



VOLUME TWO

ANNUAL REPORT 2006-2007



Department of Territory and Municipal Services
Territorial Financial Report for the year ended 30 June 2007

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Transmittal Certificate

Jon Stanhope, MLA, Minister for Environment, Water and Climate Change
John Hargreaves, MLA, Minister for Territory and Municipal Services
Andrew Barr, MLA, Minister for Tourism, Sport and Recreation

ACT Legislative Assembly
London Circuit
Canberra City ACT 2601

Dear Ministers

This report has been prepared under section 5 (1) of the *Annual Reports (Government Agencies) Act 2004*, and in accordance with the requirements referred to in the Chief Minister's Annual Report Directions. It has been prepared in conformity with other legislation applicable to the preparation of the Annual Report by the Department of Territory and Municipal Services.

I hereby certify that the attached Annual Report is an honest and accurate account and that all material information on the operations of the Department of Territory and Municipal Services during the period 1 July 2006 to 30 June 2007 has been included and that it complies with the Chief Minister's Annual Report Directions.

I also hereby certify that fraud prevention has been managed in accordance with Public Sector Management Standard 2, Part 2.4.

Section 13 of the *Annual Reports (Government Agencies) Act 2004* requires that you cause a copy of the Report to be laid before the Legislative Assembly within 3 months of the end of the financial year.

Yours sincerely,

Mike Zissler
Chief Executive
Territory and Municipal Services

11 September 2007

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DEPARTMENT OF TERRITORY AND MUNICIPAL SERVICES

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

General Overview

Objectives

The Department plays a key role in building Canberra's environment, social, cultural and economic capital through the efficient delivery of a diverse range of services including public transport, libraries, Canberra Connect shopfronts and online services, ranger services, linen and plant nursery services.

The Department cultivates healthy living spaces for the enjoyment of the people of Canberra including the management of sporting programs, venues, sportsgrounds and community events and promoting the ACT as a preferred tourist destination.

The Department also manages and maintains Canberra's built environment including roads, bridges and community paths that are strategically planned, built, and maintained. The Department also manages and maintains a range of Government properties.

As a regulator, the Department also ensures compliance with Territory and national standards in areas such as heritage, environment protection, transport regulation and road user safety. The Department helps to ensure that the ACT's natural and cultural environments are protected, preserved and enhanced.

The Department is also responsible for the development of policies and programs to ensure more sustainable use of water and energy along with addressing the challenges associated with climate change.

Changes in Administrative Structure

The Department of Territory and Municipal Services (TAMS) was formed on 1 July 2006 following Administrative Arrangement Order 2006 (No 2) dated 15 August 2006. Furthermore, following the Administrative Arrangement Orders of 18 April 2007, the Department gained the following policy functions:

- Energy & Water function from Chief Ministers Department; and
- Strategic Transport function from ACT Planning and Land Authority.

Risk Management

During 2006-07, the Department continued to develop its Enterprise Risk Management capabilities through the establishment of a Risk Management Reference Group and a Risk Management Working Group to provide a consistent framework and methodology across service delivery areas.

As a result the Department has identified a number of risks which may negatively impact upon the future financial position of the Department. Significant risks identified include:

- a) Rising cost of service meeting the demands of a growing city and aging infrastructure – the continuing growth of the Canberra City and its surrounds coupled with an aging infrastructure will continue to pose significant challenges for the Department in meeting service obligations. This risk is being addressed in consultation with Treasury by having proper asset management strategies in place and a funding formula to address growth.

- b) Aging workforce – the age profile of the Department’s workforce indicates a significant number of employees will retire within the next decade. The Department also risks possible skill deterioration in the workforce. The Department is reviewing its workforce plan to address this issue including the notion of TAMS being an employer of choice.
- c) Stability of technology supporting core revenue receipting systems - The Department through Canberra Connect is responsible for the whole of Government core receipting system, RAPS, in addition to revenues collected through the rego.act system. The Department continues to work closely with INTACT to ensure these systems are properly documented, backed up and supported, including having in place proper disaster recovery plans in place, and future system redevelopment plans scoped and underway.
- d) Environmental changes –The Department faces more frequent one off costs arising from environment changes that give rise to extreme weather events, including failure of infrastructure and plant and equipment. These risks are in part mitigated through adequate insurance cover and a responsive maintenance regime.

Departmental Financial Performance

The analysis provided below outlines the main trends and factors affecting the Department’s financial performance and position for the year ended 30 June 2007. It further outlines the main factors affecting the financial performance and position of the Department in future years. Financial information is based on the Department’s first audited Financial Report for 2006-07 compared to the budget and forward estimates set out in the 2007-08 Budget Paper No. 4. No comparative information for 2005-06 has been included.

Net Cost of Services (Attachment A)

Table 1

	Original Budget 2006- 07 \$m	Actual 2006-07 \$m	Forward Estimate 2007-08 \$m	Forward Estimate 2008-9 \$m	Forward Estimate 2009-10 \$m
Total Expenditure	426.7	466.8	440.4	438.4	441.2
Total Own Source Revenue	147.3	134.7	159.2	138.4	135.0
Net Cost of Services	279.4	332.1	281.2	300.0	306.2

Actual Net Cost of Services comparison to Budget

The Department’s net cost of services for 2006-07 of **\$332.1 million** was **\$52.7 million** or **18.8 per cent** higher than the original 2006-07 budget of **\$279.4 million**, reflecting higher expenditure of **\$40.1 million** and lower own sourced revenue of **\$12.6 million**.

The expenditure increase principally reflects additional resources required to address drought related cost pressures, growth in assets under management in the area of parks, land and conservation as well as price increases relating to city maintenance, in addition to costs incurred by the Property Group to rationalise Government accommodation portfolio on a cost recovery basis.

The lower own sourced revenue experienced by the Department this year reflects a lower transfer of infrastructure assets into the Department which has offset by revaluation gains on a number of property assets following valuation undertaken by the Australian Valuation Office this year.

These variations are outlined in further details below.

Future Trend

Figure 1: Net Cost of Services

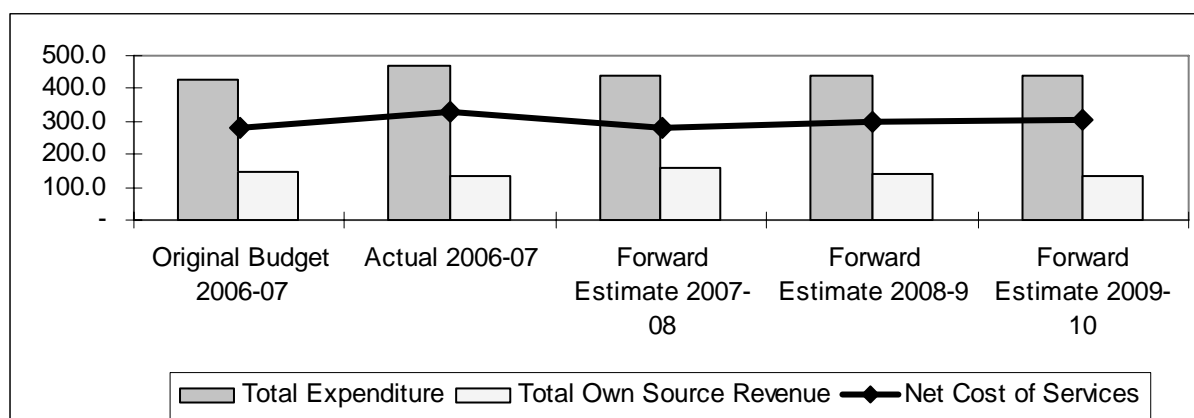


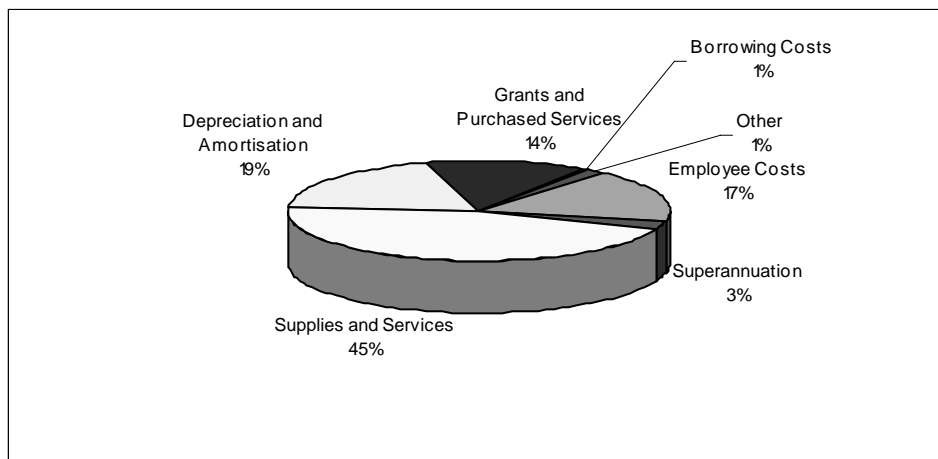
Figure 1 indicates that in 2006-07 the Department experienced an increase in expenditure combined with slight decrease in own sourced revenue which resulted in an increase in the net cost of service as outlined above. Net cost of service will decline to normal levels in 2007-08 reflecting a return to normal expenditures and on expectation that gains associated with the programmed infrastructure asset transfers will increase from 2006-07.

Total Expenditure

Components of Expenditure

Figure 2 below shows a breakdown of the expenditure components in the 2006-07 financial year. Of the total Departmental expenditure, supplier and services account for 45% compared to 17% in employee costs and 14 % in grants and purchased services. Supplier and services payments include payments for professional services of **\$87.5 million**, building and facilities operating costs of **\$40 million**, repairs and maintenance expenditure of **\$20.5 million** and IT & communication costs of **\$15.5 million**.

Figure 2: Components of Expenditure



Total expenditure compared to Budget

Table 2

	2006-07 \$m
Original Budget	426.7
Add:	
AAO transfer	(0.5)
Additional Expenditure	40.6
Total Expenditure- Actual	466.8

Table 2 above shows that total expenditure of **\$466.8 million** was **\$40.6 million**, or **9.5 per cent** higher than the original 2006-07 budget of **\$426.7 million**. The AAO transfer of **\$0.5 million** relates to the transfer of policy functions from the Chief Minister's Department and ACT Planning and Land Authority to the Department, and an adjustment to the original parking transfer amount to the Department of Justice and Community Safety. Additional expenditure of **\$40.6 million** predominantly reflects the following:

- expenditure of **\$6.8 million** related to the implementation of the Whole of Government Accommodation Strategy and a further **\$5.4 million** in costs associated with an increased level of activity in facilities management services;
- an overall increase in employee related costs of **\$1.9 million** and non salary costs of **\$6.7 million** principally to address ongoing staffing requirements for road transport, drought related cost pressures, growth in assets under management in the area of parks, land and conservation as well as price increases relating to city maintenance, restructuring delays for the library network;
- an increase in depreciation expense of **\$6.1million** following revaluation increments of property and road infrastructure assets in 2005-06 not properly recognised in the 2006-07 budget;
- the expensing of capital works in progress, impairment losses, write off of library materials and outdated software (**\$5.0 million**) following considered assessment of useful life across the asset base;
- separation costs of **\$3.8 million** following voluntary redundancies associated with the organisational restructuring program;

- the recognition of a provision for remedial works associated with the Civic Petrol Plume of **\$0.6 million**;
- grants payments of **\$0.5 million** reflecting previously unbudgeted payments relating to Rivercare, Landcare and Bushcare programs;
- unbudgeted increase in the insurance premium of **\$0.5 million** following significant increases in the insurable value of the Departments' assets following revaluation;
- support payments provided for the Summernats Festival of **\$0.3 million** and a further **\$0.1 million** for the World Mountain Bike Championships to be held at Stromlo Forest Park;
- the transfer of Yarralumla Preschool to the Land Development Agency (**\$0.3 million**).

Future Trends

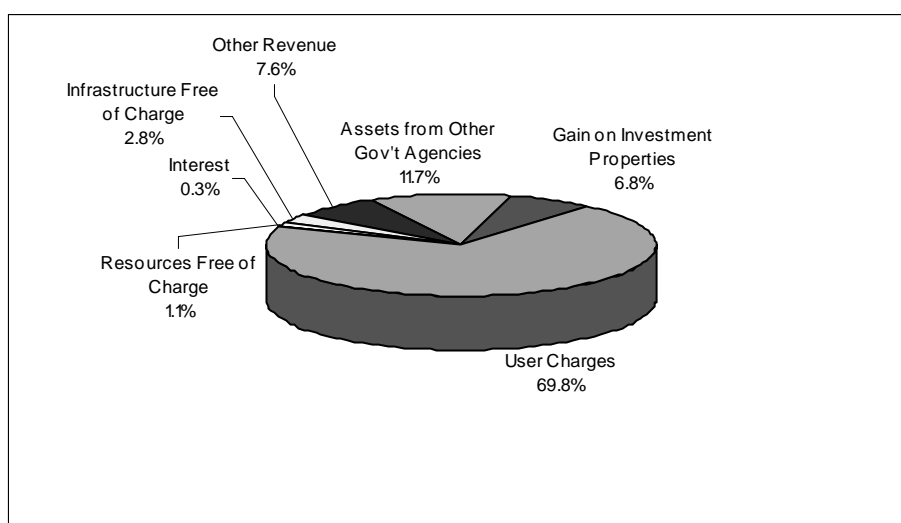
Expenditure is budgeted to decrease in 2007-08 by **\$26.4 million** reflecting one off costs incurred in 2006-07 relating to Whole of Government Accommodation Strategy, and facilities management activities, write down of assets, costs associated with the restructuring program and drought related cost pressures.

Total Own Source Revenue

1. Components of Own Source Revenue

Figure 3 below indicates that for the financial year ended 30 June 2007, the Department recorded own source revenue of **\$134.7 million**, of which **\$94million (69.8 percent)** were in respect of user charges, **\$12.9 million (6.8 percent)** in respect of revaluation gains and **\$10.8 million (2.8 percent)** related to infrastructure assets transferred into the Department.

Figure 3 – Components of Own Source Revenue



2. Own Source Revenue comparison to Budget

Table 3

	2006-07 \$m
Original Budget	147.3
Add:	
AAO transfer	(0.2)
Additional Revenue	(12.4)
Total Own Source Revenue- Actual	134.7

Table 3 above shows that total own source revenue of **\$134.7 million** was **\$12.6 million**, or **8 per cent** lower than the original 2006-07 budget of **\$147.3 million**. The AAO transfer of **\$0.2 million** relates to an adjustment to the original parking transfer amount to the Department of Justice and Community Safety. The revenue shortfall of **\$12.4 million** predominantly reflects the following:

- a decrease in budgeted infrastructure assets received from the Land Development Agency and ACT Planning and Land Authority of **\$39.8 million**

offset by:

- a revaluation increase in the value of property assets of **\$12.9 million**; and
- increase in user charges of **\$12 million** relating to fee for services received for rationalisation of whole of Government accommodation and higher facility management cost recovery.

4. Future Trends

Total own source revenue for 2007-08 is budgeted to increase by **\$24.6 million** due to higher levels of projected infrastructure asset transfers from the Land Development Agency and the ACT Planning and Land Authority and grants receivable from the Commonwealth in relation to the Canberra Integrated Urban Waterways project (**\$7 million**), partly offset by the reduced revenues associated with rationalisation of whole of Government accommodation.

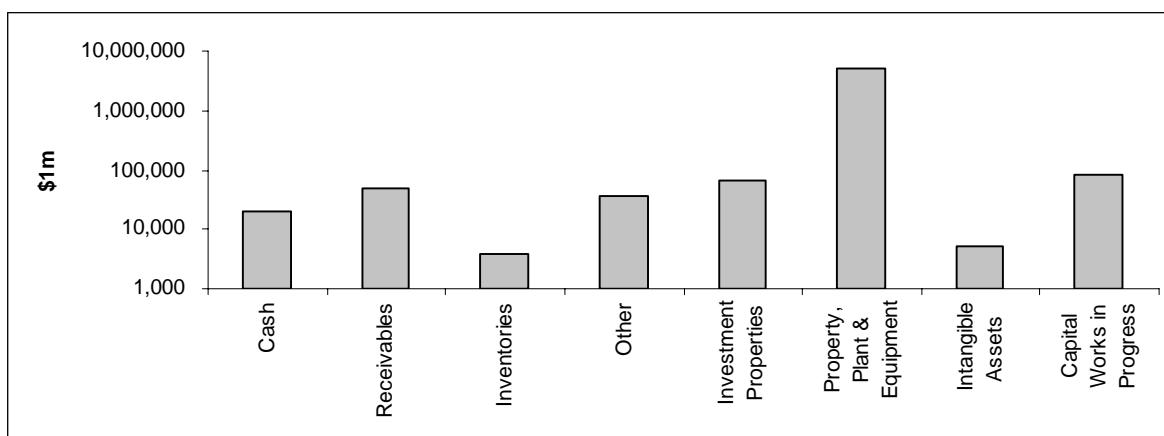
Departmental Financial Position

Total Assets

1. Components of Total Assets

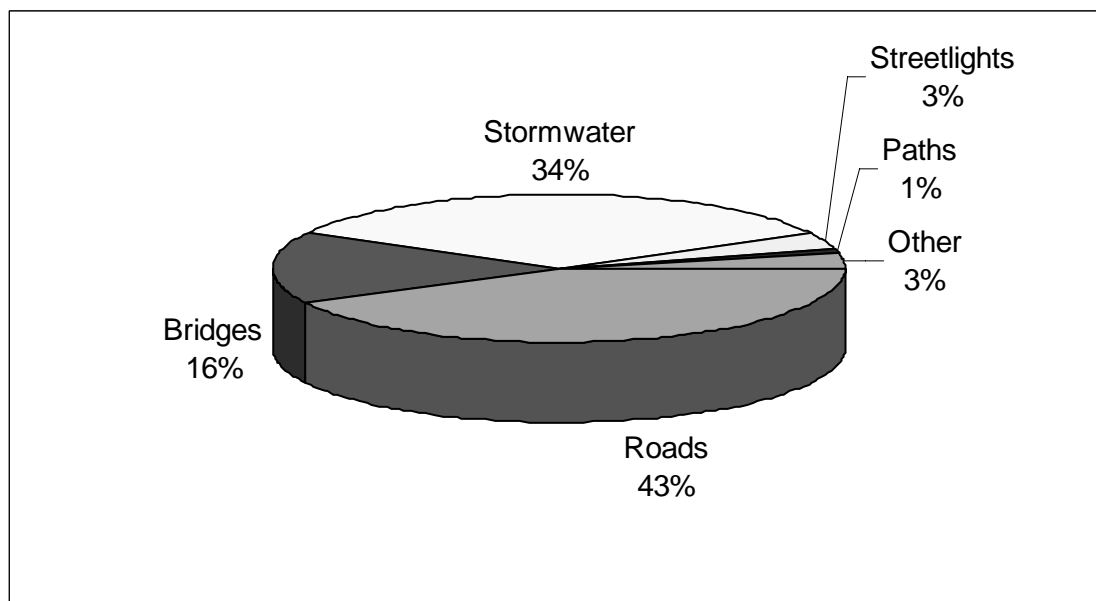
Figure 3 below indicates that for the financial year ended 30 June 2007, the Department held **95.12 per cent** of its assets in Property, Plant and Equipment (**\$5.2 billion**).

Figure 3 – Total Assets as at 30 June 2007



The major component of Property, Plant and Equipment is infrastructure assets (**\$4.5 billion**). Figure 4 below indicates the components within the infrastructure asset class.

Figure 4 – Infrastructure Assets as at 30 June 2007



Comparison to Budget

The total asset position as at 30 June 2007 is **\$5.4 billion**, which is **\$756 million** higher than the original 2006-07 budget of **\$4.7 billion**.

The increase reflects:

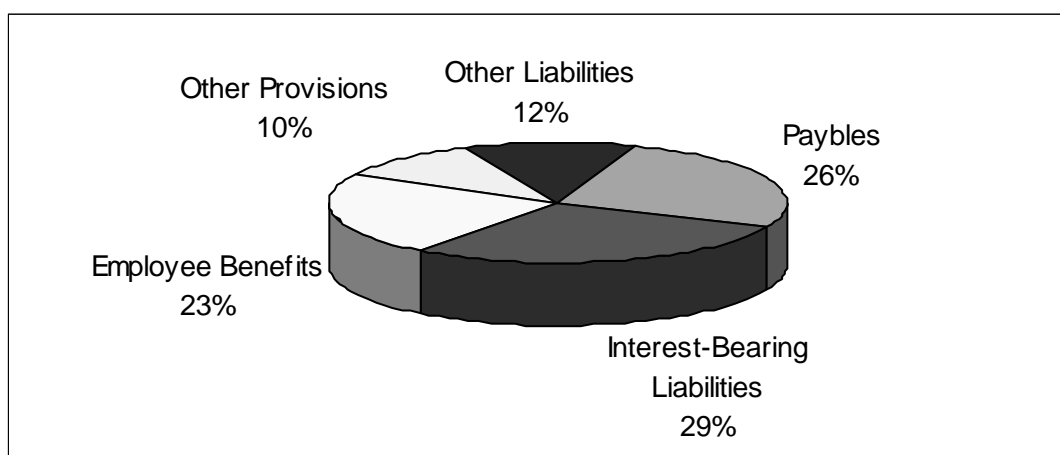
- an increase of **\$703 million** in Property, Plant and Equipment due in part to the revaluation of Land, Buildings, Bridges, Stormwater, Cyclepaths and Footpaths, Driveways, Shopping Centre Pavements and Streetlights in 2006-07;
- an increase of **\$9.2 million** following revaluation of Investment Property in 2006-07;
- an increase in Capital Works in Progress of **\$25.8 million** upon transfer from other ACT Government agency;
- an increase of **\$3.7 million** following revaluation of Plantation Stock in 2006-2007.

Total Liabilities

1. Components of Total Liabilities

Figure 5 below indicates that the majority of the Department's liabilities relate to interest-bearing liabilities (**29 per cent**) and employee benefits (**23 per cent**).

Figure 5 – Total Liabilities as at 30 June 2007



Comparison to Budget

The Department's liabilities for the year ended 30 June 2007 of **\$107 million** is **\$23.6 million** higher than the original 2006-07 budget of **\$83.4 million** due to:

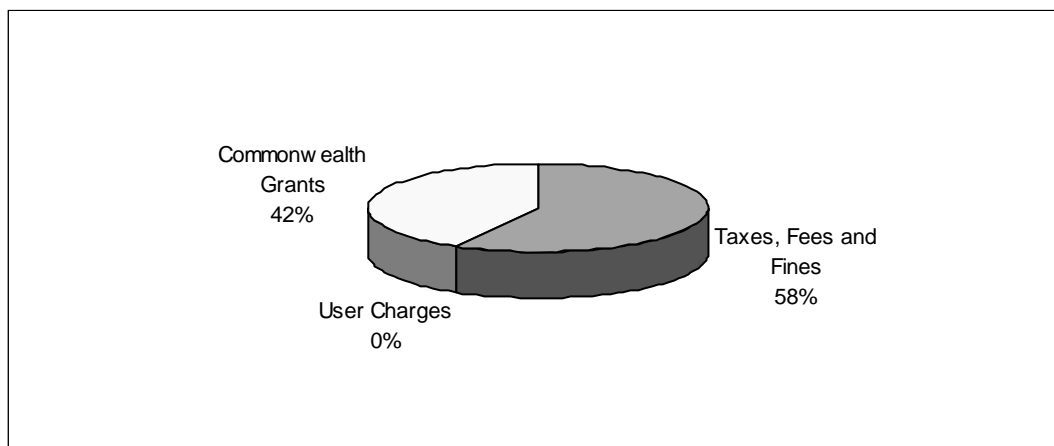
- payables being higher than anticipated (**\$10.1million**), reflecting in part an early cut-off of account payments prior to year end; and
- previously unbudgeted **\$10.6 million** for a provision being recognised for the restoration of the Mugga Lane and Belconnen landfill sites; and
- finance lease liabilities being higher than budget by **\$0.7 million** due to the recognition of vehicle leasing arrangements with Rhodium Asset Solutions as finance leases; and
- recognition of a provision for remedial works associated with the Civic Petrol Plume of **\$0.6 million**.

Territorial Statement of Revenues and Expenses

Total Income

Figure 6 indicates that **58 per cent** of territorial income is generated from taxes, fees and fines, particularly motor vehicle registrations.

Figure 6 - Sources of Territorial Revenue



Comparison to Budget

Total territorial income for the year ended 30 June 2007 was **\$219 million**, an increase of **\$4 million** on the original 2006-07 budget of **\$215 million**. The increase mainly relates to higher than anticipated land sales to the Land Development Agency of **\$5 million** and higher than budgeted revenue from Motor Vehicle registration of **\$3 million**. This has been partly offset by **\$3.5 million** of rent and commutation not achieved due to the transfer of the land rental function from ACT Planning and Land Authority not proceeding as originally budgeted.

Significant revenue items receipted in 2006-07 include land sales of **\$78 million**, motor vehicle registrations of **\$72.2 million**, water abstraction charges of **\$24.8 million**, traffic fines of **\$12.7 million** and commercial tip fees of **\$10.7 million**.

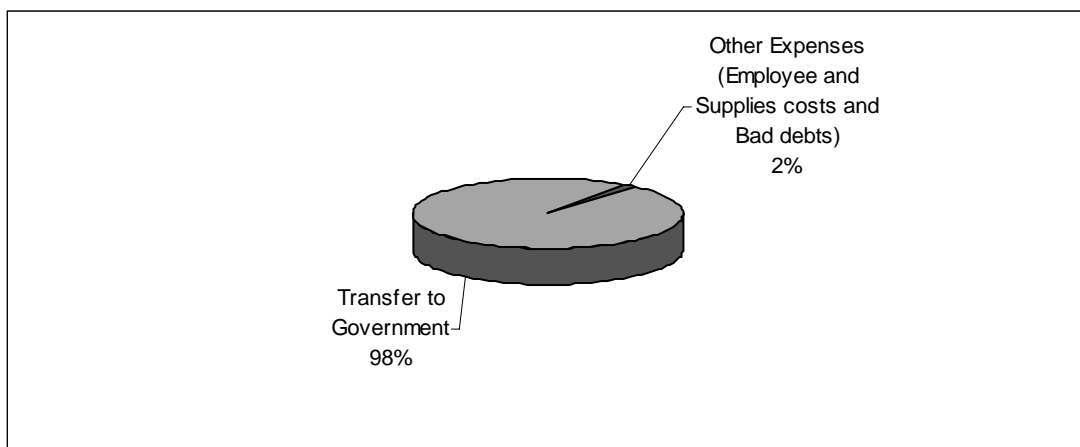
Future Trend

Total territorial income is anticipated to increase substantially in 2007-08 and future years as a result of higher projected land sale program and the full year impact of revenues following the introduction of additional speed and red light cameras in 2006-07.

Total Expenditure

Figure 7 indicates that **98 per cent** of expenses incurred on behalf of the territory relate to transfers to the ACT Government.

Figure 7 - Sources of Territorial Expenses



Total territorial expenditure was **\$219 million**, an increase of **\$4 million** on the original 2006-07 budget, reflecting the increase in payments to the ACT Government due to a corresponding increase in Territorial revenue outlined previously.

Comparison of Net Cost of Services to Budget 2006-07

	Original	Plus:	Total		Less:	Variance	
	Budget	GPO Funded	Funding		Actual	Explained	
		Transfers					
Description	\$'000	\$'000	\$'000		\$'000	\$'000	%
Expenditure							
Employee and Superannuation	91,562	(36)	91,526		92,751	(1,225)	-1.3%
Supplies and Services	183,042	(422)	182,620		210,457	(27,837)	-15.2%
Depreciation and Amortisation	84,871		84,871		90,995	(6,124)	-7.2%
Grants and Purchased Services	62,193		62,193		63,556	(1,363)	-2.2%
Other Expenses	4,980		4,980		9,033	(4,053)	-81.4%
Total Expenditure	426,648	(458)	426,190		466,792	(40,602)	-9.5%
Own Source Revenue							
User Charges	83,990	0	83,990		94,019	(10,029)	-11.9%
Interest	92	0	92		372	(280)	-304.3%
Resources Free of Charge	1,212	0	1,212		1,494	(282)	-23.3%
Other Revenue	6,451	(145)	6,306		10,147	(3,841)	-60.9%
Total Revenue	91,745	(145)	91,600		106,032	(14,432)	-15.8%
Add: Gains	55,517	0	55,517		28,653	26,864	48.4%
Total Own Source Revenue	147,262	(145)	147,117		134,685	12,432	8.5%
Total Net Cost of Services	279,386	(313)	279,073		332,107	(53,034)	-19.0%



ACT AUDITOR-GENERAL'S OFFICE



A07/04

Mr Mike Zissler
Chief Executive
Department of Territory and Municipal Services
Level 5, Macarthur House
12 Wattle Street
LYNEHAM ACT 2602

Dear ~~Mr~~ ^{Mike} Zissler

AUDIT REPORT DEPARTMENT OF TERRITORY AND MUNICIPAL SERVICES FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2007

The ACT Auditor-General's Office has completed the audit of the financial report of the Department of Territory and Municipal Services for the year ended 30 June 2007.

I am pleased to attach the audited financial report together with the **unqualified** audit report.

I have provided a copy of the financial report and the audit report to the Minister for Territory and Municipal Services, Mr John Hargreaves MLA.

Thank you for the assistance provided by the staff of the Department during the audit.

Yours sincerely

Tu Pham
Auditor-General
6 September 2007

c.c. Ms Susanna Kiemann, Chief Finance Officer, Department of Territory and Municipal Services.
Mr David Dobliger, Internal Audit Manager, Strategic Coordination and Continuous Improvement.



ACT AUDITOR-GENERAL'S OFFICE



INDEPENDENT AUDIT REPORT

Department of Territory and Municipal Services

To the Members of the ACT Legislative Assembly

Audit Opinion

In my opinion, the financial report of the Department of Territory and Municipal Services (the Department) for the year ended 30 June 2007:

- (i) is presented in accordance with the *Financial Management Act 1996*, Accounting Standards and other mandatory financial reporting requirements in Australia; and
- (ii) presents fairly the financial position of the Department as at 30 June 2007 and the results of its operations and its cash flows for the year then ended.

This audit opinion should be read in conjunction with the following information.

Responsibility for the Financial Report

The Chief Executive of the Department is responsible for the financial report. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and estimates used in the preparation of the financial report.

Contents of the Financial Report

The financial report is comprised of the following financial statements and accompanying notes:

Departmental Statements

- Operating Statement
- Balance Sheet
- Statement of Changes in Equity
- Cash Flow Statement
- Statement of Appropriation

Territorial Statements

- Statement of Income and Expenses on Behalf of the Territory
- Statement of Assets and Liabilities on Behalf of the Territory
- Statement of Changes in Equity on Behalf of the Territory
- Cash Flow Statement on Behalf of the Territory
- Statement of Appropriation

The Auditor's Responsibility

My responsibility is to express an opinion on the financial report as required by the *Financial Management Act 1996*.

Electronic Presentation of the Audited Financial Report

Those viewing an electronic presentation of this audited financial report should note that the Chief Executive of the Department is responsible for the integrity of the information placed on the website. I have not examined the integrity of this website. The audit report refers only to the financial report identified above. It does not provide an opinion on any other information, which may have been hyperlinked to or from this report. If users of the report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the printed copy of the audited financial report, available from the Department, to confirm the information included in the audited financial report presented on this website.

