting period		1,785,628	421,661	2,207,289	-	2,207,289

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Equity Interest	Minority Interest	Total Equity
2009						
Opening Balance (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)	-	-	-	-	-
Revised Opening Balance (as at 1/7/08)		1,570,612	132,857	1,703,469	-	1,703,469
c. Net Operating Result for the Year		1,816	-	1,816	-	1,816
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	-	-	-	-
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Other Movements (enter details here)	20b (ii)	-	-	-	-	-
Other Comprehensive Income		-	-	-	-	-
Total Comprehensive Income (c&d)		1,816	-	1,816	-	1,816
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		1,572,428	132,857	1,705,285	-	1,705,285

Hornsby Shire Council

Statement of Cash Flows

for the financial year ended 30 June 2010

Budget 2010	\$ '000	Notes	Actual 2010	Actual 2009
Cash Flows from Operating Activities				
<u>Receipts:</u>				
71,874	Rates & Annual Charges		70,947	69,007
15,271	User Charges & Fees		12,862	10,951
1,016	Investment & Interest Revenue Received		1,550	1,975
10,474	Grants & Contributions		17,302	19,271
6,230	Other		10,766	5,416
<u>Payments:</u>				
(45,228)	Employee Benefits & On-Costs		(42,844)	(40,574)
(31,088)	Materials & Contracts		(39,176)	(31,303)
(1,527)	Borrowing Costs		(1,525)	(1,536)
(12,435)	Other		(15,212)	(10,864)
14,587	Net Cash provided (or used in) Operating Activities	11b	14,671	22,343
Cash Flows from Investing Activities				
<u>Receipts:</u>				
1,556	Sale of Investment Securities		3,775	9,739
2,705	Sale of Infrastructure, Property, Plant & Equipment		1,972	4,289
<u>Payments:</u>				
-	Purchase of Investment Securities		(4,083)	(585)
(18,653)	Purchase of Infrastructure, Property, Plant & Equipmer		(17,619)	(27,244)
(14,392)	Net Cash provided (or used in) Investing Activities		(15,955)	(13,801)
Cash Flows from Financing Activities				
<u>Receipts:</u>				
2,000	Proceeds from Borrowings & Advances		2,000	2,000
<u>Payments:</u>				
(3,040)	Repayment of Borrowings & Advances		(3,023)	(2,701)
(1,040)	Net Cash Flow provided (used in) Financing Activities		(1,023)	(701)
(845)	Net Increase/(Decrease) in Cash & Cash Equivalents		(2,307)	7,841
18,751	plus: Cash & Cash Equivalents - beginning of year	11a	18,751	10,910
17,906	Cash & Cash Equivalents - end of the year	11a	16,444	18,751
Additional Information:				
	plus: Investments on hand - end of year	6b	14,033	12,063
	Total Cash, Cash Equivalents & Investments		30,477	30,814

Please refer to Note 11 for additional cash flow information.

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Summary of Significant Accounting Policies	9
2(a)	Council Functions / Activities - Financial Information	21
2(b)	Council Functions / Activities - Component Descriptions	22
3	Income from Continuing Operations	23
4	Expenses from Continuing Operations	29
5	Gains or Losses from the Disposal of Assets	33
6(a)	Cash & Cash Equivalent Assets	34
6(b)	Investments	34
6(c)	Restricted Cash, Cash Equivalents & Investments - details	35
7	Receivables	36
8	Inventories & Other Assets	37
9(a)	Infrastructure, Property, Plant & Equipment	38
9(b)	Externally Restricted Infrastructure, Property, Plant & Equipment	39 n/a
9(c)	Infrastructure, Property, Plant & Equipment - Current Year Impairments	39 n/a
10(a)	Payables, Borrowings & Provisions	40
10(b)	Description of (& movements in) Provisions	41
11	Statement of Cash Flows - Additional Information	42
12	Commitments for Expenditure	43
13a	Statement of Performance Measures - Indicators (Consolidated)	45
	Statement of Performance Measures - Graphs (Consolidated)	46
13b	Statement of Performance Measures - Indicators (by Fund)	n/a
14	Investment Properties	47
15	Financial Risk Management	47
16	Material Budget Variations	51
17	Statement of Developer Contributions	54
18	Contingencies and Other Liabilities/Assets not recognised	56
19	Controlled Entities, Associated Entities & Interests in Joint Ventures	58 n/a
20	Equity - Retained Earnings and Revaluation Reserves	59
21	Financial Result & Financial Position by Fund	61 n/a
22	"Held for Sale" Non Current Assets & Disposal Groups	61 n/a
23	Events occurring after Balance Sheet date	61
24	Discontinued Operations	62 n/a
25	Intangible Assets	62
26	Reinstatement, Rehabilitation & Restoration Liabilities	63 n/a

Additional Disclosures

27	Council Information & Contact Details	64
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n/a - not applicable

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies

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

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations, the Local Government Act (1993) and Regulation, and the Local Government Code of Accounting Practice and Financial Reporting.

Historical cost convention

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

Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies.

Financial statement presentation

The Council has applied the revised AASB 101 Presentation of Financial Statements which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the Council had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

(b) Revenue recognition

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the

Council's activities as described below. Council bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

Rates, Annual Charges, Grants and Contributions

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

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

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, it is probable that the economic benefits comprising the contribution will flow to the Council and the amount of the contribution can be measured reliably.

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

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

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.

Interest and Rents

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

(c) Principles of Consolidation

The Consolidated Fund

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

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

- General Purpose Operations

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

- Section 377 Committees

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

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

Note:

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

(d) Leases

Leases of property, plant and equipment where Council, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that Council will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

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

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

(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) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

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

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

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

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

(g) Cash and Cash Equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes;

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

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

(h) Receivables

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

Receivables (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.

(i) Inventories

Raw Materials and Stores, Work in Progress and Finished Goods

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

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

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

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

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

Land Held for Resale/Capitalisation of Borrowing Costs

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

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

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

(j) Investments and Other Financial Assets

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

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

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

Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to maturity, re-evaluates this designation at each reporting date.

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.

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date - the date on which Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

transferred and Council has transferred substantially all the risks and rewards of ownership. When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised

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.

Investment Policy

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

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

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

Council amended its policy following revisions to the Investment Order arising from the Cole Inquiry recommendations. Certain investments the Council holds are no longer prescribed (for example 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.

(k) Fair value estimation

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

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

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

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

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.

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

Acquisition of assets

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

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

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

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

Other asset classes will be revalued to fair value as follows:

- **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.
- 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

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

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

Buildings & Land Improvements (continued)

Other Structures	> \$5,000
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Stormwater Assets

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

Transport Assets

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

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	20-100 years
Drainage Assets	100 years
Bridges	60-80 years
Bulk Earthworks	100 years

All asset residual values and useful lives are reviewed, and adjusted 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.

(m) 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).

(n) 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.

(o) 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.

(p) Payables

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

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

(q) Borrowings

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

Borrowings are subsequently measured at amortised cost.

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

(r) Borrowing Costs

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

(s) 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 probable that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

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

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

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

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

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

(t) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Retirement benefit obligations

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

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

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

Defined Benefit Plans

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

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

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

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

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

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

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.

As a result, they have asked for significant increases in contributions to recover that deficiency.

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

For this reason, no liability for the deficiency has been 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 30/6/10.

(u) Rounding of amounts

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

(v) 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.

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

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

(w) 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.

(x) New accounting standards and interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods.

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.

(i) AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions [AASB 2] (effective from 1 January 2010)

The amendments made by the AASB to AASB 2 confirm that an entity receiving goods or services in a group share-based payment arrangement must recognise an expense for those goods or services regardless of which entity in the group settles the transaction or whether the transaction is settled in shares or cash. They also clarify how the group

share-based payment arrangement should be measured, that is, whether it is measured as an equity- or a cash-settled transaction.

There will be no impact on the Financial Statements as Council does not make share based payments.

(ii) AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132] (effective from 1 February 2010)

In October 2009 the AASB issued an amendment to AASB 132 *Financial Instruments: Presentation* which addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment must be applied retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

There will be no impact on the Financial Statements as Council does not make rights issues.

(iii) AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 (effective from 1 January 2013)

AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets and is likely to affect Council's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. Council is yet to assess its full impact.

However, initial indications are that it may affect Council's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

(iv) Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective from 1 January 2011).

In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies and simplifies the definition of a related party.

There will be no impact on the Financial Statements as Council does not make Related Party Disclosures.

(v) AASB Interpretation 19 Extinguishing financial liabilities with equity instruments and AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19 (effective from 1 July 2010)

AASB Interpretation 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (debt for equity swap). It requires a gain or loss to be recognised in profit or loss which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

There will be no impact on the Financial Statements as Council does not make debt for equity swaps.

(vi) AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement (effective from 1 January 2011)

In December 2009, the AASB made an amendment to Interpretation 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

The amendment removes an unintended consequence of the interpretation related to voluntary prepayments when there is a minimum funding requirement in regard to the entity's defined benefit scheme. It permits entities to recognise an

asset for a prepayment of contributions made to cover minimum funding requirements.

Council does not make any such prepayments. Therefore the amendment is therefore not expected to have any impact on the Financial Statements.

(y) Intangible Assets

IT development and software

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

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

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

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

(z) Crown Reserves

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

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

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

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

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

(aa) 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.

