

Hornsby Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2011

“Creating a living environment”



Hornsby Shire Council

General Purpose Financial Statements

for the financial year ended 30 June 2011

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Overview

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

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

Council's Statutory Charter is specified in Paragraph 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 21/09/11. 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 2011

Understanding Council's Financial Statements

Introduction

Each year, individual Local Governments across NSW are required to present a set of audited Financial Statements to their Council & Community.

What you will find in the Statements

The Financial Statements set out the financial performance, financial position & cash flows of Council for the financial year ended 30 June 2011.

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The Financial Statements incorporate 5 "primary" financial statements:

1. An Income Statement

A summary of Council's financial performance for the year, listing all income & expenses.

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

2. A Statement of Comprehensive Income

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

3. A Balance Sheet

A 30 June snapshot of Council's Financial Position including its Assets & Liabilities.

4. A Statement of Changes in Equity

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

5. A Statement of Cash Flows

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

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

About the Notes to the Financial Statements

The Notes to the Financial Statements provide greater detail and additional information on the 5 Primary Financial Statements.

About the Auditor's Reports

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

In NSW, the Auditor provides 2 audit reports:

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

Who uses the Financial Statements ?

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

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

Council is required to forward an audited set of Financial Statements to the Division of Local Government.

Hornsby Shire Council

General Purpose Financial Statements for the financial year ended 30 June 2011

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:

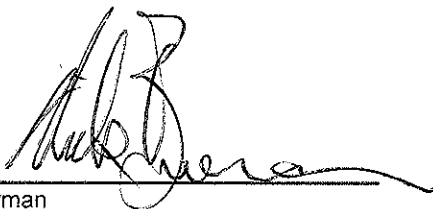
- The Local Government Act 1993 (as amended) and the Regulations made thereunder,
- The Australian Accounting Standards and professional pronouncements, and
- The Local Government Code of Accounting Practice and Financial Reporting.

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

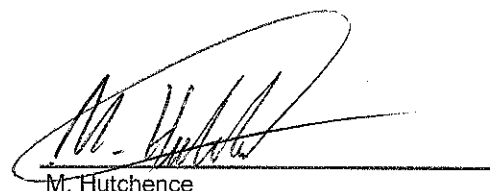
- present fairly the Council's operating result and financial position for the year, and
- accords with Council's accounting and other records.

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 21 September 2011.



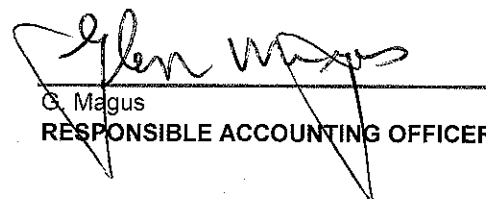
N. Berman
MAYOR



M. Hutchence
COUNCILLOR



R. J. Ball
GENERAL MANAGER



G. Magus
RESPONSIBLE ACCOUNTING OFFICER

Hornsby Shire Council

Income Statement

for the financial year ended 30 June 2011

Budget ⁽¹⁾				Actual	Actual
2011	\$ '000		Notes	2011	2010
Income from Continuing Operations					
Revenue:					
74,350	Rates & Annual Charges		3a	73,340	71,282
13,120	User Charges & Fees		3b	11,988	11,960
1,389	Interest & Investment Revenue		3c	2,387	3,031
4,611	Other Revenues		3d	5,792	5,488
8,352	Grants & Contributions provided for Operating Purposes		3e,f	12,537	10,777
3,406	Grants & Contributions provided for Capital Purposes		3e,f	3,956	6,855
Other Income:					
2,474	Net gains from the disposal of assets		5	-	21
107,702	Total Income from Continuing Operations			110,000	109,414
Expenses from Continuing Operations					
46,764	Employee Benefits & On-Costs		4a	45,602	43,066
1,518	Borrowing Costs		4b	1,470	1,520
31,801	Materials & Contracts		4c	34,051	34,157
17,359	Depreciation & Amortisation		4d	23,186	20,397
12,315	Other Expenses		4e	12,013	11,356
-	Net Losses from the Disposal of Assets		5	71	-
109,757	Total Expenses from Continuing Operations			116,393	110,496
(2,055)	Operating Result from Continuing Operations			(6,393)	(1,082)
Discontinued Operations					
-	Net Profit/(Loss) from Discontinued Operations		24	-	-
(2,055)	Net Operating Result for the Year			(6,393)	(1,082)
(2,055)	Net Operating Result attributable to Council			(6,393)	(1,082)
-	Net Operating Result attributable to Minority Interests			-	-
(5,461)	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes			(10,349)	(7,937)

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

Hornsby Shire Council

Statement of Comprehensive Income
for the financial year ended 30 June 2011

\$ '000	Notes	Actual 2011	Actual 2010
Net Operating Result for the year (as per Income statement)		(6,393)	(1,082)
Other Comprehensive Income			
Gain (loss) on revaluation 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)	-	-
Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-
Other Movements in Reserves	20b&c	(756,819)	213,230
Total Other Comprehensive Income for the year		(756,819)	503,086
Total Comprehensive Income for the Year		(763,212)	502,004
Total Comprehensive Income attributable to Council		(763,212)	502,004
Total Comprehensive Income attributable to Minority Interests		-	-

Hornsby Shire Council

Balance Sheet
as at 30 June 2011

\$ '000	Notes	Actual 2011	Actual 2010
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	19,190	16,444
Investments	6b	13,537	14,033
Receivables	7	5,541	6,136
Inventories	8	181	167
Other	8	54	-
Total Current Assets		38,503	36,780
Non-Current Assets			
Investments	6b	1,000	-
Receivables	7	280	357
Infrastructure, Property, Plant & Equipment	9	1,443,083	2,206,838
Intangible Assets	25	2,272	3,133
Total Non-Current Assets		1,446,635	2,210,328
TOTAL ASSETS		1,485,138	2,247,108
LIABILITIES			
Current Liabilities			
Payables	10	8,864	5,691
Borrowings	10	3,584	3,331
Provisions	10	11,954	11,502
Total Current Liabilities		24,402	20,524
Non-Current Liabilities			
Borrowings	10	16,167	18,751
Provisions	10	492	544
Total Non-Current Liabilities		16,659	19,295
TOTAL LIABILITIES		41,061	39,819
Net Assets		1,444,077	2,207,289
EQUITY			
Retained Earnings	20	1,022,465	1,785,628
Revaluation Reserves	20	421,612	421,661
Council Equity Interest		1,444,077	2,207,289
Minority Equity Interest		-	-
Total Equity		1,444,077	2,207,289

Hornsby Shire Council

Statement of Changes in Equity
for the financial year ended 30 June 2011

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Equity Interest	Minority Interest	Total Equity
2011						
Opening Balance (as per Last Year's Audited Accounts)		1,785,628	421,661	2,207,289	-	2,207,289
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/10)		1,785,628	421,661	2,207,289	-	2,207,289
c. Net Operating Result for the Year		(6,393)	-	(6,393)	-	(6,393)
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	-	-	-	-
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
- Change in accounting policy (community land rev	20b (ii)	(756,819)	-	(756,819)	-	(756,819)
Other Comprehensive Income		(756,819)	-	(756,819)	-	(756,819)
Total Comprehensive Income (c&d)		(763,212)	-	(763,212)	-	(763,212)
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		49	(49)	-	-	-
Equity - Balance at end of the reporting period		1,022,465	421,612	1,444,077	-	1,444,077

\$ '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 Rsve	20b (ii)	-	289,856	289,856	-	289,856
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
- Other Movements	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

Hornsby Shire Council

Statement of Cash Flows

for the financial year ended 30 June 2011

Budget 2011	\$ '000	Notes	Actual 2011	Actual 2010
Cash Flows from Operating Activities				
Receipts:				
74,053	Rates & Annual Charges		73,447	70,947
16,201	User Charges & Fees		12,796	12,862
1,389	Investment & Interest Revenue Received		1,846	1,550
12,933	Grants & Contributions		17,768	17,302
6,781	Other		10,315	10,766
Payments:				
(47,051)	Employee Benefits & On-Costs		(43,570)	(42,844)
(31,058)	Materials & Contracts		(36,281)	(39,176)
(1,471)	Borrowing Costs		(1,471)	(1,525)
(12,423)	Other		(14,213)	(15,211)
19,354	Net Cash provided (or used in) Operating Activities	11b	20,637	14,671
Cash Flows from Investing Activities				
Receipts:				
-	Sale of Investment Securities		4,104	3,775
-	Sale of Real Estate Assets		2	-
2,721	Sale of Infrastructure, Property, Plant & Equipment		1,261	1,972
Payments:				
-	Purchase of Investment Securities		(4,000)	(4,083)
(18,635)	Purchase of Infrastructure, Property, Plant & Equipment		(16,927)	(17,619)
(15,914)	Net Cash provided (or used in) Investing Activities		(15,560)	(15,955)
Cash Flows from Financing Activities				
Receipts:				
1,000	Proceeds from Borrowings & Advances		1,000	2,000
Payments:				
(3,040)	Repayment of Borrowings & Advances		(3,331)	(3,023)
(2,040)	Net Cash Flow provided (used in) Financing Activities		(2,331)	(1,023)
1,400	Net Increase/(Decrease) in Cash & Cash Equivalents		2,746	(2,307)
16,444	plus: Cash & Cash Equivalents - beginning of year	11a	16,444	18,751
17,844	Cash & Cash Equivalents - end of the year	11a	19,190	16,444
Additional Information:				
	plus: Investments on hand - end of year	6b	14,537	14,033
Total Cash, Cash Equivalents & Investments			33,727	30,477

Please refer to Note 11 for information on the following:

- Non Cash Financing & Investing Activities & Financing Arrangements

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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n/a - not applicable

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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.

(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.

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

Revenue is recognised when the Council obtains control of the contribution or the right to receive the contribution, 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.

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 and fees (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.

Sale of Infrastructure, Property, Plant and Equipment

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

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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 (Equity) held	\$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.

(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.

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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 are generally due for settlement within 30 days.

The collectibility of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly.

An allowance account (provision for impairment of receivables) is used when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired.

The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the impairment loss is recognised in the income statement within other expenses. When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account.

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

(i) Inventories

Raw Materials and Stores, Work in Progress and Finished Goods

Raw materials and stores, work in progress and finished goods 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.

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.

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

(j) Investments and Other Financial Assets

Council classifies 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.