The Audit Scope

My audit was conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement.

I formed the audit opinion by performing procedures to assess whether, in all material respects, the financial report presents fairly, in accordance with the *Financial Management Act 1996*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view that is consistent with my understanding of the financial position and performance of the Department.

The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control and, in many cases, the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

My procedures included:

- (i) examining, on a test basis, evidence supporting the amounts and other disclosures in the financial report; and
- (ii) evaluating accounting policies and significant accounting estimates used in the preparation of the financial report.

I considered the effectiveness of internal controls when determining the nature and extent of my procedures, however, the audit was not designed to provide assurance on internal controls.

My audit was also not designed to provide assurance on the appropriateness of the budget information included in the financial report or to evaluate the prudence of decisions made by the Department.

Independence

In conducting my audit, I followed applicable independence requirements of Australian professional ethical pronouncements.

A handwritten signature in black ink, appearing to read 'T. Pham', with a long horizontal flourish extending to the right.

Tu Pham
Auditor-General

6 September 2007

**Department of Territory and Municipal Services
Financial Report
For the year ended 30 June 2007**

Statement of Responsibility

In my opinion, the financial report is in agreement with the Department's accounts and records and fairly reflects the financial operations of the Department for the year ended 30 June 2007 and the financial position of the Department on that date.

A handwritten signature in black ink, consisting of a large, stylized 'M' and 'Z' intertwined, enclosed within a large, hand-drawn oval.

Mike Zissler
Chief Executive
Department of Territory and Municipal Services

6 September 2007

**Department of Territory and Municipal Services
Financial Report
For the year ended 30 June 2007**

Statement by the Chief Finance Officer

In my opinion, the financial report has been prepared in accordance with generally accepted accounting principles, and is in agreement with the Department's accounts and records and fairly reflects the financial operations of the Department for the year ended 30 June 2007 and the financial position of the Department on that date.



Susanna Kiemann
Chief Finance Officer
Department of Territory and Municipal Services

6th September 2007



Departmental Financial Report
for the year ended 30 June 2007

Department of Territory and Municipal Services
Operating Statement
For the Year Ended 30 June 2007 ¹

		Actual	Original
	Note	2007	Budget
	No.	\$'000	2007
			\$'000
Income			
<i>Revenue</i>			
Government Payment for Outputs	4	264,815	257,486
User Charges - ACT Government	5	73,412	61,609
User Charges - Non-ACT Government	5	20,607	22,381
Interest	6	372	92
Resources Received Free of Charge	7	1,494	1,212
Other Revenue	8	10,147	6,451
<i>Total Revenue</i>		370,847	349,231
<i>Gains</i>			
Other Gains	9	28,653	55,517
<i>Total Gains</i>		28,653	55,517
Total Income		399,500	404,748
Expenses			
Employee Expenses	10	78,625	76,790
Superannuation Expenses	11	14,126	14,772
Supplies and Services	12	210,457	183,042
Depreciation and Amortisation	13	90,995	84,871
Grants and Purchased Services	14	63,556	62,193
Borrowing Costs	15	2,800	2,768
Other Expenses	16	6,233	2,212
Total Expenses		466,792	426,648
Operating Surplus/(Deficit)		(67,292)	(21,900)

The above Operating Statement should be read in conjunction with the accompanying notes.

¹ The Department was established on 1 July 2006 following an Administrative Arrangement Order dated 15 August 2006. Accordingly, 2005-06 comparative figures are not reported in the 2006-07 financial report.

Department of Territory and Municipal Services
Balance Sheet
As at 30 June 2007 ¹

	Note No.	Actual 2007 \$'000	Original Budget 2007 \$'000
Current Assets			
Cash and Cash Equivalents	20	19,432	15,111
Receivables	21	47,727	19,343
Inventories	22	3,805	3,948
Assets Held for Sale	23	1,251	-
Capital Works in Progress	28	-	14
Other	29	2,924	3,355
Total Current Assets		75,139	41,771
Non-Current Assets			
Receivables	21	-	13,112
Investment Properties	24	67,011	-
Property, Plant and Equipment	25	5,149,968	4,508,336
Intangible Assets	26	5,348	7,078
Plantation Growing Stock	27	32,710	29,644
Capital Works in Progress	28	84,173	58,384
Total Non-Current Assets		5,339,210	4,616,554
Total Assets		5,414,349	4,658,325
Current Liabilities			
Payables	30	27,796	17,068
Interest-Bearing Liabilities	31	5,589	5,569
Finance Leases	31	476	260
Employee Benefits	32	23,112	11,478
Other Provisions	33	1,908	35
Other	34	10,779	9,539
Total Current Liabilities		69,660	43,949
Non-Current Liabilities			
Payables	30	85	235
Interest-Bearing Liabilities	31	25,184	25,184
Finance Leases	31	1,315	538
Employee Benefits	32	1,025	13,141
Other Provisions	33	9,269	-
Other	34	679	338
Total Non-Current Liabilities		37,557	39,436
Total Liabilities		107,217	83,385
Net Assets		5,307,132	4,574,940
Equity			
Accumulated Funds	35	4,105,245	4,114,162
Asset Revaluation Reserve	35	1,201,887	460,778
Total Equity		5,307,132	4,574,940

The above Balance Sheet should be read in conjunction with the accompanying notes.

¹ The Department was established on 1 July 2006 following an Administrative Arrangement Order dated 15 August 2006. Accordingly, 2005-06 comparative figures are not reported in the 2006-07 financial report.

Department of Territory and Municipal Services
Statement of Changes in Equity
For the Year Ended 30 June 2007 ¹

	Note No.	Actual 2007 \$'000	Original Budget 2007 \$'000
Opening Balance		-	4,370,332
<i>Accumulated Funds</i>			
Operating Surplus/(Deficit)	35	(67,292)	(21,900)
<i>Reserves</i>			
Increase in the Asset Revaluation Reserve	35	1,201,887	33,012
Total Income and Expenses Recognised Directly in Equity for the Period		1,134,595	11,112
<i>Transactions Involving Equity Holders Affecting Accumulated Funds</i>			
Capital Injections	35	96,016	95,443
Capital (Distributions)	35	(3,000)	(4,842)
Increase in Net Assets due to Administrative Restructure	35	4,082,329	106,960
Dividends Approved	35	(2,808)	(4,065)
Closing Balance		5,307,132	4,574,940

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

¹ The Department was established on 1 July 2006 following an Administrative Arrangement Order dated 15 August 2006. Accordingly, 2005-06 comparative figures are not reported in the 2006-07 financial report.

Department of Territory and Municipal Services
Cash Flow Statement
For the Year Ended 30 June 2007 ¹

	Note No.	Actual 2007 \$'000	Original Budget 2007 \$'000
Cash Flows from Operating Activities			
Receipts			
Government Payment for Outputs		210,160	200,548
Government Payment for Community Service Obligations		54,655	56,938
User Charges - ACT Government		71,498	87,531
User Charges - Non-ACT Government		20,072	-
Interest Received		374	91
GST Input Tax Credits from Australian Taxation Office		19,025	13,861
GST Collected from Customers		9,975	17,228
Other		14,664	13,717
Total Receipts from Operating Activities		400,423	389,914
Payments			
Employee		74,178	75,477
Superannuation		14,122	14,773
Supplies and Services		193,628	184,106
Borrowing Costs		3,730	2,768
Grants and Purchased Services		64,006	62,193
GST Paid to Suppliers		31,759	30,282
Other		12,972	4,178
Total Payments from Operating Activities		394,395	373,777
Net Cash Inflows from Operating Activities	39	6,028	16,137
Cash Flows from Investing Activities			
Receipts			
Proceeds from Sale of Property, Plant and Equipment		8	-
Total Receipts from Investing Activities		8	-
Payments			
Purchase of Property, Plant and Equipment		4,115	11,131
Purchase of Intangible Assets		-	77
Capital Payment to Government Agencies		3,000	4,916
Payment for Capital Works		92,248	96,770
Total Payments from Investing Activities		99,363	112,894
Net Cash (Outflows) from Investing Activities		(99,355)	(112,894)

¹ The Department was established on 1 July 2006 following an Administrative Arrangement Order dated 15 August 2006. Accordingly, 2005-06 comparative figures are not reported in the 2006-07 financial report.

Department of Territory and Municipal Services
Cash Flow Statement - Continued
For the Year Ended 30 June 2007 ¹

	Note No.	Actual 2007 \$'000	Original Budget 2007 \$'000
Cash Flows from Financing Activities			
Receipts			
Capital Injections		96,016	100,359
Receipt of Transferred Cash Balances		23,875	12,909
Total Receipts from Financing Activities		119,891	113,268
Payments			
Distributions to Government		-	4,842
Repayment of Borrowings		3,993	3,993
Repayment of Advances		974	974
Payment of Transferred Cash Balances		284	316
Payment of Dividends		1,500	4,065
Repayment of Finance Leases		381	243
Total Payments from Financing Activities		7,132	14,433
Net Cash Inflows from Financing		112,759	98,835
Net Increase in Cash Held		19,432	2,078
Cash and Cash Equivalents at the Beginning of the Reporting Period		-	13,033
Cash and Cash Equivalents at the End of the Reporting Period	39	19,432	15,111

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

¹ The Department was established on 1 July 2006 following an Administrative Arrangement Order dated 15 August 2006. Accordingly, 2005-06 comparative figures are not reported in the 2006-07 financial report.

Department of Territory and Municipal Services
Summary of Departmental Output Classes
For the Year Ended 30 June 2007¹

	Output Class 1 \$'000	Output Class 2 \$'000	Output Class 3 \$'000	Intra Department Eliminations \$'000	Total \$'000
2007					
Total Income	276,502	125,179	16,191	(18,372)	399,500
Total Expenses	360,296	108,555	16,313	(18,372)	466,792
Operating (Deficit)/Surplus	(83,794)	16,624	(122)	-	(67,292)

Note: The income and expenses of each output class are reported inclusive of overhead allocations and internal transactions between output classes. This method ensures each output class is measured at the full cost of the outputs. Transactions between output classes are shown above as Intra-Department Eliminations, and are eliminated from the Departmental Operating Statement.

¹ The Department was established on 1 July 2006 following an Administrative Arrangement Order dated 15 August 2006. Accordingly, 2005-06 comparative figures are not reported in the 2006-07 financial report.

Department of Territory and Municipal Services
Operating Statement for Output Class 1
Municipal Services
For the Year Ended 30 June 2007 ¹

Description

Output Class 1: 'Municipal Services' includes:

- Information Services – provides accessible public library services through branch and mobile libraries, a home library service, Customer Information Centre, website, the ACT Virtual Library, Heritage Library, and the Government and Assembly Library.
- The Office of Transport – management of the ACT's road related assets, regulation of public passenger transport, heavy vehicles, driver competency, vehicle registration, and the promotion of road user safety. Provision of public transport services and implementation of the *Sustainable Transport Plan* to promote a shift from private vehicles to alternative forms of transport.
- Waste and Recycling – provides waste management services including household garbage and recycling collection and processing, development and implementation of associated policies and programs, waste related development control, waste infrastructure development and management, and the development of the resource recovery industry in the ACT.
- Parks and Places – management of sport and recreational facilities, including urban parks, trees, lakes, sportsgrounds, and public urban open space; policy development; planning; quality control; creation, acceptance and refurbishment of assets; horticultural maintenance; cleaning; visitor programs; and tree management.
- Environment, Sustainability, Heritage and Forestry Services – develops and maintains environmental, nature conservation and heritage legislation. Provides advice on environment, bio-diversity and heritage management, and delivery of the regulatory framework. Manages the natural resources of the ACT, including protection and preservation of nature parks and reserves, plant and animal species, and delivery of the Government's sustainability policy and initiatives.
- Sport and Recreation - provides grants, programs, facilities, education and training and development of policies and legislation to maintain the capacity and capabilities of the sport and recreation sector.
- Ranger Services – implements regulatory activities to enhance the safety and cleanliness of the city, including the deployment of mobile and fixed speed cameras, facilitation of access to, and use of public places, and the encouragement of responsible pet ownership through enforcement of the *Domestic Animals Act 2000*.

	Actual ¹ 2007 \$'000	Original Budget 2007 \$'000
Income		
<i>Revenue</i>		
Government Payment for Outputs	238,993	232,085
User Charges – ACT Government	1,451	4,321
User Charges – Non-ACT Government	11,019	6,851
Interest	212	47
Resources Received Free of Charge	1,414	1,158
Other Revenue	8,882	3,872
<i>Total Revenue</i>	<u>261,971</u>	<u>248,334</u>
<i>Gains</i>		
Other Gains	14,531	56,266
<i>Total Gains</i>	<u>14,531</u>	<u>56,266</u>
Total Income	<u>276,502</u>	<u>304,600</u>
Expenses		
Employee Expenses	56,325	53,419
Superannuation Expenses	10,237	10,725
Supplies and Services	138,705	124,640
Depreciation and Amortisation	84,954	75,772
Grants and Purchased Services	62,780	61,993
Borrowing Costs	656	571
Other Expenses	6,639	2,080
Total Expenses	<u>360,296</u>	<u>329,200</u>
Operating Surplus/(Deficit)	<u>(83,794)</u>	<u>(24,600)</u>

¹ The Department was established on 1 July 2006 following an Administrative Arrangement Order dated 15 August 2006. Accordingly, 2005-06 comparative figures are not reported in the 2006-07 financial report.

Department of Territory and Municipal Services
Operating Statement for Output Class 2
Enterprise Services
For the Year Ended 30 June 2007 ¹

Description

Output Class 2: 'Enterprise Services' includes:

- . Canberra Connect – provides customer enquiry, information and bill payment services to the community through shared service shopfronts, call centre and on-line (internet based) services.
- . Government Services – incorporates businesses that provide commercial services to ACT Government agencies and the private sector, including Property, Publishing Services, Yarralumla Nursery, ACT Record Services and Capital Linen Services.

	Actual¹ 2007 \$'000	Original Budget 2007 \$'000
Income		
<i>Revenue</i>		
Government Payment for Outputs	11,687	11,565
User Charges – ACT Government	71,973	57,261
User Charges – Non-ACT Government	26,594	13,510
Interest	8	-
Resources Received Free of Charge	50	42
Other Revenue	745	1,826
<i>Total Revenue</i>	<u>111,057</u>	<u>84,204</u>
<i>Gains</i>		
Other Gains	14,122	-
<i>Total Gains</i>	<u>14,122</u>	<u>-</u>
Total Income	<u>125,179</u>	<u>84,204</u>
Expenses		
Employee Expenses	18,325	19,603
Superannuation Expenses	3,223	3,428
Supplies and Services	76,417	47,250
Depreciation and Amortisation	5,842	8,790
Grants and Purchased Services	-	-
Borrowing Costs	2,114	2,171
Other Expenses	2,634	132
Total Expenses	<u>108,555</u>	<u>81,374</u>
Operating Surplus/(Deficit)	<u>16,624</u>	<u>2,830</u>

¹ The Department was established on 1 July 2006 following an Administrative Arrangement Order dated 15 August 2006. Accordingly, 2005-06 comparative figures are not reported in the 2006-07 financial report.

Department of Territory and Municipal Services
Operating Statement for Output Class 3
ACT Tourism
For the Year Ended 30 June 2007 ¹

Description

Output Class 3: 'ACT Tourism' includes the creation and implementation of a range of marketing and development programs as well as the conduct of a number of events.

	Actual¹ 2007 \$'000	Original Budget 2007 \$'000
Income		
<i>Revenue</i>		
Government Payment for Outputs	14,135	13,836
User Charges – ACT Government	27	27
User Charges – Non-ACT Government	1,326	2,020
Interest	153	45
Resources Received Free of Charge	30	12
Other Revenue	520	4
<i>Total Revenue</i>	<u>16,191</u>	<u>15,944</u>
<i>Gains</i>		
Other Gains		-
<i>Total Gains</i>	<u>-</u>	<u>-</u>
Total Income	<u>16,191</u>	<u>15,944</u>
Expenses		
Employee Expenses	3,975	3,768
Superannuation Expenses	666	619
Supplies and Services	10,635	11,152
Depreciation and Amortisation	200	309
Grants and Purchased Services	776	200
Borrowing Costs	29	26
Other Expenses	32	-
Total Expenses	<u>16,313</u>	<u>16,074</u>
Operating Surplus/(Deficit)	<u>(122)</u>	<u>(130)</u>

¹ The Department was established on 1 July 2006 following an Administrative Arrangement Order dated 15 August 2006. Accordingly, 2005-06 comparative figures are not reported in the 2006-07 financial report.

Department of Territory and Municipal Services
Departmental Statement of Appropriation
For the Year Ended 30 June 2007 ¹

	Original Budget 2007 \$'000	Total Appropriated 2007 \$'000	Appropriation Drawn 2007 \$'000
Departmental			
Government Payment for Outputs (including Community Service Obligations)	257,486	266,665	264,815
Capital Injections	100,359	130,512	96,016
Total Departmental Appropriation	357,845	397,177	360,831

The above Departmental Statement of Appropriation should be read in conjunction with the accompanying notes.

Column Heading Explanations

The *Original Budget* column shows the amounts that appear in the Cash Flow Statement in the Budget Papers.

This amount also appears in the Cash Flow Statement of the Department.

The *Total Appropriated* column is inclusive of all appropriation variations occurring after the Original Budget.

The *Appropriation Drawn* is the total amount of appropriation received by the Department during the year. This amount appears in the Cash Flow Statement of the Department.

¹ The Department was established on 1 July 2006 following an Administrative Arrangement Order dated 15 August 2006. Therefore, there are no 2005-06 comparative figures to be reported in the 2006-07 financial report.

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**Department of Territory and Municipal Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007**

NOTE 1 OBJECTIVES OF THE DEPARTMENT OF TERRITORY AND MUNICIPAL SERVICES

Operation and Principal Activities of the Department of Territory and Municipal Services

The Department of Territory and Municipal Services (the Department) was established on 1 July 2006 following the *Administrative Arrangement Order 2006 (No 2)* of 15 August 2006. The Department provides services to the community, including the provision of whole of government information and transaction services through Canberra Connect. The Department plans, develops, manages and maintains major infrastructure such as buildings, roads and bridges, streetlights and stormwater systems, community paths, parks, nature reserves and sportsgrounds through sustainable asset management practices. The Department is also responsible for the provision of waste and recycling services, ranger services and the management of public territory and municipal open space.

The Department plays a role at the national level in the implementation of energy, water and climate change policies, and in the development of road transport reforms, regulations and compliance monitoring of road transport regulations and road user safety. As a regulator, the Department also ensures that compliance standards are maintained in areas such as heritage and the environment. The Department is responsible for providing public transport services through ACTION, developing and growing tourism in the ACT, and enhancing sport and recreation opportunities. The Department also provides a range of Government support services including Property Management and Capital Linen Services.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The *Financial Management Act 1996* requires the preparation of annual financial statements (financial report) for ACT Government Departments. The *Financial Management Act 1996* and the *Financial Management Guidelines* issued under the *Financial Management Act 1996*, requires a Department's financial report to include:

- (i) an Operating Statement for the year;
- (ii) a Balance Sheet as at the end of the year;
- (iii) a Statement of Changes in Equity for the year;
- (iv) a Cash Flow Statement for the year;
- (v) a Statement of Appropriation for the year;
- (vi) an Operating Statement for each class of output for the year;
- (vii) a summary of the significant accounting policies adopted for the year; and
- (viii) such other statements as are necessary to fairly reflect the financial operations of the Department during the year and its financial position at the end of the year.

Department of Territory and Municipal Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(a) Basis of Accounting - continued

This general-purpose financial report has been prepared to comply with 'Generally Accepted Accounting Principles' as required by the *Financial Management Act 1996*. The financial report has been prepared in accordance with:

- (i) Australian Equivalents to International Financial Reporting Standards, comprising accounting standards and UIG interpretations issued by the Australian Accounting Standards Board; and
- (ii) ACT Accounting Policies.

The financial report has been prepared using the accrual basis of accounting, which recognises the effects of transactions and events when they occur. The financial report has also been prepared according to the historical cost convention, except for certain assets which were valued in accordance with the (re)/valuation policies applicable to the Department during the reporting period.

The Department is an individual financial reporting entity. ACTION, which is included in the Department's annual report, is a separate financial reporting entity and prepares a separate financial report.

(b) Departmental and Territorial Items

The Department produces both Departmental and Territorial financial reports. The Departmental financial report includes income, expenses, assets and liabilities over which the Department has control. The Territorial financial report includes income, expenses, assets and liabilities that the Department administers on behalf of the ACT Government, but does not control.

The purpose of the distinction between Departmental and Territorial is to enable an assessment of the Department's performance against the decisions it has made in relation to the resources it controls, while maintaining accountability for all resources under its responsibility.

The basis of accounting described in paragraph (a) applies to both Departmental and Territorial financial reports except where specified otherwise.

(c) The Reporting Period

The financial report sets out the financial performance, changes in equity and cash flows of the Department for the financial year ended 30 June 2007 together with the financial position of the Department as at 30 June 2007.

**Department of Territory and Municipal Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -
CONTINUED**

(d) Comparative Figures

Budget Comparatives

Budget information for 2006-07 has been presented in the financial report to facilitate a comparison with the Budget Papers as required by the *Financial Management Act 1996*. Budget numbers in the financial report are the original budget numbers that appear in the 2006-07 Budget Papers.

Prior Year Comparatives

There are no prior year comparatives as the Department was established on 1 July 2006 following *Administrative Arrangement Order 2006 (No 2)* made on 15 August 2006.

(e) Rounding

All amounts in the financial report have been rounded to the nearest thousand dollars (\$'000). Use of “-” represents zero amounts or amounts rounded down to zero.

(f) Revenue Recognition

Revenue is recognised at the fair value of the consideration received or receivable in the Operating Statement. All revenue is recognised to the extent that it is probable that the economic benefits will flow to the Department and the revenue can be reliably measured. In addition, the following specific recognition criteria must also be met before revenue is recognised:

Rendering of Services

Revenue from the rendering of services is recognised when the stage of completion of the transaction at the reporting date can be measured reliably and the costs of rendering those services can be measured reliably.

Sale of Goods

Revenue from the sale of goods is recognised as revenue when the significant risks and rewards of ownership of the goods have transferred to the buyer. The Department retains neither continuing managerial involvement nor effective control over the goods sold and the costs incurred in respect of the transaction can be measured reliably.

Interest

Interest revenue is recognised in the Operating Statement when earned.

(g) Resources Received and Provided Free of Charge

Resources received and provided free of charge are recorded as a revenue and expense in the Operating Statement at fair value. The revenue is separately disclosed under Resources Received Free of Charge, with the expense being recorded in the line item to which it relates. Goods and services received free

**Department of Territory and Municipal Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -
CONTINUED**

(g) Resources Received and Provided Free of Charge (con't)

of charge from ACT Government agencies are recorded as resources received free of charge, whereas goods and services received free of charge from entities external to the ACT Government are recorded as donations. Services that are received free of charge are only recorded in the Operating Statement if they can be reliably measured and would have been purchased if not provided to the Department free of charge.

Resources provided free of charge are recorded at their fair value in the expense line items to which they relate.

Infrastructure assets received free of charge from the Land Development Agency and the ACT Planning and Land Authority are recorded as revenue at fair value in the Operating Statement under 'Other Gains'. A corresponding amount is recognised in the Balance Sheet under 'Property, Plant and Equipment'.

(h) Repairs and Maintenance

The Department undertakes major cyclical maintenance on its infrastructure assets. All costs involved with the major cyclical maintenance are recorded as an expense. Where the maintenance leads to an upgrade of the asset, and increases the service potential of the existing infrastructure asset, the cost is capitalised.

(i) Borrowing Costs

Borrowing costs are expensed in the period in which they are incurred. Borrowing costs include an amount required to increase the provision to meet the future restoration costs of waste landfill sites.

(j) Waivers, Impairment Losses and Write-off of Debts

Debts that are waived during the year under section 131 of the *Financial Management Act 1996* are expensed during the year in which the right to payment was waived. Further details of waivers are disclosed at Note 17 – Waivers, Impairment Losses and Write-offs.

(k) Current and Non-Current Items

Assets and liabilities are classified as either current or non-current on the face of the Balance Sheet and in the relevant notes. Assets are classified as current where they are expected to be realised within 12 months after the reporting date, the exception being Employee Benefits - refer paragraph (z). Liabilities are classified as current when they are due to be settled within twelve months after the reporting date or the Department does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Assets or liabilities not classified as current are classified as non-current.

Department of Territory and Municipal Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -
CONTINUED

(l) Impairment of Assets

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 circumstances indicate they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is the amount by which the carrying amount of an asset (or a cash-generating unit) exceeds its recoverable amount. The recoverable amount is the higher of 'fair value less the cost to sell' and its 'value in use'. An asset's 'value in use' is its depreciated replacement cost, where the asset would be replaced if the Department were deprived of its economic benefits. Non-financial assets that have previously been impaired are reviewed for possible reversal of impairment at each reporting date.

Any resulting impairment loss is recognised in the Operating Statement except where assets are carried at fair value then the impairment loss is recognised as a decrease to the asset revaluation reserve. Where the impairment loss is greater than the balance in the revaluation reserve, the difference is expensed in the Operating Statement. Also, the carrying amount of the asset is reduced to its recoverable amount.

(m) Cash and Cash Equivalents

For the purposes of the Cash Flow Statement and the Balance Sheet, cash includes cash at bank and cash on hand. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents include short-term investments held in the Cash Enhanced Portfolio managed by an external fund manager on behalf of the Central Financing Unit. Cash is measured at nominal value.

(n) Receivables

Accounts receivable (including both trade and other receivables) are initially recognised at fair value and are subsequently measured at amortised cost, with any adjustments to the carrying amount adjusted through the Operating Statement.

Trade receivables arise in the normal course of selling goods and services to other agencies and to the public. Trade receivables are payable within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

Other receivables arise from outside the normal course of selling goods and services to other agencies and to the public.

The provision for doubtful debts represents the amount of trade receivables and other receivables the Department estimates will not be repaid. The Department determines the provision for doubtful debts based on a review of receivable balances that are unlikely to be economically recovered.

**Department of Territory and Municipal Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -
CONTINUED**

(n) Receivables (con't)

The collectability of receivables is reviewed on an on-going basis. Receivables which are considered as to be uncollectible are written-off.

(o) Plantation Growing Stock

The Department has recognised the commercial softwood plantation as a biological asset in accordance with AASB141: 'Agriculture'. Management of the Forestry Estate is subject to the *Environment Protection Act 1997*, under which a specific authorisation has been issued. All activities are required to comply with the principles of the 1995 Code of Practice.

Timber is classified as being either 'pre-commercial' or 'commercial'. Pre-commercial stands are less than 15 years old and are too small to be sold for commercial purpose. Commercial stands are 15 years old or greater in age and are managed to produce commercial output. 'Commercial-beyond normal' are areas within plantations that are beyond the planned rotation length in each forest.

The cost of restoring fire affected non-Commercial Forestry land. Once fire restoration works are completed in these areas, the value of works will be revalued as part of the value of land in future years which is not subject to depreciation.

(p) Inventories

Inventories are stated at the lower of cost and net realisable value on an item-by-item basis unless otherwise stated. Inventories are recognised where their total cost or net realisable value exceeds \$2,000. The cost of inventories are assigned using the first-in, first-out method. Cost comprises the purchase price of inventory as well as transport, handling and other costs directly attributable to the acquisition of that inventory.

Net realisable value is determined using the estimated sales proceeds less costs incurred in marketing, selling and distribution to customers.

(q) Assets Held for Sale

Assets held for sale are assets that are available for immediate sale in their present condition, and their sale is highly probable.

Assets held for sale are measured at the lower of the carrying amount and fair value less costs to sell. An impairment loss is recognised for any initial or subsequent write down of the asset to fair value less cost to sell. Assets held for sale are not depreciated.

Department of Territory and Municipal Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -
CONTINUED**

(r) Investment Properties

Investment properties are measured at fair value in accordance with Accounting Standard AASB 140: 'Investment Property', which is the amount the asset, could be exchanged between knowledgeable, willing parties in an arm's length transaction. The fair value of investment properties was determined by an independent valuation undertaken by the Australian Valuation Office as at 30 June 2007.

Investment properties are valued annually with any increase/decrease being recorded in the Operating Statement.

(s) Acquisition and Recognition of Property, Plant and Equipment

Property, plant and equipment are initially recorded at cost. Cost includes the purchase price, directly attributable costs and the estimated cost of dismantling and removing the item and restoring the site on which it is located.

Property, plant and equipment acquired at no or minimal cost is recognised at fair value.

Where property, plant and equipment is acquired at no or nominal cost by the Department as part of a restructuring of Administrative Arrangements, it is taken up at the value recorded by the transferor prior to transfer.

Non-current property, plant and equipment costing less than \$5,000 are not capitalised unless they form part of a group of similar items that are significant in total.

(t) Measurement of Property, Plant and Equipment After Initial Recognition

Property, plant and equipment are valued using the cost or revaluation model of valuation. Property, plant and equipment is measured at fair value where the assets are integral to risk management decisions and values can be reliably assessed. Assets that are not revalued are carried at deemed cost.

Fair value is the amount for which an asset could be exchanged between knowledgeable willing parties in an arms length transaction. Fair value is a market price in an active market where a market price is available for that asset (or a similar asset), as this is the best evidence of an asset's fair value.

The Department measures land and buildings at fair value using valuations provided by the Australian Valuation Office.

Where the market price of an asset cannot be obtained, because of its specialised nature, the Department estimates fair value using the depreciated replacement cost approach.

This approach is applicable to infrastructure assets which are measured at fair value using the depreciated replacement cost approach.

If at any time management considers that the carrying amount of an asset materially differs from its fair value, the assets will be revalued regardless of when the last valuation took place.

**Department of Territory and Municipal Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -
CONTINUED**

(t) Measurement of Property, Plant and Equipment After Initial Recognition (con't)

When an asset is revalued, the value of the asset and its accumulated depreciation at the date of revaluation is written-back against the asset revaluation reserve for that asset class. The revalued amount, including accumulated depreciation, is then restated in property, plant and equipment. Property, plant and equipment acquired between revaluations are held at cost until the next valuation.

The Department revalues its assets every three years under a rolling program.

(u) Intangible Assets

The Department's intangible assets relate to internally developed and externally acquired software for internal use.

Software is recognised and capitalised when:

- (a) it is probable that the expected future economic benefits that are attributable to the software will flow to the Department; and
- (b) the cost of the software can be measured reliably; and
- (c) the acquisition cost is equal to or exceeds \$50,000.

Capitalised software has a finite useful life. Software is amortised on a straight-line basis over its useful life, over a period not exceeding five years. Software is carried at cost and is not subject to revaluation.

(v) Depreciation and Amortisation of Non-Current Assets

Non-current assets with a limited useful life are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential. The useful life commences when an asset is ready for use. When an asset is revalued it is depreciated/amortised over the remaining useful life of that asset. Amortisation is used in relation to intangible assets while depreciation is applied to physical assets such as buildings, infrastructure assets, and plant and equipment. Land and road earthworks have an infinite useful life and are therefore not depreciated.

Leasehold improvements and leased motor vehicles are depreciated over the estimated useful life of each asset improvement, or the unexpired period of the relevant lease, whichever is shorter.