(ab) Taxes

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

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

Goods & Services Tax (GST)

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

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

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

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

(ac) Disclaimer

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

Notes to the Financial Statements

for the financial year ended 30 June 2010

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

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing		Total Assets held (Current & Non-current)	
	Original Budget 2010	Actual 2010	Actual 2009	Original Budget 2010	Actual 2010	Actual 2009	Original Budget 2010	Actual 2010	Actual 2009	Actual 2010	Actual 2009	Actual 2010	Actual 2009
Governance	-	-	-	2,433	2,234	2,388	(2,433)	(2,234)	(2,388)	-	-	-	-
General Managers Division	47	112	77	1,441	1,501	1,329	(1,394)	(1,389)	(1,252)	34	11	-	-
Corporate & Community	11,292	12,134	9,456	35,587	41,973	36,020	(24,295)	(29,839)	(26,564)	1,881	1,854	233,079	232,391
Environment	21,907	25,205	24,726	32,912	34,423	31,901	(11,005)	(9,218)	(7,175)	2,611	2,533	1,235,870	1,244,027
Works	6,552	8,979	9,513	22,372	22,527	22,854	(15,820)	(13,548)	(13,341)	2,830	3,350	778,159	272,428
Planning	2,954	4,204	4,093	8,614	7,838	8,840	(5,660)	(3,634)	(4,747)	-	10	-	-
Total Functions & Activities	42,752	50,634	47,865	103,359	110,496	103,332	(60,607)	(59,862)	(55,467)	7,356	7,758	2,247,108	1,748,846
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	-	-	-	-	-	-	-	-	-	-	-	-
General Purpose Income ¹	56,992	58,780	57,283	-	-	-	56,992	58,780	57,283	5,039	5,957	-	-
Operating Result from Continuing Operations	99,744	109,414	105,148	103,359	110,496	103,332	(3,615)	(1,082)	1,816	12,395	13,715	2,247,108	1,748,846

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

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2010

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

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

GENERAL MANAGERS DIVISION

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

CORPORATE & COMMUNITY DIVISION

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

ENVIRONMENTAL DIVISION

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

WORKS DIVISION

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

PLANNING DIVISION

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

Hornsby Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2010	Actual 2009
(a). Rates & Annual Charges			
Ordinary Rates			
Residential		46,536	44,919
less: Compulsory Pensioner Rebate		(1,300)	(1,257)
Farmland		429	411
Business		6,152	5,989
Total Ordinary Rates		51,817	50,062
Special Rates			
Catchments Remediation Rate		2,654	2,564
Hornsby Quarry Special Rate		2,821	2,726
less: Voluntary Pensioner Rebate		(68)	(66)
Total Special Rates		5,407	5,224
Annual Charges (pursuant to s.496 & s.501)			
Domestic Waste Management Services		14,001	13,502
Total Annual Charges		14,001	13,502
TOTAL RATES & ANNUAL CHARGES		71,225	68,788

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

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2010	Actual 2009
(b). User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Waste Management Services (non-domestic)		912	835
Sullage		18	14
Total User Charges		930	849
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s608, 610A & 611)			
Inspection Fees		493	373
Planning & Building Regulation		2,157	2,038
Registration Fees		72	62
Section 611 Charges		57	56
Total Fees & Charges - Statutory/Regulatory		2,779	2,529
(ii) Fees & Charges - Other (incl. General User Charges) (per s.610C)			
Community Centre Hire Fees		181	120
Indoor Sports Centre Stadium - Admission Fees		490	470
Library Fees & Charges		155	150
Nursery & Preschool Hire Fees		3,296	2,737
Park & Oval Hire Fees		829	724
Restoration Charges		756	844
Swimming Centre - Admission Fees		2,068	1,983
Tennis / Netball Hire Fees		147	147
Other Hire Fees		43	29
Other		343	356
Total Fees & Charges - Other		8,308	7,560
TOTAL USER CHARGES & FEES		12,017	10,938

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2010	Actual 2009
(c). Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges		173	193
- Interest earned on Investments (interest & coupon payment income)		1,454	1,676
Fair Value Adjustments			
- Fair Valuation movements in Investments (at FV or Held for Trading)		1,404	(2,153)
Other		-	14
<u>TOTAL INTEREST & INVESTMENT REVENUE</u>		<u>3,031</u>	<u>(270)</u>
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges		173	193
General Council Cash & Investments		1,907	1,250
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		922	(1,693)
Catchments Remediation		29	(20)
<u>Total Interest & Investment Revenue Recognised</u>		<u>3,031</u>	<u>(270)</u>

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2010	Actual 2009
(d). Other Revenues			
Rental Income - Other Council Properties		1,594	1,368
Ex Gratia Rates		17	14
Parking Fines		1,547	1,350
Prosecution & Infringements		141	166
Legal Fees Recovery - Rates & Charges (Extra Charges)		94	187
Legal Fees Recovery - Planning		39	41
Legal Fees Recovery - Other		3	91
Commissions & Agency Fees		12	29
Diesel Rebate		18	-
Insurance Claim Recoveries		196	30
Insurance Rebates & Incentives		52	202
Recycling Income (non domestic)		217	126
Sales - General		505	672
Bushfire Fund Income		24	72
Car Park Management		86	70
Crosslands Reserve Income		15	32
Department of Environment Waste Rebate		-	378
Florence Mall Incomes		45	113
Home Modification		283	223
Income from Community Events		21	13
Property Services Sundry Income		-	2
Road Closure Income		200	590
Salaries & Wages Charged Out		98	111
Telecommunications Mobile Site Fees		90	31
Vehicular Crossing Income		-	24
Youth Centre Income		18	-
Other		173	215
<u>TOTAL OTHER REVENUE</u>		<u>5,488</u>	<u>6,150</u>

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 3. Income from Continuing Operations (continued)

\$ '000	2010 Operating	2009 Operating	2010 Capital	2009 Capital
(e). Grants				
General Purpose (Untied)				
Financial Assistance	4,315	5,301	-	-
Pensioners' Rates Subsidies - General Component	724	656	-	-
Total General Purpose	5,039	5,957	-	-
Specific Purpose				
Pensioners' Rates Subsidies:				
- Domestic Waste Management	219	219	-	-
Aged & Disabled	458	433	-	-
Bushfire & Emergency Services	58	441	-	-
Bushland	263	119	-	-
Child Care	965	702	-	-
Community Centres	-	-	-	11
Employment & Training Programs	1	22	-	-
Environmental Protection	907	649	871	1,226
Library	295	293	96	128
Noxious Weeds	25	-	-	-
Parks & Gardens	-	-	269	(104)
Street Lighting	231	275	-	-
Transport (Roads to Recovery)	-	200	-	739
Transport (Other Roads & Bridges Funding)	633	423	1,479	750
Youth Services	17	39	-	-
Community Infrastructure Program	-	-	360	833
Other	129	249	80	111
Total Specific Purpose	4,201	4,064	3,155	3,694
Total Grants	9,240	10,021	3,155	3,694
Grant Revenue is attributable to:				
- Commonwealth Funding	813	725	1,231	2,779
- State Funding	8,403	9,296	1,924	915
- Other Funding	24	-	-	-
	9,240	10,021	3,155	3,694

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 3. Income from Continuing Operations (continued)

\$ '000	2010 Operating	2009 Operating	2010 Capital	2009 Capital
(f). Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the NSW LG Act):				
S 94 - Contributions towards amenities/services	-	-	1,853	1,651
Total Developer Contributions 17	-	-	1,853	1,651
Other Contributions:				
Childcare	-	-	-	137
Community Facilities	110	34	-	-
Employee Vehicle Contributions	648	630	-	-
Environment	31	206	28	160
Recreation & Culture	6	-	-	-
RTA Contributions (Regional/Local, Block Grant)	10	-	-	-
Rural Fire Service	606	160	1,695	2,402
Other	126	68	124	109
Total Other Contributions	1,537	1,098	1,847	2,808
Total Contributions	1,537	1,098	3,700	4,459
TOTAL GRANTS & CONTRIBUTIONS	10,777	11,119	6,855	8,153

\$ '000	Actual 2010	Actual 2009
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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	12,702	19,584
add: Grants and contributions recognised in the current period which have not been spent:	4,123	2,288
less: Grants and contributions recognised in a previous reporting period which have been spent in the current reporting period:	(997)	(9,170)
Net Increase (Decrease) in Restricted Assets	3,126	(6,882)
Unexpended at the Close of this Reporting Period and held as Restricted Assets	15,828	12,702
Comprising:		
- Specific Purpose Unexpended Grants	3,663	2,689
- Developer Contributions	12,165	10,013
	15,828	12,702

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2010	Actual 2009
(a) Employee Benefits & On-Costs			
Salaries and Wages		37,015	35,657
Travelling		29	33
Employee Leave Entitlements (ELE)		928	1,424
Superannuation		4,365	3,272
Workers' Compensation Insurance		522	613
Fringe Benefit Tax (FBT)		191	171
Training Costs (other than Salaries & Wages)		493	535
Other		342	370
Total Employee Costs		43,885	42,075
less: Capitalised Costs		(819)	(851)
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>		<u>43,066</u>	<u>41,224</u>
Number of "Equivalent Full Time" Employees at year end		612	603
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		1,520	1,533
Other Debts		-	1
Total Interest Bearing Liability Costs		1,520	1,534
less: Capitalised Costs		-	-
Total Interest Bearing Liability Costs Expensed		1,520	1,534
(ii) Other Borrowing Costs			
Nil			
<u>TOTAL BORROWING COSTS EXPENSED</u>		<u>1,520</u>	<u>1,534</u>

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2010	Actual 2009
(c) Materials & Contracts			
Raw Materials & Consumables		5,243	5,295
Contractor & Consultancy Costs			
- Building Maintenance		322	316
- Consultants		1,500	1,439
- Computer Support		2,015	1,826
- Home Modification Service		201	165
- Animal Pound Service		52	155
- Air Conditioning		91	101
- Bush Regeneration		524	303
- Community Centres		26	127
- Contracts - Electrical		282	295
- Contracts - Grass Cutting		495	448
- Contracts - Plumbing		345	313
- Contracts - Tree Work		386	364
- Contractor & Agency Fees		1,197	817
- Drainage Maintenance		283	219
- External Plant & Equipment Hire		256	299
- Election Expenses		243	377
- Florence Mall		123	224
- Footpath Maintenance		357	278
- Foreshore Facilities		172	187
- Garbage Collection, Tipping & Recycling		13,812	12,347
- Litter Control		435	425
- Maintenance of Parks		183	220
- Mechanical Services		123	151
- Property Cleaning		377	340
- Road Maintenance		3,216	3,359
- Stormwater Asset Maintenance		131	155
Auditors Remuneration: Audit Services - Council's Auditor		86	88
Auditors Remuneration: Other Services - Council's Auditor		4	-
Legal Expenses - Planning & Development		295	883
Legal Expenses - Other		561	656
Operating Leases:			
Operating Lease Rentals - Minimum Lease Payments ⁽¹⁾		251	173
Other		570	280
Total Materials & Contracts		34,157	32,625
less: Capitalised Costs		-	-
TOTAL MATERIALS & CONTRACTS		34,157	32,625