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

A financial asset is classified in this 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.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

Financial Assets – Reclassification

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

Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising

from a single event that is unusual and highly unlikely to recur in the near term.

Council may 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.

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 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 in equity are included in the income statement as gains and losses from investment securities.

Subsequent Measurement

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

Financial assets at fair value through profit and loss are subsequently carried at fair value. Gains and losses arising from changes in the fair value of the

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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, 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 have been 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;

- **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).

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

- **Community Land** – (internal valuation).
- **Land Improvements** (as approximated by depreciated historical cost).
- **Other structures** (as approximated by depreciated historical cost).
- **Other assets** (as approximated by depreciated historical cost).

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

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

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.

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

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

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the income statement.

Capitalisation Thresholds

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

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

Plant & Equipment

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

Buildings & Land Improvements

Park Furniture & Equipment	> \$5,000
Building	
- construction/extensions	100% Capitalised
- renovations	> \$5,000

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

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

(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).

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.

(n) 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.

(o) 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.

(p) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is 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.

(q) 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.

(r) 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.

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

(s) 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.

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 (see below).

The Local government Superannuation Scheme has advised members 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.

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.

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

(t) Rounding of amounts

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

(u) Provisions for close down, restoration and for environmental clean up costs - including Tips and Quarries

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

Council has resolved to fill Hornsby Quarry with virgin excavated natural material and has engaged consultants to seek appropriate planning and environmental approvals. In the absence of reliably estimated costs no provision has been made in Council's books.

(v) 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.

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

(i) AASB 9 Financial Instruments, AASB 2009 11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2013)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. When adopted, the standard will affect in particular the 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 instruments, for example, will therefore have to be recognised directly in profit or loss.

There will be no impact on the Council's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Council does not have any such liabilities. The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed.

(ii) 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 clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. This amendment will have no impact on Council.

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

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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. The amendment is therefore not expected to have any impact on council's financial statements.

(iv) AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets (effective for annual reporting periods beginning on or after 1 July 2011)

Amendments made to AASB 7 Financial Instruments: Disclosures in November 2010 introduce additional disclosures in respect of risk exposures arising from transferred financial assets.

The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties.

They are not expected to have any significant impact on Council's disclosures.

(v) AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements (effective from 1 July 2013)

On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia.

Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements.

Local Government are specifically excluded from adopting the new Australian Accounting Standards – Reduced Disclosure Requirements. The two

standards will therefore have no impact on the financial statements of Council.

(vi) AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets (effective from 1 January 2012)

In December 2010, the AASB amended AASB 112 Income Taxes to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model.

AASB 112 requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying amount of the relevant assets or liabilities, that is through use or through sale. The amendment introduces a rebuttable presumption that investment property which is measured at fair value is recovered entirely by sale. This amendment will have no impact on Council.

(x) 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.

(y) Crown Reserves

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

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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.

(z) 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.

(aa) 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.

(ab) Disclaimer

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

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)	
	Original Budget 2011	Actual 2011	Actual 2010	Original Budget 2011	Actual 2011	Actual 2010	Original Budget 2011	Actual 2011	Actual 2010	Actual 2011	Actual 2010	Actual 2011	Actual 2010
Governance	-	-	-	2,142	2,047	2,234	(2,142)	(2,047)	(2,234)	-	-	-	-
General Managers Division	7	134	112	1,827	1,745	1,501	(1,820)	(1,611)	(1,389)	16	34	-	-
Corporate & Community	14,904	13,318	12,134	39,652	47,506	41,973	(24,748)	(34,188)	(29,839)	2,113	1,881	232,140	233,079
Environment	24,134	24,600	25,205	34,405	34,570	34,423	(10,271)	(9,970)	(9,218)	2,320	2,611	484,557	1,235,870
Works	6,336	7,906	8,979	23,110	22,746	22,527	(16,774)	(14,840)	(13,548)	2,435	2,830	768,441	778,159
Planning	3,582	3,941	4,204	8,621	7,779	7,838	(5,039)	(3,838)	(3,634)	100	-	-	-
Total Functions & Activities	48,963	49,899	50,634	109,757	116,393	110,496	(60,794)	(66,494)	(59,862)	6,984	7,356	1,485,138	2,247,108
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	-	-	-	-	-	-	-	-	-	-	-	-
General Purpose Income ¹	58,739	60,101	58,780	-	-	-	58,739	60,101	58,780	5,367	5,039	-	-
Operating Result from Continuing Operations	107,702	110,000	109,414	109,757	116,393	110,496	(2,055)	(6,393)	(1,082)	12,351	12,395	1,485,138	2,247,108

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 2011

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

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

GOVERNANCE

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

GENERAL MANAGERS DIVISION

Costs relating to 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 2011

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2011	Actual 2010
(a). Rates & Annual Charges			
Ordinary Rates			
Residential		47,835	46,536
less: Compulsory Pensioner Rate		(1,311)	(1,300)
Farmland		437	429
Business		6,318	6,152
Total Ordinary Rates		53,279	51,817
Special Rates			
Catchments Remediation Rate		2,729	2,654
Hornsby Quarry Rate		2,894	2,821
less: Voluntary Pensioner Rebate		(68)	(68)
Total Special Rates		5,555	5,407
Annual Charges (pursuant to s.496, s.501 & s.611)			
Domestic Waste Management Services		14,447	14,001
Section 611 Charges		59	57
Total Annual Charges		14,506	14,058
<u>TOTAL RATES & ANNUAL CHARGES</u>		<u>73,340</u>	<u>71,282</u>

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 2011

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2011	Actual 2010
(b). User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Waste Management Services (non-domestic)		1,018	912
Sullage		25	18
Total User Charges		1,043	930
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s608 & 610A)			
Inspection Fees		457	493
Planning & Building Regulation		2,081	2,157
Registration Fees		86	72
Total Fees & Charges - Statutory/Regulatory		2,624	2,722
(ii) Fees & Charges - Other (incl. General User Charges) (per s.610C)			
Community Centre Hire Fees		244	181
Indoor Sports Centre Stadium - Admission Fees		496	490
Library Fees & Charges		139	155
Nursery & Preschool Hire Fees		3,678	3,296
Other Hire Fees		49	43
Park & Oval Hire Fees		806	829
Restoration Charges		918	756
Swimming Centre - Admission Fees		1,477	2,068
Tennis/Netball Hire Fees		145	147
Other		369	343
Total Fees & Charges - Other		8,321	8,308
TOTAL USER CHARGES & FEES		11,988	11,960
(c). Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges		182	173
- Interest earned on Investments (interest & coupon payment income)		1,803	1,454
Fair Value Adjustments			
- Fair Valuation movements in Investments (at FV or Held for Trading)		402	1,404
TOTAL INTEREST & INVESTMENT REVENUE		2,387	3,031
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges		182	173
General Council Cash & Investments		1,441	1,907
Restricted Investments/Funds - External:			
Development Contributions - Section 94		741	922
Catchments Remediation		23	29
Total Interest & Investment Revenue Recognised		2,387	3,031

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2011	Actual 2010
(d). Other Revenues			
Rental Income - Other Council Properties		1,423	1,594
Ex Gratia Rates		14	17
Parking Fines		1,543	1,547
Prosecutions & Infringements		144	141
Legal Fees Recovery - Rates & Charges (Extra Charges)		185	94
Legal Fees Recovery - Planning		49	39
Legal Fees Recovery - Other		113	3
ATO Claim Settlement		347	-
Bushfire Fund Income		-	24
Car Park Management		89	86
Commissions & Agency Fees		11	12
Crosslands Reserve Income		-	15
Diesel Rebate		-	18
Florence Mall Incomes		45	45
Home Modification		239	283
Income from Community Events		12	21
Insurance Claim Recoveries		97	196
Insurance Rebates & Incentives		114	52
Property Services Sundry Income		6	-
Recycling Income (non domestic)		186	217
Road Closure Income		45	200
Salaries & Wages Charged Out		117	98
Sales - General		581	505
Street Furniture Advertising		108	-
Telecommunications Mobile Site Fees		137	90
Vehicular Crossing Income		21	-
Youth Centre Income		-	18
Other		166	173
<u>TOTAL OTHER REVENUE</u>		<u>5,792</u>	<u>5,488</u>

Hornsby Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

Note 3. Income from Continuing Operations (continued)

\$ '000	2011 Operating	2010 Operating	2011 Capital	2010 Capital
(e). Grants				
General Purpose (Untied)				
Financial Assistance - General Component	3,238	3,004	-	-
Financial Assistance - Local Roads Component	1,413	1,311	-	-
Pensioners' Rates Subsidies - General Component	716	724	-	-
Total General Purpose	5,367	5,039	-	-
Specific Purpose				
Pensioners' Rates Subsidies:				
- Domestic Waste Management	216	219	-	-
Aged & Disabled	472	458	-	-
Aged Care	144	-	-	-
Bushfire & Emergency Services	63	58	-	-
Bushland	452	263	-	-
Child Care	921	965	-	-
Community Care	137	-	-	-
Community Centres	-	-	30	-
Community Infrastructure Program	-	-	360	360
Employment & Training Programs	15	1	-	-
Environmental Protection	1,275	907	20	871
Library	300	295	95	96
Noxious Weeds	-	25	-	-
Parks & Gardens	-	-	294	269
Street Lighting	220	231	-	-
Transport (Other Roads & Bridges Funding)	631	633	1,134	1,479
Youth Services	14	17	-	-
Other	180	129	11	80
Total Specific Purpose	5,040	4,201	1,944	3,155
Total Grants	10,407	9,240	1,944	3,155
Grant Revenue is attributable to:				
- Commonwealth Funding	1,226	813	664	1,231
- State Funding	9,181	8,403	1,280	1,924
- Other Funding	-	24	-	-
	10,407	9,240	1,944	3,155

Hornsby Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

Note 3. Income from Continuing Operations (continued)

\$ '000	2011 Operating	2010 Operating	2011 Capital	2010 Capital
(f). Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the NSW LG Act):				
S 94 - Contributions towards amenities/services	-	-	1,591	1,853
Total Developer Contributions	17 -	-	1,591	1,853
Other Contributions:				
Community Facilities	400	110	-	-
Employee Vehicle Contributions	663	648	-	-
Environment	105	31	-	28
Parks & Gardens	133	-	-	-
Recreation & Culture	4	6	-	-
RTA Contributions (Regional/Local, Block Grant)	14	10	-	-
Rural Fire Service	702	606	398	1,695
Other	109	126	23	124
Total Other Contributions	2,130	1,537	421	1,847
Total Contributions	2,130	1,537	2,012	3,700
TOTAL GRANTS & CONTRIBUTIONS	12,537	10,777	3,956	6,855