**Department of Territory and Municipal Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -
CONTINUED**

(v) Depreciation and Amortisation of Non-Current Assets (con't)

Depreciation/amortisation for non-current assets is determined as follows:

Class of Asset	Depreciation/ Amortisation Method	Useful Life (Years)
Land	Not Applicable	Infinite
Land Restoration	Straight Line	30 – 50
Buildings	Straight Line	5 – 100
Leasehold Improvements	Straight Line	5-10 (or period of lease if shorter)
Plant and Equipment	Straight Line	5 – 20
Heritage and Community	Straight Line	5 – 100
Infrastructure (excluding road earthworks)	Straight Line	10 – 100
Road Earthworks	Not Applicable	Infinite
Externally Purchased Intangibles	Straight Line	2 – 5
Internally Generated Intangibles	Straight Line	2 – 5

The useful lives of all major assets held by the Department are reassessed on an annual basis.

(w) Payables

Payables are a financial liability and are measured at the fair value of the consideration received when initially recognised and at amortised cost subsequent to initial recognition, with any adjustments to the carrying amount going through the Operating Statement. All amounts are normally settled within 30 days after an invoice is received.

Payables include Trade Payables, Accrued Expenses and Other Payables.

Trade Payables represent the amounts owing for goods and services received prior to the end of the reporting period and unpaid at the end of the reporting period and relating to the normal operations of the Department.

Accrued Expenses represent goods and services provided by other parties during the period that are unpaid at the end of the reporting period and where an invoice has not been received by period end.

Other Payables are those unpaid invoices that do not arise out of normal course of Departmental operations.

**Department of Territory and Municipal Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –
CONTINUED**

(x) Interest-Bearing Liabilities

Interest-bearing liabilities are a financial liability measured at the fair value of the consideration received when initially recognised and at amortised cost subsequent to initial recognition, with any adjustments to the carrying amount going through the Operating Statement. The associated interest expense is recognised in the reporting period in which it occurs.

(y) Leases

Finance Leases

Finance leases effectively transfer to the Department substantially all the risks and rewards incidental to ownership of the leased assets. The title may or may not eventually be transferred. Finance leases are initially recognised as an asset and a liability at the lower of the fair value of the property and the present value of the minimum lease payments each being determined at the inception of the lease. The discount rate used to calculate the present value of the minimum lease payments is the interest rate implicit in the lease. Leased assets are depreciated over the shorter of the assets useful life and lease term. Leased assets are depreciated on a straight-line basis. Each lease payment is allocated between interest expense and a reduction of the lease liability. Lease liabilities are classified as both current and non-current.

Operating Leases

Operating leases do not effectively transfer to the Department substantially all the risks and rewards incidental to ownership of the leased asset. Operating lease payments are recognised as an expense in the Operating Statement on a straight-line basis over the term of the lease.

(z) Employee Benefits

Employee benefits include wages and salaries, annual leave and long service leave. These benefits accrue as a result of services provided by employees up to the reporting date that remain unpaid. They are recorded as a liability and as an expense.

Accrued wages and salaries are measured at the amount that remains unpaid to employees at the end of the reporting period. Annual leave and long service leave that falls due wholly within the next 12 months are measured based on the amount of remuneration anticipated to be paid when the leave is taken. Annual leave and long service leave that does not fall due wholly within the next 12 months is measured at present value. The Department uses a shorthand approach whereby a net factor of 0.95 is applied to the Department's amount of long service leave liability in order to estimate the present value. Present value is also calculated with reference to the length of qualifying service. For employees with less than 7 years of required qualifying service, the liability is estimated using another shorthand approach where a 100% liability is recorded for employees with 5 or more years of service and 0% for employees with less than five years of service. This approach is an approximation process to recognise the probable liability that will eventuate for officers with less than 7 years of service, when 7 years of service is achieved.

**Department of Territory and Municipal Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -
CONTINUED**

Annual leave and long service leave liabilities are disclosed as current liabilities on the face of the Balance Sheet where there are no unconditional rights to defer the settlement of the liability for at least 12 months. However, where there is an unconditional right to defer settlement of the liability for at least 12 months, annual leave and long service leave have been classified as a non-current liability on the face of the Balance Sheet.

(aa) Superannuation

Superannuation expense payments are made to the Superannuation Unit each year, to cover the Department's superannuation liability for the Commonwealth Superannuation Scheme (CSS) and the Public Sector Superannuation Scheme (PSS). This payment covers the CSS/PSS employer contribution (but does not include the 3% productivity). The 3% productivity component is paid direct to Comsuper by the Department. The CSS and PSS are defined benefit superannuation plans meaning that the defined benefits received by employees are based on the employee's years of service and average final salary.

Superannuation expense payments have also been made directly to superannuation funds for those members of the Public Sector who are part of superannuation accumulation schemes. This includes the Public Sector Superannuation Scheme Accumulation Plan (PSSAP) and schemes of employee choice.

Superannuation employer contribution expense payments, for the CSS and PSS, are calculated, by taking the salary level at an employee's anniversary date and multiplying it by the notional CSS or PSS employer contribution rate for each employee. Superannuation expense payments for the PSSAP are calculated by taking the salary level, at an employee's anniversary date, and multiplying it by the appropriate employer contribution rate. Superannuation expense payments for work choice arrangements is calculated by taking an employee's salary each pay and multiplying it by the appropriate employer contribution rate.

A superannuation liability is not recognised on the Balance Sheet as the Superannuation Unit recognises the total Territory superannuation liability for the CSS and PSS and Comsuper and other schemes and carries the superannuation liability for the PSSAP and other schemes respectively.

The ACT Government is liable for the reimbursement of the emerging costs of benefits paid each year to members of the CSS and PSS in respect of the ACT Government Service provided after 1 July 1989. These reimbursement payments are made by the Superannuation Unit.

(ab) Equity Contributed by the ACT Government

Contributions made by the ACT Government, through its role as owner of the Department are treated as contributions of equity.

Increases or decreases in net assets as a result of administrative restructures are also recognised in equity.

Department of Territory and Municipal Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -
CONTINUED**

(ac) Insurance

Major risks are insured through the ACT Insurance Authority. The excess payable, under this arrangement, varies depending on each class of insurance held.

(ad) Significant Accounting Judgements and Estimates

AASB 101: 'Presentation of Financial Statements' requires all key assumptions concerning the future, that have a significant risk of causing material adjustments to carrying amounts of assets and liabilities within the next reporting period to be disclosed.

In determining the carrying amount of some assets and liabilities, the Department has made a number of significant estimates and judgements. These are outlined below:

- (1) *Assets received from other ACT Government agencies:* Assets received from other ACT Government agencies totalling \$15.7m are disclosed in Note 9 to the financial report. These assets are valued based on advice from the transferring agencies and predominantly relate to completed infrastructure assets transferred to the Department for management and maintenance. Asset details and final valuations for these assets are subject to formal asset acceptance of works as executed which could take more than 12 months to ascertain.
- (2) *Infrastructure Assets:* Infrastructure assets totalling \$4,527.9m are predominately valued based on depreciated replacement cost by writing down gross replacement values to take account of the age and general condition of assets. Asset conditions are assumed to correlate to the age of the assets which predominantly is based on the age of the suburb.
- (3) *Land and Buildings:* Land and buildings totalling \$481.6m are valued on a fair value basis by the Australian Valuation Office.
- (4) *Depreciation/Amortisation:* Depreciation of property, plant and equipment totalling \$87.5m is based on the estimated useful life of these assets. The estimated useful life of property, plant and equipment is reassessed each year and adjusted when the condition and other factors affecting the useful life of the assets warrant revision. This estimation is the period in which utility will be gained from the use of the asset, based on either estimates from officers of the Department or the Australian Valuation Office.
- (5) *Employee Benefits:* The Long Service Leave liability was calculated using the ACT Government's present value shorthand method and the probability factor shorthand method to estimate this liability. Further details in relation to the calculation of this estimate are outlined in Note 2(z) – Employee Benefits.

Department of Territory and Municipal Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -
CONTINUED**

(ad) Significant Accounting Judgements and Estimates (con't)

(6) *Plantation Growing Stock:* Plantation values have been determined in accordance with an independent valuation performed by an expert consultant (Forsci Pty Ltd). The sustainable yield of the plantations is determined by the professional judgement and expertise of management. Pre-commercial stock is valued at the compounded costs of establishment plus annual costs of management. Commercial stock is valued at estimated value on liquidation to the Department using statistical estimation of grade, age, class, volume, site characteristics and other key attributes based on the following key assumptions:

- Compounding interest rate is set at 7%.
- Product distributions within the standing timber volumes are based on historic distributions.
- Prices for products are based on agreed sale prices with mills, after deducting harvesting and transport costs.

(7) *Impairment of Assets:* Assets are assessed to have been impaired having regard to a number of factors including obsolescence, future continuing use and physical damage based on management assessment.

(8) *Investment Properties:* Certain properties held by the Department have been classified as Investment Properties in accordance with AASB 140: Investment Property having regard to the nature of the tenancy and current ACT Government policies and directives.

(9) *Provision for Restoration of Waste Landfill Sites:* The Department has continued to use cost discounted to present value modelling for the provisions for future restoration and remediation of the two Landfill sites: Mugga Lane in approximately 2024 and Belconnen in approximately 2009.

(10) *Allowance for doubtful debts:* Allowance for doubtful debts in relation to Territorial Amounts Receivables principally relate to red light camera, speed camera and traffic infringements. The provision is made on the basis of the amount of outstanding debt from the previous financial year for the categories of ACT, Interstate, Diplomatic/privileged, ACT Government and Commonwealth Government. The amount that remains uncollected for each category is used to determine a percentage to be applied to the debt for the current financial year. A further calculation is made to reduce the provision to reflect the fact that debts that have been written-off will be paid, again using a percentage derived from the previous year's experience. While the debt is written-off in the financial report, these are not written-off in the rego.act system and are still collected where possible.

**Department of Territory and Municipal Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007**

NOTE 3 CHANGE IN ACCOUNTING POLICIES

There have been no major changes to accounting policies applicable for the 2006-07 financial year.

Department of Territory and Municipal Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007

NOTE 4 GOVERNMENT PAYMENT FOR OUTPUTS

Government Payment for Outputs is revenue received from the Government to fund the costs of delivering outputs. Government Payment for Outputs is drawn down on a 'just in time basis' consistent with the new cash management framework.

	2007
	\$'000
Revenue from the ACT Government	
Government Payment for Outputs	210,015
Government Payment for Community Service Obligations ^{a)}	54,800
Total Government Payment for Outputs	264,815

a) CSO General Subsidies Plant Issue Scheme, CSO Pricing - Transport, CSO School Services - Transport, General Route Off Peak - Transport

NOTE 5 USER CHARGES

User-charge revenue is derived by providing goods and services to other ACT Government agencies and to the public. User-charge revenue is not part of government appropriation and is paid by the user of the goods or services either on a market price or cost recovery basis.

	2007
	\$'000
User Charges – ACT Government	
User Charges - ACT Government ^{a)}	73,412
Total User Charges – ACT Government	73,412
User Charges – Non-ACT Government	
Sales	899
Service Receipts (Non-ACT Government) ^{b)}	16,598
Rent from Tenants ^{c)}	3,110
Total User Charges - Non-ACT Government	20,607
Total User Charges for Goods and Services	94,019

a) User Charges ACT Government primarily relates to property management.

b) Service Receipts (Non-ACT Government) relates to facilities management for private sector clients.

c) Rent from Tenants relates to property management Non-ACT Government

Department of Territory and Municipal Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007

NOTE 6 INTEREST

	2007
	\$'000
Revenue from within the ACT Government	
Interest Received from the Central Financing Unit	206
Total Interest Received from within ACT Government	<u>206</u>
Revenue from Other Sources	
Interest Received from Banks	166
Total Interest Received from Other Sources	<u>166</u>
Total Interest Received	<u><u>372</u></u>

NOTE 7 RESOURCES RECEIVED FREE OF CHARGE

Resources received free of charge relate to goods and/or services being provided free of charge from other agencies within the ACT Government.

	2007
	\$'000
Revenue from within the ACT Government	
Department of Justice and Community Safety - Legal Services	1,105
Emergency Services Authority - Support Charges	353
Legislative Assembly Secretariat - Library Expenses	36
Total Resources Received Free of Charge	<u><u>1,494</u></u>

Department of Territory and Municipal Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007

NOTE 8 OTHER REVENUE

	2007
	\$'000
Revenue from Other Sources	
Commonwealth Government Grants	3,237
Taxes, Fees and Fines ^{a)}	2,244
Other ^{b)}	4,666
Total Revenue from Other Sources	10,147
Total Other Revenue	10,147

a) Domestic Tip Fees and Library Fines

b) Includes Insurance Receipts for Stormwater damage to Road Infrastructure and reimbursment for Voluntary Redundancies

NOTE 9 OTHER GAINS

Other gains are one-off or more unusual transactions which are not part of the Department's operating activities. Other gains are distinct from other revenue, as other revenue arises from the core activities of the Department.

	2007
	\$'000
Gain on Plantation Stock	3,728
Gain on Investment Properties	9,200
Assets Received from other ACT Government Agencies ^{a)}	15,694
Gain on Sale of Assets	31
Total Other Gains	28,653

a) Infrastructure transfer from Land Development Agency and ACTPLA and surplus properties from various Government Agencies

Department of Territory and Municipal Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007

NOTE 10 EMPLOYEE EXPENSES

	2007
	\$'000
Wages and Salaries	68,975
Annual Leave	2,427
Long Service Leave	1,483
Comcare Premium	1,186
Termination	3,763
Other Employee Benefits and On-Costs	791
Total Employee Expenses	78,625

NOTE 11 SUPERANNUATION EXPENSES

The Department receives funding for superannuation payments as part of the Government Payment for Outputs. The Department then makes payments on a fortnightly basis to the Superannuation Unit for its portion of the Territory's CSS and PSS superannuation liability. The productivity benefit for the schemes are paid directly to ComSuper.

	2007
	\$'000
Superannuation Contributions	11,580
Productivity Benefit	2,546
Total Superannuation Expenses	14,126

Department of Territory and Municipal Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007

NOTE 12 SUPPLIES AND SERVICES

	2007
	\$'000
Professional Services (eg contractors and consultants)	87,528
Building and Facilities Operating Costs	39,991
Repairs and Maintenance (eg parks, roads and property)	20,489
Information Technology and Communications	15,475
Consumables	8,737
Operating Lease Costs	10,096
Insurance	7,238
Communication, Printing and Publications	7,366
Cost of Goods Sold	2,656
Contributions to Projects	1,899
Legal Costs	1,322
Other Human Resource Costs	1,002
Membership and Associations	929
Staff Development and Training	912
Bank Fees and Charges	450
Other Supplies and Services	4,367
Total Supplies and Services	210,457

NOTE 13 DEPRECIATION AND AMORTISATION

	2007
	\$'000
Depreciation	
Land Restoration	227
Buildings	5,510
Infrastructure Assets	71,488
Plant and Equipment	3,063
Community and Heritage Assets	5,831
Leasehold Improvements	1,415
Total Depreciation	87,534
Amortisation	
Intangible Assets	3,461
Total Amortisation	3,461
Total Depreciation and Amortisation	90,995

Department of Territory and Municipal Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007

NOTE 14 GRANTS AND PURCHASED SERVICES

Grants are amounts provided by the Department to ACT Government entities and non-ACT Government entities for general assistance or for a particular purpose. Grants may be for capital, current or recurrent purposes and the name or category reflects the use of the grant. The grants given are usually subject to terms and conditions set out in the contract, correspondence, or by legislation.

Purchased services are amounts paid to obtain services from other ACT Government agencies and external parties.

	2007
	\$'000
Payments to Service Providers - ACTION	54,655
Grants to Community Organisations	8,901
Total Grants and Purchased Services	63,556

NOTE 15 BORROWING COSTS

	2007
	\$'000
Interest on Borrowings	2,094
Finance Charges on Finance Leases	169
Borrowing Cost for Land Restoration	537
Total Borrowing Cost	2,800

NOTE 16 OTHER EXPENSES

	2007
	\$'000
Expensing of Capital Works in Progress	134
Transfer of Assets to Other ACT Government Agencies	250
Bad and Doubtful Debts Expense	254
Waivers Impairment Losses and Write-offs (see Note 17)	4,883
Loss on Disposal of Assets	23
Other Expenses	689
Total Other Expenses	6,233

Department of Territory and Municipal Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007

NOTE 17 WAIVERS, IMPAIRMENT LOSSES AND WRITE-OFFS

Under Section 131 of the *Financial Management Act 1996* the Treasurer may, in writing, waive the right to payment of an amount payable to the Territory.

A waiver is the relinquishment of a legal claim to a debt over which the Department has control. The write-off of a debt is the accounting action taken to remove a debt from the books but does not relinquish the legal right of the Department to recover the amount. The write-off of debts may occur for reasons other than waivers.

The waivers, impairment losses and write-offs listed below have occurred during the reporting period for the Department.

	2007
No.	\$'000
Waivers	
Waivers	1 22
Total Waivers	1 22
Impairment Losses	
Land *	1 900
Building *	1 842
Infrastructure **	3 261
Total Impairment Losses	5 2,003
Write-offs	
Losses or Deficiencies in Public Monies	10 2
Irrecoverable Debts	107 92
Obsolete Stock***	167,685 2,764
Total Write-offs	167,802 2,858
Total Waivers and Write-offs	167,808 4,883

*Losses associated with the impairment of the O'Connell Education Centre.

** Losses associated with the impairment of infrastructure including Tharwa Bridge, Tharwa Bridge Road and O'Connell Education Centre.

*** Includes predominantly library materials

NOTE 18 ACT OF GRACE PAYMENTS

There were no Act of Grace payments made during the reporting period pursuant to Section 130 of the *Financial Management Act 1996*.

Department of Territory and Municipal Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007

NOTE 19 AUDITOR'S REMUNERATION

Auditor's remuneration includes financial audit services provided to the Department by the ACT Auditor-General's Office to conduct the financial audit. This note does not include internal audit costs.

No other services were provided by the ACT Auditor-General's Office.

	2007
	\$'000
Audit Services	
Audit Fees Paid to the ACT Auditor-General's Office	471
Total Audit Fees	<u>471</u>
Total Auditor's Remuneration	<u><u>471</u></u>

NOTE 20 CASH AND CASH EQUIVALENTS

The Department holds a number of bank accounts with the Commonwealth Bank as part of the whole-of-government banking arrangements. As part of these arrangements the Department receives no interest on the majority of these accounts.

	2007
	\$'000
Cash on Hand	678
Cash at Bank	18,415
Investments with the Central Financing Unit - Cash Enhanced Portfolio	339
Total Cash and Cash Equivalents	<u><u>19,432</u></u>

Department of Territory and Municipal Services
Notes to and Forming Part of the Financial Report
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NOTE 21 RECEIVABLES

	2007
	\$'000
Current Receivables	
Trade Receivables	11,517
Less: Allowance for Doubtful Debts	(162)
	<u>11,355</u>
Other Receivables	27,217
Less: Allowance for Doubtful Debts	(203)
	<u>27,014</u>
Accrued Revenue	4,518
Net Goods and Services Tax Receivable	4,840
	<u>9,358</u>
Total Current Receivables	<u>47,727</u>
Total Receivables	<u><u>47,727</u></u>
Aging of Receivables	
Receivables are Aged as Follows:	
Not Overdue	43,341
Overdue for less than 30 Days	1,787
Overdue for 30 to 60 Days	921
Overdue for more than 60 Days	2,043
Less: Total Allowance for Doubtful Debts	(365)
Total Receivables	<u><u>47,727</u></u>

Department of Territory and Municipal Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007

NOTE 21 RECEIVABLES - CONTINUED

	2007
	\$'000
Split of Government/Non-Government Receivables	
Receivables from Other ACT Government Agencies	
Net Trade Receivables	7,791
Net Other Receivables	867
Accrued Revenue	1,334
Total Receivables from Other ACT Government Agencies	9,992
Receivables from Entities Outside Government	
Net Trade Receivables	3,564
Net Other Receivables	26,147
Accrued Revenue	3,184
Net GST Receivable	4,840
Total Receivables with Entities Outside Government	37,735
Total Receivables	47,727

NOTE 22 INVENTORY

	2007
	\$'000
Current Inventory	
Raw Materials	1,202
Finished Goods	2,603
Total Current Inventory	3,805
Total Inventory	3,805

Department of Territory and Municipal Services
Notes to and Forming Part of the Financial Report
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NOTE 23 ASSETS HELD FOR SALE

Two buildings have been identified as surplus and have therefore been classified as 'assets held for sale'. These assets are being held while remediation works are undertaken pending transfer to the Land Development Agency for sale.

	2007
	\$'000
Land	900
Buildings	351
Total Assets Held for Sale	1,251

Represented by:

Kama Homestead Land	500
Fassifern Land	400
Kama Homestead Building	176
Fassifern Building	175
Total Assets Held for Sale	1,251

NOTE 24 INVESTMENT PROPERTIES

The Department manages the Australian Capital Territory's commercial buildings, leases commercial buildings on behalf of the Territory, manages government office accommodation at whole-of-government level, and manages properties that have become surplus to government agencies services delivery needs.

In accordance with AASB140: 'Investment Property', the Department has classified properties as investment property if they would normally be tenanted by commercial organisations or are held for capital appreciation or both. Investment property is held at fair value based upon independent valuations undertaken by the Australian Valuation Office.

The sale of investment property is dependent on land use restrictions and is subject to ACT Government policies and directives.

There are no contractual obligations to construct, purchase or develop investment properties. Further, the Department does not have any contractual obligation for the repair, maintenance or enhancement of its investment properties.

	2007
	\$'000
Land at Fair Value	31,375
Total Land at Fair Value	31,375
Buildings at Fair Value	35,636
Total Buildings at Fair Value	35,636
Total Investment Properties	67,011

Department of Territory and Municipal Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007

NOTE 24 INVESTMENT PROPERTIES - CONTINUED

	2007
	\$'000
Income and Expense from Investment Properties	
Rental Income	898
Less: Direct operating expenses of Investment Properties that generated investment income	(893)
Less: Direct operating expenses of Investment Properties that did not generate investment income	(145)
Total Operating Deficit from Investment Properties	(140)

Leasing of Investment Properties

Investment Properties held by the Department are leased to private sector entities under long-term operating leases with rental income being received quarterly. These operating leases are non-cancellable. The minimum lease payments resulting from the leasing of investment properties that are not recognised in the financial report are as follows:

	2007
	\$'000
Within One Year	501
Later than One Year but not Later than 5 Years	2,353
Later than 5 Years	1,348
Total	4,202

Reconciliation of Investment Properties

The following table shows the movement of investment properties during 2006-07.

	Land	Buildings	Total
	\$'000	\$'000	\$'000
Carrying Amount at the Beginning of the Reporting Period	-	-	-
Net Gain on Revaluation	7,970	1,230	9,200
Other Movements	23,405	34,406	57,811
Carrying Amount at the End of the Reporting Period	31,375	35,636	67,011

The increase in investment properties is due to an increase in the value of existing investment properties from revaluation and investment properties being transferred from other ACT Government agencies to the Department.

Department of Territory and Municipal Services
Notes to and Forming Part of the Financial Report
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NOTE 25 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment includes the following classes of assets – land, buildings, leasehold improvements, plant and equipment, infrastructure assets, and heritage and community assets. Property, plant and equipment does not include assets held for sale or investment property.

- *Land* includes leasehold land held by the Department but excludes land under infrastructure.
- *Buildings* include office buildings and warehouses.
- *Leasehold improvements* represent capital expenditure incurred in relation to leased assets. This includes fit-outs of leased buildings.
- *Plant and equipment* includes leased cars, mobile plant, air conditioning and heating systems, office and computer equipment, furniture and fittings, and other mechanical and electronic equipment.
- *Infrastructure assets* comprise public utilities that provide essential services and enhance the productive capacity of the economy. Infrastructure assets held include roads, bridges, stormwater assets, carparks, streetlights, community paths, traffic signals, driveways, signs and barriers. Land under infrastructure is not included in infrastructure assets.
- *Heritage assets* are defined as those non-current assets that Government intends to preserve indefinitely because of their unique historical, cultural or environmental attributes. A common feature of heritage assets is that they cannot be replaced and they are not usually available for sale or redeployment. Heritage assets held include art, museum and library collections, historical buildings, memorials, and other certain land that will be preserved in its existing state to maintain the intrinsic value of the Territory.
- *Community assets* are those assets that are provided essentially for community use or services. Community assets held include public parks and gardens, public sporting reserves, public nature reserves and land under infrastructure.
- *Trees.* In addition to property, plant and equipment (as detailed on the following pages), the Department manages trees in urban open spaces in Canberra. The financial report excludes recognition of any value for these trees. However, the Department has established the following valuation based upon replacement costs determined as at 30 June 2007.

Trees in Urban Open Space	2007	2007
	Number	Actual
	of Trees	Value
	'000	\$'000
Native Species	263	47,367
Exotic Species	371	126,122
	634	173,489

Department of Territory and Municipal Services
Notes to and Forming Part of the Financial Report
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NOTE 25 PROPERTY, PLANT AND EQUIPMENT - CONTINUED

	2007
	\$'000
LAND	
Land at Cost	3,215
Land Restoration (waste landfill sites)	7,482
Total Land at Cost	10,697
Land at Independent Valuation - valued by Australian Valuation Office in 2007	185,684
Land Restoration at Department Valuation (waste landfill sites)	7,898
Less: Accumulated Depreciation - Land Restoration (waste landfill sites)	(6,576)
Total Land at Valuation	187,006
Total Written-Down Value of Land	197,703
BUILDINGS	
Buildings at Cost	1,454
Less: Accumulated Depreciation	(134)
Total Buildings at Cost	1,320
Buildings at Independent Valuation - valued at 2007	275,585
Less: Accumulated Depreciation	(193)
Total Buildings at Valuation	275,392
Total Written-Down Value of Buildings	276,712
LEASEHOLD IMPROVEMENTS	
Leasehold Improvements at Cost	15,697
Less: Accumulated Depreciation	(9,461)
Total Leasehold Improvements at Cost	6,236
Total Written-Down Value of Leasehold Improvements	6,236
PLANT AND EQUIPMENT	
Plant and Equipment Under Finance Leases	
Plant and Equipment at Cost	11,734
Less: Accumulated Depreciation	(10,362)
Total Plant and Equipment Under Finance Leases at Cost	1,372

Department of Territory and Municipal Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007

NOTE 25 PROPERTY, PLANT AND EQUIPMENT - CONTINUED

	2007
	\$'000
Other Plant and Equipment	
Plant and Equipment at Cost	38,400
Less: Accumulated Depreciation	(22,371)
Total Other Plant and Equipment	16,029
Total Written-Down Value of Plant and Equipment	17,401
 INFRASTRUCTURE ASSETS	
Roads	
Roads at Valuation - valued by the Department in 2006	2,842,388
Less: Accumulated Depreciation	(1,009,215)
Total Roads at Valuation	1,833,173
 Roads at Cost	 47,044
Less: Accumulated Depreciation	(70)
Total Roads at Cost	46,974
Total Written-Down Value of Roads	1,880,147
 Bridges	
Bridges at Valuation - valued by the Department in 2007	696,358
Total Bridges at Valuation	696,358
 Bridges at Cost	 21,730
Total Bridges at Cost	21,730
Total Written-Down Value of Bridges	718,088
 Stormwater Assets	
Stormwater Assets at Valuation - valued by the Department in 2007	1,516,831
Total Stormwater at Valuation	1,516,831

Department of Territory and Municipal Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007

NOTE 25 PROPERTY, PLANT AND EQUIPMENT - CONTINUED

	2007
	\$'000
Stormwater Assets at Cost	1,994
Total Stormwater at Cost	1,994
Total Written-Down Value of Stormwater Assets	1,518,825
Cyclepaths and Footpaths	
Cyclepaths and Footpaths at Valuation - valued by the Department in 2007	42,519
Total Cyclepaths and Footpaths at Valuation	42,519
Cyclepaths and Footpaths at Cost	386
Total Cyclepaths and Footpaths at Cost	386
Total Written-Down Value of Cyclepaths and Footpaths	42,905
Other Infrastructure	
Other Infrastructure at Valuation - valued by the Department 2007	363,201
Less: Accumulated Depreciation	(67,880)
Less: Accumulated Impairment (Losses)	(2,770)
Total Other Infrastructure at Valuation	292,551
Other Infrastructure at Cost	15,217
Less: Accumulated Depreciation	(494)
Total Other Infrastructure at Cost	14,723
Total Written-Down Value of Other Infrastructure	307,274
Total Written-Down Value of Infrastructure	4,467,239

Department of Territory and Municipal Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007

NOTE 25 PROPERTY, PLANT AND EQUIPMENT - CONTINUED

	2007 \$'000
HERITAGE AND COMMUNITY ASSETS	
Land (Heritage and Community Assets)	
Land (Heritage and Community Assets) at Cost	89,067
Total Land (Heritage and Community Assets) at Cost	89,067
Library Materials	
Library Materials at Cost	1,184
Total Library Materials at Cost	1,184
Library Materials at Independent Valuation in 2006	16,198
Less: Accumulated Depreciation	(9,620)
Total Library Materials at Valuation	6,578
Specific Community and Heritage Assets at Cost	
The following assets are included with a nominal value of \$1,000 each	
Parks in the ACT, not otherwise shown	1
Acton Jetty	1
Lake Ginninderra	1
Lake Tuggeranong	1
Molonglo Reach	1
Rose Cottage	1
Other Infrastructure	1
Total Specific Community and Heritage Assets at Cost	7
Other Community and Heritage Assets	
Miscellaneous improvements in ACT community and heritage parks and reserves (eg landscaping, playgrounds, flagpoles, barbeques)	
Other Community and Heritage Assets at Cost	123,349
Less: Accumulated Depreciation	(35,501)
Total Other Community and Heritage Assets at Cost	87,848
Summary of Community and Heritage Assets at Valuation	
Community and Heritage Assets at Valuation	16,198
Less: Accumulated Depreciation	(9,620)
Total Written-Down Value of Community and Heritage Assets at Valuation	6,578
Summary of Community and Heritage Assets at Cost	
Community and Heritage Assets at Cost	213,600
Less: Accumulated Depreciation	(35,501)
Total Written-Down Value of Community and Heritage Assets at Cost	178,099
TOTAL WRITTEN-DOWN VALUE OF PROPERTY, PLANT AND EQUIPMENT	5,149,968

Department of Territory and Municipal Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007

NOTE 25 PROPERTY, PLANT AND EQUIPMENT - CONTINUED

Reconciliation of Property, Plant and Equipment

The following table shows the movement of Property, Plant and Equipment during 2006-07.

	Land	Buildings	Leasehold	Plant and	Infrastructure	Heritage and	Total
	\$'000	\$'000	Improvements	Equipment	Assets	Community	\$'000
				\$'000	\$'000	Assets	\$'000
Carrying Amount at the Beginning of the Reporting Period							
Additions	-	-	-	-	-	-	-
Revaluation Increment	7,482	758	1,579	3,961	69,962	7,899	91,641
Depreciation	64,296	77,298	-	708	441,428	-	583,730
Acquisition through Administrative Restructuring	(227)	(5,510)	(1,415)	(3,063)	(71,488)	(5,831)	(87,534)
Acquisition through Transfers	18,944	27,551	647	3,798	1,579	5,720	58,239
Impairment (Losses) recognised in the Operating Result	109,008	177,817	5,426	12,155	4,026,019	178,398	4,508,823
Asset Classified as Held for Sale	(900)	(842)	-	-	(261)	-	(2,003)
Other Movements	(900)	(351)	-	-	-	-	(1,251)
	-	(9)	(1)	(158)	-	(1,509)	(1,677)
Carrying Amount at the End of the Reporting Period	197,703	276,712	6,236	17,401	4,467,239	184,677	5,149,968

Department of Territory and Municipal Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007

NOTE 26 INTANGIBLE ASSETS

The Department has internally generated software with the total as shown below:

	2007
	\$'000
Computer Software	
<i>Internally Generated Software</i>	
Computer Software at Cost	12,812
Less: Accumulated Amortisation	(7,464)
<i>Total Internally Generated Software</i>	<u>5,348</u>
Total Computer Software	<u>5,348</u>
Total Intangible Assets	<u><u>5,348</u></u>

Reconciliation of Intangible Assets

The following table shows the movement of each class of Intangible Asset distinguishing between internally generated and externally purchased intangibles from the beginning to the end of 2006-07.