1. Operating Lease Payments are attributable to:

- Computers	251	173
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Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2010	Actual 2009	Actual 2010	Actual 2009
(d) Depreciation, Amortisation & Impairment					
Plant and Equipment		-	-	1,653	1,999
Office Equipment		-	-	237	193
Furniture & Fittings		-	-	115	120
Property, Plant & Equipment - Leased		-	-	-	-
Land Improvements (depreciable)		-	-	2,669	2,672
Buildings - Non Specialised		-	-	2,364	2,188
Buildings - Specialised		-	-	3,530	2,112
Other Structures		-	-	286	272
Infrastructure:					
- Roads, Bridges & Footpaths		-	-	6,867	4,119
- Stormwater Drainage		-	-	1,376	1,303
- Water Supply Network		-	-	4	4
- Sewerage Network		-	-	-	-
Other Assets					
- Heritage Collections		-	-	-	-
- Library Books		-	-	435	422
- Other		-	-	-	-
Asset Reinstatement Costs	9 & 26	-	-	-	-
Intangible Assets	25	-	-	861	860
Total Depreciation & Impairment Costs		-	-	20,397	16,264
less: Capitalised Costs		-	-	-	-
less: Impairments offset in ARR (Equity)	9a	-	-	-	-
TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED		-	-	20,397	16,264

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2010	Actual 2009
(e) Other Expenses			
Other Expenses for the year include the following:			
Advertising		560	552
Bad & Doubtful Debts		(61)	(13)
Bank Charges & Cash Collection Expenses		275	265
Catering		283	293
Contributions/Levies to Other Levels of Government		2,725	2,674
Councillor Expenses - Mayoral Fee		52	51
Councillor Expenses - Councillors' Fees		200	190
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		28	28
Donations, Contributions & Assistance to other organisations (Section 356)		103	158
Electricity & Heating		956	821
Insurance		1,526	1,498
Licences & Registration		217	259
Office Expenses (including computer expenses)		21	-
Postage		219	238
Printing & Stationery		476	571
Street Lighting		2,061	2,033
Subscriptions to Local Government Publications		54	48
Subscriptions & Publications		256	264
Telephone & Communications		347	409
Valuation Fees		223	215
Water & Sewerage		437	357
Public Education Programs		76	-
Other		322	381
Total Other Expenses		11,356	11,292
less: Capitalised Costs		-	-
<u>TOTAL OTHER EXPENSES</u>		<u>11,356</u>	<u>11,292</u>

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2010	Actual 2009
Property (excl. Investment Property)			
Proceeds from Disposal		1,373	2,410
less: Carrying Amount of Property Assets Sold		(1,700)	(2,410)
Net Gain/(Loss) on Disposal		(327)	-
Plant & Equipment			
Proceeds from Disposal		599	1,879
less: Carrying Amount of P&E Assets Sold		(509)	(2,002)
Net Gain/(Loss) on Disposal		90	(123)
Financial Assets*			
Proceeds from Disposal		3,775	9,739
less: Carrying Amount of Financial Assets Sold / Redeemed		(3,517)	(9,739)
Net Gain/(Loss) on Disposal		258	-
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		21	(123)
* Financial Assets disposals include:			
- Net Gain/(Loss) from Financial Instruments "At Fair Value through profit & loss"		258	-
Net Gain/(Loss) on Disposal of Financial Instruments		258	-

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

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

\$ '000	Notes	2010 Actual Current	2010 Actual Non Current	2009 Actual Current	2009 Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		1,149	-	2,282	-
Cash-Equivalent Assets ¹					
- Short Term Deposits		15,295	-	16,469	-
Total Cash & Cash Equivalents		16,444	-	18,751	-
Investment Securities (Note 6b)					
- Managed Funds		982	-	883	-
- Long Term Deposits		4,000	-	-	-
- NCD's, FRN's		1,925	-	1,728	-
- CDO's		2,384	-	3,360	-
- Capital Guaranteed Financial Instruments		4,742	-	6,092	-
Total Investment Securities		14,033	-	12,063	-
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		30,477	-	30,814	-

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

**Cash, Cash Equivalents & Investments are
classified in accordance with AASB 139 as follows:**

\$ '000	2010 Current	2010 Non Current	2009 Current	2009 Non Current
Note 6(b-i)				
Reconciliation of Investments classified as "At Fair Value through the Profit & Loss"				
Balance at the Beginning of the Year	12,063	-	23,370	-
Revaluations (through the Income Statement)	1,404	-	(2,153)	-
Additions	83	-	585	-
Disposals (sales & redemptions)	(3,517)	-	(9,739)	-
Balance at End of Year	10,033	-	12,063	-
Comprising:				
- Managed Funds	982	-	883	-
- NCD's, FRN's	1,925	-	1,728	-
- CDO's	2,384	-	3,360	-
- Capital Guaranteed Financial Instruments	4,742	-	6,092	-
Total	10,033	-	12,063	-
Note 6(b-ii)				
Reconciliation of Investments classified as "Held to Maturity"				
Additions	4,000	-	-	-
Balance at End of Year	4,000	-	-	-
Comprising:				
- Other Long Term Maturity Financial Assets	4,000	-	-	-
Total	4,000	-	-	-

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 6c. Restricted Cash, Cash Equivalents & Investments

\$ '000	2010 Actual Current	2010 Actual Non Current	2009 Actual Current	2009 Actual Non Current
Total Cash, Cash Equivalents and Investment Securities	30,477	-	30,814	-
attributable to:				
External Restrictions (refer below)	17,454	-	18,518	-
Internal Restrictions (refer below)	11,162	-	9,772	-
Unrestricted	1,861	-	2,524	-
	30,477	-	30,814	-
2010 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Details of Restrictions				
External Restrictions - Included in Liabilities				
Nil				
External Restrictions - Other				
Developer Contributions - General (D)	10,013	2,775	(623)	12,165
Specific Purpose Unexpended Grants (F)	2,689	974	-	3,663
Domestic Waste Management (G)	3,602	13,226	(15,959)	869
Other	2,214	1,179	(2,636)	757
External Restrictions - Other	18,518	18,154	(19,218)	17,454
Total External Restrictions	18,518	18,154	(19,218)	17,454
Internal Restrictions				
Plant & Vehicle Replacement	886	2,291	(1,906)	1,271
Employees Leave Entitlement	1,789	350	-	2,139
Civil Works	2,816	515	(414)	2,917
Construction of Buildings	(75)	1,921	(1,516)	330
Council Strategies Projects	654	1,210	(1,105)	759
Hornsby Quarry GST Fund	2,410	2,821	(2,821)	2,410
Land Acquisition	302	-	-	302
Other	990	493	(449)	1,034
Total Internal Restrictions	9,772	9,601	(8,211)	11,162
TOTAL RESTRICTIONS	28,290	27,755	(27,429)	28,616

D Development contributions not yet expended for the provision of services and amenities in accordance plans (Note 1)

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

G Domestic Waste Management (DWM) Charges must be applied for the purposes for which they were raised.

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 \$1.005M

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 7. Receivables

\$ '000	Notes	2010		2009	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		2,187	357	1,905	361
Interest & Extra Charges		201	-	226	-
User Charges & Fees		184	-	140	-
Contributions to Works		105	-	380	-
Accrued Revenues					
- Interest on Investments		116	-	14	-
- Other Income Accruals		424	-	1,367	-
Government Grants & Subsidies		1,202	-	209	-
Net GST Receivable		925	-	750	-
Sullage		52	-	97	-
Restorations		87	-	22	-
Licencing		38	-	27	-
Property Rentals		324	-	40	-
Sale & Leaseback of Computer Equipment		-	-	129	-
Workers Compensation Claims		18	-	19	-
Facility Hire		121	-	74	-
Other Debtors		220	-	363	-
Total		6,204	357	5,762	361
less: Provision for Impairment					
Other Debtors		(68)	-	(134)	-
Total Provision for Impairment - Receivables		(68)	-	(134)	-
<u>TOTAL NET RECEIVABLES</u>		<u>6,136</u>	<u>357</u>	<u>5,628</u>	<u>361</u>
Externally Restricted Receivables					
Domestic Waste Management		493	-	452	-
Other					
- Catchment Remediation Rate		106	-	97	-
- Hornsby Quarry Special Rate		116	-	103	-
- Special Purpose Grants		1,273	-	1,557	-
Total External Restrictions		1,988	-	2,209	-
Unrestricted Receivables		4,148	357	3,419	361
TOTAL NET RECEIVABLES		6,136	357	5,628	361

Notes on Debtors above:

- (i) Rates & Annual Charges Outstanding are secured against the property.
- (ii) Doubtful Rates Debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest is charged on overdue rates & charges at 9.00% (2009 10.00%).
Generally all other receivables are non interest bearing.
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 8. Inventories & Other Assets

\$ '000	Notes	2010		2009	
		Current	Non Current	Current	Non Current
Inventories					
Real Estate for resale (refer below)		-	-	705	-
Stores & Materials		167	-	171	-
Total Inventories		167	-	876	
Other Assets					
Nil					
<u>TOTAL INVENTORIES & OTHER ASSETS</u>		<u>167</u>	<u>-</u>	<u>876</u>	<u>-</u>
Details for Real Estate Development					
Residential		-	-	705	-
Total Real Estate for Resale		-	-	705	-
(Valued at the lower of cost and net realisable value)					
Represented by:					
Acquisition Costs		-	-	705	-
Total Costs		-	-	705	-
less: Provision for Under Recovery		-	-	-	-
Total Real Estate for Resale		-	-	705	-
Movements:					
Real Estate assets at beginning of the year		705	-	705	-
- Transfers in from (out to) Note 9		(705)	-	-	-
Total Real Estate for Resale		-	-	705	-
(i) Externally Restricted Assets					
Total Externally Restricted Assets		-	-	-	-
Total Internally Restricted Assets		-	-	-	-
Total Unrestricted Assets		167	-	876	-
TOTAL INVENTORIES & OTHER ASSETS		167	-	876	