\$ '000	Actual 2011	Actual 2010
(g). Restrictions relating to Grants and Contributions		
Certain grants & contributions are obtained by Council on condition that they be spent in a specified manner:		
Unexpended at the Close of the Previous Reporting Period	15,828	12,702
add: Grants and contributions recognised in the current period but unspent	6,997	4,123
less: Grants and contributions recognised in a previous reporting period now spent	(7,345)	(997)
Net Increase (Decrease) in Restricted Assets during the Current Reporting Period	(348)	3,126
Unexpended and held as Restricted Assets	15,480	15,828
Comprising:		
- Specific Purpose Unexpended Grants	3,020	3,663
- Developer Contributions	12,460	12,165
	15,480	15,828

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2011	Actual 2010
(a) Employee Benefits & On-Costs			
Salaries and Wages		39,027	37,015
Travelling		21	29
Employee Leave Entitlements (ELE)		1,025	928
Superannuation		4,381	4,365
Workers' Compensation Insurance		1,001	522
Fringe Benefit Tax (FBT)		161	191
Training Costs (other than Salaries & Wages)		397	493
Other		338	342
Total Employee Costs		46,351	43,885
less: Capitalised Costs		(749)	(819)
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>		<u>45,602</u>	<u>43,066</u>
Number of "Equivalent Full Time" Employees at year end		573	612
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		1,470	1,520
Total Interest Bearing Liability Costs		1,470	1,520
less: Capitalised Costs		-	-
Total Interest Bearing Liability Costs Expensed		1,470	1,520
(ii) Other Borrowing Costs			
Nil			
<u>TOTAL BORROWING COSTS EXPENSED</u>		<u>1,470</u>	<u>1,520</u>

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2011	Actual 2010
(c) Materials & Contracts			
Raw Materials & Consumables		4,398	5,243
Contractor & Consultancy Costs			
- Animal Pound Service		28	52
- Air Conditioning		113	91
- Building Maintenance		218	322
- Bush Regeneration		516	524
- Computer Support		2,263	2,015
- Community Centres		70	26
- Consultants		1,415	1,500
- Contracts - Electrical		305	282
- Contracts - Grass Cutting		479	495
- Contracts - Plumbing		495	345
- Contracts - Tree Work		382	386
- Contractor & Agency Fees		1,046	1,197
- Drainage Maintenance		267	283
- External Plant & Equipment Hire		198	256
- Election Expenses		-	243
- Florence Mall		65	123
- Footpath Maintenance		259	357
- Foreshore Facilities		170	172
- Garbage Collection, Tipping & Recycling		14,807	13,812
- Home Modification Service		188	201
- Litter Control		417	435
- Maintenance of Parks		386	183
- Mechanical Services		175	123
- Property Cleaning		392	377
- Road Maintenance		3,186	3,216
- Stormwater Asset Maintenance		151	131
Auditors Remuneration			
- Audit Services: Council's Auditor		95	86
- Other Services: Council's Auditor		-	4
Legal Expenses:			
- Legal Expenses: Planning & Development		324	295
- Legal Expenses: Other		438	561
Operating Leases:			
- Operating Lease Rentals: Minimum Lease Payments ⁽¹⁾		378	251
Other		427	570
Total Materials & Contracts		34,051	34,157
less: Capitalised Costs		-	-
TOTAL MATERIALS & CONTRACTS		34,051	34,157

1. Operating Lease Payments are attributable to Computers

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Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2011	Actual 2010	Actual 2011	Actual 2010
Plant and Equipment		-	-	1,573	1,653
Office Equipment		-	-	249	237
Furniture & Fittings		-	-	112	115
Land Improvements (depreciable)		-	-	2,833	2,669
Buildings - Non Specialised		-	-	2,208	2,364
Buildings - Specialised		-	-	2,275	3,530
Other Structures		-	-	282	286
Infrastructure:					
- Roads, Bridges & Footpaths		-	-	7,399	6,867
- Stormwater Drainage		-	-	4,964	1,376
- Water Supply Network		-	-	4	4
Other Assets					
- Library Books		-	-	426	435
Intangible Assets	25	-	-	861	861
Total Depreciation & Impairment Costs		-	-	23,186	20,397
less: Capitalised Costs		-	-	-	-
less: Impairments offset in ARR (Equity)	9a	-	-	-	-
TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED		-	-	23,186	20,397

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2011	Actual 2010
(e) Other Expenses			
Other Expenses for the year include the following:			
Advertising		397	560
Bad & Doubtful Debts		54	(61)
Bank Charges & Cash Collection Expenses		297	275
Catering		280	283
Contributions/Levies to Other Levels of Government		2,841	2,725
Councillor Expenses - Mayoral Fee		54	52
Councillor Expenses - Councillors' Fees		204	200
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		26	28
Donations, Contributions & Assistance to other organisations (Section 356)		118	103
Electricity & Heating		929	956
Insurance		1,558	1,526
Licences & Registration		251	217
Office Expenses (including computer expenses)		-	21
Postage		211	219
Printing & Stationery		315	476
Public Education Programs		-	76
Street Lighting		2,820	2,061
Subscriptions to Local Government Publications		56	54
Subscriptions & Publications		262	256
Telephone & Communications		294	347
Valuation Fees		243	223
Water & Sewerage		404	437
Other		399	322
Total Other Expenses		12,013	11,356
less: Capitalised Costs		-	-
<u>TOTAL OTHER EXPENSES</u>		<u>12,013</u>	<u>11,356</u>

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2011	Actual 2010
Property (excl. Investment Property)			
Proceeds from Disposal		34	1,373
less: Carrying Amount of Property Assets Sold		(744)	(1,700)
Net Gain/(Loss) on Disposal		(710)	(327)
Plant & Equipment			
Proceeds from Disposal		1,227	599
less: Carrying Amount of P&E Assets Sold		(794)	(509)
Net Gain/(Loss) on Disposal		433	90
Financial Assets*			
Proceeds from Disposal / Redemptions		4,104	3,775
less: Carrying Amount of Financial Assets Sold / Redeemed		(3,898)	(3,517)
Net Gain/(Loss) on Disposal		206	258
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(71)	21
* Financial Assets disposals / redemptions include:			
- Net Gain/(Loss) from Financial Instruments "At Fair Value through profit & loss"		206	258
Net Gain/(Loss) on Disposal of Financial Instruments		206	258

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Notes	2011 Actual Current	2011 Actual Non Current	2010 Actual Current	2010 Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		215	-	1,149	-
Cash-Equivalent Assets ¹					
- Deposits at Call		15,975	-	-	-
- Short Term Deposits		3,000	-	15,295	-
Total Cash & Cash Equivalents		19,190	-	16,444	-
Investment Securities (Note 6b)					
- Managed Funds		1,066	-	982	-
- Long Term Deposits		7,000	1,000	4,000	-
- NCD's, FRN's (with Maturities > 3 months)		2,026	-	1,925	-
- CDO's		-	-	2,384	-
- Capital Guaranteed Financial Instruments		3,445	-	4,742	-
Total Investment Securities		13,537	1,000	14,033	-
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		32,727	1,000	30,477	-

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

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

Cash & Cash Equivalents

a. "At Fair Value through the Profit & Loss"	19,190	-	16,444	-
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Investments

a. "At Fair Value through the Profit & Loss"					
- "Designated at Fair Value on Initial Recognition"	6(b-i)	6,537	-	10,033	-
b. "Held to Maturity"	6(b-ii)	7,000	1,000	4,000	-
c. "Loans & Receivables"	6(b-iii)	-	-	-	-
d. "Available for Sale"	6(b-iv)	-	-	-	-
Investments		13,537	1,000	14,033	-

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 6b. Investments (continued)

\$ '000	2011 Actual Current	2011 Actual Non Current	2010 Actual Current	2010 Actual Non Current
Note 6(b-i)				
Reconciliation of Investments classified as "At Fair Value through the Profit & Loss"				
Balance at the Beginning of the Year	10,033	-	12,063	-
Revaluations (through the Income Statement)	402	-	1,404	-
Additions	-	-	83	-
Disposals (sales & redemptions)	(3,898)	-	(3,517)	-
Balance at End of Year	6,537	-	10,033	-
Comprising:				
- Managed Funds	1,066	-	982	-
- NCD's, FRN's (with Maturities > 3 months)	2,026	-	1,925	-
- CDO's	-	-	2,384	-
- Capital Guaranteed Financial Instruments	3,445	-	4,742	-
Total	6,537	-	10,033	-
Note 6(b-ii)				
Reconciliation of Investments classified as "Held to Maturity"				
Balance at the Beginning of the Year	4,000	-	-	-
Additions	3,000	1,000	4,000	-
Balance at End of Year	7,000	1,000	4,000	-
Comprising:				
- Long Term Deposits	7,000	1,000	-	-
- Other Long Term Financial Assets	-	-	4,000	-
Total	7,000	1,000	4,000	-
Note 6(b-iii)				
Reconciliation of Investments classified as "Loans & Receivables"				
Nil				
Note 6(b-iv)				
Reconciliation of Investments classified as "Available for Sale"				
Nil				

Hornsby Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

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

\$ '000	2011	2011	2010	2010
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investment Securities	32,727	1,000	30,477	-
attributable to:				
External Restrictions (refer below)	15,379	1,000	17,454	-
Internal Restrictions (refer below)	13,958	-	11,162	-
Unrestricted	3,390	-	1,861	-
	32,727	1,000	30,477	-

2011 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
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Details of Restrictions

External Restrictions - Other

Developer Contributions - General (D)	12,165	2,332	(2,037)	12,460
Specific Purpose Unexpended Grants (F)	3,663	-	(643)	3,020
Domestic Waste Management (G)	869	14,887	(15,728)	28
Other	757	1,614	(1,500)	871
External Restrictions - Other	17,454	18,833	(19,908)	16,379
Total External Restrictions	17,454	18,833	(19,908)	16,379

Internal Restrictions

Plant & Vehicle Replacement	1,271	1,837	(2,093)	1,015
Employees Leave Entitlement	2,139	1,200	-	3,339
Civil Works	2,917	503	(326)	3,094
Construction of Buildings	330	1,703	(594)	1,439
Council Strategies Projects	759	1,425	(1,028)	1,156
Hornsby Quarry GST Fund	2,410	3,354	(2,894)	2,870
Land Acquisition	302	-	(199)	103
Other	1,034	404	(496)	942
Total Internal Restrictions	11,162	10,426	(7,630)	13,958

TOTAL RESTRICTIONS

28,616	29,259	(27,538)	30,337
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D Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).