	Internally Generated Software \$'000	Total \$'000
Carrying Amount at the Beginning of the Reporting Period	-	-
Additions	1,530	1,530
Amortisation	(3,457)	(3,457)
Other (Transfers to the Department etc)	7,275	7,275
Carrying Amount at the End of the Reporting Period	<u><u>5,348</u></u>	<u><u>5,348</u></u>

Department of Territory and Municipal Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007

NOTE 27 PLANTATION GROWING STOCK

	2007 \$'000
Non Current Plantation Growing Stock	
Standing Timber - at Independent Valuation	32,710
Total Non-Current Plantation Growing Stock ¹	32,710
Represented by:	
	2007 \$'000
Plantations	
Plantation <i>total start value</i> (1 July 2006)	28,982
Pre-commercial start value	12,488
New plantings (48.4 ha)	4,670
Loss (movement of 1992 age class to commercial)	(1,766)
End balance of <i>pre-commercial</i> plantations	15,392
Commercial plantations start value (1 July 2006)	15,580
Increase (movement of 1992 age class from pre-commercial)	532
Increase from plantation growth (increment)	292
Loss from harvesting (clearfell and thinning)	-
End balance <i>commercial</i> plantations	16,404
<i>Commercial beyond rotation age</i> start value	914
Changes	-
End Balance of <i>Commercial beyond rotation age</i> plantations	914
Plantation total end value (30 June 2007)	32,710

1. No commercial harvesting programs have been undertaken in the 2006/2007 financial year and no harvesting plan has been developed for the 2007/2008 financial year. Accordingly, plantation growing stock has been identified as a non-current asset.

2. The net decrease in value arising from the transfer of timber assets from the pre-commercial to commercial categories is due to pre-commercial timber being valued at the compounded costs of establishment plus annual costs of management, and commercial timber being valued at market value. The market value of young timber, is considerably less than the establishment value.

Department of Territory and Municipal Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007

NOTE 28 CAPITAL WORKS IN PROGRESS

Capital Works in Progress are assets being constructed over periods of time in excess of the present reporting period. These assets often require extensive installation work, or integration with other assets, and contrast with simpler assets that are ready for use when required, such as motor vehicles and equipment.

Assets, which are under construction, include infrastructure assets, buildings, leasehold improvements and software.

	2007
	\$'000
The following capital works projects had not been completed at the end of the reporting period:	
Capital Works in Progress (National Convention Centre, Tidbinbilla Nature Discovery Centre, Stromlo Forest Park, Mugga Waste Cell, Gungahlin Drive Extension)	84,713
Total Capital Works in Progress	84,713

Reconciliation of Assets under Construction

The following shows the movement of assets under construction from the beginning to end of 2006-07:	2007
	\$'000
Carrying Amount at the Beginning of the Reporting Period	-
Additions	96,105
Completed Works and Transferred out to Property, Plant and Equipment	(87,394)
Completed Works Transferred to Intangible Assets	(159)
Transfers into the Department	75,755
Capital Works Expensed	(134)
Carrying Amount at the End of the Reporting Period	84,173

NOTE 29 OTHER ASSETS

	2007
	\$'000
Current Other Assets	
Prepaid Supplies and Services	2,368
Prepaid Grants and Purchased Services	450
Other Assets	106
Total Current Other Assets	2,924
Total Other Assets	2,924

Department of Territory and Municipal Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007

NOTE 30 PAYABLES

	2007
	\$'000
Current Payables	
Trade Payables	10,693
Other Payables	5,213
Accrued Expenses	11,890
Total Current Payables	27,796
Non-Current Payables	
Trade Payables	85
Total Non-Current Payables	85
Total Payables	27,881
Payables are aged as follows:	
Not Overdue	25,310
Overdue for Less than 30 Days	1,145
Overdue for 30 to 60 Days	89
Overdue for More than 60 Days	1,337
Total Payables	27,881
Split of Government/Non-Government Payables	
Payables to Other ACT Government Agencies	
Trade Payables	952
Other Payables	4,834
Accrued Expenses	2,819
Total Payables to Other ACT Government Agencies	8,605
Payables to Entities Outside ACT Government	
Trade Payables	9,826
Other Payables	379
Accrued Expenses	9,071
Total Payables to Entities Outside ACT Government	19,276
Total Payables	27,881

Department of Territory and Municipal Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007

NOTE 31 INTEREST-BEARING LIABILITIES

The Department has borrowings with the private sector for the construction of ACT Government buildings and waste management facilities.

The Department holds one finance lease for an industrial iron used by the Capital Linen Service and 44 motor vehicle finance leases, all of which have been taken up as a finance lease liability and a leased asset. The interest rate applicable for the industrial iron finance lease is 8.69% and the lease has been taken up as a finance lease liability and a leased asset. The interest rates implicit in the motor vehicle leases vary from 5.56% to 6.80% and the terms are up to 3 years. These leases have no terms of renewal or purchase options, nor escalation clauses.

	2007
	\$'000
Current Interest-Bearing Liabilities	
Secured	
Finance Lease	
Finance Lease Liability	476
Total Current Finance Lease	476
Unsecured	
Borrowings	
Debt to the Private Sector for Construction of ACT Government Buildings *	4,523
Debt to the Private Sector for Waste Management Facilities **	1,066
Total Current Borrowings	5,589
Total Current Interest-Bearing Liabilities	6,065
Non-Current Interest-Bearing Liabilities	
Secured	
Finance Lease	
Finance Lease Liability	1,315
Total Non-Current Finance Lease	1,315
Unsecured	
Borrowings	
Debt to the Private Sector for Construction of ACT Government Buildings *	20,663
Debt to the Private Sector for Waste Management Facilities **	4,521
Total Non-Current Borrowings	25,184
Total Non-Current Interest-Bearing Liabilities	26,499
Total Interest-Bearing Liabilities	32,564

* Relates to the construction of the Magistrates Court in Canberra City and Dame Pattie Menzies House in Dickson.

** Relates to the construction of the Mugga Lane Transfer Station, Mitchell Transfer Station and the Hume Resource Recovery Estate.

Department of Territory and Municipal Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007

NOTE 31 INTEREST-BEARING LIABILITIES - CONTINUED

	2007
	\$'000
Finance lease commitments are payable as follows:	
Within one year	315
Later than one year but not later than five years	122
Minimum Lease Payments	437
Less: Future Finance Lease Charges	(74)
Amount Recognised as a Liability	363
Total Present Value of Minimum Lease Payments	363
The present value of the minimum lease payments are as follows:	
Within one year	259
Later than one year but not later than five years	104
Total Present Value of Minimum Lease Payments	363
Split on the Balance Sheet	
Interest-Bearing Liabilities	
Current Interest-Bearing Liabilities	5,589
Non-Current Interest-Bearing Liabilities	25,184
	30,773
Finance Leases	
Current Finance Lease Liability	476
Non-Current Finance Lease Liability	1,315
	1,791
Total Interest-Bearing Liabilities	32,564

Credit Facilities

The Department is able to operate its bank account in overdraft for effective cash management purposes. If the account goes into overdraft throughout the year, the Department is charged a rate of interest by the Central Financing Unit, as determined by the Commonwealth Bank.

NOTE 32 EMPLOYEE BENEFITS

	2007
	\$'000
Current Employee Benefits	
Annual Leave	9,089
Long Service Leave	12,597
Accrued Salaries	1,394
Other Benefits	32
Total Current Employee Benefits	23,112
Non-Current Employee Benefits	
Long Service Leave	1,025
Total Non-Current Employee Benefits	1,025
Total Employee Benefits	24,137

Department of Territory and Municipal Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007

NOTE 32 EMPLOYEE BENEFITS - CONTINUED

<i>Disclosure Purposes Only</i>	2007
	\$'000
Estimation of when Leave is Payable ¹	
Estimated Amount Payable within 12 months	
Annual Leave	9,089
Long Service Leave	1,852
Accrued Salaries	1,394
Other Benefits	32
Total Employee Benefits Payable within 12 months	12,367
Estimated Amount Payable after 12 months	
Long Service Leave	11,770
Total Employee Benefits Payable after 12 months	11,770
Total Employee Benefits	24,137
As at 30 June 2007, the Department employed 1,016 full-time equivalent staff.	
1. Estimation of long service leave payable is based on an average of long service leave taken in the last three years. Annual leave is assumed to be all payable within 12 months based on work practices.	

NOTE 33 OTHER PROVISIONS

	2007
	\$'000
Current Other Provisions	
Provision for Restoration of Civic Petrol Plume	600
Dividends to Government	1,308
Total Current Other Provisions	1,908
Non-Current Other Provisions	
Provision for Restoration of Waste Landfill Sites - Mugga Lane and Belconnen	9,269
Total Non-Current Other Provisions	9,269
Total Other Provisions	11,177

NOTE 34 OTHER LIABILITIES

	2007
	\$'000
Current Other Liabilities	
Revenue Received in Advance	1,762
Project Funding Received in Advance	3,216
Rent Raised in Advance	1,983
Cash Collected on Behalf of Other Entities	3,458
Other	360
Total Current Other Liabilities	10,779
Non-Current Other Liabilities	
Revenue Received in Advance	679
Total Current Other Liabilities	679
Total Other Liabilities	11,458

Department of Territory and Municipal Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007

NOTE 35 EQUITY

	2007
	\$'000
Accumulated Funds	4,105,245
Asset Revaluation Reserve	1,201,887
Total Equity	5,307,132

Movements in Equity during the Reporting Period

Accumulated Funds

Balance at the Beginning of the Reporting Period	-
Capital Injection	93,016
Increase in Net Assets due to Administrative Restructure	4,082,329
Operating (Deficit)	(67,292)
Dividends Approved	(2,808)
Balance at the End of the Reporting Period	4,105,245

Asset Revaluation Reserve

Land Revaluation Reserve

Opening Balance	-
Increment	63,396
Transfers	17,425
Closing Balance	80,821

Infrastructure Revaluation Reserve

Opening Balance	-
Increment - revaluation of roads, carpark and traffic signals	441,428
Transfers	443,160
Closing Balance	884,588

Building Revaluation Reserve

Opening Balance	-
Increment	76,456
Transfers	21,395
Closing Balance	97,851

Heritage and Community Assets Revaluation Reserve

Opening Balance	-
Transfers	137,925
Closing Balance	137,925

Property Plant and Equipment Revaluation Reserve

Opening Balance	-
Increment	708
Transfers	(6)
Closing Balance	702

Total Asset Revaluation Reserve

Balance at the Beginning of the Reporting Period	-
Increment	1,025,142
Transfers	176,745
Balance at the End of the Reporting Period	1,201,887

Department of Territory and Municipal Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007

NOTE 36 FINANCIAL INSTRUMENTS

The following table sets out the Department's exposure to interest rates, including the weighted average interest rates by maturity period as at 30 June 2007.

2007

Fixed Interest Maturing In:									
	Floating Interest Rate	1 Year or Less	Over 1 Year to 2 Years	Over 2 Years to 3 Years	Over 3 Years to 4 Years	Over 4 Years to 5 Years	Over 5 Years	Non-Interest Bearing	
Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets									
20	-	-	-	-	-	-	-	19,093	19,093
20	339	-	-	-	-	-	-	-	339
21	-	-	-	-	-	-	-	47,727	47,727
Total Financial Assets									
	339	-	-	-	-	-	-	66,820	67,159
Weighted Average Interest Rate									
	6.44%							0.00%	
Financial Liabilities									
30	-	-	-	-	-	-	-	27,881	27,881
31	-	4,523	-	-	-	-	-	20,663	25,186
31	-	1,066	-	-	-	-	-	4,521	5,587
31	-	476	1,315	-	-	-	-	-	1,791
Total Financial Liabilities									
	-	6,065	1,315	-	-	-	-	53,065	60,445
Weighted Average Interest Rate									
		8.22%	8.69%	0.00%	0.00%	0.00%	0.00%	0.00%	
Net Financial Assets/(Liabilities)									
	339	(6,065)	(1,315)	-	-	-	-	13,755	6,714

Department of Territory and Municipal Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007

NOTE 36 FINANCIAL INSTRUMENTS - CONTINUED

Interest Rate Risk

The Department's financial assets and financial liabilities are not subject to interest rate exposure other than cash and cash equivalents held at call which are subject to a floating rate of interest. The Department does not have any unrecognised financial assets or financial liabilities. This effectively means that the Department is not materially exposed to any movements in interest rates, and as such does not have any interest rate risk.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Department of Territory and Municipal Services' credit risk is limited to the carrying amount of the financial assets held less any provision for losses. As cash is held in a bank and receivables are dispersed amongst a large number of debtors, there is no significant concentration of credit risk that has been identified by the

Fair Value of Financial Assets and Liabilities

The fair value of cash and cash equivalents is the carrying value recorded in the Balance Sheet. The weighted average rate of return on the funds in 2007 was 6.44%.

The carrying amounts and fair values of financial assets and liabilities at the end of the reporting period are:

	Carrying Amount 2007 \$'000	Fair Value 2007 \$'000
Financial Assets (at fair value)		
Cash and Cash Equivalents	19,093	19,093
Investments with the the Central Financing Unit	339	339
Receivables	47,727	47,727
Total Financial Assets (at fair value)	67,159	67,159
Financial Liabilities (at fair value)		
Payables	27,881	27,881
Borrowings - Government Buildings	25,186	25,186
Borrowings - Waste Management Facilities	5,587	5,587
Finance Lease Liability	1,791	1,791
Total Financial Liabilities (at fair value)	60,445	60,445

Department of Territory and Municipal Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007

NOTE 37 COMMITMENTS

Capital Commitments

Capital commitments contracted at reporting date that have not been recognised as liabilities are as follows:

	2007
	\$'000
<i>Capital Commitments - Property, Plant and Equipment</i>	
Payable:	
Within one year	4,803
<i>Total Capital Commitments - Property, Plant and Equipment</i>	<u>4,803</u>
Total Capital Commitments	<u><u>4,803</u></u>

Other Commitments

Other commitments contracted at reporting date that have not been recognised as liabilities, are payable as follows:

	2007
	\$'000
Within one year	55,421
Later than one year but not later than five years	87,571
Total Other Commitments	<u><u>142,992</u></u>

Operating Lease Commitments

The Department has various non-cancellable operating leases for buildings and vehicles. The leases have varying terms, escalation clauses and renewal rights. There are no conditions in the lease agreements requiring the Department to restore the sites that the leased buildings are situated on. The operating lease agreements give the Department the right to renew the leases. Renegotiations of the lease terms occur on renewal of the leases.

Non - Cancellable Operating Lease Commitments

Non-cancellable operating lease commitments are payable as follows:

	2007
	\$'000
Within one year	23,942
Later than one year but not later than five years	101,440
Total Operating Lease Commitments	<u><u>125,382</u></u>

All amounts shown in the commitments note are inclusive of GST.

Finance Lease commitments are disclosed in Note 31.

Department of Territory and Municipal Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007

NOTE 38 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent Liabilities

The Department is subject to various claims as at the reporting date with the total contingent liability being shown below:

	2007
	\$'000
Replacement of Assets and Removal Expenses due to Storm Damage	111
Legal Claims	8,413
Total Contingent Liabilities	8,524

Guarantees

Pursuant to an agreement (permit to use unleased National Land) with the National Capital Authority regarding the use of Commonwealth Park for the 2007 Floriade event, Tourism has given a guarantee of \$30,000 to meet the cost of repair of any damage to the park that may be caused by contractors engaged by Tourism to perform work at the site.

	2007
	\$'000
Contingent Assets	
Insurance Claims for Assets Destroyed	124
Voluntary Redundancy Claims not yet Reimbursed	1,999
Total Contingent Assets	2,123

Department of Territory and Municipal Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007

NOTE 39 CASH FLOW RECONCILIATION

Reconciliation of Cash and Cash Equivalents at the end of the reporting period in the Cash Flow Statement to the equivalent items in the Balance Sheet.

	2007
	\$'000
Total Cash and Cash Equivalents Disclosed in the Balance Sheet	19,432
Cash and Cash Equivalents at the End of the Reporting Period as Recorded in the Cash Flow Statement	19,432
Reconciliation of Net Cash Inflows from Operating Activities to the Operating (Deficit)	
Operating (Deficit)	(67,292)
Add/(Less) Non-Cash Items	
Depreciation of Property, Plant and Equipment	87,534
Amortisation of Intangibles	3,461
Write-off of the Other Assets	4,789
Expensing of Capital Works in Progress	134
Land Restoration Borrowing Costs	509
Assets Transferred to Other Government Agencies	250
Assets Transferred from Other Government Agencies	(15,694)
Bad and Doubtful Debts	315
Other Non Cash items	
Revaluation and Assets Adjustments	(12,928)
Transfers as a Result of Administrative Arrangements	20,398
Add/(Less) Items Classified as Investing or Financing	
Net (Gain) on Disposal of Non-Current Assets	(8)
Cash Before Changes in Operating Assets and Liabilities	21,468
Changes in Operating Assets and Liabilities from figures transferred in on 1 July 2006.	
(Increase) in Receivables	(33,584)
(Increase) in Inventories	(432)
(Increase) in Other Assets	(5,216)
Increase in Payables	11,112
Increase in Employee Benefits	4,559
Increase in Other Liabilities	8,121
Net Changes in Operating Assets and Liabilities	(15,440)
Net Cash Inflows from Operating Activities	6,028
Non-Cash Financing and Investing Activities	
Due to a change in the Whole-of Government car leasing arrangements all new leases entered into by the Department from 2006-07 onwards will be financing rather than operating leases.	
	2007
	\$'000
Acquisition of Motor Vehicles by means of Finance Lease	1,167

Department of Territory and Municipal Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007

NOTE 40 EVENTS OCCURRING AFTER BALANCE DATE

There were no events occurring after balance date which would affect the financial report as at 30 June 2007.

NOTE 41 THIRD PARTY MONIES

2007

\$'000

The Department held the following monies at 30 June:

Road Users Services Trust Account

Balance at the beginning of the reporting period	-
Cash Receipts	111,971
Cash Payments	(109,705)
Balance at the end of the reporting period	2,266

NRMA Third Party Insurance

Balance at the beginning of the reporting period	-
Cash Receipts	201
Cash Payments	(43)
Balance at the end of the reporting period	158

Tourism Trust Account

Balance at the beginning of the reporting period	95
Cash Receipts	1945
Cash Payments	(1,801)
Balance at the end of the reporting period	239

Total Third Party Monies held by the Department	2,663
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Department of Territory and Municipal Services
Statement of Income and Expenses on Behalf of the Territory
For the Year Ended 30 June 2007¹

		Actual	Original
	Note	2007	Budget
	No.	\$'000	\$'000
Income			
<i>Revenue</i>			
Payment for Expenses on Behalf of the Territory	43	449	945
Taxes, Fees and Fines	44	126,847	124,116
User Charges	45	164	35
Commonwealth Grants	46	12,792	13,953
Other Revenue	47	78,536	75,900
<i>Total Revenue</i>		218,788	214,949
<i>Gains</i>			
Other Gains		-	-
<i>Total Gains</i>		-	-
Total Income		218,788	214,949
Expenses			
Employee Expenses	48	198	212
Superannuation Expenses	49	48	46
Supplies and Services	50	165	277
Grants and Purchased Services	51	411	410
Transfer to Government	52	214,910	214,004
Other Expenses	53	3,056	-
Total Expenses		218,788	214,949
Operating Surplus/(Deficit)		-	-

The above Statement of Income and Expenses on Behalf of the Territory should be read in conjunction with the accompanying notes.

¹ The Department was established on 1 July 2006 following an Administrative Arrangement Order dated 15 August 2006. Accordingly, 2005-06 comparative figures are not reported in the 2006-07 financial report.

Department of Territory and Municipal Services
Statement of Assets and Liabilities on Behalf of the Territory
As at 30 June 2007¹

		Actual	Original
	Note	2007	Budget
	No.	\$'000	\$'000
Current Assets			
Cash and Cash Equivalents	54	7,346	4,294
Receivables	55	30,867	2,512
Total Current Assets		38,213	6,806
Non Current Assets			
Receivables	55	-	44,406
Property, Plant and Equipment	56	-	48,731
Total Non Current Assets		-	93,137
Total Assets		38,213	99,943
Current Liabilities			
Payables	57	37,758	5,411
Employee Benefits	58	12	34
Other	59	433	1,070
Total Current Liabilities		38,203	6,515
Non Current Liabilities			
Payables	57	-	44,656
Employee Benefits	58	12	44
Total Non Current Liabilities		12	44,700
Total Liabilities		38,215	51,215
Net Assets		(2)	48,728
Equity			
Accumulated Funds	60	(2)	32,061
Reserves	60	-	16,667
Total Equity		(2)	48,728

The above Statement of Assets and Liabilities on Behalf of the Territory should be read in conjunction with the accompanying notes.

¹ The Department was established on 1 July 2006 following an Administrative Arrangement Order dated 15 August 2006. Accordingly, 2005-06 comparative figures are not reported in the 2006-07 financial report.

Department of Territory and Municipal Services
Statement of Changes in Equity on Behalf of the Territory
For the Year Ended 30 June 2007¹

		Actual	Original
	Note	2007	Budget
	No.	\$'000	\$'000
Balance at the Beginning of the Reporting Period		-	32,063
<i>Accumulated Funds</i>			
Operating Surplus/(Deficit) for the Period	60	-	-
Total Income and Expenses Recognised Directly in Equity for the Period		-	-
<i>Transactions involving Equity Holders Affecting Accumulated Funds</i>			
Increase in Net Assets due to Administrative Restructure		(2)	16,665
Balance at the End of the Reporting Period	60	(2)	48,728

The above Statement of Changes in Equity on Behalf of the Territory should be read in conjunction with the accompanying notes.

¹ The Department was established on 1 July 2006 following an Administrative Arrangement Order dated 15 August 2006. Accordingly, 2005-06 comparative figures are not reported in the 2006-07 financial report.

Department of Territory and Municipal Services
Cash Flow Statement on Behalf of the Territory
For the Year Ended 30 June 2007¹

	Note	Actual	Original
	No.	2007	Budget
		\$'000	\$'000
Cash Flows from Operating Activities			
Receipts			
Cash from Government for Expenses on Behalf of the Territory		449	945
Taxes, Fees and Fines		123,164	124,116
User Charges		41	35
Grants Received from the Commonwealth		12,792	13,953
GST Collected from Customers		6,862	-
Other Receipts		55,522	76,984
Total Receipts from Operating Activities		198,830	216,033
Payments			
Employees		299	258
Supplies and Services		165	277
Grants and Purchased Services		411	410
Transfer of Territory Receipts to Government		191,154	214,006
GST Paid to Suppliers		4,338	-
Other Payments		-	1,082
Total Payments from Operating Activities		196,367	216,033
Net Cash Inflows from Operating Activities	61	2,463	-

¹ The Department was established on 1 July 2006 following an Administrative Arrangement Order dated 15 August 2006. Accordingly, 2005-06 comparative figures are not reported in the 2006-07 financial report.

Department of Territory and Municipal Services
Cash Flow Statement on Behalf of the Territory
For the Year Ended 30 June 2007¹

	Note No.	Actual 2007 \$'000	Original Budget 2007 \$'000
Cash Flows from Financing Activities			
Receipts			
Receipt of Transferred Cash Balances		5,090	4,274
Total Receipts from Financing Activities		5,090	4,274
Payments			
Repayment of Transferred Cash Balances		207	-
Total Payments from Financing Activities		207	4,274
Net Cash Inflows from Financing Activities		4,883	4,274
Net Increase in Cash Held		7,346	4,274
Cash and Cash Equivalents at the Beginning of the Reporting Period		0	20
Cash and Cash Equivalents at the End of the Reporting Period		7,346	4,294

The above Cash Flow Statement on Behalf of the Territory should be read in conjunction with the accompanying notes.

¹ The Department was established on 1 July 2006 following an Administrative Arrangement Order dated 15 August 2006. Accordingly, 2005-06 comparative figures are not reported in the 2006-07 financial report.

Department of Territory and Municipal Services
Territorial Statement of Appropriation
For the Year Ended 30 June 2007¹

	Original Budget 2007 \$'000	Total Appropriated 2007 \$'000	Appropriation Drawn 2007 \$'000
Territorial			
Expenses on Behalf of the Territory	945	945	449
Total Territorial Appropriation	945	945	449

The above Territorial Statement of Appropriation should be read in conjunction with the accompanying notes.

Column Heading Explanations

The *Original Budget* column shows the amounts that appear in the Cash Flow Statement in the Budget Papers.

The Total Appropriated column is inclusive of all appropriation variations occurring after the Original Budget.

The *Appropriation Drawn* is the total amount of appropriation received by the Department of Territory and Municipal Services during the year. These amounts appear in the Cash Flow Statement on Behalf of the Territory.

¹ The Department was established on 1 July 2006 following an Administrative Arrangement Order dated 15 August 2006. Accordingly, 2005-06 comparative figures are not reported in the 2006-07 financial report.

TERRITORIAL NOTE INDEX

Note 42	Summary of Significant Accounting Policies
	Income
Note 43	Payment for Expenses on Behalf of the Territory
Note 44	Taxes, Fees and Fines
Note 45	User Charges
Note 46	Commonwealth Grants
Note 47	Other Revenue
	Expenses
Note 48	Employee Expenses
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Note 50	Supplies and Services
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	Liabilities
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Note 61	Cash Flow Reconciliation
Note 62	Financial Instruments
Note 63	Commitments
Note 64	Contingent Liabilities and Contingent Assets
Note 65	Events Occurring After the Balance Date

**Department of Territory and Municipal Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007**

NOTE 42 SUMMARY OF SIGNIFICANT ACCOUNTING

All of the Department of Territory and Municipal Services' accounting policies are contained in Note 2 'Summary of Significant Accounting Policies'. The policies outlined in Note 2 apply to both the Departmental and Territorial financial reports.

NOTE 43 PAYMENT FOR EXPENSES ON BEHALF OF THE TERRITORY

Under the *Financial Management Act 1996*, funds can be appropriated for expenses incurred on behalf of the Territory.

	2007 \$'000
Payment for Expenses on Behalf of the Territory	449
Total Payment for Expenses on Behalf of the Territory	449

NOTE 44 TAXES, FEES AND FINES

	2007 \$'000
Taxes	
Motor Vehicle Registrations	72,238
Drivers' Licenses	7,130
Total Taxes	79,368
Fees	
Fees for Regulatory Services	34,727
Total Fees	34,727
Fines	
Traffic Fines	12,738
Other Fines	14
Total Fines	12,752
Total Taxes, Fees and Fines	126,847

Department of Territory and Municipal Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007

NOTE 45 USER CHARGES

	2007 \$'000
User Charges	
Other	164
Total User Charges	<u><u>164</u></u>

NOTE 46 COMMONWEALTH GRANTS

Commonwealth Grants received by the Department of Territory and Municipal Services are initially recorded in the Territorial accounts. These funds are then transferred back to Government. As the funds are used for the delivery of outputs, the funds are included in the appropriation 'Government Payment for Outputs' (see Note 4).

	2007 \$'000
Transport Programs	
Australian Land Transport Development Program	542
Interstate Road Transport Program	190
Roads to Recovery Program	11,028
Other Current Commonwealth Grants	162
Total Non-Capital Commonwealth Grants	<u>11,922</u>
Capital Commonwealth Grants	
Black Spot Program	870
Total Capital Commonwealth Grants	<u>870</u>
Total Commonwealth Grants	<u><u>12,792</u></u>

NOTE 47 OTHER REVENUE

	2007 \$'000
Other Revenue	
Land Sales	77,507
Other	1,029
Total Other Revenue	<u><u>78,536</u></u>

**Department of Territory and Municipal Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007**

NOTE 48 EMPLOYEE EXPENSES

	2007
	\$'000
Wages and Salaries	230
Annual Leave	7
Long Service Leave Credits	(39)
Total Employee Expenses	198

NOTE 49 SUPERANNUATION EXPENSES

The Department of Territory and Municipal Services receives funding for superannuation payments. The Department of Territory and Municipal Services then makes payments on a fortnightly basis to the Superannuation Unit for its portion of the Territory's CSS and PSS superannuation liability. The productivity benefit for the schemes are paid directly to Comsuper.

Superannuation expense payments have been made direct to Comsuper to cover its superannuation liability for employees that are in the new Public Sector Superannuation Scheme Accumulation Plan (PSSAP).

Superannuation expense payments are also made to external providers as part of the new employee work choice arrangements, and to employment agencies for the superannuation contribution it is required to make for the contract staff it employs.

	2007
	\$'000
Superannuation Contributions	41
Productivity Benefit	7
Total Superannuation Expenses	48

Department of Territory and Municipal Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007

NOTE 50 SUPPLIES AND SERVICES

	2007
	\$'000
Professional Services	20
Accommodation	39
Printing and Publishing	19
Staff Development	3
Other Supplies and Services	84
Total Supplier and Services	<u>165</u>

NOTE 51 GRANTS AND PURCHASED SERVICES

Grants are amounts provided, by the Department of Territory and Municipal Services, to ACT Government entities and non- ACT Government entities for general assistance or for a particular purpose. Grants may be for capital, current or recurrent purposes and the name or category reflects the use of the grant. The grants given are usually subject to terms and conditions set out in the contract, correspondence, or by legislation.

	2007
	\$'000
Recurrent Grants to Community Organisations	411
Total Grants and Purchased Services	<u>411</u>

NOTE 52 TRANSFER TO GOVERNMENT

'Transfer to Government' represents the transfer of money, that the Department of Territory and Municipal Services has collected on behalf of the Territory, to Government. The money collected by the Department of Territory and Municipal Services on behalf of the Territory includes Commonwealth Grants, Taxes, Fees and Fines.

	2007
	\$'000
Payments to the Central Financing Unit	214,910
Total Transfer to Government	<u>214,910</u>

**Department of Territory and Municipal Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007**

NOTE 53 OTHER EXPENSES

	2007
	\$'000
Bad and Doubtful Debt Expense	3,056
Total Other Expenses	<u>3,056</u>

NOTE 54 CASH AND CASH EQUIVALENTS

	2007
	\$'000
Cash at Bank	7,346
Total Cash and Cash Equivalents	<u>7,346</u>

Due to whole-of-government banking arrangements the Department of Territory and Municipal Services does not earn any interest on its Territorial bank account.

Department of Territory and Municipal Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007

NOTE 55 RECEIVABLES

	2007
	\$'000
Current Receivables	
Current Receivables	32,985
Less: Allowance for Doubtful Debts	<u>(2,118)</u>
Total Current Receivables	<u>30,867</u>
Total Receivables	<u><u>30,867</u></u>
 Receivables are Aged as Follows:	
Not Overdue	26,275
Overdue for less than 30 Days	1,490
Overdue for 30 to 60 Days	47
Overdue for more than 60 Days	5,173
Less: Total Allowance for Doubtful Debts	<u>(2,118)</u>
Total Receivables	<u><u>30,867</u></u>
 Split of Government/Non-Government Receivables	
 Receivables with Other ACT Government Agencies	
Net Receivables	<u>25,485</u>
Total Receivables with Other ACT Government Agencies	<u>25,485</u>
 Receivables with Entities Outside Government	
Net Receivables	<u>5,382</u>
Total Receivables with Entities Outside Government	<u>5,382</u>
 Total Receivables	<u><u>30,867</u></u>

**Department of Territory and Municipal Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007**

NOTE 56 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment includes the following classes of assets – land and community and heritage assets. Property, Plant and equipment does not include assets held for sale or investment property.