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2009					Asset Movements during the Reporting Period						as at 30/6/2010				
						Asset Additions	WDV of Asset Disposals	Depreciation Expense	Adjustments & Transfers	Tfrs from/(to) Real Estate Assets (Note 8)	Revaluation Increments to Equity (ARR)					
	At Cost	At Fair Value	Accumulated Deprec. Impairment		Carrying Value							At Cost	At Fair Value	Accumulated Dep'n Impairment		Carrying Value
Capital Work in Progress	12,114	-	-	-	12,114	13,800	-	-	(20,183)	-	-	5,731	-	-	-	5,731
Plant & Equipment	-	15,126	9,497	-	5,629	1,664	(508)	(1,653)	-	-	-	-	15,713	10,581	-	5,132
Office Equipment	-	1,248	752	-	496	28	-	(237)	409	-	-	-	1,638	942	-	696
Furniture & Fittings	-	2,480	1,908	-	572	44	-	(115)	-	-	-	-	2,474	1,973	-	501
Plant & Equipment (under Finance Lease)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land:																
- Operational Land	-	148,305	-	-	148,305	730	(1,110)	-	-	705	-	-	148,630	-	-	148,630
- Community Land	1,170,683	-	-	-	1,170,683	321	-	-	-	-	-	1,171,004	-	-	-	1,171,004
- Land under Roads (pre 1/7/08)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Land under Roads (post 30/6/08)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land Improvements - non depreciable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land Improvements - depreciable	53,538	-	22,040	-	31,498	9	-	(2,669)	3,683	-	-	57,294	-	24,773	-	32,521
Buildings - Non Specialised	-	71,196	29,989	-	41,207	420	-	(2,364)	(2,488)	-	-	-	69,232	32,457	-	36,775
Buildings - Specialised	-	79,681	32,372	-	47,309	-	(591)	(3,530)	7,588	-	-	-	86,377	35,601	-	50,776
Other Structures	8,464	-	3,746	-	4,718	107	-	(286)	905	-	-	9,441	-	3,997	-	5,444
Infrastructure:																
- Roads, Bridges, Footpaths	361,530	-	194,786	-	166,744	-	-	(6,867)	125,095	-	20,108	-	395,085	90,005	-	305,080
- Bulk Earthworks (non-depreciable)	-	-	-	-	-	-	-	-	77,561	-	-	-	77,561	-	-	77,561
- Stormwater Drainage	123,230	-	46,456	-	76,774	-	-	(1,376)	20,660	-	269,748	-	480,989	115,183	-	365,806
- Water Supply Network	128	-	61	-	67	-	-	(4)	-	-	-	-	128	65	-	63
- Sewerage Network	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets:																
- Heritage Collections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Library Books	-	2,393	1,336	-	1,057	496	-	(435)	-	-	-	-	2,782	1,664	-	1,118
- Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reinstatement, Rehabilitation & Restoration Assets (refer Note 26)																
- Nil																
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	1,729,687	320,429	342,943	-	1,707,173	17,619	(2,209)	(19,536)	213,230	705	289,856	1,243,470	1,280,609	317,241	-	2,206,838

Additions to Buildings and Infrastructure are made up of Asset Renewals (\$11,627) and New Assets (\$3,979). 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 2010

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

\$ '000

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

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

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

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2010		2009	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		3,077	-	5,537	-
Payments Received In Advance		280	-	263	-
Accrued Expenses:					
- Borrowings		27	-	32	-
- Salaries & Wages		24	-	-	-
- Other Expenditure Accruals		1,626	-	2,256	-
Security Bonds, Deposits & Retentions		128	-	113	-
Contributions & Bonds		169	-	189	-
Employee Costs		325	-	333	-
Other		35	-	26	-
Total Payables		5,691	-	8,749	-
Borrowings					
Loans - Secured ¹		3,331	18,751	3,022	20,083
Total Borrowings		3,331	18,751	3,022	20,083
Provisions					
Employee Benefits;					
Annual Leave		3,136	-	3,056	-
Sick Leave		621	-	668	-
Long Service Leave		7,338	544	7,135	370
Gratuities		389	-	465	-
Sub Total - Aggregate Employee Benefits		11,484	544	11,324	370
Other		18	-	13	-
Total Provisions		11,502	544	11,337	370
Total Payables, Borrowings & Provisions					
		20,524	19,295	23,108	20,453

(i) Liabilities relating to Restricted Assets

	2010		2009	
	Current	Non Current	Current	Non Current
Externally Restricted Assets				
Domestic Waste Management	408	-	1,705	-
Liabilities relating to externally restricted assets	408	-	1,705	-
Internally Restricted Assets				
Employee Leave Entitlements	2,139	-	1,789	-
Liabilities relating to internally restricted assets	2,139	-	1,789	-
Total Liabilities relating to restricted assets	2,547	-	3,494	-

¹ Loans are secured over the General Rating Income of Council

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

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

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

\$ '000	2010	2009
(ii) Current Liabilities not anticipated to be settled within the next 12 months		
The following Liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions - Employees Benefits	8,022	7,449
	8,022	7,449

Note 10b. Description of and movements in Provisions

Class of Provision	2009			2010		
	Opening Balance as at 1/7/09	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	Closing Balance as at 30/6/10
Annual Leave	3,056	2,670	(2,590)	-	-	3,136
Sick Leave	668	(15)	(32)	-	-	621
Long Service Leave	7,505	1,150	(773)	-	-	7,882
Gratuities	465	31	(107)	-	-	389
Other	13	5	-	-	-	18
TOTAL	11,707	3,841	(3,502)	-	-	12,046

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

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2010	Actual 2009
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	16,444	18,751
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		16,444	18,751
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		(1,082)	1,816
Adjust for non cash items:			
Depreciation & Amortisation		20,397	16,264
Net Losses/(Gains) on Disposal of Assets		(21)	123
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investments classified as "@ Fair Value" or "Held for Trading"		(1,404)	2,153
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		(438)	(387)
Increase/(Decrease) in Provision for Doubtful Debts		(66)	(30)
Decrease/(Increase) in Inventories		4	(6)
Increase/(Decrease) in Payables		(2,460)	1,328
Increase/(Decrease) in accrued Interest Payable		(5)	(2)
Increase/(Decrease) in other accrued Expenses Payable		(606)	387
Increase/(Decrease) in Other Current Liabilities		13	46
Increase/(Decrease) in Employee Leave Entitlements		334	650
Increase/(Decrease) in Other Provisions		5	1
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		14,671	22,343
(c) Non-Cash Investing & Financing Activities			
Nil			
(d) Financing Arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank Overdraft Facilities ⁽¹⁾		2,000	2,000
Credit Cards / Purchase Cards		10	10
Total Financing Arrangements		2,010	2,010

No Financing arrangement were utilised as at Balance Date.

(ii) Secured Loan Liabilities

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

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2010	Actual 2009
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(a) Capital Commitments (exclusive of GST)

Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

Property, Plant & Equipment

Plant & Equipment	422	429
Building & Land Improvements	224	1,026
Infrastructure - Roads, Bridges & Footpaths	959	200
Intellectual Property - "Council's Online"	4,211	5,208
Furniture & Fittings	10	31
Other	1	119
Total Commitments	5,827	7,013

These expenditures are payable as follows:

Within the next year	3,400	3,567
Later than one year and not later than 5 years	2,427	3,446
Later than 5 years	-	-
Total Payable	5,827	7,013

Sources for Funding of Capital Commitments:

Unrestricted General Funds	5,827	7,013
Total Sources of Funding	5,827	7,013

(b) Other Expenditure Commitments (exclusive of GST)

Other Non Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

DWM & Recycling Services	59,731	68,671
Banking, Audit & Legal Services	184	270
Other	4,300	379
Total Commitments	64,215	69,320

These expenditures are payable as follows:

Within the next year	14,197	12,162
Later than one year and not later than 5 years	34,989	36,285
Later than 5 years	15,029	20,873
Total Payable	64,215	69,320

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 12. Commitments for Expenditure (continued)

\$ '000	Notes	Actual 2010	Actual 2009
(c) Finance Lease Commitments			
Nil			
(d) Operating Lease Commitments (Non Cancellable)			
a. Commitments under Non Cancellable Operating Leases at the Reporting date, but not recognised as Liabilities are payable:			
Within the next year		395	166
Later than one year and not later than 5 years		756	146
Later than 5 years		-	-
Total Non Cancellable Operating Lease Commitments		1,151	312

b. Non Cancellable Operating Leases include the following assets:

Computer Equipment

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

Conditions relating to Operating Leases:

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

(e) Investment Property Commitments

Nil

(f) Remuneration Commitments

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

Within the next year	986	1,019
Later than one year and not later than 5 years	1,662	1,623
Later than 5 years	-	-
Total Payable	2,648	2,642

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

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

\$ '000	Amounts 2010	Indicator 2010	Prior Periods 20092008	
1. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽¹⁾	17,338	1.43 : 1	1.19	1.21
Current Liabilities less Specific Purpose Liabilities ^(2,3)	12,094			
2. Debt Service Ratio				
Debt Service Cost	4,543	4.69%	4.61%	4.66%
Revenue from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions	96,821			
3. Rates & Annual Charges Coverage Ratio				
Rates & Annual Charges	71,225	65.10%	65.42%	68.82%
Revenue from Continuing Operations	109,414			
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual & Extra Charges Outstanding	2,745	3.71%	3.47%	3.88%
Rates, Annual & Extra Charges Collectible	73,984			
5. Building & Infrastructure Renewals Ratio				
Asset Renewals ⁽⁴⁾ [Buildings & Infrastructure]	11,627	82.22%	85.21%	123.75%
Depreciation, Amortisation & Impairment (Building & Infrastructure Assets)	14,141			

Notes

⁽¹⁾ Refer Notes 6-8 inclusive.