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

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

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 \$550K

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 7. Receivables

\$ '000	Notes	2011		2010	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		2,157	280	2,187	357
Interest & Extra Charges		224	-	201	-
User Charges & Fees		182	-	184	-
Contributions to Works		-	-	105	-
Accrued Revenues					
- Interest on Investments		232	-	116	-
- Other Income Accruals		610	-	424	-
Government Grants & Subsidies		572	-	1,202	-
Net GST Receivable		659	-	925	-
Sullage		48	-	52	-
Restorations		233	-	87	-
Licencing		30	-	38	-
Property Rentals		192	-	324	-
Sale & Leaseback of Computer Equipment		113	-	-	-
Workers Compensation Claims		8	-	18	-
Facility Hire		-	-	121	-
Other Debtors		382	-	220	-
Total		5,642	280	6,204	357
less: Provision for Impairment					
Other Debtors		(101)	-	(68)	-
Total Provision for Impairment - Receivables		(101)	-	(68)	-
TOTAL NET RECEIVABLES		5,541	280	6,136	357
Externally Restricted Receivables					
Domestic Waste Management		510	-	493	-
Other					
- Catchment Remediation Rate		92	-	106	-
- Hornsby Quarry Special Rate		104	-	116	-
- Special Purpose Grants		1,134	-	1,273	-
Total External Restrictions		1,840	-	1,988	-
Unrestricted Receivables		3,701	280	4,148	357
TOTAL NET RECEIVABLES		5,541	280	6,136	357

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 was charged on overdue rates & charges at 9.00% (2010 9.00%).
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 2011

Note 8. Inventories & Other Assets

\$ '000	Notes	2011		2010	
		Current	Non Current	Current	Non Current
Inventories					
Stores & Materials		181	-	167	-
Total Inventories		181	-	167	-
Other Assets					
Prepayments		54	-	-	-
<u>TOTAL INVENTORIES / OTHER ASSETS</u>		<u>235</u>	<u>-</u>	<u>167</u>	<u>-</u>

Externally Restricted Assets

There are no restrictions applicable to the above assets.

Notes to the Financial Statements
for the financial year ended 30 June 2011

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2010					Asset Movements during the Reporting Period					as at 30/6/2011				
	At	At	Accumulated		Carrying	Asset Additions	WDV of Asset Disposals	Depreciation Expense	WIP Transfers	Adjustments & Transfers	At	At	Accumulated		Carrying
	Cost	Fair Value	Deprec.	Impairment	Value						Cost	Fair Value	Dep'n	Impairment	Value
Capital Work in Progress	5,731	-	-	-	5,731	13,242	-	-	(14,908)	-	4,065	-	-	-	4,065
Plant & Equipment	-	15,713	10,581	-	5,132	2,577	(794)	(1,573)	-	3	-	15,787	10,442	-	5,345
Office Equipment	-	1,638	942	-	696	94	-	(249)	-	-	-	1,732	1,191	-	541
Furniture & Fittings	-	2,474	1,973	-	501	49	-	(112)	-	-	-	2,523	2,085	-	438
Land:															
- Operational Land	-	148,630	-	-	148,630	-	-	-	-	7	-	148,637	-	-	148,637
- Community Land	1,171,004	-	-	-	1,171,004	364	(8)	-	-	(756,825)	-	414,535	-	-	414,535
Land Improvements - non depreciable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land Improvements - depreciable	57,294	-	24,773	-	32,521	-	-	(2,833)	5,011	19	-	62,302	27,584	-	34,718
Buildings - Non Specialised	-	69,232	32,457	-	36,775	-	-	(2,208)	813	(1)	-	70,045	34,666	-	35,379
Buildings - Specialised	-	86,377	35,601	-	50,776	-	(736)	(2,275)	1,130	-	-	86,241	37,346	-	48,895
Other Structures	9,441	-	3,997	-	5,444	93	-	(282)	1,330	(20)	-	10,854	4,289	-	6,565
Infrastructure:															
- Roads, Bridges, Footpaths	-	395,085	90,005	-	305,080	-	-	(7,399)	5,594	(2)	-	400,677	97,404	-	303,273
- Bulk Earthworks (non-depreciable)	-	77,561	-	-	77,561	-	-	-	-	-	-	77,561	-	-	77,561
- Stormwater Drainage	-	480,989	115,183	-	365,806	-	-	(4,964)	1,030	-	-	482,019	120,147	-	361,872
- Water Supply Network	-	128	65	-	63	-	-	(4)	-	1	-	128	68	-	60
Other Assets:															
- Library Books	-	2,782	1,664	-	1,118	508	-	(426)	-	(1)	-	2,768	1,569	-	1,199
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	1,243,470	1,280,609	317,241	-	2,206,838	16,927	(1,538)	(22,325)	-	(756,819)	4,065	1,775,809	336,791	-	1,443,083

Additions to Buildings and Infrastructure are made up of Asset Renewals (\$8,217K) and New Assets (\$350K). 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 2011

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 2011

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2011		2010	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		4,252	-	3,077	-
Payments Received In Advance		286	-	280	-
Accrued Expenses:					
- Borrowings		26	-	27	-
- Salaries & Wages		1,952	-	24	-
- Other Expenditure Accruals		1,664	-	1,626	-
Security Bonds, Deposits & Retentions		132	-	128	-
Contributions & Bonds		163	-	169	-
Employee Costs		332	-	325	-
Other		57	-	35	-
Total Payables		8,864	-	5,691	-
Borrowings					
Loans - Secured ¹		3,584	16,167	3,331	18,751
Total Borrowings		3,584	16,167	3,331	18,751
Provisions					
Employee Benefits;					
Annual Leave		3,183	-	3,136	-
Sick Leave		631	-	621	-
Long Service Leave		7,797	492	7,338	544
Gratuities		328	-	389	-
Other Leave		15	-	18	-
Sub Total - Aggregate Employee Benefits		11,954	492	11,502	544
Total Provisions		11,954	492	11,502	544
Total Payables, Borrowings & Provisions		24,402	16,659	20,524	19,295

(i) Liabilities relating to Restricted Assets

	2011		2010	
	Current	Non Current	Current	Non Current
Externally Restricted Assets				
Domestic Waste Management	1,873	-	408	-
Liabilities relating to externally restricted assets	1,873	-	408	-
Internally Restricted Assets				
Employee Leave Entitlements	3,339	-	2,139	-
Liabilities relating to internally restricted assets	3,339	-	2,139	-
Total Liabilities relating to restricted assets	5,212	-	2,547	-

^{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 2011

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

\$ '000	2011	2010
(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	8,463	8,022
	8,463	8,022

Note 10b. Description of and movements in Provisions

Class of Provision	2010			2011		Closing Balance as at 30/6/11
	Opening Balance as at 1/7/10	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	
Annual Leave	3,136	243	(196)	-	-	3,183
Sick Leave	621	30	(20)	-	-	631
Long Service Leave	7,882	648	(241)	-	-	8,289
Gratuities	389	34	(38)	-	(57)	328
Other Leave	18	(3)	-	-	-	15
TOTAL	12,046	952	(495)	-	(57)	12,446

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 2011

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2011	Actual 2010
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	19,190	16,444
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		19,190	16,444
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		(6,393)	(1,082)
Adjust for non cash items:			
Depreciation & Amortisation		23,186	20,397
Net Losses/(Gains) on Disposal of Assets		71	(21)
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investments classified as "@ Fair Value" or "Held for Trading"		(402)	(1,404)
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		637	(438)
Increase/(Decrease) in Provision for Doubtful Debts		33	(66)
Decrease/(Increase) in Inventories		(14)	4
Decrease/(Increase) in Other Assets		(54)	-
Increase/(Decrease) in Payables		1,175	(2,460)
Increase/(Decrease) in accrued Interest Payable		(1)	(5)
Increase/(Decrease) in other accrued Expenses Payable		1,966	(606)
Increase/(Decrease) in Other Liabilities		33	13
Increase/(Decrease) in Employee Leave Entitlements		400	334
Increase/(Decrease) in Other Provisions		-	5
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		20,637	14,671

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Notes	Actual 2011	Actual 2010
(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
Amounts utilised as at Balance Date:			
- Bank Overdraft Facilities		-	-
- Credit Cards / Purchase Cards		4	-
Total Financing Arrangements Utilised		4	-

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

(ii) Secured Loan Liabilities

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

(e) Net Cash Flows Attributable to Discontinued Operations

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

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2011	Actual 2010
(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		372	422
Building & Land Improvements		905	224
Infrastructure - Roads, Bridges & Footpaths		1,283	959
Intellectual Property - "Council's Online"		2,426	4,211
Furniture & Fittings		2	10
Other		1	1
Total Commitments		4,989	5,827
These expenditures are payable as follows:			
Within the next year		4,261	3,400
Later than one year and not later than 5 years		728	2,427
Later than 5 years		-	-
Total Payable		4,989	5,827
Sources for Funding of Capital Commitments:			
Unrestricted General Funds		4,989	5,827
Total Sources of Funding		4,989	5,827
(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		67,911	59,731
Banking, Audit & Legal Services		94	184
Other		6,095	4,300
Total Commitments		74,100	64,215
These expenditures are payable as follows:			
Within the next year		16,233	14,197
Later than one year and not later than 5 years		57,867	34,989
Later than 5 years		-	15,029
Total Payable		74,100	64,215

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 12. Commitments for Expenditure (continued)

\$ '000	Notes	Actual 2011	Actual 2010
(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		305	395
Later than one year and not later than 5 years		529	756
Later than 5 years		-	-
Total Non Cancellable Operating Lease Commitments		834	1,151
b. Non Cancellable Operating Leases include the following assets:			
Computer Equipment			
Contingent Rentals may be payable depending on the condition of items or usage during the lease term.			
Conditions relating to Operating Leases:			
- All Operating Lease Agreements are secured only against the Leased Asset.			
- No Lease Agreements impose any financial restrictions on Council regarding future debt etc.			
(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		756	986
Later than one year and not later than 5 years		1,054	1,662
Later than 5 years		-	-
Total Payable		1,810	2,648

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Amounts 2011	Indicator 2011	Prior Periods 2010 2009	
Local Government Industry Indicators				
1. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽¹⁾	<u>21,284</u>	1.51 : 1	1.43	1.19
Current Liabilities less Specific Purpose Liabilities ^(2,3)	<u>14,066</u>			
2. Debt Service Ratio				
Debt Service Cost	<u>4,801</u>	4.86%	4.69%	4.61%
Income from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions	<u>98,874</u>			
3. Rates & Annual Charges Coverage Ratio				
Rates & Annual Charges	<u>73,340</u>	66.67%	65.10%	65.42%
Income from Continuing Operations	<u>110,000</u>			
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual & Extra Charges Outstanding	<u>2,661</u>	3.48%	3.71%	3.47%
Rates, Annual & Extra Charges Collectible	<u>76,452</u>			
5. Building & Infrastructure Renewals Ratio				
Asset Renewals ⁽⁴⁾ [Buildings & Infrastructure]	<u>8,217</u>	48.77%	82.22%	85.21%
Depreciation, Amortisation & Impairment (Building & Infrastructure Assets)	<u>16,850</u>			

Notes

(1) Refer Notes 6-8 inclusive.