- Land includes leasehold land held by the Department of Territory and Municipal Services, but excludes land under infrastructure.
- Heritage assets are defined as those non-current assets that government intends to preserve indefinitely because of their unique historical, cultural or environmental attributes. A common feature of heritage assets is that they cannot be replaced and they are not usually available for sale or for redeployment. Heritage assets held include art, historical buildings, memorials, and certain land that will be preserved in its existing state to maintain the intrinsic value of the Territory.
- Community assets are those assets that are provided essentially for general community use or services. Community assets held include public parks and gardens, public sporting reserves, public nature reserves and land under infrastructure.

	2007 \$'000
Land and Buildings¹	
Land at Cost	-
Land at Independent Valuation 2007	-
Total Land Assets	-
 Community and Heritage Assets¹	
Community and Heritage at Cost	-
Total Community and Heritage Assets	-
 Total Value of Property, Plant and Equipment	-

*¹ Note: Nil result reported in 2007 is mainly due to the transfer of land and the land sales program from ACT Planning and Land Authority did not proceed.

**Department of Territory and Municipal Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007**

NOTE 57 PAYABLES

	2007
	\$'000
Current Payables	
Net GST Payables	2,599
Payables	7,130
Accrued Expenses	28,029
Total Current Payables	37,758
	<hr/>
Total Payables	37,758
	<hr/> <hr/>
Payables are Aged as Follows:	
Not Overdue	37,758
Total Payables	37,758
	<hr/> <hr/>
Split of Government/Non-Government Payables	
Payables with Other ACT Government Agencies	
Payable	6,745
Accrued Expenses	28,029
Total Payables with Other ACT Government Agencies	34,774
	<hr/>
Payables with Entities Outside ACT Government	
GST Payables	2,599
Payables	385
Total Payables with Entities Outside ACT Government	2,984
	<hr/>
Total Payables	37,758
	<hr/> <hr/>

Department of Territory and Municipal Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007

NOTE 58 EMPLOYEE BENEFITS

	2007
	\$'000
Current Employee Benefits	
Annual Leave	9
Accrued Salaries	<u>3</u>
Total Current Employee Benefits	<u>12</u>
Non-Current Employee Benefits	
Long Service Leave	<u>12</u>
Total Non-Current Employee Benefits	<u>12</u>
Total Employee Benefits	<u><u>24</u></u>

For Disclosure Purposes Only

Estimate of when Leave is Payable

Estimate Amount Payable within 12 Months

Annual Leave	9
Long Service Leave	1
Accrued Salaries	3
Total Employee Benefits Payable within 12 months	13

Estimate of when Leave is Payable after 12 months

Long Service Leave	11
Total Employee Benefits Payable after 12 Months	11
Total Employee Benefits	24

As at 30 June 2007, the Department of Territory and Municipal Services employed 2 full time equivalent staff.

**Department of Territory and Municipal Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007**

NOTE 59 OTHER LIABILITIES

	2007
	\$'000
Other Current Liabilities	
Revenue Received in Advance	209
Third Party Funds	224
Total Other Current Liabilities	<u>433</u>
Total Other Liabilities	<u><u>433</u></u>

NOTE 60 EQUITY

	2007
	\$'000
Total Equity at the End of the Reporting Period	\$'000
Accumulated Funds	(2)
Total Equity	<u>(2)</u>
Movement in Equity during the Reporting Period	
Balance at the Beginning of the Reporting Period	-
Operating Surplus/(Deficit)	-
Decrease in Net Assets due to Administrative Restructure	(2)
Balance at the End of the Reporting Period	<u><u>(2)</u></u>

**Department of Territory and Municipal Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007**

NOTE 61 CASH FLOW RECONCILIATION

Reconciliation of Cash and Cash Equivalents at the end of the Reporting Period in the Cash Flow Statement to the related items in the Statement of Assets and Liabilities on Behalf of the Territory.

	2007
	\$'000
Total Cash and Cash Equivalents Disclosed on the Statement of Assets and Liabilities on Behalf of the Territory	7,346
Cash and Cash Equivalents at the end of the Reporting Period as Recorded on the Cash Flow Statement	7,346
Reconciliation of Net Cash Inflows from Operating Activities to the Operating Result	
Operating Surplus/(Deficit)	-
Add: Administrative Arrangement Transfers	(5,627)
Cash Before Changes in Operating Assets and Liabilities	(5,627)
Changes in Operating Assets and Liabilities from figures transferred in on 1 July 2006.	
Increase in Receivables	(22,551)
Increase in Payables	30,184
Increase in Other Liabilities	433
Increase in Employee Benefits	24
Net Changes in Operating Assets and Liabilities	8,090
Net Cash Inflows from Operating Activities	2,463

**Department of Territory and Municipal Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007**

NOTE 62 FINANCIAL INSTRUMENTS

The following table sets out the Department of Territory and Municipal Services' exposure to interest rates, including the weighted average interest rates by maturity period as at 30 June 2007.

2007	Fixed Interest maturing in:						
	Floating Interest	Over 1 Year or Less	Over 2 Years	Over 3 Years	Over 4 Years	Over 5 Years	Non-Interest Bearing
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Note							Total \$'000
Financial Assets							
Cash and Cash Equivalents	54	-	-	-	-	-	7,346
Receivables	55	-	-	-	-	-	30,867
Total Financial Assets		-	-	-	-	-	38,213
Weighted Average Interest Rate							38,213
Financial Liabilities							
Payables	57	-	-	-	-	-	37,758
Total Financial Liabilities		-	-	-	-	-	37,758
Weighted Average Interest Rate							
Net Financial Assets		-	-	-	-	-	455

Department of Territory and Municipal Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007

NOTE 62 FINANCIAL INSTRUMENTS - CONTINUED

Interest Rate Risk

The Department of Territory and Municipal Services currently has all of its financial assets and financial liabilities held in non-interest bearing arrangements. The Department does not have any unrecognised financial assets or financial liabilities. This means that the Department is not exposed to any movements in interest rates, and as such does not have any interest rate risk.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Department of Territory and Municipal Services' credit risk is limited to the carrying amount of the financial assets held less any provision for losses. As cash is held in a bank and receivables are dispersed amongst a large number of debtors, there is no significant concentration of credit risk that has been identified by the Department for Territorial financial assets.

Fair Value of Financial Assets and Liabilities

The fair value of cash and cash equivalents is the carrying value recorded in the Statement of Assets and Liabilities on Behalf of the Territory.

The carrying amounts and fair values of financial assets and liabilities at balance date are:

	Carrying Amount 2007 \$'000	Fair Value 2007 \$'000
Financial Assets		
Cash and Cash Equivalents	7,346	7,346
Current Receivables	30,867	30,867
Total Financial Assets	38,213	38,213
Financial Liabilities		
Current Payables	37,758	37,758
Total Financial Liabilities	37,758	37,758

**Department of Territory and Municipal Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007**

NOTE 63 COMMITMENTS

The Department of Territory and Municipal Services had no commitments contracted as at the reporting date in relation to its territorial activities.

NOTE 64 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent liabilities or contingent assets as at 30 June 2007.

NOTE 65 EVENTS OCCURRING AFTER BALANCE DATE

There were no events occurring after the balance date, which would affect the financial reports as at 30 June 2007.



ACT AUDITOR-GENERAL'S OFFICE



A07/04

Mr Mike Zissler
Chief Executive
Department of Territory and Municipal Services
Level 5, Macarthur House
12 Wattle Street
LYNEHAM ACT 2602

Dear Mr Zissler

**REPORT OF FACTUAL FINDINGS
DEPARTMENT OF TERRITORY AND MUNICIPAL SERVICES
STATEMENT OF PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2007**

The ACT Auditor-General's Office has completed the review of the Statement of Performance of the Department of Territory and Municipal Services for the year ended 30 June 2007.

Attached is the Statement of Performance together with the **unqualified** Report of Factual Findings.

I have provided a copy of each of these reports to the Minister for Territory and Municipal Services, Mr John Hargreaves MLA.

Thank you for the assistance provided by the staff of the Department during the review.

Yours sincerely

Bernie Sheville
Acting Auditor-General
17 September 2007

c.c. Ms Susanna Kiemann, Chief Finance Officer, Department of Territory and Municipal Services.
Mr David Doblinger, Internal Audit Manager, Strategic Coordination and Continuous Improvement.

Level 4, 11 Moore Street, Canberra City, ACT 2601 | PO Box 275, Civic Square, ACT 2608
Telephone: 02 6207 0833 | Facsimile: 02 6207 0826 | Email: actauditorgeneral@act.gov.au



ACT AUDITOR-GENERAL'S OFFICE



REPORT OF FACTUAL FINDINGS DEPARTMENT OF TERRITORY AND MUNICIPAL SERVICES

To the Members of the ACT Legislative Assembly

Finding

Based on my procedures, no matters have come to my attention which indicate that the Statement of Performance of the Department of Territory and Municipal Services (the Department) for the year ended 30 June 2007 does not fairly present the performance of the Department in accordance with the *Financial Management Act 1996*.

This finding should be read in conjunction with the following information.

Responsibility for the Statement of Performance

The Chief Executive the Department is responsible for the Statement of Performance. This includes responsibility for the maintenance of adequate supporting records and internal controls that are designed to prevent and detect fraud and error, and for the measurement policies and estimates used in the preparation of the Statement of Performance.

Contents of the Statement of Performance

The Statement of Performance consists of the performance measures included in the Department's budget and accompanying notes.

Electronic Presentation of the Reviewed Statement of Performance

Those viewing an electronic presentation of the reviewed Statement of Performance should note that the Chief Executive of the Department is responsible for the integrity of the information placed on the Department's website. I have not examined the integrity of this website. The Report of Factual Findings refers only to the Statement of Performance. It does not provide an opinion on any other information, which may have been hyperlinked to or from this Statement of Performance. If users of the Report of Factual Findings are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the printed copy of the reviewed Statement of Performance, available from the Department, to confirm the

information included in the electronic presentation of the reviewed Statement of Performance.

The Auditor's Responsibility

My responsibility is to provide a Report of Factual Findings on the performance measures included in the Department's Statement of Performance as required by the *Financial Management Act 1996*.

Scope

I have reviewed the Statement of Performance of the Department for the year ended 30 June 2007, in order to report on whether any matters have come to my attention that would indicate that the Statement of Performance is not fairly presented in accordance with the *Financial Management Act 1996*.

My review was conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is primarily limited to inquiries of the Department's representatives, analytical procedures and the examination of other available evidence.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. I have not performed an audit and, accordingly, I do not express an audit opinion on the Statement of Performance.

My procedures also did not include an assessment of the relevance or appropriateness of the measures contained within the Statement of Performance.

I have not expressed an opinion on the accuracy of explanations provided for variations between actual and budgeted performance due to the essential subjectivity of these explanations.

Independence

In conducting this review, I followed applicable independence requirements of Australian professional ethical pronouncements.

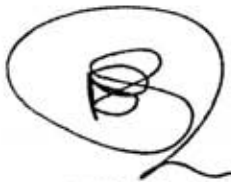


Bernie Sheville
Acting Auditor-General
17 September 2007

**Department of Territory and Municipal Services
Statement of Performance
For the year ended 30 June 2007**

Statement of Responsibility

In my opinion, the Statement of Performance is in agreement with the Department's records and fairly reflects the service performance of the Department for the year ended 30 June 2007, and also fairly reflects the judgements exercised in preparing them.

A handwritten signature in black ink, consisting of a large, stylized 'M' and 'Z' intertwined, enclosed within a large, loopy oval shape.

Mike Zissler
Chief Executive
Department of Territory and Municipal Services

28 August 2007

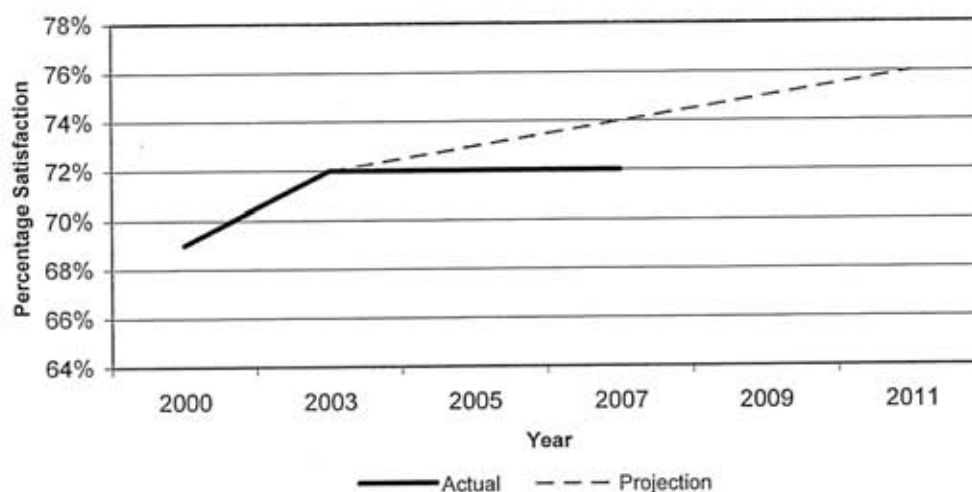
**Department of Territory and Municipal Services
Statement of Performance
for the Year Ended 30 June 2007**

**Strategic Indicator 1
Customer satisfaction with Information Services**

	2006-07 Targets	2006-07 Result
Customer Satisfaction with Information Services	80%	88%

This indicator measures community satisfaction with the services provided by Information Services, including public library services. This measure has been replaced by an overall customer satisfaction indicator introduced in the 2007-08 Budget.

**Strategic Indicator 2
Percentage of customers satisfied with road system**



The Austroads User Satisfaction Index (USI) is a measure of road user satisfaction with the road system for road authorities in Australia and New Zealand. This comprehensive survey is usually conducted every two years. The USI is based on road users' perceptions of a number of attributes related to the road system, including:

- road features – signs, smoothness, width, barriers, on-road cycle lanes;
- safety issues – speed limits, safety of cyclists, pedestrians, motorists;
- environment – air pollution, noise, appearance of roadsides;
- social issues – meeting needs both work and non-work;
- social issues – services – delays, road closures, road rules, community consultation, road planning; and

In accordance with the *Financial Management (Statement of Performance Scrutiny) Guidelines 2005*, the above strategic indicators were not examined by the ACT Auditor-General's Office.

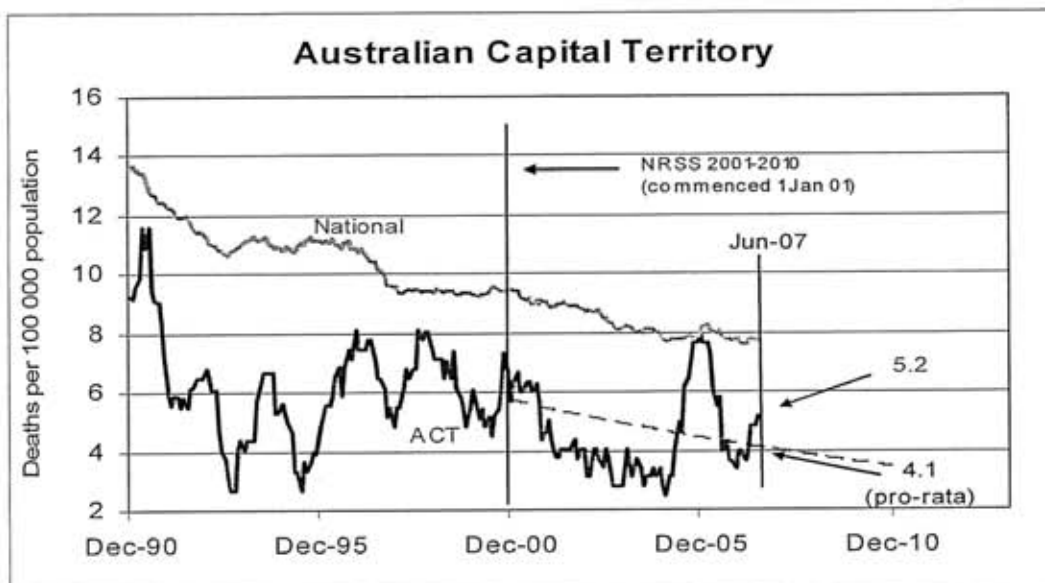
**Department of Territory and Municipal Services
Statement of Performance
for the Year Ended 30 June 2007**

traffic management – congestion, delays, co-ordination of traffic lights.

The USI reflects elements of the Government's *Sustainable Transport Plan*. The Sustainable Transport Plan aims to deliver a transport system that has lower overall costs, lowers greenhouse gas emissions and air pollution, reduces accidents and provides more transport options for the community.

Improvement to the USI will be achieved by continuing a significant capital works program to address road congestion and traffic safety, maintenance of community paths, residential street improvements, bridge strengthening, lighting and traffic management measures. This measure has been replaced by an overall customer satisfaction indicator introduced in the 2007-08 Budget.

**Strategic Indicator 3
Annual number of road fatalities**



Regulation of driver competency, vehicle standards and public passenger services, together with specific road safety initiatives, all contribute to the Territory's road safety outcome.

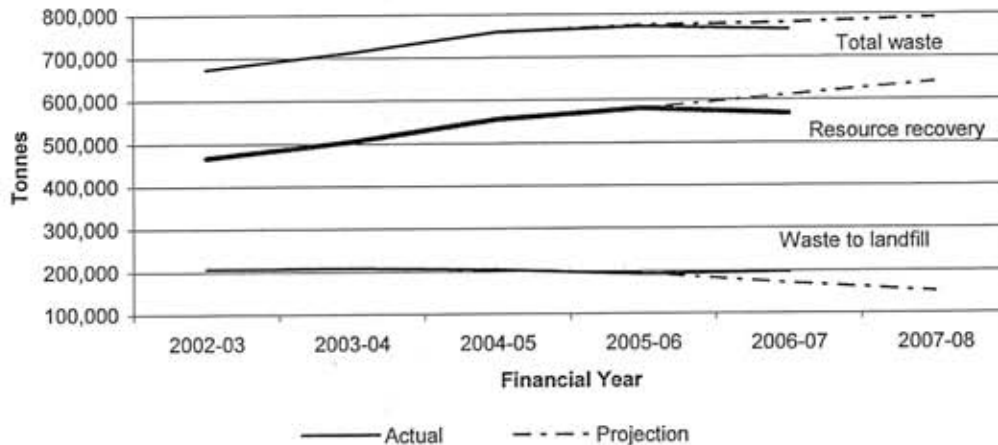
An indicator of the Territory's road safety performance is the number of road fatalities recorded each year. The Territory aims to ensure that ACT road deaths do not exceed the target in the National Road Safety Strategy (NRSS), and further, to maintain the trend for a reduction in the annual number of ACT road deaths.

In accordance with the *Financial Management (Statement of Performance Scrutiny) Guidelines 2005*, the above strategic indicators were not examined by the ACT Auditor-General's Office.

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Strategic Indicator 4

Reducing trend in waste operations, waste to landfill, and increase in resource recovery



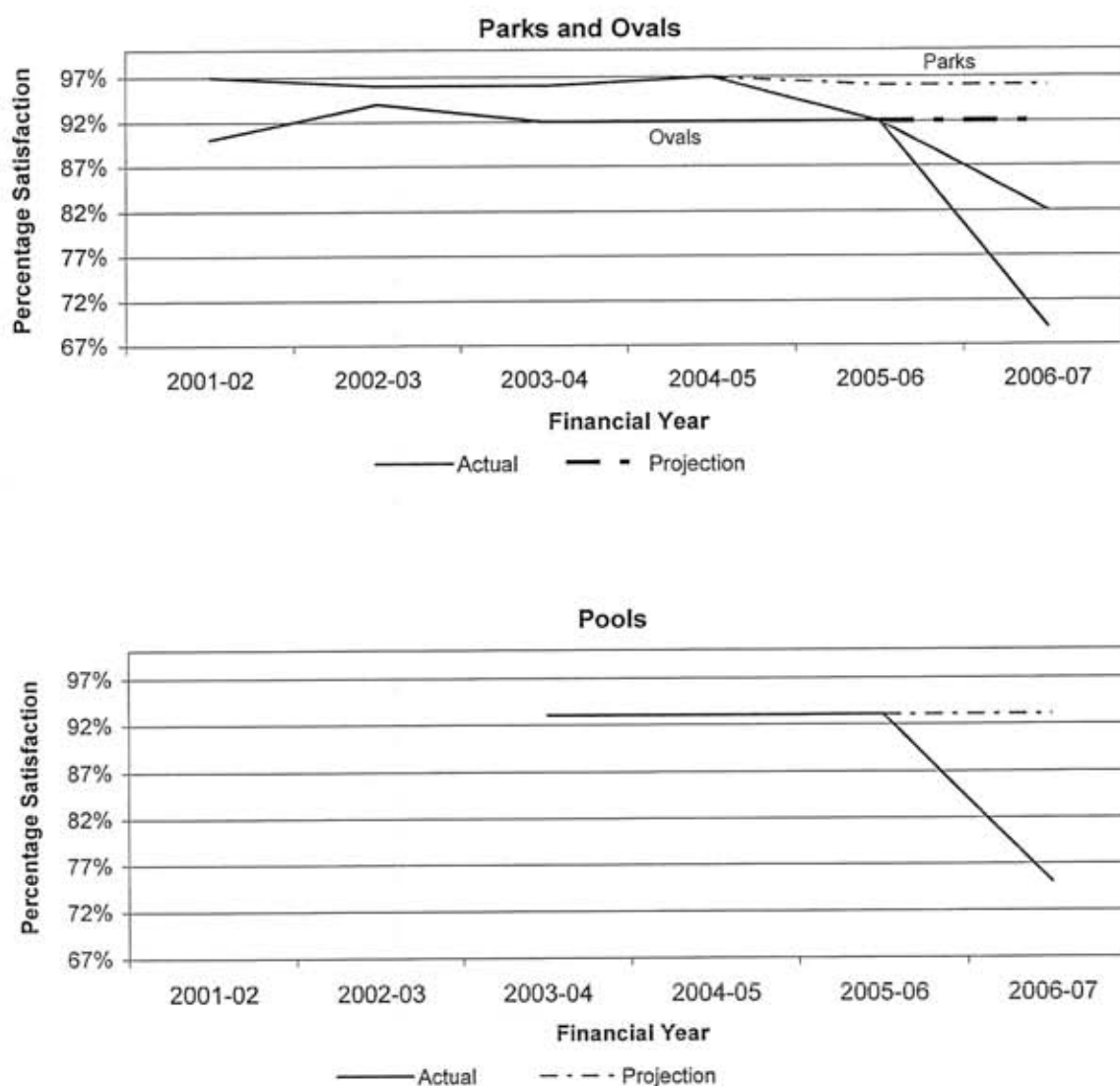
This indicator is calculated using weighbridge data of waste to landfill, and data provided by local resource recovery and recycling industries in the ACT. The waste to landfill and the resource recovery data are combined to provide a total waste generation level.

These indicators are consistent with the Government's No Waste Strategy that aims to divert the maximum amount of material from landfill through re-use, recycling and resource recovery alternatives.

In accordance with the *Financial Management (Statement of Performance Scrutiny) Guidelines 2005*, the above strategic indicators were not examined by the ACT Auditor-General's Office.

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**Strategic Indicator 5
Percentage of customers satisfied with Parks and Places key services**



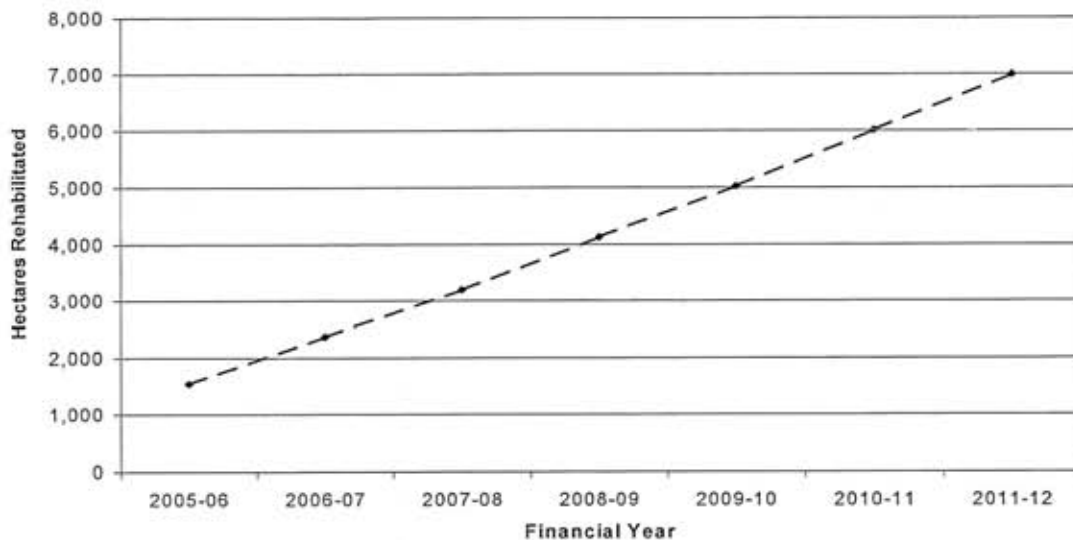
The three indicators in the above chart detail the historical and projected performance against key services under Output 1.4 Parks and Places. During the 2006/2007 financial year the customer satisfaction survey undertaken previously was discontinued. The previous survey methodology made contact via telephone to represent the wider community and onsite facility survey to better establish the experience provided by and the quality of management of specific facilities.

In accordance with the *Financial Management (Statement of Performance Scrutiny) Guidelines 2005*, the above strategic indicators were not examined by the ACT Auditor-General's Office.

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The survey undertaken for the 2006/2007 financial year did not include on site surveys, and the telephone survey included different questions. Given the consistency in previous survey results, the new survey methodology is likely to have had an adverse impact on the satisfaction result. This measure has been replaced by an overall customer satisfaction indicator introduced in the 2007-08 Budget.

**Strategic Indicator 6
Rehabilitation of Forest Estate**

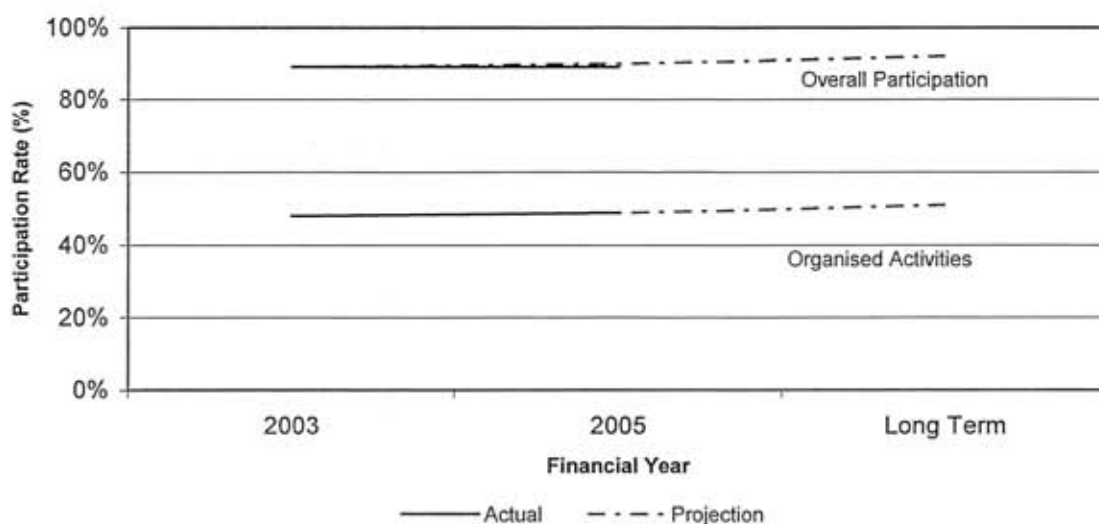


This measure reflects the completion of debris removal, site preparation and replanting of areas affected by the January 2003 bushfires. The long-term target excludes areas of former pine plantation that are being reserved for future urban expansion, or being converted to major facilities, such as the Stromlo Forest Park and the International Arboretum. This measure has been discontinued.

In accordance with the *Financial Management (Statement of Performance Scrutiny) Guidelines 2005*, the above strategic indicators were not examined by the ACT Auditor-General's Office.

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**Strategic Indicator 7
Participation Rates**



The percentage of people participating in organised and unorganised sport and physical activity. This measure has been discontinued.

**Strategic Indicator 8
Customer satisfaction with Canberra Connect customer services**

	2006-07 Targets	2006-07 Result
Customer Satisfaction with Canberra Connect customer services	86%	90%

Canberra Connect offers a comprehensive range of services on behalf of government agencies through the internet, the Government Call Centre and shopfronts. Surveys and focus group research of ACT residents are undertaken to measure the awareness, attitudes, behaviour and satisfaction relative to Canberra Connect's corporate identity, channels and services provided. This measure has been replaced by an overall customer satisfaction indicator introduced in the 2007-08 Budget.

In accordance with the *Financial Management (Statement of Performance Scrutiny) Guidelines 2005*, the above strategic indicators were not examined by the ACT Auditor-General's Office.

<p align="center">Department of Territory and Municipal Services Statement of Performance for the Year Ended 30 June 2007</p>
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<p align="center">OUTPUT CLASS 1: MUNICIPAL SERVICES PRINCIPAL MEASURES</p>
<p>OUTPUT 1.1 Information Services</p>
<p>Description: Provision of accessible public library services through branch and mobile libraries, a home library service, Customer Information Centre, website, the ACT Virtual Library, Heritage Library, and the Government and Assembly Library.</p>

Accountability Measures	Original Target	Amended Target	Result	Variance against target	Notes on Variations
<p>Libraries</p> <p>Library visits per capita</p> <p>Customer satisfaction with library services</p> <p>Percentage of population who are library members</p> <p>Percentage of library collection less than five years old</p> <p>Average cost of library services per visit</p> <p>Cost of library services per capita</p>	<p>2007</p> <p>5.5</p> <p>80%</p> <p>41%</p> <p>32%</p> <p>\$7.30</p> <p>\$42.80</p>	<p>2007</p>	<p>2007</p> <p>5.5</p> <p>88%</p> <p>55%</p> <p>49%</p> <p>\$7.95</p> <p>\$43.38</p>	<p>0%</p> <p>10%</p> <p>34%</p> <p>53%</p> <p>9%</p> <p>1%</p>	<p>1</p> <p>2</p> <p>3</p> <p>4</p>
<p>Early Intervention</p> <p>Number of bookstart kits provided for infants (0-1 years)</p> <p>Percentage of children (0-5) registered as library members</p> <p>Total cost of early intervention</p>	<p>3,500</p> <p>15%</p> <p>\$120,000</p>	<p>Deleted Measure</p> <p>Deleted Measure</p> <p>Deleted Measure</p>			
TOTAL COST (\$'000)	\$15,069.0		\$18,426.0	22.3%	5
GOVERNMENT PAYMENT FOR OUTPUT (\$'000)	\$12,027.0		\$13,363.0	11.1%	5

Notes:

1. The result reflects the increased satisfaction of library customers and is demonstrated through the increase in loans, customer use and percentage of population who are library members.
2. The refurbishment of ACT libraries, increased usage of ACT Virtual Library Service, increased loans, customers through the door and internet hours of use have contributed to this increase.
3. This result reflects the ongoing purchase of new materials and withdrawal of out of date materials.
4. The result reflects technical adjustments associated with the write-off of materials. Without the write-off, the result would have increased by 3.5% to \$7.56.
5. Additional funding appropriated for the ACT Library Service during 2006-07.