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

⁽²⁾ Refer to Note 10(a).⁽³⁾ Refer to Note 10(c) - excludes all payables & provisions not expected to be paid in the next 12 months (incl. ELE).⁽⁴⁾ Asset Renewals represent the replacement &/or refurbishment of existing assets to an equivalent capacity 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 2010

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

\$ '000

<div><div>1. Unrestricted Current Ratio</div><div><div>Ratio : 1</div><div><div><div><div>1.3</div><div>1.21</div><div>1.19</div><div>1.43</div></div><div><div>2007</div><div>2008</div><div>2009</div><div>2010</div></div></div><div>Year</div></div></div></div>	<div><div>Purpose of Unrestricted Current Ratio</div><div>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</div></div>	<div><div>Commentary on 2009/10 Result</div><div><div>2009/10 Ratio1.43 : 1</div><div>Council's Unrestricted Current Ratio has improved from last year, due to an 5% increase in Current Assets (less External Restrictions) and a 13% decrease in Current Liabilites (less Specific Purpose Liabilities). The ratio is above the auditor's accepted industry benchmark of 1.0.</div></div></div>
<div><div>2. Debt Service Ratio</div><div><div>Ratio %</div><div><div><div>5.00%</div><div>4.66%</div><div>4.61%</div><div>4.69%</div></div><div><div>2007</div><div>2008</div><div>2009</div><div>2010</div></div></div><div>Year</div></div></div>	<div><div>Purpose of Debt Service Ratio</div><div>To assess the impact of loan principal & interest repayments on the discretionary revenue of council.</div></div>	<div><div>Commentary on 2009/10 Result</div><div><div>2009/10 Ratio4.69%</div><div>The Division of Local Government recommends a Debt Service Ratio less than 10%. In 2008/09 57.6% of NSW Councils had a ratio between 0 and 5%. The average of Group 7 councils, of which Hornsby is one, was 6.13% in 2008/09.</div></div></div>
<div><div>3. Rates & Annual Charges Coverage Ratio</div><div><div>Ratio %</div><div><div><div>67.00%</div><div>68.82%</div><div>65.42%</div><div>65.10%</div></div><div><div>2007</div><div>2008</div><div>2009</div><div>2010</div></div></div><div>Year</div></div></div>	<div><div>Purpose of Rates & Annual Charges Coverage Ratio</div><div>To assess the degree of Council's dependence upon revenue from rates and annual charges and to assess the security of Council's income.</div></div>	<div><div>Commentary on 2009/10 Result</div><div><div>2009/10 Ratio65.10%</div><div>Councils Rates and Annual Charges Coverage ratio remained close to the prior year. This was due mainly to grant revenues. The average of Group 7 councils, of which Hornsby is one, was 55.3% in 2008/09.</div></div></div>
<div><div>4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage</div><div><div>Ratio %</div><div><div><div>3.95%</div><div>3.88%</div><div>3.47%</div><div>3.71%</div></div><div><div>2007</div><div>2008</div><div>2009</div><div>2010</div></div></div><div>Year</div></div></div>	<div><div>Purpose of Rates & Annual Charges Outstanding Ratio</div><div>To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.</div></div>	<div><div>Commentary on 2009/10 Result</div><div><div>2009/10 Ratio3.71%</div><div>The NSW average of Group 7 councils, of which Hornsby is one, was 5.74% in 2008/09.</div></div></div>

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 14. Investment Properties

\$ '000

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

Note 15. Financial Risk Management

Risk Management

Council's activities expose it to a variety of financial risks including price risk, credit risk, liquidity risk and 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	
	2010	2009	2010	2009
Financial Assets				
Cash and Cash Equivalents	16,444	18,751	16,444	18,751
Investments				
- "Designated At Fair Value on Initial Recognition"	10,033	12,063	10,033	12,063
- "Held to Maturity"	4,000	-	4,000	-
Receivables	6,493	5,989	6,493	5,989
Total Financial Assets	36,970	36,803	36,970	36,803
Financial Liabilities				
Payables	5,411	8,486	5,411	8,486
Loans / Advances	22,082	23,105	20,633	21,375
Total Financial Liabilities	27,493	31,591	26,044	29,861

Fair Value is determined as follows:

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

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

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 Finance 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
2010				
Possible impact of a 10% movement in Market Values	1,003	1,003	(1,003)	(1,003)
Possible impact of a 1% movement in Interest Rates	204	204	(204)	(204)
2009				
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)

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

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:

	2010	2010	2009	2009
	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
(i) Ageing of Receivables				
Current (not yet overdue)	-	3,306	-	3,338
Overdue	2,544	711	2,266	519
	2,544	4,017	2,266	3,857
(ii) Movement in Provision for Impairment of Receivables			2010	2009
Balance at the beginning of the year			134	164
- amounts already provided for & written off this year			(66)	(30)
Balance at the end of the year			68	134

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

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		
2010									
Trade/Other Payables	128	5,283	-	-	-	-	-	5,411	5,411
Loans & Advances	-	4,802	4,772	4,749	4,736	4,732	3,920	27,711	22,082
Total Financial Liabilities	128	10,085	4,772	4,749	4,736	4,732	3,920	33,122	27,493
2009									
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
Total Financial Liabilities	113	12,925	4,518	4,488	4,464	4,452	6,940	37,900	31,591

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:

	2010		2009	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	5,411	0.0%	8,486	0.0%
Loans & Advances - Fixed Interest Rate	22,082	6.8%	23,105	6.7%
	<u>27,493</u>		<u>31,591</u>	

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 09/10 was incorporated as part of its Management Plan and was adopted by the Council on 30 June 2010.

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	2010 Budget	2010 Actual	2010 Variance*		
REVENUES					
Rates & Annual Charges	72,186	71,225	(961)	(1%)	U
User Charges & Fees	13,883	12,017	(1,866)	(13%)	U
Interest & Investment Revenue	1,016	3,031	2,015	198%	F
Notes were sold during the year which provided larger profits than anticipated. Profit on sale of notes is reported as interest. Investment policies have been improved, as well as recovery from the GFC has resulted in better rates for investments being achieved - \$2,015					
Other Revenues	3,137	5,488	2,351	75%	F
Greater than anticipated insurance recoveries - \$196K Insurance rebates - \$52K Unexpected road closure - \$202K Home modification revenue - \$67K					
Operating Grants & Contributions	7,843	10,777	2,934	37%	F
In many instances the actual amount of grants received depends on decisions made by state and federal governments after the original budget has been adopted. Areas of unexpected funding include: Enviroment, bushfire hazard reduction and fire trials - \$1,140K Waste and Sustainability Grant - \$602K Library services - 96K					

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 16. Material Budget Variations (continued)

\$ '000	2010 Budget	2010 Actual	2010 Variance*	
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REVENUES (continued)

Capital Grants & Contributions	1,679	6,855	5,176	308%	F
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As above. Funding above expectations was received for Roads to Recovery and other RTA programs \$561K
Greater than anticipated grants were received through the Regional and Local Community Infrastructure
Program in two tranches totalling \$1,193K.

Parks and Landscapes - \$269K

Fire Control Centre - \$1,113K

Net Gains from Disposal of Assets	-	21	21	0%	F
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\$ '000	2010 Budget	2010 Actual	2010 Variance*	
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EXPENSES

Employee Benefits & On-Costs	46,228	43,066	3,162	7%	F
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Borrowing Costs	1,527	1,520	7	0%	F
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Materials & Contracts	29,188	34,157	(4,969)	(17%)	U
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Road Maintenance \$893K

Materials prices have increased at a greater than anticipated rate over the year.

A greater than expected works program relating to Regional and Local Community Infrastructure grants has
resulted in a greater amount being expensed on Materials and Contracts.

Depreciation & Amortisation	13,000	20,397	(7,397)	(57%)	U
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Revaluation of Drainage Infrastructure at June 2010 resulted in an increase in Depreciation expense.

Other Expenses	13,416	11,356	2,060	15%	F
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More accurate reporting has resulted in a lower Other Expenses category balance.

\$ '000	2010 Budget	2010 Actual	2010 Variance*	
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Budget Variations relating to Council's Cash Flow Statement include:

Cash Flows from Operating Activities	14,587	14,671	84	0.6%	F
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Cash Flows from Investing Activities	(14,392)	(15,955)	(1,563)	10.9%	U
---	-----------------	-----------------	----------------	--------------	----------

Notes were sold during the year which provided larger cash flows than anticipated.

Recovery from the GFC has resulted in better rates for investments being achieved - \$2,015

Cash Flows from Financing Activities	(1,040)	(1,023)	17	(1.6%)	F
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Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 16. Material Budget Variations (continued)

\$ '000	2010 Budget	2010 Actual	2010 ----- Variance* -----
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Budget Variations relating to Council's Operating Result by Functions include:

Income:

Corporate and Community had a favourable variance of \$892K mainly due to net investment gains as a result of fair value adjustments.

Environment had a favourable variance of \$3.29M mainly due to unexpected grant funding including the Regional and Local Community Infrastructure Program.

Works had a favourable variance of \$2.4M mainly due to unexpected grant funding.

Community Infrastructure Program.

Planning had a favourable variance of \$1.2M due to an unanticipated increase in developer contributions.

Expenses:

Corporate and Community had an unfavourable variance of \$4.4M, due mainly to increased depreciation.

Notes to the Financial Statements

for the financial year ended 30 June 2010

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	497	97	-	47	-	-	641	148	(1,661)	(872)	-
Roads	1,688	171	-	148	-	-	2,007	164	(1,839)	332	-
Traffic Facilities	280	134	-	32	-	-	446	204	(2,286)	(1,636)	-
Parking	9	-	-	1	-	-	10	-	-	10	-
Open Space	2,409	795	-	238	(468)	-	2,974	1,015	(11,387)	(7,398)	-
Community Facilities	3,788	391	-	330	(126)	-	4,383	520	(5,838)	(935)	-
Civic Improvements	1,178	228	-	112	(5)	-	1,513	194	(2,172)	(465)	-
Bushfire Facilities	27	-	-	2	-	-	29	-	-	29	-
S94 Administration	(361)	37	-	(29)	(24)	-	(377)	55	(615)	(937)	-
S94 Contributions - under a Plan	9,515	1,853	-	881	(623)	-	11,626	2,300	(25,798)	(11,872)	-
S94A Levies - under a Plan	-	-	-	-	-	-	-				-
Total S94 Revenue Under Plans	9,515	1,853	-	881	(623)	-	11,626				-
S94 not under Plans	498	-	-	41	-	-	539	30	(569)	-	-
S93F Planning Agreements	-	-	-	-	-	-	-				
S64 Contributions	-	-	-	-	-	-	-				
Total Contributions	10,013	1,853	-	922	(623)	-	12,165	2,330	(26,367)	(11,872)	-

Notes to the Financial Statements

for the financial year ended 30 June 2010

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	497	97	-	47	-	-	641	148	(1,661)	(872)	-
Roads	1,688	171	-	148	-	-	2,007	164	(1,839)	332	-
Traffic Facilities	280	134	-	32	-	-	446	204	(2,286)	(1,636)	-
Parking	9	-	-	1	-	-	10	-	-	10	-
Open Space	2,409	795	-	238	(468)	-	2,974	1,015	(11,387)	(7,398)	-
Community Facilities	3,788	391	-	330	(126)	-	4,383	520	(5,838)	(935)	-
Civic Improvements	1,178	228	-	112	(5)	-	1,513	194	(2,172)	(465)	-
Bushfire Facilities	27	-	-	2	-	-	29	-	-	29	-
S94 Administration	(361)	37	-	(29)	(24)	-	(377)	55	(615)	(937)	-
Total	9,515	1,853	-	881	(623)	-	11,626	2,300	(25,798)	(11,872)	-

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	498	-	-	41	-	-	539	30	(569)	-	-
Total	498	-	-	41	-	-	539	30	(569)	-	-

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined Benefit Superannuation Contribution Plans

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

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

The Schemes most recent full actuarial review indicated that the Net Assets of the Scheme were not sufficient to meet the accrued benefits of the Schemes Defined Benefit member category 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 and accordingly Council has not recorded any net liability from its 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 2010

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other Liabilities

(i) Third Party Claims

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

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

(ii) S94 Plans

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

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

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

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

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

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

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

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

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

(iv) Hornsby Quarry Site

Council 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.