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

(2) Refer to Note 10(a).

(3) Refer to Note 10(c) - excludes all 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 2011

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

<p>1. Unrestricted Current Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio : 1</th> </tr> </thead> <tbody> <tr> <td>2008</td> <td>1.21</td> </tr> <tr> <td>2009</td> <td>1.19</td> </tr> <tr> <td>2010</td> <td>1.43</td> </tr> <tr> <td>2011</td> <td>1.51</td> </tr> </tbody> </table>	Year	Ratio : 1	2008	1.21	2009	1.19	2010	1.43	2011	1.51	<p>Purpose of Unrestricted Current Ratio</p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p>Commentary on 2010/11 Result</p> <p>2010/11 Ratio 1.51 : 1</p> <p>The Unrestricted Current Ratio improved due to a reduction in externally restricted assets and an increase in cash and investment balances.</p>
Year	Ratio : 1											
2008	1.21											
2009	1.19											
2010	1.43											
2011	1.51											
<p>2. Debt Service Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2008</td> <td>4.66%</td> </tr> <tr> <td>2009</td> <td>4.61%</td> </tr> <tr> <td>2010</td> <td>4.69%</td> </tr> <tr> <td>2011</td> <td>4.86%</td> </tr> </tbody> </table>	Year	Ratio %	2008	4.66%	2009	4.61%	2010	4.69%	2011	4.86%	<p>Purpose of Debt Service Ratio</p> <p>To assess the impact of loan principal & interest repayments on the discretionary revenue of council.</p>	<p>Commentary on 2010/11 Result</p> <p>2010/11 Ratio 4.86%</p> <p>The Debt Service Ratio has increased because loan principal and interest repayments increased by 5.7% while the revenue based only increased by 2.1%. Principal repayments increased by 10% and interest repayments reduced by 2% as the Quarry Loan moved closer to maturity.</p>
Year	Ratio %											
2008	4.66%											
2009	4.61%											
2010	4.69%											
2011	4.86%											
<p>3. Rates & Annual Charges Coverage Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2008</td> <td>68.82%</td> </tr> <tr> <td>2009</td> <td>65.42%</td> </tr> <tr> <td>2010</td> <td>65.10%</td> </tr> <tr> <td>2011</td> <td>66.67%</td> </tr> </tbody> </table>	Year	Ratio %	2008	68.82%	2009	65.42%	2010	65.10%	2011	66.67%	<p>Purpose of Rates & Annual Charges Coverage Ratio</p> <p>To assess the degree of Council's dependence upon revenue from rates and annual charges and to assess the security of Council's income.</p>	<p>Commentary on 2010/11 Result</p> <p>2010/11 Ratio 66.67%</p> <p>Rate incomes increased by 2.9% while any increases in User Charges were cancelled out by the closure of the Hornsby Aquatic Centre and investment income was lower as the recovery from the Global Financial Crisis stalled.</p>
Year	Ratio %											
2008	68.82%											
2009	65.42%											
2010	65.10%											
2011	66.67%											
<p>4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2008</td> <td>3.88%</td> </tr> <tr> <td>2009</td> <td>3.47%</td> </tr> <tr> <td>2010</td> <td>3.71%</td> </tr> <tr> <td>2011</td> <td>3.48%</td> </tr> </tbody> </table>	Year	Ratio %	2008	3.88%	2009	3.47%	2010	3.71%	2011	3.48%	<p>Purpose of Rates & Annual Charges Outstanding Ratio</p> <p>To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.</p>	<p>Commentary on 2010/11 Result</p> <p>2010/11 Ratio 3.48%</p> <p>Increased collection activity has had a positive effect in reducing the percentage of outstanding rates and charges to the 2009 level.</p>
Year	Ratio %											
2008	3.88%											
2009	3.47%											
2010	3.71%											
2011	3.48%											
<p>5. Building & Infrastructure Renewals Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2008</td> <td>123.75%</td> </tr> <tr> <td>2009</td> <td>85.21%</td> </tr> <tr> <td>2010</td> <td>82.22%</td> </tr> <tr> <td>2011</td> <td>48.77%</td> </tr> </tbody> </table>	Year	Ratio %	2008	123.75%	2009	85.21%	2010	82.22%	2011	48.77%	<p>Purpose of Bldg & Infrastructure Renewals Ratio</p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<p>Commentary on Result</p> <p>2010/11 Ratio 0.00%</p> <p>The ratio has dropped significantly due to the revaluation of road and drainage assets at the end of the previous year. The revaluation has resulted in a significant increase in annual depreciation costs for these assets.</p>
Year	Ratio %											
2008	123.75%											
2009	85.21%											
2010	82.22%											
2011	48.77%											

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 14. Investment Properties

\$ '000

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

Note 15. Financial Risk Management

Risk Management

Council's activities expose it to a variety of financial risks including **(1)** price risk, **(2)** credit risk, **(3)** liquidity risk and **(4)** interest rate risk.

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

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

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

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

	Carrying Value		Fair Value	
	2011	2010	2011	2010
Financial Assets				
Cash and Cash Equivalents	19,190	16,444	19,190	16,444
Investments				
- "Designated At Fair Value on Initial Recognition"	6,537	10,033	6,537	10,033
- "Held to Maturity"	8,000	4,000	8,000	4,000
Receivables	5,821	6,493	5,821	6,493
Total Financial Assets	39,548	36,970	39,548	36,970
Financial Liabilities				
Payables	8,578	5,411	8,578	5,411
Loans / Advances	19,751	22,082	18,586	20,633
Total Financial Liabilities	28,329	27,493	27,164	26,044

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 2011

Note 15. Financial Risk Management (continued)

\$ '000

(a) Fair Value Measurements

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

AASB 7 Financial Instruments: Disclosures, requires the disclosure of how fair valuations have been arrived at for all financial assets and financial liabilities that have been measured at fair value.

Arriving at fair values for financial assets and liabilities can be broken up into 3 distinct measurement hierarchies:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

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

The following table presents the financial assets and financial liabilities that have been measured and recognised at fair values:

2011	Level 1	Level 2	Level 3	Total
Financial Assets				
Investments				
- "Designated At Fair Value on Initial Recognition"	-	6,537	-	6,537
Total Financial Assets	-	6,537	-	6,537
2010	Level 1	Level 2	Level 3	Total
Financial Assets				
Investments				
- "Designated At Fair Value on Initial Recognition"	-	10,033	-	10,033
Total Financial Assets	-	10,033	-	10,033

The following table presents the movement in Level 3 financial instruments

	Assets 2011	Assets 2010
Opening Balance (of Level 3 fair values)	10,033	12,146
Gains/(Losses) recognised in the Income Statement	206	1,404
Disposals	(3,702)	(3,517)
Closing Balance	6,537	10,033

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 15. Financial Risk Management (continued)

\$ '000

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

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

Council's Finance area manages the Cash & Investments portfolio with the assistance of independent advisors.

Council has an Investment Policy which complies with the Local Government Act & Minister's Investment Order. This Policy is regularly reviewed by Council and 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 there changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.

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

A further risk associated with Cash & Investments is credit risk - the risk that the investment counterparty) will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council - be it of a capital or income nature.

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

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

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

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

	Increase of Values/Rates		Decrease of Values/Rates	
	Profit	Equity	Profit	Equity
2011				
Possible impact of a 10% movement in Market Values	654	654	(654)	(654)
Possible impact of a 1% movement in Interest Rates	271	271	(271)	(271)
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)

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2011

Note 15. Financial Risk Management (continued)

\$ '000

(c) Receivables

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

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

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

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

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:

	2011	2011	2010	2010
	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
(i) Ageing of Receivables				
Current (not yet overdue)	-	2,853	-	3,306
Overdue	2,437	632	2,544	711
	<u>2,437</u>	<u>3,485</u>	<u>2,544</u>	<u>4,017</u>
(ii) Movement in Provision for Impairment of Receivables			2011	2010
Balance at the beginning of the year			68	134
+ new provisions recognised during the year			55	-
- amounts already provided for & written off this year			(22)	(66)
Balance at the end of the year			<u>101</u>	<u>68</u>

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 15. Financial Risk Management (continued)

\$ '000

(d) Payables & Borrowings

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total Cash Outflows	Actual Carrying Values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2011									
Trade/Other Payables	132	8,446	-	-	-	-	-	8,578	8,578
Loans & Advances	-	4,916	4,893	4,880	4,876	1,308	3,478	24,351	19,751
Total Financial Liabilities	132	13,362	4,893	4,880	4,876	1,308	3,478	32,929	28,329
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

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:

	2011		2010	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	8,578	0.0%	5,411	0.0%
Loans & Advances - Fixed Interest Rate	19,751	6.9%	22,082	6.8%
	<u>28,329</u>		<u>27,493</u>	

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 10/11 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.