The above accountability indicators were examined by the ACT Auditor-General's Office in accordance with the *Financial Management Act 1996*.

<p align="center">Department of Territory and Municipal Services Statement of Performance for the Year Ended 30 June 2007</p>
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<p align="center">OUTPUT CLASS 1: MUNICIPAL SERVICES PRINCIPAL MEASURES</p>
<p>OUTPUT 1.2 Office of Transport</p>
<p>Description: Management of the ACT's road related assets, regulation of public passenger transport, heavy vehicles, driver competency, vehicle registration, and the promotion of road user safety. Provision of public transport services and implementation of the Sustainable Transport Plan to promote a shift from private vehicles to alternative forms of transport.</p>

Accountability Measures	Original Target 2007	Amended Target 2007	Result 2007	Variance against target	Notes on Variations
Infrastructure					
Annual percentage of territorial roads resurfaced	4.9%		4.20%	(14%)	1
Annual percentage of municipal roads resurfaced	4.4%		4.40%	0%	
Percentage of customers satisfied with the management of infrastructure services	77%		77%	0%	
Territorial road system annual maintenance cost per lane km	\$4,460		\$5,346	20%	2
Municipal road system annual maintenance cost per lane km	\$2,140		\$2,460	15%	2
Community Paths - cost per square metre of path renewed and /or repaired	\$151		\$144	(5%)	
Road Transport					
Taxi cab waiting times within standard	100%		99.41%	(1%)	
Taxi cab waiting times (wheelchair accessible taxis) within standard	100%		90.84%	(9%)	3
Number of random vehicle inspections per 10,000 vehicles registered	2,239		2,239	0%	
Annual cost of running vehicle registration per capita	\$6.20		\$6.83	10%	4
Annual cost of running driver licensing functions service per capita	\$3.28		\$3.36	2%	
TOTAL COST (\$'000)	\$189,015.0		\$200,606.0	6%	
GOVERNMENT PAYMENT FOR OUTPUT (\$'000)	\$121,120.0		\$122,855.0	1%	

Notes:

- Variance from territorial road actual to budget is due to contractor delays for granular overlays contract on Tidbinbilla Road. Work to be completed in 2007-08.
- The increased cost relates to general cost pressures in the construction industry and the 10-20% increase in the cost of oil related products such as diesel and bitumen.
- The below target result reflects a higher level of private hirings conducted by Wheelchair Assisted Taxi operators rather than bookings through the taxi network. This issue has been addressed with Canberra Cabs. In addition, these results exclude Cabexpress who are not required to submit performance measures against the standards until April 2008-12 months after commencement of operations.
- Original target was not indexed from last year, which has inflated the 6% 'real' variance.

The above accountability indicators were examined by the ACT Auditor-General's Office in accordance with the *Financial Management Act 1996*.

OUTPUT CLASS 1: MUNICIPAL SERVICES PRINCIPAL MEASURES	
OUTPUT 1.3 Waste and Recycling	
Description: Provision of waste management services including household garbage and recycling collection and processing, development and implementation of associated policies and programs, waste related development control, waste infrastructure development and management, and the development of the resource recovery industry in the ACT.	

Accountability Measures	Original Target 2007	Amended Target 2007	Result 2007	Variance against target	Notes on Variations
Annual tonnes of waste to landfill per head of population	0.54		0.52	(4%)	
Annual tonnes of recyclables collected per head of population	1.60		1.55	(3%)	
Percentage of recovered material of the total waste stream	75%		74%	(1%)	
Percentage of customers satisfied with waste collection services	98%		97%	(1%)	
Annual cost of kerbside collection per household	\$61.00		\$60.90	0%	
Cost of recyclables processing per tonne	\$21.00		\$20.31	(3%)	1
Cost of greenwaste processing per tonne	\$4.20		\$2.84	(32%)	2
Operational cost of landfilling waste per tonne	\$11.70		\$12.37	6%	
TOTAL COST (\$'000)	\$16,836.0		\$17,820.0	6%	
GOVERNMENT PAYMENT FOR OUTPUT (\$'000)	\$13,909.0		\$14,012.0	1%	

Notes:

1. Higher than anticipated volumes of Green waste has brought down the average processing cost per tonne.
2. Additional costs associated with contract works have increased average operational costs per tonne. These include general site improvements and commencement of rehabilitation of the old waste cell.

The above accountability indicators were examined by the ACT Auditor-General's Office in accordance with the *Financial Management Act 1996*.

OUTPUT CLASS 1: MUNICIPAL SERVICES PRINCIPAL MEASURES					
OUTPUT 1.4 Parks and Places					
Description: Management of Sport and Recreation facilities, including urban parks, trees, lakes, sportsgrounds, and public urban open space; policy development; planning; quality control; creation; acceptance and refurbishment of assets; horticultural maintenance; cleaning; visitor programs; and tree management.					
Accountability Measures	Original Target 2007	Amended Target 2007	Result 2007	Variance against target	Notes on Variations
Percentage of customers satisfied with the management of sportsgrounds and ovals	92%		69%	(25%)	1
Percentage of customers satisfied with the management of town and district parks	96%		82%	(15%)	1
Percentage of customers satisfied with the management of pool facilities	93%		72%	(23%)	1
Annual sportsgrounds maintenance cost per hectare	\$15,600		\$18,811	21%	2
Cost of tree maintenance per tree	\$6.00		\$7.18	20%	3
Annual park maintenance cost per hectare	\$3,500		\$4,437	27%	4
Cost of pool operations per attendee	\$7.20		\$5.97	(17%)	5
TOTAL COST (\$'000)	\$46,676.0		\$57,581.0	23%	6
GOVERNMENT PAYMENT FOR OUTPUT (\$'000)	\$37,337.0		\$41,047.0	10%	6

Notes:

1. In previous years, these results were derived from a detailed customer satisfaction survey focused on Parks, Sports Grounds and Pools. As a result of the changes in the Department, the survey was not conducted this year. The June 2007 results are therefore taken from a more generic survey which covers a wide range of Departmental activities.
2. Increase reflects higher water charges and repairs and maintenance costs for sportsgrounds under extended drought conditions.
3. Increase reflects additional resources provided for the removal of dead trees, tree watering and storm damage clean-up.
4. Increase reflects additional resources provided to keep pace with growth of the city relating to horticultural, cleaning and maintenance services.
5. Below target result reflects higher pool attendance than budgeted and lower costs in running the Canberra Olympic Pool.
6. Additional funding appropriated for drought related cost pressures, growth in assets under management in the areas of parks, land and conservation as well as increases relating to city maintenance costs.

The above accountability indicators were examined by the ACT Auditor-General's Office in accordance with the *Financial Management Act 1996*.

OUTPUT CLASS 1: MUNICIPAL SERVICES	
PRINCIPAL MEASURES	
OUTPUT 1.5 Environment, Sustainability, Heritage and Forestry Services	
Description: Development and maintenance of environmental, nature conservation and heritage legislation. Provision of advice on environmental, bio-diversity and heritage management, and delivery of the regulatory framework. Management of the natural resources of the ACT, including protection and preservation of nature parks and reserves, plant and animal species, and delivery of the Government's sustainability policy and initiatives.	

Accountability Measures	Original Target 2007	Amended Target 2007	Result 2007	Variance against target	Notes on Variations
Preparation of management plans	3		3	0%	1
Preparation of legislation consistent with the Legislation Program	2		2	0%	
Deliver Natural Heritage Trust (NHT)/ National Action Plan (NAP) programs	2		2	0%	
Deliver ACT Environment and Heritage grants programs	Jun 2007		Jun 2007	0%	
Complete annual works programs for pest plants and feral animals	Jun 2007		Jun 2007	0%	
Implement required action from the annual Bushfire Operations Plan	Jun 2007		95%	(5%)	2
Implement identified activities arising from Action Plans for threatened species	Jun 2007		Jun 2007	0%	
Assessment of development applications for ACT Planning and Land Authority	100% within 15 working days		79% within 15 working days	(21%)	3
Heritage registrations within statutory timeframes	100%		100%	0%	
Prepare ACT Climate Change Strategy	1		1	0%	
Percentage of planned planting program completed	100%		100%	0%	
TOTAL COST (\$'000)	\$41,786.0		\$42,237.0	1%	
GOVERNMENT PAYMENT FOR OUTPUT (\$'000)	\$32,578.0		\$31,590.0	(3%)	

Notes:

1. These plans are in draft form awaiting final approval.
2. Works not completed on the Bushfire Operations Plan are either still going through formal approval stages or they have been deferred into the next financial year due to weather conditions not allowing some of the activities to be undertaken this financial year.
3. Below target result is due to assessment situations where additional details are being sought from applicants.

The above accountability indicators were examined by the ACT Auditor-General's Office in accordance with the *Financial Management Act 1996*.

OUTPUT CLASS 1: MUNICIPAL SERVICES	
PRINCIPAL MEASURES	
OUTPUT 1.6 Sport and Recreation	
Description: Provision of grants, programs, facilities, education and training, and development of policies and legislation to maintain the capacity and capabilities of the sport and recreation sector.	

Accountability Measures	Original Target 2007	Amended Target 2007	Result 2007	Variance against target	Notes on Variations
Number of programs implemented	9		9	0%	1
Value of sport and recreation grants	\$2,109,385		\$1,977,095	(6%)	2
Number of athlete scholarships	250		174	(30%)	
Satisfaction of athletes and coaches with services and support provided by the ACT Academy of Sport as assessed by annual survey	90%		93%	3%	
Facilities planning and usage					
- number of planning projects undertaken	1		1	0%	
- number of AFL/RU/NRL games held at Manuka Oval and Canberra Stadium	23		22	(4%)	
TOTAL COST (\$'000)	\$15,648.0		\$18,347.0	17%	3
GOVERNMENT PAYMENT FOR OUTPUT (\$'000)	\$11,306.0		\$12,026.0	6%	3

Notes:

1. The variation represents a reduction made to the funding pool available for umbrella organisations, which was agreed to by the industry during consultation prior to the opening of the 2007 grants program.
2. The number of scholarships was reduced to allow a better quality of service to be provided to each athlete within the funds available.
3. Additional funding appropriated in 2006-07 for drought related cost pressures as well as the transfer of the project management functions relating to Stromlo Forest Park Project and the Tidbinbilla Nature Discovery Centre Project from Output 1.5.

The above accountability indicators were examined by the ACT Auditor-General's Office in accordance with the *Financial Management Act 1996*.

OUTPUT CLASS 1: MUNICIPAL SERVICES	
PRINCIPAL MEASURES	
OUTPUT 1.7 Ranger Services	
Description: Implementation of regulatory activities to enhance the safety and cleanliness of the city, including the deployment of mobile and fixed speed cameras, facilitation of access to, and use of public places, and the encouragement of responsible pet ownership through enforcement of the <i>Domestic Animals Act 2000</i> .	

Accountability Measures	Original Target 2007	Amended Target 2007	Result 2007	Variance against target	Notes on Variations
Percentage down time of fixed speed cameras	8%		3%	(69%)	1
Percentage re-homing rate of stray and abandoned animals	90%		96%	7%	2
TOTAL COST (\$'000)	\$4,170.0		\$5,279.0	27%	
GOVERNMENT PAYMENT FOR OUTPUT (\$'000)	\$4,078.0		\$4,100.0	1%	

Notes:

- 1 New measure resulted in forecasting difficulty - 2 new fixed cameras were installed and a number of maintenance tasks were performed in 2006/2007 reducing actual downtime.
- 2 Successful re-homing strategy saw more members of the community accept stray dogs as household pets.

The above accountability indicators were examined by the ACT Auditor-General's Office in accordance with the *Financial Management Act 1996*.

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OUTPUT CLASS 2: ENTERPRISE SERVICES	
PRINCIPAL MEASURES	
OUTPUT 2.1 Canberra Connect	
Description: Provision of customer enquiry, information and bill payment services to the community through shared service shopfronts, call centre and on-line (internet based) services.	

Accountability Measures	Original Target 2007	Amended Target 2007	Result 2007	Variance against target	Notes on Variations
Customer Interfaces					
Customer satisfaction with Canberra Connect services	86%		90%	5%	1
Call centre waiting times less than 20 seconds	80%		72%	(10%)	
Average queue time at the Canberra Connect shopfronts	<12 minutes		<10 minutes	17%	2
Average cost per transaction at shopfronts	\$6.63		\$5.27	(21%)	
Average cost per transaction for call centres	\$4.69		\$4.48	(4%)	3
Average cost per transaction for web transaction	\$0.64		\$0.84	31%	
TOTAL COST (\$'000)	\$12,869.0		\$15,182.0	18%	4
GOVERNMENT PAYMENT FOR OUTPUT (\$'000)	\$11,165.0		\$11,287.0	1%	

Notes:

1. Target not met due to increase in call volumes of 33% over the previous year. Growth caused by increasing take up of Canberra Connect call centre services by the community and by other ACT Government agencies.
2. Higher than expected number of shopfront transactions in the year has resulted in a lower cost per transaction rate.
3. Operating costs higher as Canberra Connect undertakes increased online activity on behalf of the Department of Territory and Municipal Services and other ACT Government agencies.
4. Increase in expenditure following the write-off of a number of legacy applications.

The above accountability indicators were examined by the ACT Auditor-General's Office in accordance with the *Financial Management Act 1996*.

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OUTPUT CLASS 2: ENTERPRISE SERVICES	
PRINCIPAL MEASURES	
OUTPUT 2.2 Government Services Description: Incorporates businesses that provide commercial services to ACT Government agencies and the private sector, including Property, Publishing Services, Yarralumla Nursery, ACT Record Services, and Capital Linen Services.	

Accountability Measures	Original Target 2007	Amended Target 2007	Result	2007	Variance against target	Notes on Variations
Capital Linen Services						
Total tonnes of laundry processed	5,000			5,048	1%	1
Percentage of laundry requiring rewashing	≤5%			5.4%	8%	
Property						
Accommodation utilisation rate (m2 per employee)	18.3m ²			20.1m ²	10%	2
Occupancy rate of ACT Government office buildings	99%			96%	(3%)	
Use of Greenpower	23%			22.7%	(1%)	
Accommodation cost per employee	\$7,300			\$7,642	4.7%	2
TOTAL COST (\$'000)	\$68,505.0			\$93,373.0	36%	
GOVERNMENT PAYMENT FOR OUTPUT (\$'000)	\$400.0			\$400.0	0%	

Notes:

- 1 The rewash percentage is higher than the original target because of issues with the chemical delivery system.
2. Variance due to leasing of 2,560m² office space at Fairbairn yet to be occupied by the Emergency Services Authority and proposed underleasing of 4,418m² of space at Manning Clark Offices to the Commonwealth as part of the Whole of Government Accommodation Strategy yet to be completed.

The above accountability indicators were examined by the ACT Auditor-General's Office in accordance with the *Financial Management Act 1996*.

<p align="center">Department of Territory and Municipal Services Statement of Performance for the Year Ended 30 June 2007</p>
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<p align="center">OUTPUT CLASS 3: ACT TOURISM PRINCIPAL MEASURES</p>
<p>OUTPUT 3.1 Tourism</p>
<p>Description: To create and implement a range of marketing and development programs as well as conduct a number of events.</p>

Accountability Measures	Original Target 2007	Amended Target 2007	Result 2007	Variance against target	Notes on Variations
Awareness of the Capital Region as a tourist destination					
- Sydney	>9%		14.9% *	0%	1
- Brisbane	>5%		10.7% *	0%	1
- Adelaide	>10%		8.6% *	(14%)	1
- Regional NSW	>12%		17.7% *	0%	1
Preference of the Capital Region as a tourist destination					
- Sydney	>10%		15.3% *	0%	1
- Brisbane	>5%		6.9% *	0%	1
- Adelaide	>5%		9.4% *	0%	1
- Regional NSW	>10%		13.5% *	0%	1
Number of hits to the website			829,691	107%	2
- Floriade	132,000				
- Rally of Canberra	1,200	Deleted Measure	167,634	27%	3
TOTAL COST (\$'000)	\$16,074.0		\$16,314.0	1%	
GOVERNMENT PAYMENT FOR OUTPUT (\$'000)	\$14,136.0		\$14,135.0	0%	

Notes:

1. Result is for the year ending March 2007 * Adelaide figure reflects a decline in promotional activity due to reduction in resources allocated to that market.
2. Web-site hits have increased markedly, due to increased use of on-line booking system and continuing emergence of the web as a key tool to drive tourism activity.
3. Higher visitor numbers were due to a better than expected response to an extensive national marketing and advertising campaign in addition to excellent weather throughout the entire 30 days of the event.

* Awareness and preference measures as defined by Roy Morgan Holiday Tracking Survey. Due to time lag in obtaining figures from Roy Morgan, these results are based on year ending March 2007 data.

The above accountability indicators were examined by the ACT Auditor-General's Office in accordance with the *Financial Management Act 1996*.

EBT: OFFICE OF THE COMMISSIONER FOR THE ENVIRONMENT PRINCIPAL MEASURES					
EBT 1: Office of the Commissioner for the Environment					
Description: Publishing the State of the Environment Report. Investigating complaints by Ministerial direction, or where a Territory Agency's actions would have a substantial					
Accountability Measures	Original Target 2007	Amended Target 2007	Result 2007	Variance against target	Notes on Variations
Australian Capital Region State of the Environment report Report on uptake of recommendations on State of the Environment and special reports Preparation of ACT State of the Environment Report Ministerial initiated investigations	Jun 2007 Sept 2006 Jun 2007 According to deadline in Minister's Direction		Dec 2006 Sept 2006 Incomplete No Ministerial initiated investigations were commenced		1
Commissioner initiated investigations	Within 12 months of commencement		No Commissioner initiated investigations were commenced Sept 2006		2
Report on complaints about management of the environment by the Territory or a Territory agency	Sept 2006				
TOTAL COST (\$'000)	\$435.0		\$321.0	(26%)	3
GOVERNMENT PAYMENT FOR OUTPUTS (\$'000)	\$435.0		\$125.0	(71%)	3

Notes

1. The Australian Capital Region State of the Environment Report (SoE) was completed in the 1st quarter of 2006-07. Publishing of the report took some time as mapping size for internet users needed to be resolved. This is now complete and a CD Rom is available.
2. This measure will be ongoing into the 2007-08 financial year. At present the 2007 ACT SoE Report is not due to be handed to the Minister until December 2007.
3. Decrease in expenditure associated with funding rolled over to 2007-08 relating to the Australian Capital Region State of the Environment Report (SoE).

The above accountability indicators were examined by the ACT Auditor-General's Office in accordance with the *Financial Management Act 1996*.



ACTION Annual Report

Management Discussion and Analysis for ACTION, for the Financial Year Ended 30 June 2007

General Overview

Objectives

ACTION's primary objective, is to provide public transport in the ACT, including the following services:

- a) a public bus and school network providing a range of express and route options to and from all suburbs;
- b) a special needs transport door to door service for children and young adults with a disability and older clients of ACT Health who have mobility and other medical conditions and;
- c) charter bus services provided at competitive rates.

Risk Management

ACTION is redeveloping its risk management profile that forms part of its 2007-08 strategy and business plans. This will include integration of its Fraud and Corruption control plan, business audit program and audit of its quality system into the Department's frameworks.

ACTION has identified the following potential risks that may influence its business outcomes and future financial position:

Budget and cash flow– ACTION will revise its service levels to align with available budget through a redesigned network, and will continue to make representations through the Department to ACT Treasury about its weakening financial position.

Revenue – ACTION has commenced the process to replace its ticketing system which will mitigate revenue losses from equipment failures. A new service plan and redesigned network in 2007-8 aims to optimise services for improved patronage. However, service levels need to be constrained by available budget and there is a risk that patronage will decline.

Safety and OHS – Further safety improvements in interchanges and on buses, as well as adherence to effective OHS procedures will create a safer operating environment for staff and passengers. This will reduce potential compensable claims and improve patronage. Closed Circuit Television monitors on all buses, all depots and all interchanges will significantly improve the risk profile in this area.

Asset management plan – Improved asset management of depots, interchanges and buses will reduce the risk of liabilities arising from accidents and assist the process to regularise capital investment (buses) and improve maintenance expenditure. An improved asset management plan will also ensure quality standards and legislative compliance where applicable.

Driver and specialised human resources retention – ACTION is maintaining a vigorous driver recruitment and training regime to ensure a constant supply of high performing drivers. Other key areas will be assessed for potential risk and mitigation in a constrained labour market for transport and business system support specialists.

Financial Performance

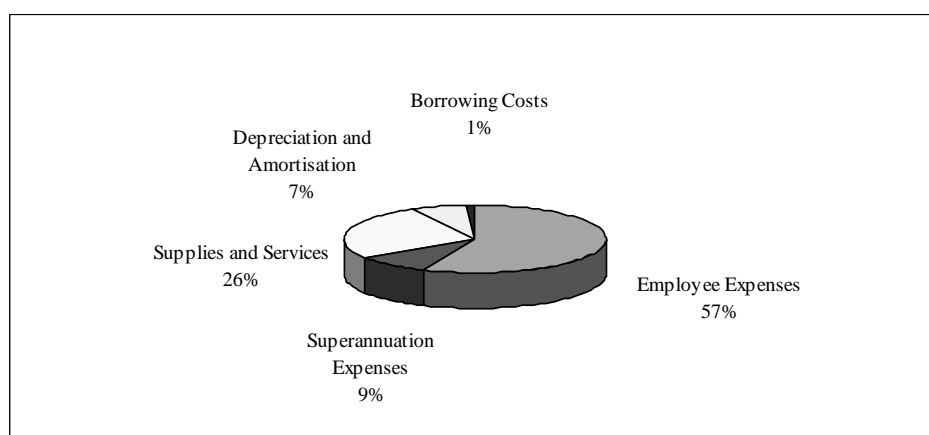
The following financial information is based on audited Financial Statements for 2005-06 and 2006-07, and the forward estimates contained in the 2006-2007 Budget Paper Number 4.

Total Expenditure

Components of Expenditure

Figure 1 indicates the components of ACTION's expenditure for 2006-07 with the largest component of expenditure being employee expenses representing **57% (or \$50 million)** of ordinary activities.

Figure 1 - Components of Expenditure



Comparison to Budget

Total expenditure of **\$88.88 million** was **\$3.07 million**, or **3.45%** higher than the 2006-07 budget of **\$85.81 million**. This higher than budgeted expenditure was largely the result of:

- employee and superannuation expenses increase of **\$3.29 million** resulting from organisational restructure changes involving unrealised network savings; offset by a decrease in:
- other expenses (**\$0.26 million**) relating to losses on asset sales not materialising.

Comparison to Prior Year

Total expenditure was **\$5.09 million**, or **5.4%** lower than the 2005-06 reported result. The reduction was primarily due to:

- a) a write down of **\$6 million** in building values following revaluation and a loss on sale of assets of **\$0.48 million**, both in 2005-06 not repeated in 2006-07.
- b) Employee expenses reduced by **\$1.60 million**, or **3%**, as a result of structural changes made to the organisation in 2006-07.
- c) Superannuation expenses increased by **\$3.00 million** over the 2005-06 actual result due to increased superannuation rates.

Future Trends

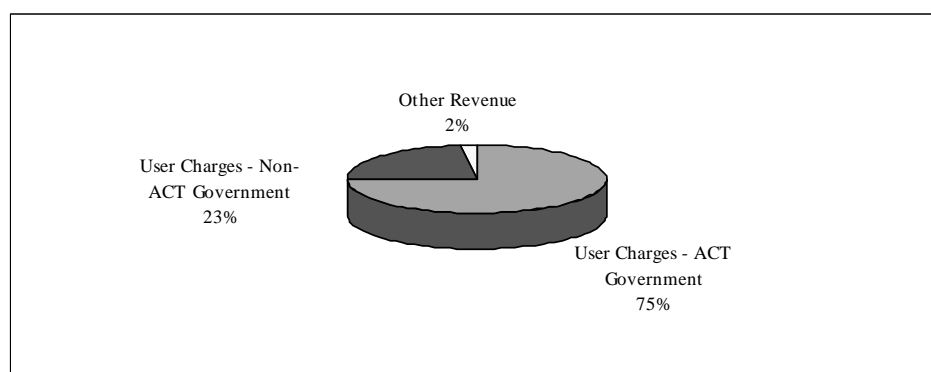
Expenditure is budgeted to decrease in 2007-08 by **\$2.7 million**, or **3.1%** to accommodate the full year impact of the 2006-07 structural changes.

Total Income

Components of Income

Figure 2 below indicates that for the financial year ended 30 June 2007, ACTION received **23%** of its total income of **\$83.40 million** from user charges – non-ACT Government. This income largely relates to fares, charter, and bus advertising services provided to private sector clients. The remainder of ACTION's income is derived from ACT Government user charges for Community Service Obligations and other contracted sourced revenue notably Special Needs Transport (**75%**) and other Commonwealth grant revenue relating to fuel, staff training and employment (**2%**).

Figure 2 - Components of Income



Comparison to Budget

Revenue for the year ended 30 June 2007 was **\$83.40 million**, which was **\$1.94 million** above the 2006-07 budget of **\$81.46 million**. This result is largely due to increased concession and Special Needs Transport payments of **\$0.52 million**. Other revenue increased by **\$1.18 million** due to a new fuel tax credits scheme implemented on 1 July 2006. These funds have been retained for use within ACTION.

Comparison to Prior Year

- Revenue in 2006-07 was **\$3.58 million**, or **4.3%** higher than the 2005-06 reported result. The improvement was mainly due to:
 - a) ACT Government user charges of **\$1.60 million** for the payment of increased superannuation,
 - b) Higher concession fares and charter hire of **\$1.00 million** and
 - c) **\$1.10 million** in Commonwealth grants predominantly from fuel tax credits.

Offset by:

Lower interest revenue– Interest was below the 2005-06 result by **\$0.11 million** due to the retention of interest by Treasury.

Future Trends

Total income for 2007-08 is budgeted to decrease by **\$2.15 million** or **2.6%** due to a budgeted reduction in ACT Government user charges including a reduction in superannuation.

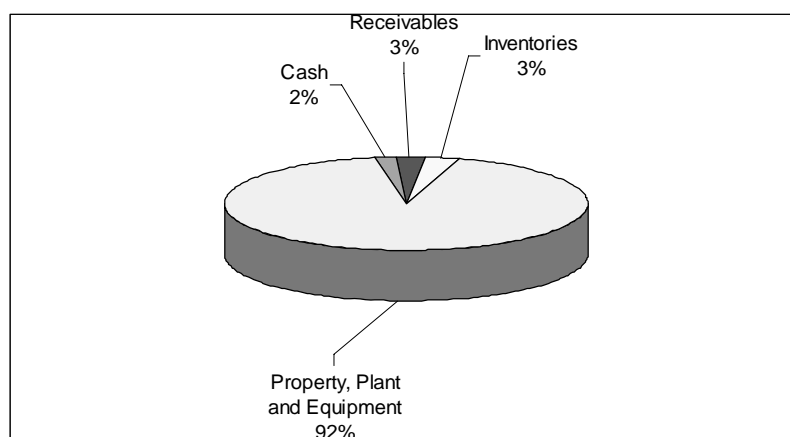
Financial Position

Total Assets

Components of Total Assets

Figure 3 below indicates that for the financial year ended 30 June 2007, property, plant and equipment, and capital works in progress account for the majority share of ACTION's total assets base of **\$77.59 million**.

Figure 3 – Total Assets as at 30 June 2007



Comparison to Budget

The total asset position as at 30 June 2007 is **\$77.59 million**, **\$1.65 million** less than the 2006-07 budget of **\$79.24 million**. The decline is largely the result of:

- lower cash and cash equivalents of **\$0.74 million** due to a lower cash carried forward from 2005-06 and higher operational expenditure than budgeted for.
- lower non-current assets of **\$1.56 million** reflecting delayed capital expenditure for the bus Closed Circuit Television (CCTV) project.

Decreases in cash and non-current assets were partly offset by increases in receivables of **\$0.36 million** and other current assets **\$0.44million** principally for refunds of voluntary redundancy payments from Treasury.

Comparison to Prior Year

ACTION's total asset position is **\$2.15 million** less than the 2005-06 result of **\$79.74 million** largely due to:

- depreciation expenditure higher than asset replacements by **\$3.0 million** ;
- lower trade and other receivables totalling **\$0.81 million** due to decreased debtors relating to lower Ticket Agency inventories.

The decrease in total asset position has been partly offset by:

- increases in cash and cash equivalents of **\$1.29 million** due to an advance received for voluntary redundancy payments repayable in July 2007;
- increases in other assets of **\$0.4 million** principally for the refund of payments for voluntary redundancies and Comcare.

Liquidity

'Liquidity ratio' is a measure of ACTION's ability to satisfy short-term debts as they fall due. A common indicator for liquidity is the current ratio, which compares the ability to fund short-term liabilities from short-term assets. A ratio of less than 1-to-1 may indicate a reliance on the next financial year's funding to meet short-term debts.

Table 1 indicates ACTION's liquidity position.

Table 1 – Current Ratio

	Prior Year Actual 2005-06	Current Year Budget 2006-07	Current Year Actual 2006-07
Current Assets (\$'000's)	5,365	6,292	6,201
Current Liabilities (\$'000's)	21,277	11,753	22,097
Current Ratio	0.25:1	0.54:1	0.28:1

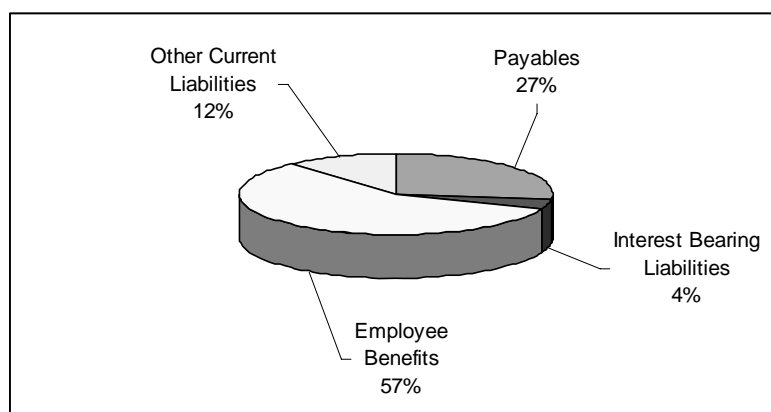
ACTION's current ratio for the financial year is **0.28 to 1**, which is a decline on the budgeted current ratio of **0.54 to 1**. ACTION's cash flow is not expected to improve markedly.

Total Liabilities

Components of Total Liabilities

Figure 4 below indicates that the majority of ACTION's liabilities relate to employee benefits (**57%**) and payables (**27%**).