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

Accordingly, at Year End, there is a potential asset due to Council representing issued but 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 2010

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

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 2010

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2010	Actual 2009
a. Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		1,572,428	1,570,893
a. Correction of Prior Period Errors	20 (c)	-	(281)
b. Changes in Accounting Policies (Prior Period Effects)	20 (d)	-	-
c. Other Comprehensive Income (excl. direct to Reserves transactions)		213,230	-
d. Net Operating Result for the Year		(1,082)	1,816
e. Distributions to/(Contributions from) Minority Interests		-	-
f. Transfers between Equity		1,052	-
g. Other Changes		-	-
Balance at End of the Reporting Period		1,785,628	1,572,428

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

- Infrastructure, Property, Plant & Equipment Revaluation Reserve	421,661	132,857
Total	421,661	132,857

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

- Opening Balance	132,857	132,857
- Revaluations for the year	289,856	-
- Transfer to Retained Earnings for Asset disposals	(1,052)	-
- Balance at End of Year	421,661	132,857

TOTAL VALUE OF RESERVES

421,661	132,857
----------------	----------------

(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 2010

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

\$ '000	Notes	Actual 2010	Actual 2009
---------	-------	----------------	----------------

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

08/09 Reporting Year Corrections

- Land owned by Council not previously recorded in the asset register.	850
- Building structure duplicated during the prior period revaluation process.	(1,131)

09/10 Reporting Year Corrections

1. Road Earthworks brought to account for the first time	77,561
--	--------

2. As part of Council's transition to measuring all its I,PP&E at Fair Values, Council this year reviewed and brought to account Fair Values for various Asset Classes.

As part of that evaluation & measurement process, the remaining useful life of each asset has been reassessed to actual.

This reassessment has resulted in a material difference as to where some assets actually sit in relation to their asset life cycle relative to what the value of accumulated depreciation in Council's Financial Reports had previously indicated.

Council does not have sufficient and reliable information that will allow the restatement of information prior to 30/6/09 (the closing date for the comparative figures in this report).

As a result, Council has adjusted the accumulated depreciation for the following asset classes as at 30/6/09 to reflect the correct value of accumulated depreciation;

Roads, Bridges and Footpaths - decrease to accumulated depreciation	117,552
Stormwater Drainage - decrease to accumulated depreciation	18,117

This adjustment resulted in net increase / (decrease) in Council's Accumulated Surplus as at 30/6/09.

Total Reporting Year Corrections	213,230	(281)
---	----------------	--------------

In accordance with AASB 108 - Accounting Policies, Changes in Accounting Estimates and Errors, the above Prior Period Errors have been recognised retrospectively.

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 2010

Note 21. Financial Result & Financial Position by Fund

Council's activities are all funded through the General Fund.

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

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

Note 23. Events occurring after Balance Sheet Date

Events that occur after the reporting date of 30 June 2010, up to and including the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

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

Accordingly, the "authorised for issue" date is 05/10/10.

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

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

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2010.

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

These financial statements (and figures therein) do not incorporate any "non adjusting events" that have occurred after 30 June 2010 and which are only indicative of conditions that arose after 30 June 2010.

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

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 24. Discontinued Operations

\$ '000

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

Note 25. Intangible Assets

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

	Actual 2010 Carrying Amount	Actual 2009 Carrying Amount
Intangible Assets are as follows;		
Opening Values:		
Gross Book Value (1/7)	8,608	8,590
Accumulated Amortisation & Impairment	(4,614)	(3,754)
Net Book Value - Opening Balance	3,994	4,836
Movements for the year		
- Purchases	-	18
- Amortisation charges	(861)	(860)
- Gross Book Value written off	-	-
- Accumulated Amortisation charges written off	-	-
Closing Values:		
Gross Book Value (30/6)	8,608	8,608
Accumulated Amortisation & Impairment	(5,475)	(4,614)
<u>TOTAL INTANGIBLE ASSETS - NET BOOK VALUE</u>¹	<u>3,133</u>	<u>3,994</u>

¹ The Net Book Value of Intangible Assets represent:

- Software (representing the "Council Online" software development"	3,133	3,994
	3,133	3,994

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 26. Reinstatement, Rehabilitation & Restoration Liabilities

\$ '000

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 2010

Note 27. Additional Council Disclosures - Council Information

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

Email: hsc@hornsby.nsw.gov.au

Officers
GENERAL MANAGER

R. J. Ball

RESPONSIBLE ACCOUNTING OFFICER

G. Magus

PUBLIC OFFICER

R. Abicair

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 2010 as set out on pages 1 to 64. 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.

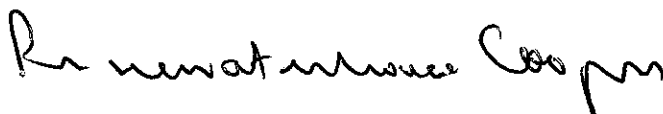
Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the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



RL Gavin
Partner

5 OCT 2010

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

PricewaterhouseCoopers
ABN 52 780 433 757

Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999
www.pwc.com/au

Dear Councillor Berman

Report on the conduct of the audit for year ended 30 June 2010 – Section 417(3)

We have completed our audit of the financial reports of Hornsby Council for the year ended 30 June 2010 in accordance with Section 415 of the Local Government Act, 1993.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial reports are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial reports, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial reports are presented fairly in accordance with 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

Councils operating surplus declined from a surplus of \$1.8 million in the previous year to a deficit of \$1.1 million in the current period. Some reasons for this decline include:

- Lower capital grants and contributions.
- Higher depreciation charges.

The Mayor

Cash position

Council's overall cash position was relatively stable at \$30 million during the period under review. The following table highlights the composition of cash.

	June 2010 \$m	June 2009 \$m
Externally restricted	17	18
Internally restricted	11	10
Unrestricted	2	3
Total	30	31

Working capital

Council's net current assets increased from \$14 million to \$16 million.

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

	June 2010 \$000	June 2009 \$000
Net current assets	16,256	14,210
Less		
External restrictions	17,454	18,518
Internal restrictions	13,150	11,981
	(F4,348D)	(16,289)
Add		
Current liabilities to be funded from other sources	15,241	16,064
Available working capital	893	(225)

The effective unrestricted or available working capital upon which Council could build its 2010/11 budget was \$893K.

The Mayor

Performance indicators

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

	June 2010 %	June 2009 %
Unrestricted Current Ratio	143	119
Debt Service Ratio	4.7	4.6
Rate Coverage Ratio	65	65
Rates Outstanding Ratio	3.7	3.5
Assets Renewal Ratio	82	85

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

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

The Rate Coverage Ratio was stable at 65% of total revenue.

The Rates Outstanding Ratio increased to 3.7% of collectibles but remained better than the accepted industry benchmark of 5%.

The Asset Renewal Ratio indicates that Council is renewing key infrastructure at 82% 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.

Revaluations

Council revalued its road and drainage infrastructure in accordance with the Division of Local Government's revaluation program. Following corrections of \$213 million, a revaluation of \$290 million was credited to the Asset Revaluation Reserve.

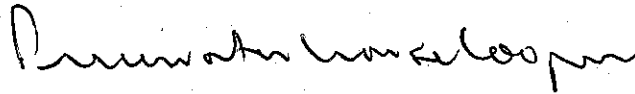
General

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

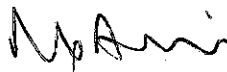
The Mayor

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

Yours faithfully



PricewaterhouseCoopers



RL Gavin
Partner
Sydney

5 OCT 2010

Hornsby Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2010

"Creating a living environment"



Hornsby Shire Council

Special Purpose Financial Statements

for the financial year ended 30 June 2010

Contents	Page
1. Statement by Councillors & Management	2
2. Special Purpose Financial Statements:	
- 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
3. Notes to the Special Purpose Financial Statements	9
4. Auditor's Report	13

Background

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

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

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

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

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

Hornsby Shire Council

Special Purpose Financial Statements

for the financial year ended 30 June 2010

Statement by Councillors and Management

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

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

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

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

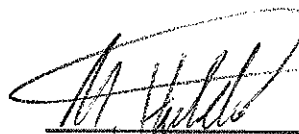
- Present fairly the Operating Result and Financial Position for each of Council's declared Business Activities for the year, and
- Accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 15 September 2010.