Note that for Variations* of Budget to Actual :

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

F = Favourable Budget Variation, **U** = Unfavourable Budget Variation

\$ '000	2011 Budget	2011 Actual	2011 ----- Variance* -----		
REVENUES					
Rates & Annual Charges	74,350	73,340	(1,010)	(1%)	U
User Charges & Fees	13,120	11,988	(1,132)	(9%)	U
Actual Federal Government Childcare Subsidies are included in Grants and accounted for \$653K of the variance.					
Interest & Investment Revenue	1,389	2,387	998	72%	F
When the budget was prepared a conservative approach was followed. However the market recovery from the Global Financial Crisis was better than expected.					
Other Revenues	4,611	5,792	1,181	26%	F
Settlement of claim on the Tax Office and recovery of associated legal fees (\$447K F)					
Insurance rebates and bonuses not included in budget (\$114K F)					
Street furniture advertising not in budget (\$108K F)					
Additional commercial property rentals not included in the budget (\$526K F).					
Operating Grants & Contributions	8,352	12,537	4,185	50%	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:					
Bushland & Environmental Restoration - \$775K					
Waste & Sustainability Improvement Programs - \$806K					
Rural Fire Service Contributions - \$638K					
Additional road funding - \$295K					
Federal Government Childcare subsidies - \$653K					
Social Planning - \$172K					
DLG Pensioners Rebate - \$216K					

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 16. Material Budget Variations (continued)

\$ '000	2011 Budget	2011 Actual	2011 ----- Variance* -----		
REVENUES (continued)					
Capital Grants & Contributions	3,406	3,956	550	16%	F
As for operating grants and contributions. Areas of unexpected funding include: Regional & Local Community Infrastructure Program - \$360K Parks Capital Grants - \$294K					
Net Gains from Disposal of Assets	2,474	-	(2,474)	(100%)	U
Asset disposals resulted in net losses as written down values were understated in the budget and these losses are included in expenditures.					
EXPENSES					
Employee Benefits & On-Costs	46,764	45,602	1,162	2%	F
Borrowing Costs	1,518	1,470	48	3%	F
Materials & Contracts	31,801	34,051	(2,250)	(7%)	U
Road maintenance contracts in excess of budget - \$768K Use of Agency temporary staff in excess of budget - \$759K					
Depreciation & Amortisation	17,359	23,186	(5,827)	(34%)	U
Revaluation of road and drainage assets at June 2010 has resulted in a higher annual depreciation cost for these assets.					
Other Expenses	12,315	12,013	302	2%	F
Net Losses from Disposal of Assets	-	71	(71)	0%	U

Budget Variations relating to Council's Operating Result by Functions include:**General Managers Division**

Income over budget due to OH & S bonuses & rebates (\$77K) and income from training & apprenticeships (\$42K).

Corporate & CommunityIncome under budget due to the understatement of the written down value of asset disposals (\$1555K).
Expenditure over budget - employee costs (\$1263K)-(due to accrual of extra payroll at end of year) and depreciation of revalued infrastructure assets (\$5827K).**Works Division**

Income over budget due to additional grants for infrastructure works (\$1038K) and additional payments from service authorities (\$437K).

Planning Division

Income over budget due to additional S94 Contributions (\$591K) offset by reduction in Development application fees (\$226K).

Expenditure under budget due to lower legal fees (\$287K) and staff reductions with associated effects (\$500K).

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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	641	85	-	-	(23)	-	703	161	(1,514)	(650)	-
Roads	2,007	167	-	-	-	-	2,174	178	(1,676)	676	-
Traffic Facilities	446	116	-	-	(2)	-	560	222	(2,083)	(1,301)	-
Parking	10	44	-	-	-	-	54	-	-	54	-
Open Space	2,974	638	-	-	(1,436)	-	2,176	1,103	(10,376)	(7,097)	-
Community Facilities	4,383	318	-	-	(515)	-	4,186	566	(5,320)	(568)	-
Civic Improvements	1,513	196	-	-	(51)	-	1,658	210	(1,797)	71	-
Bushfire Facilities	29	-	-	-	-	-	29	-	-	29	-
S94 Administration	(377)	27	-	741	(10)	-	381	60	(560)	(119)	-
S94 Contributions - under a Plan	11,626	1,591	-	741	(2,037)	-	11,921	2,500	(23,326)	(8,905)	-
S94A Levies - under a Plan	-	-	-	-	-	-	-				-
Total S94 Revenue Under Plans	11,626	1,591	-	741	(2,037)	-	11,921				-
S94 not under Plans	539	-	-	-	-	-	539	30	(569)	-	-
S93F Planning Agreements	-	-	-	-	-	-	-				-
S64 Contributions	-	-	-	-	-	-	-				-
Total Contributions	12,165	1,591	-	741	(2,037)	-	12,460	2,530	(23,895)	(8,905)	-

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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	641	85	-	-	(23)	-	703	161	(1,514)	(650)	-
Roads	2,007	167	-	-	-	-	2,174	178	(1,676)	676	-
Traffic Facilities	446	116	-	-	(2)	-	560	222	(2,083)	(1,301)	-
Parking	10	44	-	-	-	-	54	-	-	54	-
Open Space	2,974	638	-	-	(1,436)	-	2,176	1,103	(10,376)	(7,097)	-
Community Facilities	4,383	318	-	-	(515)	-	4,186	566	(5,320)	(568)	-
Civic Improvements	1,513	196	-	-	(51)	-	1,658	210	(1,797)	71	-
Bushfire Facilities	29	-	-	-	-	-	29	-	-	29	-
S94 Administration	(377)	27	-	741	(10)	-	381	60	(560)	(119)	-
Total	11,626	1,591	-	741	(2,037)	-	11,921	2,500	(23,326)	(8,905)	-

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	539	-	-	-	-	-	539	30	(569)	-	-
Total	539	-	-	-	-	-	539	30	(569)	-	-

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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 with member Councils required 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 Council's contributions to the pool and the result of insurance claims within each of the Fund Years.

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

(iii) StateCover Limited

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

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

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

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

(iv) Other Guarantees

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 2011

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other Liabilities

(i) Third Party Claims

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

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

(ii) S94 Plans

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

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

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

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

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

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

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

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

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

(iv) Hornsby Quarry Site

Council has resolved to fill the old CSR Hornsby Quarry with virgin excavated natural material and has engaged consultants to seek appropriate planning and environmental approvals. In the absence of reliably estimated costs no provision has been made in Council's books.

ASSETS NOT RECOGNISED:

(i) Land Under Roads

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

(ii) Infringement Notices/Fines

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

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

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

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

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2011

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

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

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2011	Actual 2010
a. Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		1,785,628	1,572,428
a. Correction of Prior Period Errors	20 (c)	-	-
b. Changes in Accounting Policies (prior period effects)	20 (d)	-	-
c. Other Comprehensive Income (excl. direct to Reserves transactions)		(756,819)	213,230
d. Net Operating Result for the Year		(6,393)	(1,082)
e. Distributions to/(Contributions from) Minority Interests		-	-
f. Transfers between Equity		49	1,052
g. Other Changes		-	-
Balance at End of the Reporting Period		<u><u>1,022,465</u></u>	<u><u>1,785,628</u></u>
b. Reserves			
(i) Reserves are represented by:			
- Infrastructure, Property, Plant & Equipment Revaluation Reserve		421,612	421,661
Total		<u><u>421,612</u></u>	<u><u>421,661</u></u>
(ii). Reconciliation of movements in Reserves:			
Infrastructure, Property, Plant & Equipment Revaluation Reserve			
- Opening Balance		421,661	132,857
- Revaluations for the year	9(a)	-	289,856
- Transfer to Retained Earnings for Asset disposals		(49)	(1,052)
- Balance at End of Year		<u><u>421,612</u></u>	<u><u>421,661</u></u>
TOTAL VALUE OF RESERVES		<u><u>421,612</u></u>	<u><u>421,661</u></u>
(iii). Nature & Purpose of Reserves			
Infrastructure, Property, Plant & Equipment Revaluation Reserve			
- The Infrastructure, Property, Plant & Equipment Revaluation Reserve is used to record increments/decrements of Non Current Asset values due to their revaluation.			

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Notes	Actual 2011	Actual 2010
c. Correction of Error/s relating to a Previous Reporting Period			
Corrections initiated in the 09/10 Reporting Year			
1. Road Earthworks brought to account for the first time			77,561
2. As part of Council's transition to measuring all it's 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 resulted in a material difference as to where some assets actually sat in with respect to their asset life cycle relative to what the value of accumulated depreciation in Council's Financial Reports had previously indicated.			
Council did not have sufficient and reliable information that would allow the restatement of information prior to 30/6/08 (the closing date for the comparative figures in last year's report).			
As a result, Council adjusted the accumulated depreciation for the Asset Classes below as at 30/6/09 to reflect the correct value of accumulated depreciation;			
- Roads Bridges & Footpaths decrease to accumulated depreciation			117,552
- Stormwater Drainage decrease to accumulated depreciation			18,117
This adjustment resulted in a net increase in Council's Accumulated Surplus as at 30/6/09.			213,230

d. Voluntary Changes in Accounting Policies

The policy for revaluation of community land has changed. Community Land was previously valued using an average value per square metre on rateable property as determined by the Valuer General. Community land has now been revalued using specific Valuer General values where available and an average of these used to calculate a psm rate to use in valuing those without a VG valuation.

It has been deemed to be impractical to restate prior year numbers. 9(a) (756,819)

Hornsby Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 21. Financial Result & Financial Position by Fund

\$ '000

Council's operations are funded by way of a General Fund only

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 2011, 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 21/09/11.

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 2011.

(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 2011 and which are only indicative of conditions that arose after 30 June 2011.

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

Note 24. Discontinued Operations

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

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2011

Note 25. Intangible Assets

\$ '000

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

	Actual 2011 Carrying Amount	Actual 2010 Carrying Amount
Intangible Assets are as follows;		
Opening Values:		
Gross Book Value (1/7)	8,608	8,608
Accumulated Amortisation & Impairment	(5,475)	(4,614)
Net Book Value - Opening Balance	3,133	3,994
Movements for the year		
Nil		
- Amortisation charges	(861)	(861)
Closing Values:		
Gross Book Value (30/6)	8,608	8,608
Accumulated Amortisation & Impairment	(6,336)	(5,475)
<u>TOTAL INTANGIBLE ASSETS - NET BOOK VALUE</u> ¹	<u>2,272</u>	<u>3,133</u>

¹ The Net Book Value of Intangible Assets represent:

- Software (representing the "Council Online" software development)	2,272	3,133
	<u>2,272</u>	<u>3,133</u>

Note 26. Reinstatement, Rehabilitation & Restoration Liabilities

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

Hornsby Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2011

Note 27. Council Information & Contact Details

Principal Place of Business:

296 Pacific Highway
Hornsby NSW 2077

Contact Details**Mailing Address:**

PO Box 37
Hornsby NSW 1630

Opening Hours:

Monday - Friday
8:30am to 5:00pm

Telephone: 02 9847 6666

Facsimile: 02 9847 6999

Internet: www.hornsby.nsw.gov.au

Email: hsc@hornsby.nsw.gov.au

Officers**GENERAL MANAGER**

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 2011 as set out on pages 1 to 63. 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 to the projections in Note 17, or to the attached Special Schedules. The Council is responsible for the preparation and presentation of the financial report and the information it contains. We have conducted an independent audit of the financial report in order to express an opinion on it to the Council.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, 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 report is 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 report that have come to light during the course of the audit.