Figure 4 – Total Liabilities as at 30 June 2007



Comparison to Budget

ACTION's liabilities for the year ended 30 June 2007 of **\$29.37 million**, is **\$2.56 million** higher than the 2006-07 budget of **\$26.81 million** largely due to:

- a) increase in payables of **\$1.25 million**
 - b) increase in other liabilities of **\$1.8 million** relating an advance received for voluntary redundancy payments repayable in July 2007
- offset by:
- c) lower liability for employee benefits of **\$0.543 million**

Comparison to Prior Year

Total liabilities are **\$0.17 million** higher than the 2005-06 actual results of **\$29.19 million** due to an increase in other liabilities of \$1.5 million (as referred to above) off set by lower interesting bearing and finance lease liabilities (**\$1.1 million**) from repayments and a decrease in liabilities for employee benefits of **\$0.42 million**.



ACT AUDITOR-GENERAL'S OFFICE



A07/15

Mr Mike Zissler
Chief Executive
Department of Territory and Municipal Services
Level 5, Macarthur House
12 Wattle Street
LYNEHAM ACT 2602

Mike
Dear Mr Zissler

AUDIT REPORT ACTION

FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2007

The ACT Auditor-General's Office has completed the audit of the financial report of ACTION for the year ended 30 June 2007.

I am pleased to attach the audited financial report together with the **unqualified** audit report.

I have provided a copy of the financial report and the audit report to the Minister for Territory and Municipal Services, Mr John Hargreaves MLA.

Thank you for the assistance provided by the staff of ACTION during the audit.

Yours sincerely

Tu Pham
Auditor-General
7 September 2007

c.c. Mr Brian Quirke, Chief Finance Officer
Ms Susanna Kiemann, Director, Strategic Finance
Mr David Dobliger, Internal Audit Manager, Strategic Coordination and Continuous Improvement



ACT AUDITOR-GENERAL'S OFFICE



INDEPENDENT AUDIT REPORT

ACTION

To the Members of the ACT Legislative Assembly

Audit Opinion

In my opinion, the financial report of ACTION for the year ended 30 June 2007:

- (i) is presented in accordance with the *Financial Management Act 1996*, Accounting Standards and other mandatory financial reporting requirements in Australia; and
- (ii) presents fairly the financial position of ACTION as at 30 June 2007 and the results of its operations and its cash flows for the year then ended.

This audit opinion should be read in conjunction with the following information.

Responsibility for the Financial Report

The Chief Executive of the Department of Territory and Municipal Services is responsible for the financial report of ACTION. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and estimates used in the preparation of the financial report.

Contents of the Financial Report

The financial report is comprised of the Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and accompanying notes.

The Auditor's Responsibility

My responsibility is to express an opinion on the financial report as required by the *Financial Management Act 1996*.

Electronic Presentation of the Audited Financial Report

Those viewing an electronic presentation of this audited financial report should note that the Chief Executive of the Department of Territory and Municipal Services is responsible for the integrity of the information placed on the website. I have not examined the integrity of this website. The audit report refers only to the financial report identified above. It does not provide an opinion on any other information, which may have been hyperlinked to or from this report. If users of the report are

concerned with the inherent risks arising from electronic data communications, they are advised to refer to the printed copy of the audited financial report, available from ACTION, to confirm the information included in the audited financial report presented on this website.

The Audit Scope

My audit was conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement.

I formed the audit opinion by performing procedures to assess whether, in all material respects, the financial report presents fairly, in accordance with the *Financial Management Act 1996*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view that is consistent with my understanding of the financial position and performance of ACTION.

The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control and, in many cases, the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

My procedures included:

- (i) examining, on a test basis, evidence supporting the amounts and other disclosures in the financial report; and
- (ii) evaluating accounting policies and significant accounting estimates used in the preparation of the financial report.

I considered the effectiveness of internal controls when determining the nature and extent of my procedures, however, the audit was not designed to provide assurance on internal controls.

My audit was also not designed to provide assurance on the appropriateness of the budget information included in the financial report or to evaluate the prudence of decisions made by ACTION.

Independence

In conducting my audit, I followed applicable independence requirements of Australian professional ethical pronouncements.



Tu Pham
Auditor-General

7 September 2007

ACTION
Financial Report
For the year ended 30 June 2007

Statement of Responsibility

In my opinion, the financial report is in agreement with ACTION's accounts and records and fairly reflects the financial operations of ACTION for the year ended 30 June 2007, and the financial position of ACTION on that date.

A handwritten signature in black ink, consisting of a large, loopy 'M' and 'Z' that are intertwined, enclosed within a circular flourish.

Mike Zissler
Chief Executive
ACTION

6 September 2007

ACTION
Financial Report
For the Year Ended 30 June 2007

Statement by the Chief Finance Officer

In my opinion, the financial report has been presented in accordance with generally accepted accounting principles, and is in agreement with ACTION's accounts and records and fairly reflects the financial operations of ACTION for the year ended 30 June 2007, and the financial position of ACTION on that date.



Susanna Kiemann
Chief Finance Officer
ACTION

6th September 2007



**ACTION Financial Report
for year ended 30 June 2007**

ACTION
Operating Statement and Output Class
For the Year Ended 30 June 2007

	Note	Actual	Original Budget	Actual
	No.	2007	2007	2006
		\$'000	\$'000	\$'000
Income				
<i>Revenue</i>				
User Charges - ACT Government	4	62,187	61,671	60,589
User Charges - Non-ACT Government	4	19,586	19,067	18,593
Interest	5	6	178	124
Other Revenue	6	1,619	544	516
Total Revenue		83,398	81,460	79,822
Total Income		83,398	81,460	79,822
Expenses				
Employee Expenses	7	50,001	47,307	51,599
Superannuation Expenses	8	8,288	7,689	5,252
Supplies and Services	9	23,321	23,278	23,454
Depreciation	10	6,208	6,218	6,076
Borrowing Costs	11	884	883	966
Other Expenses	12	181	437	6,628
Total Expenses		88,883	85,812	93,975
Operating (Deficit) before Income Tax Equivalents		(5,485)	(4,352)	(14,153)
Income Tax Equivalents Expense	30	-	-	-
Operating (Deficit)		(5,485)	(4,352)	(14,153)

The above Operating Statement should be read in conjunction with the accompanying notes.

ACTION
Balance Sheet
As at 30 June 2007

	Note	Actual	Original Budget	Actual
	No.	2007	2007	2006
		\$'000	\$'000	\$'000
Current Assets				
Cash and Cash Equivalents	16,31	1,697	2,434	403
Receivables	17	1,850	1,620	2,660
Inventories	18	2,219	2,238	2,254
Other	19	435	-	48
Total Current Assets		6,201	6,292	5,365
Non-Current Assets				
Property, Plant and Equipment	20	71,376	72,947	72,425
Capital Works in Progress	21	10	-	1,946
Total Non-Current Assets		71,386	72,947	74,371
Total Assets		77,587	79,239	79,736
Current Liabilities				
Payables	22	6,020	3827	5,935
Interest Bearing Liabilities	23	550	549	539
Finance Leases	23	591	582	551
Employee Benefits	24	12,328	5,998	13,154
Other	25	2,608	797	1,098
Total Current Liabilities		22,097	11,753	21,277
Non-Current Liabilities				
Payables	22	68	1,008	13
Interest Bearing Liabilities	23	6,640	6,640	7,190
Finance Leases	23	73	50	632
Employee Benefits	24	487	7,360	79
Total Non-Current Liabilities		7,268	15,058	7,914
Total Liabilities		29,365	26,811	29,191
Net Assets		48,222	52,428	50,545
Equity				
Contributed Equity	26	80,503	79,634	77,341
Accumulated (Deficits)	26	(37,281)	(27,206)	(31,796)
Asset Revaluation Reserve	26	5,000	-	5,000
Total Equity		48,222	52,428	50,545

The above Balance Sheet should be read in conjunction with the accompanying notes.

ACTION
Statement of Changes in Equity
For the Year Ended 30 June 2007

	Note	Actual	Original Budget	Actual
	No.	2007	2007	2006
		\$'000	\$'000	\$'000
Balance at the Beginning of the Reporting Period		50,545	51,610	54,172
<i>Accumulated Funds</i>				
Operating (Deficit) for the Reporting Period	26	(5,485)	(4,352)	(14,153)
<i>Reserves</i>				
Increase in the Asset Revaluation Reserve	26	-	-	5,000
Total Income and Expenses Recognised Directly in Equity for the Reporting Period		(5,485)	(4,352)	(9,153)
Transactions Involving Equity Holders Affecting Accumulated Funds				
Capital Injections	26	3,000	4,916	5,440
Increase in Net Assets due to transfer of leave entitlements in an Administrative Restructure	26	162	254	86
Balance at the end of the Reporting Period		48,222	52,428	50,545

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

ACTION
Cash Flow Statement
For the Year Ended 30 June 2007

	Note	Actual	Original Budget	Actual
	No.	2007	2007	2006
		\$'000	\$'000	\$'000
Cash Flows from Operating Activities				
Receipts				
User Charges - ACT Government		62,225	61,671	60,550
User Charges - Non-ACT Government		19,369	19,067	18,693
Interest Received		17	178	129
Commonwealth Government Grants		1,556	494	478
Other		5,261	3,993	5,049
Total Receipts from Operating Activities		88,428	85,403	84,899
Payments				
Employees		50,874	46,786	51,195
Superannuation		8,307	7,820	5,220
Supplies and Services		21,441	23,618	23,260
Borrowing Costs		885	883	966
Other		5,194	4,078	5,478
Total Payments from Operating Activities		86,701	83,185	86,119
Net Cash Inflows / (Outflows) from Operating Activities	31	1,727	2,218	(1,220)
Cash Flows from Investing Activities				
Receipts				
Proceeds from Sale of Property, Plant and Equipment		-	-	395
Total Receipts from Investing Activities		-	-	395
Payments				
Purchase of Property, Plant and Equipment		4,375	4,916	7,846
Total Payments from Investing Activities		4,375	4,916	7,846
Net Cash (Outflows) from Investing Activities		(4,375)	(4,916)	(7,451)
Cash Flows from Financing Activities				
Receipts				
Advances Payable		2,000	-	-
Capital Contributions from the ACT Government		3,000	4,916	5,440
Total Receipts from Financing Activities		5,000	4,916	5,440
Payments				
Repayment of Borrowings		539	539	528
Payment of Finance Leases		519	551	521
Total Payments from Financing Activities		1,058	1,090	1,049
Net Cash Inflows from Financing Activities		3,942	3,826	4,391
Net Increase / (Decrease) in Cash Held		1,294	1,128	(4,280)
Cash and Cash Equivalents at the Beginning of the Reporting Period		403	1,306	4,683
Cash and Cash Equivalents at the End of the Reporting Period	16,31	1,697	2,434	403

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

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ACTION

Notes to and Forming Part of the Financial Report

For the Year Ended 30 June 2007

Note 1 Objectives of ACTION

Legal Form and Principal Place of Business

The Australian Capital Territory Internal Omnibus Network (ACTION) forms part of the Department of Territory and Municipal Services having commenced under the new arrangements as of 1 July 2006. ACTION continues as a separate reporting entity with its own financial information, and strategic and accountability measures.

The principal place of business is located at Macarthur House, 12 Wattle Street, Lyneham in the Australian Capital Territory (ACT).

Operation and Principal Activities

Public transport in the ACT is provided by ACTION and includes the following services:

- a public bus and school services network providing a range of express and route options to and from all suburbs;
- a special needs transport service that is a door to door service for disadvantaged people in our community; and
- a charter bus service provided at commercial rates.

Note 2 Summary of Significant Accounting Policies

(a) Basis of Accounting

The *Financial Management Act 1996* (FMA) requires the preparation of financial statements (financial report) for Territory entities.

The FMA and the *Financial Management Guidelines* issued under the Act, requires that a Territory entity's financial report include:

- (i) an Operating Statement for the year;
- (ii) a Balance Sheet at the end of the year;
- (iii) a Statement of Changes in Equity for the year;
- (iv) a Cash Flow Statement for the year;
- (v) a summary of significant accounting policies adopted for the year; and
- (vi) such other statements as are necessary to fairly reflect the financial operations of the Territory entity during the year and its financial position at the end of the year.

This general-purpose financial report has been prepared to comply with 'Generally Accepted Accounting Principles' (GAAP) as required by the FMA. This financial report was prepared in accordance with:

- (i) Australian equivalents to International Financial Reporting Standards, comprising accounting standards and UIG interpretations issued by the Australian Accounting Standards Board; and
- (ii) ACT Accounting Policies.

ACTION
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007

Note 2 Summary of Significant Accounting Policies - Continued

(a) Basis of Accounting (Continued)

The financial report was prepared using the accrual basis of accounting, which recognises the effects of transactions and events as they occurred. The financial report is also prepared according to historical cost convention, except for certain assets that were valued in accordance with the (re)/valuation policies applicable to ACTION during the reporting period.

ACTION is an individual reporting entity.

(b) The Reporting Period

This financial report states the financial performance, changes in equity and cash flows of ACTION for the financial year ending 30 June 2007 together with the financial position of ACTION as at 30 June 2007.

(c) Comparative Figures

Budget Figures

To assist in the comparison with the Budget Papers, as required by the *Financial Management Act 1996*, budget information for 2006-07 has been presented in the financial report. Budget information for 2006-07 matches the original budget information contained in 2006-07 Budget Papers.

Prior Year Comparatives

Comparative information is disclosed in respect of the previous period for all amounts reported in the financial report.

Where the presentation or classification of items in the financial report is amended, the comparative amounts have been reclassified where practical. Where a reclassification occurs, the nature, amount and reason for reclassification is provided.

(d) Rounding

All amounts in the financial report have been rounded to the nearest thousand dollars (\$'000). Use of “-” represents amounts rounded down to zero.

(e) Revenue Recognition

Revenue is recognised at the fair value of the consideration received or receivable in the Operating Statement. All revenue is recognised to the extent that it is probable that the economic benefits will flow to ACTION and the revenue can be reliably measured. In addition, the following recognition criteria must also be met before revenue is recognised.

Rendering of Services

Revenue from the supply of services is recognised when completion of the transaction stage at the reporting date can be reliably measured and the costs of rendering those services can be reliably measured.

Sale of Goods

Revenue from the sale of goods is recognised by ACTION when the significant risks and rewards of ownership of the goods are transferred to the buyer. ACTION retains neither continuing managerial involvement nor effective control over the goods sold and the costs incurred in respect of the transaction.

Interest

Interest revenue is recognised when the revenue is earned.

ACTION
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007

Note 2 Summary of Significant Accounting Policies - Continued

(f) Repairs and Maintenance

ACTION undertakes cyclical maintenance on its buildings, plant and equipment. All costs involved with the cyclical maintenance are recorded as an expense. Where the maintenance leads to an upgrade of the asset and increases the service potential of the existing buildings or plant and equipment, the cost is capitalised.

(g) Borrowing Costs

Borrowing costs are expensed in the period in which they are incurred.

(h) Waivers and Write-off of Debts

Debts that are waived during the year under s131 of the *Financial Management Act 1996*, or written-off, are expensed during the financial year in which the right to payment was waived or written-off. Further details of waivers are disclosed at Note 13: 'Waivers and Write-offs'.

(i) Current and Non-Current Items

Assets and liabilities are characterised as either current or non-current on the face of the Balance Sheet and in the relevant notes. Assets are classified as current where they are expected to be realised within 12 months after the reporting date. Liabilities are classified as current when they are due to be settled within 12 months after the reporting date or ACTION does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Assets or liabilities not classified as current are classified as non-current.

(j) Impairment Losses

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is the amount by which the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount. The recoverable amount is the higher of 'fair value less the costs to sell' and its 'value in use'. An asset's 'value in use' is its depreciated replacement cost, where the asset would be replaced if ACTION were deprived of its economic benefits. Non-financial assets that have previously been impaired are reviewed for possible reversal of impairment at each reporting date.

Any resulting impairment loss is recognised immediately in the Operating Statement except where assets are carried at fair value. The impairment loss is recognised as a decrease to the Asset Revaluation Reserve. Where the impairment loss is greater than the balance in the revaluation reserve, the difference is expensed in the Operating Statement. Also, the carrying amount of the asset is reduced to its recoverable amount.

(k) Cash and Cash Equivalents

For the purposes of the Cash Flow Statement and the Balance Sheet, cash includes cash at bank and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of change in value. Cash equivalents include short-term investments held in the Cash Enhanced Portfolio managed by an external fund manager on behalf of the Central Financing Unit. Any bank overdrafts are included in cash and cash equivalents in the Cash Flow Statement but are reflected as a liability in the Balance Sheet.

Cash is measured at nominal value.

ACTION
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007

Note 2 Summary of Significant Accounting Policies - Continued

(l) Receivables

Trade receivables arise in the normal course of selling goods and services to other agencies and the public. Trade receivables are payable within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

Other receivables arise outside the normal course of selling goods and services to other agencies and to the public. Other receivables are payable within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

The ability to collect receivables is reviewed on an on-going basis. Receivables that are unable to be collected are written off.

The doubtful debts allowance represents the amount of trade receivables and other receivables ACTION estimates will not be repaid. The allowance for doubtful debts is based on objective evidence and a review of overdue balances. The amount of the allowance is recognised in the Operating Statement.

(m) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises the purchase price of inventory as well as transport, handling and other costs directly attributable to the acquisition of inventory. Trade discounts, rebates and other similar items are deducted in determining the cost of purchase. The inventory cost is assigned using the weighted average method.

Net realisable value is determined using the estimated sales proceeds less costs incurred in marketing, selling and distribution to customers.

(n) Other Current Assets

Assets held for sale are measured at the lower of the carrying amounts and fair value less cost to sell. An impairment loss is recognised for any initial or subsequent write down of the asset to fair value less cost to sell. Assets held for sale, are not depreciated.

(o) Acquisition and Recognition of Property, Plant and Equipment

Property, plant and equipment is initially recorded at cost. Cost includes the purchase price, directly attributable costs and the estimated cost of dismantling and removing the item (where, upon acquisition, there is an obligation to remove the item). Property, plant and equipment acquired at no or minimal cost is recognised at fair value.

Where payment for the property, plant and equipment is deferred beyond normal credit terms, the difference between its cash price equivalent and the total payment is measured as interest over the period of credit. The discount rate used to calculate the cash price equivalent is an asset specific rate.

Property, plant and equipment with a minimum value of \$2,000 are capitalised.

ACTION
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007

Note 2 Summary of Significant Accounting Policies - Continued

(p) Measurement of Property, Plant and Equipment After Initial Recognition

Property, plant and equipment are valued using the cost or revaluation model of valuation.

Land and buildings are measured at fair value. Fair value for land and buildings is measured using current prices in an active market for similar properties in a similar location and condition.

Fair value is the amount an asset could be exchanged between knowledgeable willing parties in an arms length transaction. Fair value using a market price in an active market where a market price is available for that asset (or similar asset) is the best evidence of an asset's fair value. Where market price for an asset cannot be obtained, depreciated replacement cost is used as fair value when the asset has economic benefits. Where the asset's economic benefits would not be replaced, the fair value is the asset's selling price, less costs to sell.

ACTION obtains a current valuation for its land and buildings every 3 years. However, if at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset's values are updated regardless of when the last valuation took place. Any accumulated depreciation relating to buildings at the date of revaluation is written back against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Property, plant and equipment acquired between revaluations, is held at cost until the next valuation, where they are revalued at fair value.

Plant and equipment assets are measured at cost.

(q) Depreciation and Amortisation of Non-Current Assets

Non-current assets, with limited useful lives, are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential. The useful life commences when an asset is ready for use. When an asset is revalued it is depreciated over the remaining useful life of the asset. equipment and buildings. Land has an unlimited useful life and is therefore not depreciated.

Depreciation/Amortisation for non-current assets is determined as follows:

Class of Asset	Depreciation	Useful Life (Years)
Buildings	Straight Line	18-35
Plant and Equipment	Straight Line	10-20
Leased Vehicles	Straight Line	2-20

The useful lives of all major assets held by ACTION are assessed on an annual basis.

ACTION
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007

Note 2 Summary of Significant Accounting Policies - Continued

(r) Payables

Payables include Trade Payables, Accrued Expenses and Other Payables. Trade Payables represent the amounts owing for goods and services received prior to the end of the reporting period and unpaid at the end of the reporting period, and also relating to the normal operations of ACTION. All amounts are normally settled within 30 days after an invoice is received.

Accrued expenses represent goods and services provided by other parties during the period that are unpaid at the end of the reporting period and where an invoice has not been received by period end.

Other payables are those unpaid that do not directly relate to the normal operations of ACTION.

(s) Interest-Bearing Liabilities

Interest-bearing liabilities are financial liabilities. They are measured at the fair value of the consideration received when initially recognised and at amortised cost subsequent to initial recognition, with any adjustments to the carrying amount going through the Operating Statement. The associated interest expense is recognised in the reporting period in which it occurs.

(t) Leases

ACTION has a finance lease for 25 midi buses and a finance lease for a Bus Interchange Services vehicle.

Finance Leases

Finance leases effectively transfer to ACTION substantially all risks and rewards incidental to ownership of the leased assets. The title may or may not eventually be transferred. Finance leases are initially recognised as an asset and a liability at the lower of the fair value of the property and the present value of the minimum lease payments each determined at the inception of the lease. The discount rate used to calculate the present value of the minimum lease payments is the interest rate implicit in the lease. Leased assets are depreciated over the shorter of the asset's useful life and lease term. Each lease payment is allocated between interest expense and reduction of the lease liability. Lease liabilities are classified as both current and non-current.

Operating Leases

Operating leases do not effectively transfer to ACTION substantially all the risks and rewards incidental to ownership of the leased asset. Operating lease payments are recognised as an expense in the Operating Statement on a straight-line basis over the term of the lease.

ACTION
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007

Note 2 Summary of Significant Accounting Policies - Continued

(u) Employee Benefits

Employee benefits include wages and salaries, annual leave and long service leave. These benefits accrue as a result of services provided by employees up to the reporting date that remain unpaid. They are recorded as a liability and as an expense.

Accrued wages and salaries are measured at the amount that remains unpaid to employees at the end of the reporting period. Annual leave and long service leave that fall completely within the next 12 months are measured based on the amounts of remuneration anticipated to be paid when the leave is taken. Annual leave and long service leave that does not fall completely within the next 12 months is measured at present value. ACTION uses a shorthand approach whereby a net factor of 0.95 is applied to the amount of long service leave liability in order to estimate the present value. Present value is also calculated with reference to the length of qualifying service. For employees with less than 7 years of required qualifying service, the liability is estimated using another shorthand approach where a 100% liability is recorded for employees with 5 or more years of service and 0% for employees with less than 5 years of service. This approach is an approximation process to recognise the probable liability that will eventuate for officers with less than 7 years of service, when 7 years of service is achieved.

Annual leave and long service leave liabilities are disclosed as current liabilities on the face of the Balance Sheet where there is no unconditional right to defer the settlement of the liability for at least 12 months. However, where there is an unconditional right to defer settlement of the liability for at least 12 months, annual leave and long service leave have been classified as a non-current liability on the face of the Balance Sheet.

(v) Superannuation

Superannuation expense payments are made to Superannuation Unit each year, to cover ACTION's superannuation liability for the Commonwealth Superannuation Scheme (CSS) and the Public Sector Superannuation Scheme (PSS). This payment covers the CSS/PSS employer contributions (but does not include the 3% productivity). The 3% productivity component is paid direct to ComSuper by ACTION. The CSS and PSS are defined benefit superannuation plans meaning that the defined benefits received by employees are based on the employee's years of service and average final salary.

Superannuation expense payments have also been made directly to superannuation funds for those members of the Public Sector who are part of superannuation accumulation schemes. This includes the Public Sector Superannuation Scheme Accumulation Plan (PSSAP) and schemes of employee choice.

Superannuation employer contribution expense payments, for CSS and PSS, are calculated by taking the salary level at an employee's anniversary date and multiplying it by the notional CSS or PSS employer contribution rate for each employee. The 3% productivity expense payments are calculated by taking the salary level, at an employee's anniversary and multiplying it by the employer contribution rate of 3% for each ACTION employee. Superannuation expense payments for PSSap are calculated by taking the salary level, at an employee's anniversary date, and multiplying it by the appropriate employer contribution rate. Superannuation expense payments for work choice arrangements are calculated by taking an employee's salary each pay and multiplying it by the appropriate employer contribution rate.

ACTION
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007

Note 2 Summary of Significant Accounting Policies - Continued

(v) Superannuation – Continued

A superannuation liability is not recognised on the Balance Sheet as the Superannuation Unit recognises the total Territory superannuation liability for the CSS, PSS and ComSuper, other schemes carry the superannuation liability for the PSSAP and other schemes respectively.

The ACT Government is liable for the reimbursement of the emerging costs of benefits paid each year to members of the CSS and PSS in respect of the ACT Government Service provided after 1 July 1989. These reimbursement payments are made by the Superannuation Unit.

(w) Equity Contributed by the ACT Government

Contributions made by the ACT Government through its role as owner of ACTION, are treated as contributions of equity.

(x) Insurance

Major risks are insured through the ACT Insurance Authority. The excess payable, under this arrangement, varies depending on each class of insurance held.

(y) Income Tax Equivalents

ACTION falls within the 'National Tax Equivalents Regime', and is required to calculate income tax in accordance with the *Income Tax Assessment Act 1977* and to account for the resulting amounts under the requirements of Accounting Standard AASB 112: 'Income Taxes'. ACTION has significant carry forward tax losses that are unlikely to be recovered in the future.

The charge for the current income tax equivalents expense is based on the surplus/(deficit) for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

Deferred tax is accounted for using the 'balance sheet liability' method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial report. No deferred income tax will be recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable surplus or deficit.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is credited in the Operating Statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits bought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by law.

ACTION
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007

Note 2 Summary of Significant Accounting Policies - Continued

(z) Significant Accounting Judgements and Estimates

In the process of applying the accounting policies listed on this note, ACTION has made the following judgements that have the most significant impact on the amounts recorded in the financial statements:

Long Service Leave: ACTION has made a significant estimate in the calculation of its long service leave (LSL) liability. The LSL liability was calculated using the present value shorthand method and the probability factor shorthand method to estimate the LSL liability. Further details in relation to the calculation of this estimate are outlined in Note 2(u) 'Employee Benefits'.

Depreciation: Depreciation of property, plant and equipment is based on the estimated useful lives of the asset. The estimated useful lives of property, plant and equipment are reassessed each year and adjusted when the condition and other factors affecting the useful life of the assets warrant revision. This estimation is the period in which utility will be gained from the use of the asset, based on either estimates from officers of ACTION or the Australian Valuation Office.

Contingent Liabilities: ACTION has made a significant judgement in disclosing the contingent liabilities amount based on an estimation provided by the ACT Government Solicitor. The ACT Government Solicitor's estimation of contingent liability is an estimate of the Territory's liability for legal claims against ACTION. Contingent liabilities are discussed in Note 29.

Allowance for Doubtful Debts: ACTION has made a significant estimate in calculating the allowance for doubtful debts. The allowance is based on reviews of overdue receivable balances and the amount of the allowance is recognised in the Operating Statement. Further details in relation to the calculation of this estimate are outlined in Note 2 (l): Receivables.

Impairment of Assets: ACTION has made a judgement regarding its impairment of assets by undertaking a process of reviewing any likely impairment factors. ACTION is required to make an assessment of any indication of impairment by completing an impairment checklist. This process has revealed that no likely impairment factors exist in ACTION.

Note 3 Change in Accounting Policies

There have been no major changes to accounting policies applicable to the 2006-07 financial year.

ACTION
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007

Note 4 User Charges

User charge revenue is derived from the ACT Government by providing a bus service to the Department of Territory and Municipal Services and special needs transport to the Department of Disability, Housing and Community Services.

ACTION derives user charge revenue from Non-ACT Government sources by fares revenue, charter services, advertising and other commercial arrangements.

		2007	2006
		\$'000	\$'000
Revenue			
User Charges – ACT Government			
Concessional Travel Payments		5,645	5,355
Pricing Community Obligations		16,039	15,654
General Route Off Peak Services Community Services Obligation		12,454	12,155
Government Disabilities		19,171	18,711
School Transport Services		6,991	6,823
Special Needs Transport		1,887	1,891
Total User Charges – ACT Government		62,187	60,589
User Charges – Non-ACT Government			
Fares *		18,513	17,111
Charter		685	735
Advertising		341	408
Other		47	339
Total User Charges - Non-ACT Government		19,586	18,593
Total User Charges		81,773	79,182

* This increase is due to an increase in adult patronage.

ACTION
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007

Note 5 Interest

		2007	2006
		\$'000	\$'000
Revenue from the ACT Government			
Interest Received from the Central Financing Unit		6	4
Total Interest Received from ACT Government Sources		6	4
Revenue from Other Sources			
Interest Received with Bank *		-	120
Total Interest Received from Other Sources		-	120
Total Interest Received		6	124

*Bank Interest earned in 2006-07 was retained by the Central Financing Unit.

Note 6 Other Revenue

		2007	2006
		\$'000	\$'000
Revenue from Other Sources			
Grants Received from the Commonwealth *		1,619	516
Total Other Revenue		1,619	516

* Commonwealth Grants comprise Fuel Tax Credits and Training and Indigenous Employment Grants.

Note 7 Employee Expenses

		2007	2006
		\$'000	\$'000
Wages and Salaries*		39,334	40,226
Redundancy		101	7
Long Service Leave		788	1,337
Annual Leave		3,101	3,322
Worker's Compensation Premium		3,052	3,292
Other Employee Benefits and On-Costs		3,625	3,415
Total Employee Expenses		50,001	51,599

* This decrease is due to structural changes made to the organisation in 2006-07 resulting in decreased employee expenses.

ACTION
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007

Note 8 Superannuation Expenses

ACTION makes payments on a fortnightly basis to the Superannuation Unit for its portion of the Territory's CSS and PSS superannuation liability. The productivity benefit for the scheme is paid directly to ComSuper.

Superannuation expense payments have been made direct to ComSuper to cover its superannuation liability for employees that are in the new Public Sector Superannuation accumulation plan (PSSAP) scheme

Superannuation expense payments are also made to external providers as part of the new employee work choice arrangements, and to employment agencies for the superannuation contribution it is required to make for the contract staff it employs.

		2007		2006
		\$'000		\$'000
Superannuation Contributions to Superannuation Unit		5,701		2,558
Productivity Benefit		1,120		1,344
Superannuation Contributions to External Providers		1,467		1,350
Total Superannuation Expenses		8,288		5,252

The increase is due to the increase in the CSS and PSS superannuation contribution rate.

ACTION
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007

Note 9 Supplies and Services

	2007	2006
	\$'000	\$'000
(i) Administrative Expenses		
Computing Costs	1,600	1,961
Insurance	1,764	1,575
Repairs and Maintenance	837	769
Utility Charges	447	433
Communications	287	276
Other Employee Costs	365	370
Contractors and Consultants	527	299
Support Vehicle and Fuel Charges	471	536
Security Expenses	360	283
Printing and Stationery	101	117
Other	178	155
Total Administrative Expenses	6,937	6,774
(ii) Operating Expenses		
Bus Running Expenses *	9,776	10,367
Bus Maintenance	4,197	4,377
Advertising and Promotion	1,698	1,037
Accident Damages	173	294
Uniforms	324	322
Printing of Tickets and Timetables	216	283
Total Operating Expenses	16,384	16,680
Total Supplies and Services	23,321	23,454

* This decrease is due to less kilometres travelled arising from the network changes made in the 2006-07 financial year, combined with increased use of Compressed Natural Gas buses using cheaper fuel.

ACTION
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007

Note 10 Depreciation

	2007	2006
	\$'000	\$'000
Depreciation		
Buildings *	490	623
Plant and Equipment	5,448	5,190
Leased Vehicles	270	263
Total Depreciation	<u>6,208</u>	<u>6,076</u>

* The reduction in building depreciation is due to a devaluation of buildings in 2006.