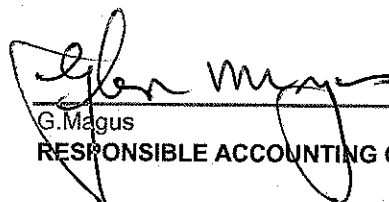
N. Berman
MAYOR



M. Hutchence
COUNCILLOR



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 2010

	Nurseries & Preschools		Aquatic Centres & Sports Stadium	
	Actual	Actual	Actual	Actual
\$ '000	2010	2009	2010	2009
Income from continuing operations				
Access charges	-	-	-	-
User charges	3,296	2,737	2,596	2,505
Fees	-	-	-	-
Interest	-	-	-	-
Grants and contributions provided for non capital purposes	863	713	-	-
Profit from the sale of assets	-	-	-	-
Other income	16	18	403	435
Total income from continuing operations	4,175	3,468	2,999	2,940
Expenses from continuing operations				
Employee benefits and on-costs	3,872	2,855	2,334	2,327
Borrowing costs	-	-	-	-
Materials and contracts	348	453	676	695
Depreciation and impairment	216	216	647	647
Loss on sale of assets	327	-	-	-
Calculated taxation equivalents	241	242	285	218
Debt guarantee fee (if applicable)	-	-	-	-
Other expenses	256	235	467	530
Total expenses from continuing operations	5,260	4,001	4,409	4,417
Surplus (deficit) from Continuing Operations before capital amounts	(1,085)	(533)	(1,410)	(1,477)
Grants and contributions provided for capital purposes	-	137	-	11
Surplus (deficit) from Continuing Operations after capital amounts	(1,085)	(396)	(1,410)	(1,466)
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	(1,085)	(396)	(1,410)	(1,466)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-	-	-
SURPLUS (DEFICIT) AFTER TAX	(1,085)	(396)	(1,410)	(1,466)
plus Opening Retained Profits	1,172	1,326	-	326
plus/less: Prior Period Adjustments	-	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	241	242	285	218
- Debt guarantee fees	-	-	-	-
- Corporate taxation equivalent	-	-	-	-
add:				
- Subsidy Paid/Contribution To Operations	-	-	-	922
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	-	-	-	-
Closing Retained Profits	328	1,172	(1,125)	-
Return on Capital %	-9.4%	-4.0%	-10.7%	-10.7%
Subsidy from Council	1,675	1,280	2,082	2,243

Hornsby Shire Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2010

\$ '000	Commercial Waste		Development Applications	
	Actual 2010	Actual 2009	Actual 2010	Actual 2009
Income from continuing operations				
Access charges	-	-	-	-
User charges	912	835	455	350
Fees	-	-	-	-
Interest	-	-	-	-
Grants and contributions provided for non capital purposes	-	-	-	-
Profit from the sale of assets	-	-	-	-
Other income	216	173	-	-
Total income from continuing operations	1,128	1,008	455	350
Expenses from continuing operations				
Employee benefits and on-costs	43	42	479	470
Borrowing costs	-	-	-	-
Materials and contracts	842	534	126	126
Depreciation and impairment	30	30	25	25
Loss on sale of assets	-	-	-	-
Calculated taxation equivalents	-	-	-	-
Debt guarantee fee (if applicable)	-	-	-	-
Other expenses	24	57	-	-
Total expenses from continuing operations	939	663	630	621
Surplus (deficit) from Continuing Operations before capital amounts	189	345	(175)	(271)
Grants and contributions provided for capital purposes	-	-	-	-
Surplus (deficit) from Continuing Operations after capital amounts	189	345	(175)	(271)
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	189	345	(175)	(271)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(57)	(104)	-	-
SURPLUS (DEFICIT) AFTER TAX	132	242	(175)	(271)
plus Opening Retained Profits	1,064	719	733	1,004
plus/less: Prior Period Adjustments	-	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	-	-	-	-
- Debt guarantee fees	-	-	-	-
- Corporate taxation equivalent	57	104	-	-
add:				
- Subsidy Paid/Contribution To Operations	-	-	-	-
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	-	-	-	-
Closing Retained Profits	1,253	1,064	558	733
Return on Capital %	141.0%	210.4%	-119.0%	-157.6%
Subsidy from Council	-	-	182	281

Hornsby Shire Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2010

\$ '000	Property Services	
	Actual 2010	Actual 2009
Income from continuing operations		
Access charges	-	-
User charges	873	1,283
Fees	-	-
Interest	-	-
Grants and contributions provided for non capital purposes	-	-
Profit from the sale of assets	-	-
Other income	49	2
Total income from continuing operations	922	1,285
Expenses from continuing operations		
Employee benefits and on-costs	261	87
Borrowing costs	-	-
Materials and contracts	194	80
Depreciation and impairment	335	335
Loss on sale of assets	-	-
Calculated taxation equivalents	175	175
Debt guarantee fee (if applicable)	-	-
Other expenses	83	69
Total expenses from continuing operations	1,048	746
Surplus (deficit) from Continuing Operations before capital amounts	(126)	539
Grants and contributions provided for capital purposes	-	-
Surplus (deficit) from Continuing Operations after capital amounts	(126)	539
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	(126)	539
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	(162)
SURPLUS (DEFICIT) AFTER TAX	(126)	377
plus Opening Retained Profits	27,493	26,779
plus/less: Prior Period Adjustments	-	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	175	175
- Debt guarantee fees	-	-
- Corporate taxation equivalent	-	162
add:		
- Subsidy Paid/Contribution To Operations	-	-
less:		
- TER dividend paid	-	-
- Dividend paid	-	-
Closing Retained Profits	27,542	27,493
Return on Capital %	-0.6%	2.5%
Subsidy from Council	1,203	649

Hornsby Shire Council

Balance Sheet of Council's Other Business Activities

as at 30 June 2010

	Nurseries & Preschools Category 1		Aquatic Centres & Sports Stadium Category 1	
\$ '000	Actual 2010	Actual 2009	Actual 2010	Actual 2009
ASSETS				
Current Assets				
Cash and cash equivalents	-	6	-	5
Investments	1,270	-	-	-
Receivables	74	65	58	56
Inventories	-	-	27	27
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
Total Current Assets	1,344	71	85	88
Non-Current Assets				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	11,569	13,485	13,176	13,823
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	-	-
Total Non-Current Assets	11,569	13,485	13,176	13,823
TOTAL ASSETS	12,913	13,556	13,261	13,911
LIABILITIES				
Current Liabilities				
Payables	581	381	316	304
Interest bearing liabilities	5,551	5,551	9,601	9,137
Provisions	320	320	197	197
Total Current Liabilities	6,452	6,252	10,114	9,638
Non-Current Liabilities				
Payables	-	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	-	-	-	-
Other Liabilities	-	-	-	-
Total Non-Current Liabilities	-	-	-	-
TOTAL LIABILITIES	6,452	6,252	10,114	9,638
NET ASSETS	6,461	7,304	3,147	4,273
EQUITY				
Retained earnings	328	1,172	(1,125)	-
Revaluation reserves	6,133	6,132	4,272	4,273
Council equity interest	6,461	7,304	3,147	4,273
Minority equity interest	-	-	-	-
TOTAL EQUITY	6,461	7,304	3,147	4,273

Hornsby Shire Council

Balance Sheet of Council's Other Business Activities

as at 30 June 2010

	Commercial Waste Category 2		Development Applications Category 2	
\$ '000	Actual 2010	Actual 2009	Actual 2010	Actual 2009
ASSETS				
Current Assets				
Cash and cash equivalents	-	5	-	5
Investments	1,040	999	733	733
Receivables	214	23	10	8
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
Total Current Assets	1,254	1,027	743	746
Non-Current Assets				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	134	164	147	172
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	-	-
Total Non-Current Assets	134	164	147	172
TOTAL ASSETS	1,388	1,191	890	918
LIABILITIES				
Current Liabilities				
Payables	114	106	48	38
Interest bearing liabilities	-	-	138	-
Provisions	21	21	146	147
Total Current Liabilities	135	127	332	185
Non-Current Liabilities				
Payables	-	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	-	-	-	-
Other Liabilities	-	-	-	-
Total Non-Current Liabilities	-	-	-	-
TOTAL LIABILITIES	135	127	332	185
NET ASSETS	1,253	1,064	558	733
EQUITY				
Retained earnings	1,253	1,064	558	733
Revaluation reserves	-	-	-	-
Council equity interest	1,253	1,064	558	733
Minority equity interest	-	-	-	-
TOTAL EQUITY	1,253	1,064	558	733

Hornsby Shire Council

Balance Sheet of Council's Other Business Activities

as at 30 June 2010

	Property Services Category 2	
\$ '000	Actual 2010	Actual 2009
ASSETS		
Current Assets		
Cash and cash equivalents	-	5
Investments	12,413	12,209
Receivables	21	70
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	12,434	12,284
Non-Current Assets		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	21,110	21,445
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total Non-Current Assets	21,110	21,445
TOTAL ASSETS	33,544	33,729
LIABILITIES		
Current Liabilities		
Payables	120	354
Interest bearing liabilities	-	-
Provisions	62	62
Total Current Liabilities	182	416
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	-	-
Provisions	-	-
Other Liabilities	-	-
Total Non-Current Liabilities	-	-
TOTAL LIABILITIES	182	416
NET ASSETS	33,362	33,313
EQUITY		
Retained earnings	27,542	27,493
Revaluation reserves	5,820	5,820
Council equity interest	33,362	33,313
Minority equity interest	-	-
TOTAL EQUITY	33,362	33,313

Hornsby Shire Council

Special Purpose Financial Statements

for the financial year ended 30 June 2010

Contents of the Notes accompanying the Financial Statements

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

Hornsby Shire Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2010

Note 1. Significant Accounting Policies

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

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

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

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

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

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

National Competition Policy

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

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

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

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

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

Declared Business Activities

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

Category 1

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

a. Nurseries & Preschools

Operation of children's nurseries & preschools

b. Aquatic & Sports Centres

Operation of swimming pools, gymnasiums & indoor sports centres

Category 2

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

a. Commercial Waste Service

Services provided for the collection of commercial waste and sullage

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 dollar.

(i) Taxation Equivalent Charges

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

Hornsby Shire Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2010

Note 1. Significant Accounting Policies (continued)

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

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

Notional Rate Applied %

Corporate Income Tax Rate – 30%

Land Tax – The first **\$376,000** of combined land values attracts **0%**. From \$376,001 to \$2,299,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,299,000, a premium marginal rate of **2.0%** applies.

Payroll Tax – **5.65%** on the value of taxable salaries and wages in excess of \$638,000.

Income Tax

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

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

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

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

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

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

Local Government Rates & Charges

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

Loan & Debt Guarantee Fees

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

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

(ii) Subsidies

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

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

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

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

(iii) Return on Investments (Rate of Return)

The Policy statement requires that councils with Category 1 businesses "would be expected to generate a return on capital funds employed that is

Hornsby Shire Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2010

Note 1. Significant Accounting Policies (continued)

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 5.10% at 30/6/10.

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.

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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 2010, 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 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 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


RL Gavin
Partner

5 Oct 2010

Hornsby Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2010

"Creating a living environment"



Hornsby Shire Council

Special Schedules

for the financial year ended 30 June 2010

Contents

Page

Special Schedules¹

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

¹ Special Purpose Schedules are not audited.