PricewaterhouseCoopers


P L Buchholz
Partner

21 September 2011



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

Dear Councillor Berman

Report on the conduct of the audit for year ended 30 June 2011 – Section 417(3)

We have completed our audit of the financial reports of Hornsby Council for the year ended 30 June 2011 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 result declined from a deficit of \$1.0 million in the previous year to a deficit of \$6.4 million in the current period. Some reasons for this decline include:

- Lower capital grants and contributions (down \$3 million).
- Higher depreciation charges (up \$3 million).

Cash Position

Council's overall cash position increased from \$30 million to \$34 million during the period under review. The following table highlights the composition of cash.

	June 2011 \$'000	June 2010 \$m
Externally restricted	16	17
Internally restricted	14	11
Unrestricted	4	2
Total	34	30

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

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Working Capital

Council's net current assets declined from \$16 million to \$14 million during the period under review.

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

	June 2011 \$'000	June 2010 \$'000
Net current assets	14,101	16,256
Less:		
External restrictions	17,219	19,294
Internal restrictions	13,958	11,162
	<u>(17,076)</u>	<u>(14,348)</u>
Add:		
Current Liabilities to be funded from other sources	17,411	15,241
Available Working Capital	<u>335</u>	<u>893</u>

The effective unrestricted or available working capital upon which Council could build its 2011/12 budget was \$335k.

Performance Indicators

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

	June 2011 %	June 2010 %
Unrestricted Current Ratio	151	143
Debt Service Ratio	4.9	4.7
Rate Coverage Ratio	67	65
Rates Outstanding Ratio	3.5	3.7
Asset Renewals Ratio	49	82

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

Council's Debt Service Ratio increased to 4.9% of total revenue but remained below the industry benchmark of 10%.

The Rate Coverage Ratio increased to 67% of total revenue reflecting the drop in capital grants and contributions received.

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

The Asset Renewal Ratio indicates that Council is renewing key infrastructure at 49% 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 community land in accordance with the Division of Local Government's revaluation program. Due to a change in valuation methodology, a decline in value of \$757 million was booked against retained earnings.

General

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

Yours faithfully


PricewaterhouseCoopers


P L Buchholz
Partner
Sydney
21 September 2011

Hornsby Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2011

“Creating a living environment”



Hornsby Shire Council

Special Purpose Financial Statements

for the financial year ended 30 June 2011

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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
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Background

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

Essentially, the principle is that government businesses, whether Commonwealth, State or Local, should operate without net competitive advantages over other businesses as a result of their public ownership.
 - (iii) For Council, the principle of competitive neutrality & public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation and **(b)** those activities with a turnover of over \$2 million that Council has formally declared as a Business Activity (defined as Category 1 activities).
 - (iv) In preparing these financial statements for Council's self classified Category 1 businesses and ABS defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax equivalent regime payments & debt guarantee fees (where the business benefits from councils borrowing position by comparison with commercial rates).
-

Hornsby Shire Council

Special Purpose Financial Statements

for the financial year ended 30 June 2011

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 21 September 2011.



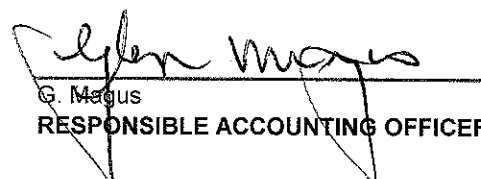
N. Berman
MAYOR



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 2011

\$ '000	Nurseries & Preschools		Aquatic Centres & Sports Stadium	
	Actual 2011	Actual 2010	Actual 2011	Actual 2010
Income from continuing operations				
Access charges	-	-	-	-
User charges	4,524	3,296	1,973	2,596
Fees	-	-	-	-
Interest	64	-	-	-
Grants and contributions provided for non capital purposes	-	863	-	-
Profit from the sale of assets	5	-	-	-
Other income	20	16	363	403
Total income from continuing operations	4,613	4,175	2,336	2,999
Expenses from continuing operations				
Employee benefits and on-costs	4,014	3,872	2,079	2,334
Borrowing costs	-	-	-	-
Materials and contracts	188	348	424	676
Depreciation and impairment	217	216	760	647
Loss on sale of assets	-	327	-	-
Calculated taxation equivalents	279	241	254	285
Debt guarantee fee (if applicable)	114	-	201	-
Other expenses	450	256	537	467
Total expenses from continuing operations	5,262	5,260	4,255	4,409
Surplus (deficit) from Continuing Operations before capital amounts	(649)	(1,085)	(1,919)	(1,410)
Grants and contributions provided for capital purposes	-	-	-	-
Surplus (deficit) from Continuing Operations after capital amounts	(649)	(1,085)	(1,919)	(1,410)
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	(649)	(1,085)	(1,919)	(1,410)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-	-	-
SURPLUS (DEFICIT) AFTER TAX	(649)	(1,085)	(1,919)	(1,410)
plus Opening Retained Profits	328	1,172	(1,125)	-
plus/less: Prior Period Adjustments	-	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	279	241	254	285
- Debt guarantee fees	114	-	201	-
- Corporate taxation equivalent	-	-	-	-
add:				
- Subsidy Paid/Contribution To Operations	-	-	-	-
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	-	-	-	-
Closing Retained Profits	72	328	(2,589)	(1,125)
Return on Capital %	-5.7%	-9.4%	-15.3%	-10.7%
Subsidy from Council	1,246	1,675	2,572	2,082

Hornsby Shire Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2011

\$ '000	Commercial Waste		Development Applications	
	Actual 2011	Actual 2010	Actual 2011	Actual 2010
Income from continuing operations				
Access charges	-	-	-	-
User charges	1,018	912	348	455
Fees	-	-	-	-
Interest	57	-	15	-
Grants and contributions provided for non capital purposes	-	-	-	-
Profit from the sale of assets	-	-	3	-
Other income	287	216	-	-
Total income from continuing operations	1,362	1,128	366	455
Expenses from continuing operations				
Employee benefits and on-costs	40	43	412	479
Borrowing costs	-	-	-	-
Materials and contracts	1,076	842	127	126
Depreciation and impairment	14	30	19	25
Loss on sale of assets	-	-	-	-
Calculated taxation equivalents	-	-	4	-
Debt guarantee fee (if applicable)	-	-	5	-
Other expenses	2	24	-	-
Total expenses from continuing operations	1,132	939	567	630
Surplus (deficit) from Continuing Operations before capital amounts	230	189	(201)	(175)
Grants and contributions provided for capital purposes	-	-	-	-
Surplus (deficit) from Continuing Operations after capital amounts	230	189	(201)	(175)
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	230	189	(201)	(175)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(69)	(57)	-	-
SURPLUS (DEFICIT) AFTER TAX	161	132	(201)	(175)
plus Opening Retained Profits	1,253	1,064	558	733
plus/less: Prior Period Adjustments	-	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	-	-	4	-
- Debt guarantee fees	-	-	5	-
- Corporate taxation equivalent	69	57	-	-
add:				
- Subsidy Paid/Contribution To Operations	-	-	-	-
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	-	-	-	-
Closing Retained Profits	1,483	1,253	366	558
Return on Capital %	191.7%	141.0%	-97.1%	-119.0%
Subsidy from Council	-	-	212	182

Hornsby Shire Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2011

\$ '000	Property Services	
	Actual 2011	Actual 2010
Income from continuing operations		
Access charges	-	-
User charges	766	873
Fees	-	-
Interest	249	-
Grants and contributions provided for non capital purposes	-	-
Profit from the sale of assets	-	-
Other income	-	49
Total income from continuing operations	1,015	922
Expenses from continuing operations		
Employee benefits and on-costs	208	261
Borrowing costs	-	-
Materials and contracts	133	194
Depreciation and impairment	317	335
Loss on sale of assets	-	-
Calculated taxation equivalents	175	175
Debt guarantee fee (if applicable)	-	-
Other expenses	218	83
Total expenses from continuing operations	1,051	1,048
Surplus (deficit) from Continuing Operations before capital amounts	(36)	(126)
Grants and contributions provided for capital purposes	-	-
Surplus (deficit) from Continuing Operations after capital amounts	(36)	(126)
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	(36)	(126)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-
SURPLUS (DEFICIT) AFTER TAX	(36)	(126)
plus Opening Retained Profits	27,542	27,493
plus/less: Prior Period Adjustments	-	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	175	175
- Debt guarantee fees	-	-
- Corporate taxation equivalent	-	-
add:		
- Subsidy Paid/Contribution To Operations	-	-
less:		
- TER dividend paid	-	-
- Dividend paid	-	-
Closing Retained Profits	27,681	27,542
Return on Capital %	-0.2%	-0.6%
Subsidy from Council	1,125	1,203

Hornsby Shire Council

Balance Sheet of Council's Other Business Activities

as at 30 June 2011

\$ '000	Nurseries & Preschools		Aquatic Centres & Sports Stadium	
	Category 1		Category 1	
	Actual 2011	Actual 2010	Actual 2011	Actual 2010
ASSETS				
Current Assets				
Cash and cash equivalents	114	-	201	-
Investments	1,270	1,270	-	-
Receivables	101	74	45	58
Inventories	-	-	27	27
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
Total Current Assets	1,485	1,344	273	85
Non-Current Assets				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	11,465	11,569	12,539	13,176
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	-	-
Total Non-Current Assets	11,465	11,569	12,539	13,176
TOTAL ASSETS	12,950	12,913	12,812	13,261
LIABILITIES				
Current Liabilities				
Bank Overdraft	-	-	-	-
Payables	498	581	251	316
Interest bearing liabilities	5,892	5,551	10,681	9,601
Provisions	355	320	197	197
Total Current Liabilities	6,745	6,452	11,129	10,114
Non-Current Liabilities				
Payables	-	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	-	-	-	-
Other Liabilities	-	-	-	-
Total Non-Current Liabilities	-	-	-	-
TOTAL LIABILITIES	6,745	6,452	11,129	10,114
NET ASSETS	6,205	6,461	1,683	3,147
EQUITY				
Retained earnings	72	328	(2,589)	(1,125)
Revaluation reserves	6,133	6,133	4,272	4,272
Council equity interest	6,205	6,461	1,683	3,147
Minority equity interest	-	-	-	-
TOTAL EQUITY	6,205	6,461	1,683	3,147