Note 11 Borrowing Costs

	2007	2006
	\$'000	\$'000
Interest on Borrowings	830	884
Finance Charges on Finance Leases	54	82
Total Borrowing Costs	<u>884</u>	<u>966</u>

ACTION
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007

Note 12 Other Expenses

	2007 \$'000	2006 \$'000
Loss on Revaluation of Buildings	-	6,006
Net Loss on Sale of Plant and Equipment	-	479
Other ACT Government Charges and Taxes	181	143
Total Other Expenses	<u>181</u>	<u>6,628</u>
Net Loss on Sale of Plant and Equipment		
Proceeds from Sale of Plant and Equipment	-	396
Written Down Value of Plant and Equipment	-	(875)
Net Loss on Sale of Plant and Equipment	<u>-</u>	<u>479</u>

Note 13 Waivers and Write-Offs

Under Section 131 of the *Financial Management Act 1996* the Treasurer may, in writing, waive the right to payment of an amount payable to the Territory. In 2007, ACTION did not submit to the Treasurer any debt waivers for loans owing by third parties.

A waiver is the relinquishment of a legal claim to a debt over which ACTION has control. The write-off of a debt is the accounting action taken to remove a debt from the books but does not relinquish the legal right of ACTION to recover the amount. The write-off of debts may occur for reasons other than waivers.

The write-offs listed below have been performed in the ordinary course of business.

	No.	2007 \$'000	No.	2006 \$'000
Write-offs				
Irrecoverable Debts	-	-	9	4
Total Write-offs	<u>-</u>	<u>-</u>	<u>9</u>	<u>4</u>

Note 14 Act of Grace Payments

There were no Act of Grace payments made during the financial year pursuant to Section 130 of the *Financial Management Act 1996*.

ACTION
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007

Note 15 Auditor's Remuneration

Auditor's remuneration includes financial audit services provided to ACTION by the ACT Auditor-General's Office. No other services were provided by the ACT Auditor-General's Office.

	2007	2006
	\$'000	\$'000
Audit Services		
Audit Fees Paid to ACT Auditor-General's Office	68	66
Total Auditor's Remuneration	68	66

Note 16 Cash and Cash Equivalents

ACTION holds a number of bank accounts with the Commonwealth Bank as part of the whole-of-government banking arrangements. As part of the new Treasury guidelines introduced in 2007, ACTION does not receive interest on these accounts.

Short-term investments are with the Central Financing Unit in the Cash Enhanced Portfolio throughout the year. The funds received a weighted average interest rate of 6.44% (2006, 5.78%). These funds are able to be withdrawn upon request.

	2007	2006
	\$'000	\$'000
Cash at Bank	1,575	283
Cash on Hand	122	120
Total Cash and Cash Equivalents	1,697	403

Cash and cash equivalents increased in 2007 as a result of an advance received in June for \$2 million, repayable in July 2007, an increase in cash from operations, offset by increased net capital payments for the year through payment timing factors.

ACTION
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007

Note 17 Receivables

	2007	2006
	\$'000	\$'000
Current Receivables		
Trade Receivables	998	1,313
Less: Allowance for Doubtful Debts	(60)	(60)
	<u>938</u>	<u>1,253</u>
Other Receivables	776	1,308
Accrued Revenue	136	99
Total Current Receivables	<u><u>1,850</u></u>	<u><u>2,660</u></u>
Aging of Receivables		
Receivables are Aged as Follows:		
Not Overdue	1,580	2,461
Overdue for less than 30 Days	153	156
Overdue for 30 to 60 Days	90	35
Overdue for more than 60 Days	87	68
Less: Total Allowance for Doubtful Debts	(60)	(60)
Total Current Receivables	<u><u>1,850</u></u>	<u><u>2,660</u></u>
Split of Government/Non-Government Receivables		
Receivables with Other ACT Government Agencies		
Net Trade Receivables	283	199
Total Receivables with Other ACT Government Entities	<u>283</u>	<u>199</u>
Receivables with Entities Outside Government		
Net Trade Receivables	519	1,055
Net Other Receivables	912	1,307
Accrued Revenue	136	99
Total Receivables with Entities Outside Government	<u>1,567</u>	<u>2,461</u>
Total Receivables	<u><u>1,850</u></u>	<u><u>2,660</u></u>

The decrease in trade receivables resulted from decreased sales to ticket agents.

The decrease in other receivables is due to GST receivable and Comcare claims.

ACTION
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007

Note 18 Inventories

	2007	2006
	\$'000	\$'000
Current Inventories		
Spare Parts	2,382	2,249
Fuel	245	413
	<u>2,627</u>	<u>2,662</u>
Less : Provision for Obsolete Stores	(408)	(408)
Total Current Inventories	<u><u>2,219</u></u>	<u><u>2,254</u></u>

Note 19 Other Current Assets

	2007	2006
	\$'000	\$'000
Comcare Prepayment	223	-
Other Assets	212	48
Total Other Current Assets	<u><u>435</u></u>	<u><u>48</u></u>

The increase is due to prepaid Comcare premium and payment relating to redundancy.

ACTION
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007

Note 20 Property, Plant and Equipment

Property, plant and equipment include the following classes of assets – land, buildings, leased vehicles, and plant and equipment. Property, plant and equipment does not include assets held for sale or investment property.

- *Land* includes leasehold land held by ACTION.
- *Buildings* include office buildings.
- *Leased vehicles* comprising 25 midi buses and a services vehicle under a finance leasing arrangement.
- *Plant and Equipment* includes omnibuses and other plant including furniture and fittings, forklifts, workshop plant and equipment, office equipment and automated ticketing equipment.

	2007	2006
	\$'000	\$'000
Land and Buildings		
Land at Independent Valuation 2006	9,200	9,200
Total Land At Valuation	9,200	9,200
Buildings at Independent Valuation 2006	9,900	9,900
Accumulated Depreciation	(735)	(245)
Total Written-Down Value of Building	9,165	9,655
Total Written-Down Value of Land and Buildings	18,365	18,855
Leased Vehicles		
Leased Vehicles at Cost	2,664	2,625
Accumulated Depreciation	(1,013)	(744)
Total Written-Down Value of Leased Vehicles	1,651	1,881
Total Written-Down Value of Leased Vehicles	1,651	1,881
Plant and Equipment		
Omnibuses at Cost*	73,194	68,074
Accumulated Depreciation	(22,466)	(17,150)
Total Omnibuses at Cost	50,728	50,924
Other Plant and Equipment at Cost	2,333	2,334
Accumulated Depreciation	(1,701)	(1,569)
Total Other Plant and Equipment at Cost	632	765
Total Written-Down Value of Plant and Equipment	51,360	51,689
Total Written-Down Value of Property, Plant and Equipment	71,376	72,425

* * The increase relates to the capitalisation of 9 new Compressed Natural Gas buses

ACTION
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007

Note 20 Property, Plant and Equipment - Continued

Reconciliation of Property, Plant and Equipment

The following table shows the movement of Property, Plant and Equipment from the beginning to end of 2006-07.

	Land	Buildings	Leased Vehicles	Omnibuses	Other Plant and Equipment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying Amount at the Beginning of the Financial Year	9,200	9,655	1,881	50,924	765	72,425
Additions	-	-	39	5,120	-	5,159
Disposals	-	-	-	-	-	-
Revaluation Increment/(Decrement)	-	-	-	-	-	-
Depreciation	-	(490)	(269)	(5,316)	(133)	(6,208)
Carrying Amount at the End of the Financial Year	9,200	9,165	1,651	50,728	632	71,376

Note 21 Capital Works In Progress

	2007 \$'000	2006 \$'000
The following capital works projects had not been completed at year end:		
Omnibuses Works in Progress	10	1,946
Total Capital Works in Progress	10	1,946

Reconciliation of Assets Under Construction

The following shows the movement of assets under construction from the beginning to end of 2006-07

Carrying Amount at the Beginning of the Financial Year	1,946	1,018
Additions	3,184	7,877
Capital Works in Progress Completed and Transferred out to Plant and Equipment	(5,120)	(6,949)
Carrying Amount at the End of the Financial Year	10	1,946

ACTION
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007

Note 22 Payables

	2007	2006
	\$'000	\$'000
Current Payables		
Trade Payables	536	1,374
Other Payables	1,968	2,536
Accrued Expenses	3,402	1,798
GST Payable	114	227
Total Current Payables	6,020	5,935
Non-Current Payables		
Trade Payables	-	2
Other Payables	68	11
Total Non-Current Payables	68	13
Total Payables	6,088	5,948
Payables are aged as follows:		
Not Overdue	6,049	5,942
Overdue for less than 30 Days	12	2
Overdue for 30 to 60 Days	-	3
Overdue for more than 60 Days	27	1
Total Payables	6,088	5,948
Split of Government/Non-Government Payables		
Payables with Other ACT Government Entities		
Trade Payables	81	-
Other Payables	2,022	2,304
Accrued Expenses	1,979	688
Total Payables with Other ACT Government Entities	4,082	2,992
Payables with Entities Outside ACT Government		
Trade Payables	455	1,376
Other Payables	14	243
Accrued Expenses	1,423	1,110
GST Payable	114	227
Total Payables with Entities Outside ACT Government	2,006	2,956
Total Payables	6,088	5,948

The decrease in trade payables was matched by increases in accruals.

ACTION

Notes to and Forming Part of the Financial Report

For the Year Ended 30 June 2007

Note 23 Interest-Bearing Liabilities

ACTION has ACT Government and Commonwealth Government borrowings. The ACT Government borrowings are held at a fixed rate of interest and repayments are made in 4 instalments during the year to the Central Financing Unit. Instalments are to be repaid from 2003-04 to 2013-14.

The Commonwealth Government borrowings were obtained at the time of self-government and are being repaid through principal and interest payment to the Central Financing Unit who then pay the Commonwealth. These borrowings will be fully repaid in 2022-23.

ACTION holds two finance leases, which have been taken up as finance leases and leased assets. The first lease is for the purchase of 25 midi buses, has an implicit interest rate of 5.585% fixed and expires in July 2008. The second finance lease is for a van with an implicit interest rate fixed at 6.45% and expires in July 2008.

	2007	2006
	\$'000	\$'000
Current Interest-Bearing Liabilities		
Secured		
Finance Lease Liability (see Note 28)	591	551
Total Current Secured Interest-Bearing Liabilities	591	551
Unsecured		
ACT Government Borrowings (Gas Facility Loan)	209	198
Commonwealth Borrowings (Land and Buildings Original Loan)	341	341
Total Current Unsecured Interest-Bearing Liabilities	550	539
Total Current Interest-Bearing Liabilities	1,141	1,090
Non-Current Interest Bearing Liabilities		
Secured		
Finance Lease Liability (see Note 28)	73	632
Total Non-Current Secured Interest-Bearing Liabilities	73	632
Unsecured		
ACT Government Borrowings (Gas Facility Loan)	1,527	1,737
Commonwealth Borrowings (Land and Buildings Original Loan)	5,113	5,453
Total Non-Current Unsecured Interest-Bearing Liabilities	6,640	7,190
Total Non-Current Interest-Bearing Liabilities	6,713	7,822
Total Interest-Bearing Liabilities	7,854	8,912

Secured Liability

ACTION's lease liability is effectively secured because if the agency defaults, the leased assets revert to the lessor.

ACTION
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007

Note 23 Interest-Bearing Liabilities - Continued

	2007	2006
	\$'000	\$'000
Finance lease commitments are payable as follows:		
Within one year	613	603
Later than one year but not later than five years	74	653
Minimum Lease Payments	687	1,256
Less: Future Finance Charges	23	73
Amount Recognised as a Liability	664	1,183
Add: Lease incentive involved with non-cancellable operating lease	-	-
Total Present Value of Minimum Lease Payments	664	1,183
The future minimum lease payments for non-cancellable financing sub-leases expected to be received	-	-
Split on the Balance Sheet		
Interest-Bearing Liabilities		
Current Interest-Bearing Liabilities	550	539
Non-Current Interest-Bearing Liabilities	6,640	7,190
Total Interest-Bearing Liabilities	7,190	7,729
Finance Lease Liabilities		
Current Finance Lease Liabilities	591	551
Non-Current Finance Lease Liabilities	73	632
Total Finance Lease Liabilities	664	1,183
Total Interest-Bearing Liabilities	7,854	8,912

ACTION
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007

Note 24 Employee Benefits

	2007	2006
	\$'000	\$'000
Current Employee Benefits		
Annual Leave	4,160	4,612
Long Service Leave	7,622	8,318
Accrued Wages and Salaries	546	167
Termination Benefits	-	57
Total Current Employee Benefits	<u>12,328</u>	<u>13,154</u>
Non-Current Employee Benefits		
Long Service Leave	487	79
Total Non-Current Employee Benefits	<u>487</u>	<u>79</u>
Total Employee Benefits	<u><u>12,815</u></u>	<u><u>13,233</u></u>

For Disclosure Purposes Only

	2007	2006
	\$'000	\$'000

Estimated Amount Payable within 12 months

. Annual Leave	4,160	4,612
. Long Service Leave	883	831
. Accrued Salaries	546	167
. Termination Benefits	57	57
Total Employee Benefits Payable within 12 months	<u>5,589</u>	<u>5,667</u>

Estimated Amounts Payable after 12 months

. Long Service Leave	7,226	7,566
Total Employee Benefits	<u><u>12,815</u></u>	<u><u>13,233</u></u>

Employee Numbers

The Full-Time Equivalent staff at 30 June 2007 was 665 (30 June 2006 was 712)

ACTION
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007

Note 25 Other Liabilities

	2007	2006
	\$'000	\$'000
Other Current Liabilities		
Revenue Received in Advance	608	1,098
Repayable Advance Received	2,000	-
Total Other Liabilities	2,608	1,098

The increase is due to an advance received against Voluntary Redundancy payments, due for repayment in July 2007.

Note 26 Equity

	2007	2006
	\$'000	\$'000
Total Equity at the End of the Reporting Period		
Contributed Equity	80,503	77,341
Accumulated (Deficits)	(37,281)	(31,796)
Asset Revaluation Reserve	5,000	5,000
Total Equity	48,222	50,545
Movements in Equity during the Reporting Period		
Contributed Equity		
Balance at the Beginning of the Reporting Period	77,341	71,815
Capital Contribution from the ACT Government	3,000	5,440
Increase in Net Assets due to transfer of leave entitlements in an Administrative Restructure	162	86
Balance at the End of the Reporting Period	80,503	77,341
Accumulated Losses		
Balance at the Beginning of the Reporting Period	(31,796)	(17,643)
Operating (Deficit)	(5,485)	(14,153)
Balance at the End of the Reporting Period	(37,281)	(31,796)
Asset Revaluation Reserve		
The Asset Revaluation Reserve is used to record the increments and decrements in the value of property, plant and equipment held by		
Balance at the Beginning of the Reporting Period	5,000	-
Increment in Land due to Revaluation	-	5,000
Balance at the End of the Reporting Period	5,000	5,000

ACTION

Notes to and Forming Part of the Financial Report

Note 27 Financial Instruments

Terms and Conditions of Financial Instruments

The following table sets out ACTION's exposure to interest rates, including the weighted average interest rates by maturity as at 30 June 2007.

		Fixed Interest maturing in:						
Note	Floating Interest Rate	1 Year or Less	Over 1 Year to 2 Years	Over 2 Years to 3 Years	Over 3 Years to 4 Years	Over 4 Years to 5 Years	Over 5 Years	Non-Interest Bearing
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
16	1,575	-	-	-	-	-	-	122
17	-	-	-	-	-	-	-	1,850
Total Financial Assets	1,575	-	-	-	-	-	-	1,972
								3,547
Weighted Average Interest Rate								
	6.44%							
Financial Liabilities								
22	-	-	-	-	-	-	-	6,088
23	-	209	221	234	247	260	565	-
23	-	341	341	341	341	341	3,749	-
23	-	591	73	-	-	-	-	-
								664
Total Financial Liabilities	-	1,141	635	575	588	601	4,314	6,088
								13,942
Weighted Average Interest Rate								
		7.91%	9.40%	9.69%	9.54%	9.53%	11.71%	
Net Financial Assets/(Liabilities)	1,575	(1,141)	(635)	(575)	(588)	(601)	(4,314)	(4,116)
								(10,395)

ACTION

Notes to and Forming Part of the Financial Report

For the Year Ended 30 June 2007

Note 27 Financial Instruments – Continued

Terms and Conditions of Financial Instruments

The following table sets out ACTION's exposure to interest rates, including the weighted average interest rates by maturity as at 30 June 2006.

		Fixed Interest maturing in:						
Note	Floating Interest Rate	1 Year or Less	Over 1 Year to 2 Years	Over 2 Years to 3 Years	Over 3 Years to 4 Years	Over 4 Years to 5 Years	Over 5 Years	Non-Interest Bearing
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
16	283	-	-	-	-	-	-	120
17	-	-	-	-	-	-	-	2,660
Total Financial Assets	283	-	-	-	-	-	-	2,780
								3,063
Weighted Average Interest Rate								
	5.78%							
Financial Liabilities								
22	-	-	-	-	-	-	-	5,948
23	-	198	209	221	234	247	826	-
23	-	341	341	341	341	341	4,089	-
23	-	551	582	50	-	-	-	-
Total Financial Liabilities	-	1,090	1,132	612	575	588	4,915	5,948
								14,860
Weighted Average Interest Rate								
		6.70%	7.11%	7.11%	10.59%	10.59%	10.59%	
Net Financial Assets/(Liabilities)	283	(1,090)	(1,132)	(612)	(575)	(588)	(4,915)	(3,168)
								(11,797)

ACTION

Notes to and Forming Part of the Financial Report

For the Year Ended 30 June 2007

Note 27 Financial Instruments - Continued

Interest Rate Risk

ACTION currently has the majority of its financial assets held at non-interest bearing arrangements, however, it has the majority of its financial liabilities as fixed interest bearing. This means that ACTION is not exposed to movements in interest payable or receivable. ACTION does not have any unrecognised financial assets or liabilities.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. ACTION's credit risk is limited to the carrying amount of the financial assets it holds net of any provision for loss. ACTION's receivables cover many entities split between other government agencies and entities external to the ACT Government, however these receivables are unsecured. Total investments held by ACTION are with the Central Financing Unit so these funds have an insignificant credit risk. There is no significant concentration of credit risk that has been identified by ACTION.

Net Fair Value of Financial Assets and Liabilities

The fair value of cash and cash equivalents is the carrying value recorded in the accounts of ACTION.

		Carrying Amount 2007 \$'000	Fair Value 2007 \$'000	Carrying Amount 2006 \$'000	Fair Value 2006 \$'000
Financial Assets					
Cash and Cash Equivalents		1,697	1,697	403	403
Receivables		1,850	1,850	2,660	2,660
Total Financial Assets		3,547	3,547	3,063	3,063
Financial Liabilities					
Payables		6,088	6,088	5,948	5,948
ACT Government Borrowings		1,736	1,736	1,935	1,935
Commonwealth Borrowings		5,454	5,454	5,794	5,794
Finance Leases		664	664	1,183	1,183
Total Financial Liabilities		13,942	13,942	14,860	14,860

ACTION
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007

Note 28 Commitments

	2007	2006
	\$'000	\$'000
Capital Commitments		
Capital commitments contracted at reporting date that have not been recognised as liabilities are as follows:		
Payable		
Within One Year	1,924	2,914
Total Capital Commitments	<u>1,924</u>	<u>2,914</u>
Other Commitments		
Other commitments contracted at reporting date that have not been recognised as liabilities are as follows:		
Payable		
Within One Year	85	-
Later than One Year but not later than Five Years	46	-
Total Capital Commitments	<u>131</u>	<u>-</u>
Finance Leases		
Finance Lease Commitments are Payable as follows:		
Within One Year	613	603
Later than One Year but not later than Five Years	74	653
Minimum Lease Payments	<u>687</u>	<u>1,256</u>
Less: Future Finance Lease Charges	(23)	(73)
Total Finance Lease Liabilities	<u>664</u>	<u>1,183</u>
Finance Lease Liabilities Provided for in the Financial Report		
Current	591	551
Non-Current	73	632
Total Finance Lease Liabilities	<u>664</u>	<u>1,183</u>

The reduction in capital commitments in 2007 is due to the finalisation of the bus replacement program.

Finance Lease

ACTION is able to purchase the leased assets at the end of the lease term. The leasing arrangement gives ACTION the option to purchase the leased assets when the lease expires.

The weighted average interest rate implicit in the lease is 5.585%.

All amounts shown in the commitment note are inclusive of GST.

ACTION
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007

Note 29 Contingent Liabilities and Contingent Assets

Contingent Liabilities

ACTION has Contingent Liabilities relating to third party accident claims prior to the formation of the ACT Insurance Authority. There are 2 (2006, 3) long-term claims and liability has not been admitted by ACTION at this stage. The total value of these claims as assessed by the Government Solicitor's Office is \$1.230 million (2006, \$0.730 million). Due to the protracted nature of legal proceedings and the various discoveries that can be made over the period of these claims, it is not possible for ACTION, with a degree of accuracy, to make an assessment of liabilities.

In addition, the ACT Insurance Authority post their formation, has 55 third party claims that relate to ACTION. The contingent liability relating to these claims amounts to \$3.164 million, of which \$0.550 million will be unrecoverable from the ACT Insurance Authority being insurance excess.

Contingent Assets

ACTION has no Contingent Assets at 30 June 2007.

ACTION
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007

Note 30 Income Tax Equivalents Expense

	2007	2006
	\$'000	\$'000
(a) Components of Income Tax Equivalents Expense/(Income)		
Tax Equivalents Expense/(Income) comprises:		
Current Tax Expense/(Income)	(2,063)	(1,977)
Deferred Tax Expense/(Income) relating to the origination and reversal of temporary differences	419	(2,265)
Tax Effect of Tax Losses not Recognised	2,063	1,977
Tax Effect of Temporary Differences not Recognised	(419)	2,265
	-	-
(b) Income Tax Equivalents Expense/(Income)		
The prima facie income tax expense/(income) on pre-tax accounting profit from operations reconciles to the income tax expense/(income) in the financial statements as follows:		
Operating Deficit	5,485	14,153
Income Tax Equivalents Expense/(Income) calculated at 30%	1,646	4,246
Non-Deductible Expenses	4	4
	1,642	4,242
Tax Effect of Tax Losses not Recognised	(2,063)	(1,977)
Tax Effect of Temporary Differences not Recognised	419	(2,265)
	-	-
	-	-
The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate from the previous reporting period.		
(c) Unrecognised deferred tax balances		
The following deferred tax assets have not been brought to account as assets:		
Tax Losses - Revenue	9,775	7,712
Temporary Differences	4,439	4,858
	14,214	12,570

ACTION
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007

Note 31 Cash Flow Reconciliation

(a) Reconciliation of Cash and Cash Equivalents at the end of the reporting period in the Cash Flow Statement to the equivalent items in the Balance Sheet			
		2007	2006
		\$'000	\$'000
Cash at Bank		1,575	283
Cash on Hand		122	120
Cash and Cash Equivalents at the End of the Financial Year as Recorded in the Balance Sheet		1,697	403
(b) Reconciliation of the Operating Deficit to the Net Cash Inflow/(Outflow) from Operating Activities			
Operating (Deficit)		(5,485)	(14,153)
Add/(Less) Non-Cash Items			
Loss on Disposal of Assets		-	479
Loss on Revaluation of Buildings		-	6,006
Payables relating to Capital Assets		-	(1,036)
Liabilities Transferred		162	86
Depreciation		6,208	6,076
(Less) Item Classified as Investing or Financing			
Advances Payable		(2,000)	-
Net Cash Before Changes in Operating Assets and Liabilities		(1,115)	(2,542)
Changes in Operating Assets and Liabilities			
(Increase)/Decrease in Receivables		810	(1,354)
(Increase)/Decrease in Inventories		35	(162)
(Increase)/ Decrease in Other Current Assets		(387)	330
Increase in Payables		1,292	1,777
Increase/(Decrease) in Employee Benefits		(418)	430
Increase in Other Liabilities		1,510	301
Net Changes in Operating Assets and Liabilities		2,842	1,322
Net Cash Inflows/(Outflows) from Operating Activities		1,727	(1,220)
(c) Non-Cash Financing and Investing Activities			
Due to a change in the Whole-of-Government car leasing arrangements all new leases entered into by ACTION from 2006-07 onwards will be finance leases rather than operating leases.			
Acquisition of Motor Vehicles by means of Finance Lease		664	1,183

ACTION
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2007

Note 32 Events Occurring After Balance Date

There were no events that occurred after the balance date to record.

Note 33 Third Party Monies

There were no third party monies held by ACTION as at 30 June 2007.

Note 34 Guarantees

There were no guarantees or undertakings by ACTION that are not disclosed within the financial report or the accompanying notes.



ACT AUDITOR-GENERAL'S OFFICE



A07/15

Mr Mike Zissler
Chief Executive
Department of Territory and Municipal Services
Level 5, Macarthur House
12 Wattle Street
LYNEHAM ACT 2602

Dear Mr Zissler *Mike*

REPORT OF FACTUAL FINDINGS ACTION

STATEMENT OF PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2007

The ACT Auditor-General's Office has completed the review of the Statement of Performance of ACTION for the year ended 30 June 2007.

Attached is the Statement of Performance together with the **unqualified** Report of Factual Findings.

I have provided a copy of each of these reports to the Minister for Territory and Municipal Services, Mr John Hargreaves MLA.

Thank you for the assistance provided by the staff of ACTION during the review.

Yours sincerely

Bernie Sheville
Acting Auditor-General
17 September 2007

c.c. Mr Brian Quirke, Chief Finance Officer
Ms Susanna Kiemann, Director, Strategic Finance
Mr David Dobliger, Internal Audit Manager, Strategic Coordination and Continuous Improvement



ACT AUDITOR-GENERAL'S OFFICE

REPORT OF FACTUAL FINDINGS

ACTION

To the Members of the ACT Legislative Assembly

Finding

Based on my procedures, no matters have come to my attention which indicate that the Statement of Performance of ACTION for the year ended 30 June 2007 does not fairly present the performance of ACTION in accordance with the *Financial Management Act 1996*.

This finding should be read in conjunction with the following information.

Responsibility for the Statement of Performance

The Chief Executive of the Department of Territory and Municipal Services is responsible for the Statement of Performance. This includes responsibility for the maintenance of adequate supporting records and internal controls that are designed to prevent and detect fraud and error, and for the measurement policies and estimates used in the preparation of the Statement of Performance.

Contents of the Statement of Performance

The Statement of Performance consists of the performance measures included in ACTION's budget for the year ended 30 June 2007 and accompanying notes.

Electronic Presentation of the Reviewed Statement of Performance

Those viewing an electronic presentation of the reviewed Statement of Performance should note that the Chief Executive of the Department of Territory and Municipal Services is responsible for the integrity of the information placed on the website. I have not examined the integrity of this website. The Report of Factual Findings refers only to the Statement of Performance. It does not provide an opinion on any other information, which may have been hyperlinked to or from this Statement of Performance. If users of the Report of Factual Findings are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the printed copy of the reviewed Statement of Performance, available from ACTION, to confirm the information included in the electronic presentation of the reviewed Statement of Performance.

The Auditor's Responsibility

My responsibility is to provide a Report of Factual Findings on the performance measures included in ACTION's Statement of Performance as required by the *Financial Management Act 1996* and the *Financial Management (Statement of Performance Scrutiny) Guidelines 2005*.

Scope

I have reviewed the Statement of Performance of ACTION for the year ended 30 June 2007, in order to report on whether any matters have come to my attention that would indicate that the Statement of Performance is not fairly presented in accordance with the *Financial Management Act 1996*.

As disclosed in the Statement of Performance, in accordance with the *Financial Management (Statement of Performance Scrutiny) Guidelines 2005*, I did not review measures listed as 'strategic indicators' in ACTION's budget for the year ended 30 June 2007.

My review was conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is primarily limited to inquiries of ACTION's representatives, analytical procedures and the examination of other available evidence.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. I have not performed an audit and, accordingly, I do not express an audit opinion on the Statement of Performance.

My procedures also did not include an assessment of the relevance or appropriateness of the measures contained within the Statement of Performance.

I have not expressed an opinion on the accuracy of explanations provided for variations between actual and budgeted performance due to the essential subjectivity of these explanations.

Independence

In conducting this review, I followed applicable independence requirements of Australian professional ethical pronouncements.



Bernie Sheville
Acting Auditor-General
17 September 2007

ACTION
Statement of Performance
For the year ended 30 June 2007

Statement of Responsibility

In my opinion, the Statement of Performance is in agreement with ACTION's records and fairly reflects the service performance of ACTION for the year ended 30 June 2007, and also fairly reflects the judgements exercised in preparing them.



Mike Zissler
Chief Executive
ACTION

28 August 2007

<p style="text-align: center;">ACTION Statement of Performance For the Year Ended 30 June 2007</p>					
Strategic Indicators	Original Targets 2006-07	Actual Results 2006-07	% Variance from Target	Notes on Variations	
Total number of passenger boardings ('000)	16,764	17,100	(2.0%)	10	
Number of Buses Running on Alternative Fuels	54	54	0	11	

In accordance with the *Financial Management (Statement of Performance Scrutiny) Guidelines 2005*, the above strategic indicators were not examined by the ACT Auditor-General's Office.

Notes:

10. Adult patronage exceeded target but concessions and schools patronage were below target.
11. The full complement of CNG buses were commissioned into the fleet.

ACTION Statement of Performance For the Year Ended 30 June 2007				
Accountability Indicators	Original Targets 2006-07	Actual Results 2006-07	% Variance from Target	Notes on Variations
Timeliness of ACTION services	99.8%	99.5%	(0.3%)	1
Customer satisfaction with ACTION services as assessed by passenger surveys	82%	71%	(13.4%)	2
Annual increase in modal share (Adult work trips increase in accordance with the Sustainable Transport Plan)	3.2%	4.1%	28.1%	3
Increase in number of passenger boardings	197,000	216,967	10.1%	4
Percentage of buses in the fleet fully compliant with Disability Standards	26.3%	28.0%	6.5%	5
Percentage of fleet Euro 3 Emission Standard Compliant	14.3%	14.2%	(0.7%)	6
Total cost per vehicle km	\$3.65	\$3.95	8.2%	7
Total cost per passenger boarding	\$5.02	\$5.30	5.6%	8
Farebox recovery as a percentage of total revenue	19.8%	22.2%	12.1%	9
TOTAL COST (\$'000)	\$85,812.0	\$88,883.0	3.6%	
GOVERNMENT PAYMENT FOR OUTPUTS (\$'000)	-	-		

The above accountability indicators were examined by the ACT Auditor-General's Office in accordance with the *Financial Management Act 1996*

Notes:

1. The decrease is due to network changes and driver shortages resulting in service delays.
2. The decrease is due to the introduction of the new network.
3. The increase is due to increased adult passengers in peak periods.
4. The increase is due to increased adult passengers in peak periods.
5. The increase is due to further introduction of Disability compliant buses.
6. The decrease is due to a slight increase in the targeted number of fleet vehicles.
7. Even though there was a reduction in vehicle kilometres due to the revamped network in December 2006, there were forecast savings not met.
8. The increase is due to higher than budget costs, notably labour, due to budgeted reductions not met.
9. The increased return is due to increased fares prices from 1 July 2006 and an increase in full fare paying adult patronage.