Background

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

Hornsby Shire Council

Special Schedule No. 1 - Net Cost of Services

for the financial year ended 30 June 2010

\$'000

Function or Activity	Expenses from continuing operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Administration	20,428	5,930	515	(13,983)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	3,156	619	1,484	(1,053)
Beach Control	-	-	-	-
Enforcement of Local Govt Regs	-	-	-	-
Animal Control	314	92	-	(222)
Other	-	-	-	-
Total Public Order & Safety	3,470	711	1,484	(1,275)
Health	491	236	-	(255)
Environment				
Noxious Plants and Insect/Vermin Control	-	-	-	-
Other Environmental Protection	4,727	3,701	871	(155)
Solid Waste Management	18,808	16,034	-	(2,774)
Street Cleaning	144	-	-	(144)
Drainage	2,906	21	97	(2,788)
Stormwater Management	-	-	-	-
Total Environment	26,585	19,756	968	(5,861)
Community Services and Education				
Administration & Education	471	2	32	(437)
Social Protection (Welfare)	1,472	217	-	(1,255)
Aged Persons and Disabled	951	723	-	(228)
Childrens Services	4,725	4,181	-	(544)
Total Community Services & Education	7,619	5,123	32	(2,464)
Housing and Community Amenities				
Public Cemeteries	-	-	-	-
Public Conveniences	-	-	-	-
Street Lighting	2,059	231	-	(1,828)
Town Planning	7,679	2,346	-	(5,333)
Other Community Amenities	184	4	302	122
Total Housing and Community Amenities	9,922	2,581	302	(7,039)
Water Supplies	4	-	-	(4)
Sewerage Services	-	-	-	-

Hornsby Shire Council

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

for the financial year ended 30 June 2010

\$'000

Function or Activity	Expenses from continuing operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Recreation and Culture				
Public Libraries	6,616	550	184	(5,882)
Museums	-	-	-	-
Art Galleries	-	-	-	-
Community Centres and Halls	1,730	388	28	(1,314)
Performing Arts Venues	-	-	-	-
Other Performing Arts	-	-	-	-
Other Cultural Services	-	-	-	-
Sporting Grounds and Venues	1,178	-	-	(1,178)
Swimming Pools	4,258	2,391	-	(1,867)
Parks & Gardens (Lakes)	10,905	1,594	1,289	(8,022)
Other Sport and Recreation	999	754	-	(245)
Total Recreation and Culture	25,686	5,677	1,501	(18,508)
Fuel & Energy	-	-	-	-
Agriculture	-	-	-	-
Mining, Manufacturing and Construction				
Building Control	-	-	-	-
Other Mining, Manufacturing & Construction	-	-	-	-
Total Mining, Manufacturing and Const.	-	-	-	-
Transport and Communication				
Urban Roads (UR) - Local	10,293	888	1,058	(8,347)
Urban Roads - Regional	-	-	-	-
Sealed Rural Roads (SRR) - Local	-	-	-	-
Sealed Rural Roads - Regional	-	-	-	-
Unsealed Rural Roads (URR) - Local	145	6	-	(139)
Unsealed Rural Roads (URR) - Regional	-	-	-	-
Bridges on UR - Local	104	-	-	(104)
Bridges on SRR - Local	-	-	-	-
Bridges on URR - Local	-	-	-	-
Bridges on Regional Roads	-	-	-	-
Parking Areas	56	-	-	(56)
Footpaths	1,623	4	101	(1,518)
Aerodromes	-	-	-	-
Other Transport & Communication	2,183	1,739	724	280
Total Transport and Communication	14,404	2,637	1,883	(9,884)
Economic Affairs				
Camping Areas & Caravan Parks	-	-	-	-
Other Economic Affairs	1,887	1,128	170	(589)
Total Economic Affairs	1,887	1,128	170	(589)
Totals – Functions	110,496	43,779	6,855	(59,862)
General Purpose Revenues⁽¹⁾		58,780	-	58,780
Share of interests - joint ventures & associates using the equity method	-	-	-	-
NET OPERATING RESULT FOR YEAR	110,496	102,559	6,855	(1,082)

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

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

for the financial year ended 30 June 2010

\$'000

Classification of Debt	Principal outstanding at beginning of the year			New Loans raised during the year	Debt redemption during the year		Transfers to Sinking Funds	Interest applicable for Year	Principal outstanding at the end of the year		
	Current	Non Current	Total		From Revenue	Sinking Funds			Current	Non Current	Total
Loans (by Source)											
Commonwealth Government	-	-	-							-	-
Treasury Corporation	-	-	-							-	-
Other State Government	-	-	-							-	-
Public Subscription	-	-	-							-	-
Financial Institutions	3,022	20,083	23,105	2,000	3,023	-	-	1,520	3,331	18,751	22,082
Other	-	-	-							-	-
Total Loans	3,022	20,083	23,105	2,000	3,023	-	-	1,520	3,331	18,751	22,082
Other Long Term Debt											
Ratepayers Advances	-	-	-							-	-
Government Advances	-	-	-							-	-
Finance Leases	-	-	-							-	-
Deferred Payments	-	-	-							-	-
Total Long Term Debt	-	-	-	-	-	-	-	-	-	-	-
Total Debt	3,022	20,083	23,105	2,000	3,023	-	-	1,520	3,331	18,751	22,082

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 GPFS's).

ASSET CLASS	Asset Category	Dep'n. Rate (%)	Dep'n. Expense (\$)	Cost	Valuation	Accumulated Depreciation & Impairment	Carrying Amount (WDV)	Asset Condition [#]	Estimated cost to bring up to a satisfactory condition standard ⁽¹⁾	Required ⁽²⁾ Annual Maintenance	Current ⁽³⁾ Annual Maintenance
		per Note 1	per Note 4	<<<<<<<<< per Note 9 >>>>>>>>>				<<<<<<< per Section 428(2d) >>>>>>>			
Buildings	Council Offices	1-4%	619	-	18,492	9,141	9,351	2			
	Council Works Depot	1-4%	137	-	4,436	2,101	2,335	2			
	Council Halls	1-4%	1,256	-	36,637	16,088	20,549	2			
	Council Houses	1-4%	42	-	2,480	1,507	973	2			
	Library	1-4%	663	-	15,627	6,051	9,576	3			
	Childcare Centre(s)	1-4%	520	-	10,008	4,771	5,237	2			
	Amenities/Toilets	1-4%	644	-	23,689	9,902	13,787	2			
	Aquatic Centres	1-4%	1,258	-	10,654	7,232	3,422	4			
	Commercial Buildings	1-4%	205	-	9,669	5,766	3,903	3			
	Other	1-4%	550	-	23,917	5,499	18,418	3			
	sub total		5,894	-	155,609	68,058	87,551		1,050	2,365	2,155
Public Roads											
	Sealed Roads	1.00%	4,783	274,688	-	59,010	215,678	2	4,500	5,500	6,302
	Unsealed Roads	1.00%	37	3,808	-	1,704	2,104	2	-	300	243
	Bridges	1.50%	111	7,187	-	2,374	4,813	2	-	-	-
	Footpaths	2.00%	743	39,594	-	8,054	31,540	2	-	900	1,178
	Kerb and Gutter	1.00%	732	54,336	-	17,046	37,290	2	-	-	-
	Road Furniture	2.00%	461	15,472	-	1,817	13,655	2	-	-	-
	sub total		6,867	395,085	-	90,005	305,080		4,500	6,700	7,723

ASSET CLASS	Asset Category	Dep'n. Rate (%)	Dep'n. Expense (\$)	Cost	Valuation	Accumulated Depreciation & Impairment	Carrying Amount (WDV)	Asset Condition [#]	Estimated cost to bring up to a satisfactory condition standard ⁽¹⁾	Required ⁽²⁾ Annual Maintenance	Current ⁽³⁾ Annual Maintenance
		per Note 1	per Note 4	<<<<<<<<< per Note 9 >>>>>>>>>				<<<<<<< per Section 428(2d) >>>>>>>>			
Wharves & Jetties	Pontoons, Seawalls & Wharves	3.00%	47	1,731	-	798	933	2	700	200	207
	sub total		47	1,731	-	798	933		700	200	207
Drainage Works	Drainage Infrastructure	1.00%	1,376	-	480,989	115,183	365,806	2	12,000	1,200	1,178
	sub total		1,376	-	480,989	115,183	365,806		12,000	1,200	1,178
	TOTAL - ALL ASSETS		14,184	396,816	636,598	274,044	759,370		18,250	10,465	11,263

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

1	Near Perfect - Ranges from New or Good	4	Requires Major Reconstruction - Ranges from Poor to Critical
2	Superficial Deterioration - Ranges from Generally Good to Fair	5	Asset Unserviceable - Critical, Beyond Repair
3	Deterioration Evident - Ranges from Fair to Marginal		

Hornsby Shire Council

Special Schedule No. 8 - Financial Projections

as at 30 June 2010

\$'000	Actual ⁽¹⁾ 09/10	Forecast 10/11	Forecast 11/12	Forecast ⁽³⁾ 12/13	Forecast ⁽³⁾ 13/14
(i) RECURRENT BUDGET					
Income from continuing operations	109,414	101,821	104,170	108,345	111,536
Expenses from continuing operations	110,496	109,755	112,057	114,688	117,803
Operating Result from Continuing Operations	<u>(1,082)</u>	<u>(7,934)</u>	<u>(7,887)</u>	<u>(6,343)</u>	<u>(6,267)</u>
(ii) CAPITAL BUDGET					
New Capital Works ⁽²⁾	1,297	6,200	6,200	6,300	6,300
Replacement/Refurbishment of Existing Assets	12,877	13,881	15,040	15,552	16,067
Total Capital Budget	<u>14,174</u>	<u>20,081</u>	<u>21,240</u>	<u>21,852</u>	<u>22,367</u>
Funded by:					
– Loans	3,065	6,708	1,000	1,000	1,000
– Asset sales	1,959	165	5,400	5,400	5,400
– Reserves	-	-	-	-	-
– Grants/Contributions	1,164	4,524	7,700	7,700	7,700
– Recurrent revenue	6,115	7,576	5,140	5,752	6,267
– Other	1,871	1,108	2,000	2,000	2,000
	<u>14,174</u>	<u>20,081</u>	<u>21,240</u>	<u>21,852</u>	<u>22,367</u>

Notes:

(1) From 09/10 Income Statement.

(2) New Capital Works are major non-recurrent projects, eg new Leisure Centre, new Library, new Swimming pool etc.

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