Hornsby Shire Council

Balance Sheet of Council's Other Business Activities

as at 30 June 2011

\$ '000	Commercial Waste Category 2		Development Applications Category 2	
	Actual 2011	Actual 2010	Actual 2011	Actual 2010
ASSETS				
Current Assets				
Cash and cash equivalents	-	-	5	-
Investments	1,303	1,040	733	733
Receivables	214	214	8	10
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
Total Current Assets	1,517	1,254	746	743
Non-Current Assets				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	120	134	207	147
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	-	-
Total Non-Current Assets	120	134	207	147
TOTAL ASSETS	1,637	1,388	953	890
LIABILITIES				
Current Liabilities				
Bank Overdraft	-	-	-	-
Payables	131	114	40	48
Interest bearing liabilities	-	-	386	138
Provisions	23	21	161	146
Total Current Liabilities	154	135	587	332
Non-Current Liabilities				
Payables	-	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	-	-	-	-
Other Liabilities	-	-	-	-
Total Non-Current Liabilities	-	-	-	-
TOTAL LIABILITIES	154	135	587	332
NET ASSETS	1,483	1,253	366	558
EQUITY				
Retained earnings	1,483	1,253	366	558
Revaluation reserves	-	-	-	-
Council equity interest	1,483	1,253	366	558
Minority equity interest	-	-	-	-
TOTAL EQUITY	1,483	1,253	366	558

Hornsby Shire Council

Balance Sheet of Council's Other Business Activities

as at 30 June 2011

\$ '000	Property Services Category 2	
	Actual 2011	Actual 2010
ASSETS		
Current Assets		
Cash and cash equivalents	-	-
Investments	12,734	12,413
Receivables	17	21
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	12,751	12,434
Non-Current Assets		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	20,898	21,110
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total Non-Current Assets	20,898	21,110
TOTAL ASSETS	33,649	33,544
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	83	120
Interest bearing liabilities	-	-
Provisions	65	62
Total Current Liabilities	148	182
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	-	-
Provisions	-	-
Other Liabilities	-	-
Total Non-Current Liabilities	-	-
TOTAL LIABILITIES	148	182
NET ASSETS	33,501	33,362
EQUITY		
Retained earnings	27,681	27,542
Revaluation reserves	5,820	5,820
Council equity interest	33,501	33,362
Minority equity interest	-	-
TOTAL EQUITY	33,501	33,362

Hornsby Shire Council

Special Purpose Financial Statements

for the financial year ended 30 June 2011

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 2011

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 sillage

b. Property Services

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

c. Development Assessments

Development assessment & inspection services

Monetary Amounts

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

(i) Taxation Equivalent Charges

Council is liable to pay various taxes and financial duties 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 2011

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 **\$387,000** of combined land values attracts **0%**. From \$387,001 to \$2,366,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,366,000, a premium marginal rate of **2.0%** applies.

Payroll Tax – **5.45%** on the value of taxable salaries and wages in excess of \$658,000.

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 2011

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 5.21% at 30/6/11.

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

(iv) Dividends

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



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

Scope

We have audited the special purpose financial report of **Hornsby Shire Council** for the year ended 30 June 2011, comprising the Statement by Council, Income Statements of Business Activities, Balance Sheets of Business Activities, and accompanying Notes to the Accounts. The financial report includes 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 report and the information it contains. We have conducted an independent audit of the financial report in order to express an opinion on it 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 report 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.

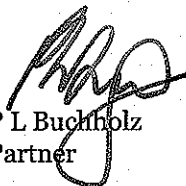
Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial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


P L Buchholz
Partner

21 September 2011.

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
DX 77 Sydney, Australia
T +61 2 8266 0000, F +61 2 8266 9999, www.pwc.com.au

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Hornsby Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2011

“Creating a living environment”



Hornsby Shire Council

Special Schedules

for the financial year ended 30 June 2011

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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 2011

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Governance	2,047	-	-	(2,047)
Administration	20,969	6,600	430	(13,939)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	3,129	728	398	(2,003)
Beach Control	-	-	-	-
Enforcement of Local Govt Regs	-	-	-	-
Animal Control	332	110	-	(222)
Other	-	-	-	-
Total Public Order & Safety	3,461	838	398	(2,225)
Health	487	189	-	(298)
Environment				
Noxious Plants and Insect/Vermin Control	-	-	-	-
Other Environmental Protection	9,157	4,145	20	(4,992)
Solid Waste Management	18,536	16,529	-	(2,007)
Street Cleaning	185	-	-	(185)
Drainage	1,554	-	85	(1,469)
Stormwater Management	-	-	-	-
Total Environment	29,432	20,674	105	(8,653)
Community Services and Education				
Administration & Education	1,122	3	-	(1,119)
Social Protection (Welfare)	860	435	-	(425)
Aged Persons and Disabled	891	750	-	(141)
Childrens Services	4,841	4,548	-	(293)
Total Community Services & Education	7,714	5,736	-	(1,978)
Housing and Community Amenities				
Public Cemeteries	-	-	-	-
Public Conveniences	-	-	-	-
Street Lighting	2,819	220	-	(2,599)
Town Planning	7,759	2,350	-	(5,409)
Other Community Amenities	191	-	242	51
Total Housing and Community Amenities	10,769	2,570	242	(7,957)
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 2011

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Recreation and Culture				
Public Libraries	6,478	541	171	(5,766)
Museums	-	-	-	-
Art Galleries	-	-	-	-
Community Centres and Halls	1,335	942	(14)	(407)
Performing Arts Venues	-	-	-	-
Other Performing Arts	-	-	-	-
Other Cultural Services	-	-	-	-
Sporting Grounds and Venues	1,692	-	-	(1,692)
Swimming Pools	3,103	1,719	-	(1,384)
Parks & Gardens (Lakes)	11,082	2,059	937	(8,086)
Other Sport and Recreation	499	781	-	282
Total Recreation and Culture	24,189	6,042	1,094	(17,053)
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	10,477	796	1,032	(8,649)
Urban Roads - Regional	-	-	-	-
Sealed Rural Roads (SRR) - Local	-	-	-	-
Sealed Rural Roads - Regional	-	-	-	-
Unsealed Rural Roads (URR) - Local	141	-	-	(141)
Unsealed Rural Roads (URR) - Regional	-	-	-	-
Bridges on UR - Local	120	-	-	(120)
Bridges on SRR - Local	-	-	-	-
Bridges on URR - Local	-	-	-	-
Bridges on Regional Roads	-	-	-	-
Parking Areas	41	-	44	3
Footpaths	1,770	10	87	(1,673)
Aerodromes	-	-	-	-
Other Transport & Communication	2,798	1,676	415	(707)
Total Transport and Communication	15,347	2,482	1,578	(11,287)
Economic Affairs				
Camping Areas & Caravan Parks	-	-	-	-
Other Economic Affairs	1,974	812	109	(1,053)
Total Economic Affairs	1,974	812	109	(1,053)
Totals – Functions	116,393	45,943	3,956	(66,494)
General Purpose Revenues⁽²⁾		60,101		60,101
Share of interests - joint ventures & associates using the equity method	-	-		-
NET OPERATING RESULT⁽¹⁾	116,393	106,044	3,956	(6,393)

(1) As reported in the Income Statement | (2) Includes: Rates & Annual Charges (incl. Ex Gratia, excl. Water & Sewer), Non Capital General Purpose Grants & Interest on Investments (excl. Ext. Restricted Assets)

Hornsby Shire Council

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

for the financial year ended 30 June 2011

\$'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	3,331	18,751	22,082	1,000	3,331	-	-	1,470	3,584	16,167	19,751
Other	-	-	-							-	-
Total Loans	3,331	18,751	22,082	1,000	3,331	-	-	1,470	3,584	16,167	19,751
Other Long Term Debt											
Ratepayers Advances	-	-	-							-	-
Government Advances	-	-	-							-	-
Finance Leases	-	-	-							-	-
Deferred Payments	-	-	-							-	-
Total Long Term Debt	-	-	-	-	-	-	-	-	-	-	-
Total Debt	3,331	18,751	22,082	1,000	3,331	-	-	1,470	3,584	16,167	19,751

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

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

Hornsby Shire Council

Special Schedule No. 8 - Financial Projections

as at 30 June 2011

\$'000	Actual ⁽¹⁾ 10/11	Forecast 11/12	Forecast 12/13	Forecast ⁽³⁾ 13/14	Forecast ⁽³⁾ 14/15
(i) RECURRENT BUDGET					
Income from continuing operations	110,000	112,275	118,046	121,712	125,365
Expenses from continuing operations	116,393	114,951	117,443	120,445	124,666
Operating Result from Continuing Operations	<u>(6,393)</u>	<u>(2,676)</u>	<u>603</u>	<u>1,267</u>	<u>699</u>
(ii) CAPITAL BUDGET					
New Capital Works ⁽²⁾	350	630	3,340	12,470	7,250
Replacement/Refurbishment of Existing Assets	17,269	16,047	16,187	17,529	18,053
Total Capital Budget	<u>17,619</u>	<u>16,677</u>	<u>19,527</u>	<u>29,999</u>	<u>25,303</u>
Funded by:					
– Loans	1,000	1,000	1,000	11,000	7,250
– Asset sales	1,261	1,879	1,941	1,997	2,055
– Reserves	5,053	1,936	2,000	2,058	2,118
– Grants/Contributions	3,956	4,681	4,835	4,976	5,120
– Recurrent revenue	6,349	5,731	7,706	7,929	6,651
– Other	-	1,450	2,045	2,039	2,109
	<u>17,619</u>	<u>16,677</u>	<u>19,527</u>	<u>29,999</u>	<u>25,303</u>

Notes:

(1) From 10/11 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.