

AUSTRALIAN CAPITAL TERRITORY
**Consolidated Annual Financial
Statements**

for the
1996-97 Financial Year

**Australian Capital Territory
Government**



Statement by the Treasurer

“**T**hese consolidated financial statements for the Australian Capital Territory for 1996-97 mark the end of the first full cycle of accrual and output based budgeting, managing, and reporting, across all agencies and at whole of Government level, by any Australian government. These reforms have brought the Territory to the forefront of Government financial management in this country.

The financial achievements for 1996-97 outlined in the attached consolidated financial statements have justified the ACT’s decision to identify and manage for the first time the services delivered by all agencies, and their full costs. The reforms have enabled Government to focus on the real benefits and costs of services, and to manage its true service delivery and financial performance with more informed decisions.

The reforms also lead the way in a new level of Government financial accountability. As required by the *Financial Management Act 1996*, the attached consolidated financial statements have been prepared and audited in accordance with the new Australian Accounting Standard, AAS 31 “Financial Reporting by Governments”, although this Standard will not be mandatory for Australian governments for another two years. Perhaps more importantly, the consolidated financial statements are a product of the ongoing financial management of the Territory and its agencies, including fully consolidated financial management reports to the Legislative Assembly each month.

The attached report is intended to provide an analysis and explanation of the consolidated financial statements. While it shows the financial highlights for the ACT for 1996-97, it also, appropriately, outlines the financial challenges which the Territory must embrace.

In the past, various financial issues, such as superannuation expenses and taxation levels, have been highlighted or addressed individually. It is appropriate that as the Territory approaches its 10th year of self government, the attached financial statements, and the detailed supporting information, provide a basis for the Territory Government to develop an integrated strategy, for next year’s budget, to address the diverse the financial issues and opportunities facing the Territory.

This is particularly important as the Territory completes its transition to state like funding arrangements with the Commonwealth, and continues a transition to a robust private sector economy which thrives without full reliance on Commonwealth public spending.”

Kate Carnell MLA
Treasurer

Table of Contents

1. KEY RESULTS	5
2. FINANCIAL OVERVIEW	6
3. OPERATING RESULT.....	9
3.1. REVENUE.....	11
3.1.1. Taxes, Fees and Fines	12
3.1.2. User Charges for Goods and Services	15
3.1.3. Grants from the Commonwealth Government	17
3.1.4. Other Revenue.....	17
3.2. EXPENSES.....	18
3.2.1. Superannuation, Wages and Salaries, and Other Employee Expenses	19
3.2.2. Administrative and Other Expenses	19
3.2.3. Abnormal and Extraordinary Items.....	21
4. FINANCIAL POSITION.....	22
4.1. NET ASSETS.....	22
4.2. ASSETS	23
4.2.1. Current Assets.....	23
4.2.2. Non-Current Assets.....	24
4.3 LIABILITIES.....	25
4.3.1. Current Liabilities	27
4.3.2. Non-Current Liabilities.....	27
5. CASH FLOWS	28
5.1 NET CASH FLOWS FROM OPERATING ACTIVITIES	29
5.2 NET CASH FLOWS FROM INVESTING ACTIVITIES	29
5.1 NET CASH FLOWS FROM FINANCING ACTIVITIES	29

Table of Contents (continued)

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR 1996-97	31
INDEPENDENT AUDIT OPINION.....	32
CERTIFICATION BY THE TREASURER	34
CONSOLIDATED OPERATING STATEMENT FOR 1996-97	35
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 97	36
CONSOLIDATED STATEMENT OF CASH FLOWS FOR 1996-97.....	37
SCHEDULE OF COMMITMENTS AND CONTINGENT OBLIGATIONS AS AT 30 JUNE 97.....	38
CONSOLIDATED OPERATING STATEMENT BY SECTOR FOR 1996-97.....	39
CONSOLIDATED STATEMENT OF FINANCIAL POSITION BY SECTOR AS AT 30 JUNE 97	40
CONSOLIDATED STATEMENT OF CASH FLOWS BY SECTOR FOR 1996-97	41
STATEMENT OF APPROPRIATIONS FOR 1996-97.....	42
NOTES TO, AND FORMING PART OF, THE CONSOLIDATED FINANCIAL STATEMENTS	44
APPENDIX A: KEY FINANCIAL PERFORMANCE INDICATORS.....	72
APPENDIX B: FINANCIAL PERFORMANCE BY AGENCIES	74

1. Key Results

*accountable
and responsible
financial
management*

The ACT Government completed the first full year of its financial reforms to budget, manage and report on an accrual and output basis. This includes monthly consolidated financial management reporting to the Assembly, and preparation of annual consolidated financial statements for 1996-97 in accordance with accounting standards and without qualification from the Auditor General.

*\$191m, or 55%,
improvement
on previous year's
operating result*

The ACT Government's consolidated operating loss of \$153m for 1996-97, is a significant improvement on the previous year's loss of \$344m. The main contributors to the improvement were an increase in taxation and fees revenue and an increase in revenue received from user charges for services.

*net debt of \$240m
and a triple-A
long term credit
rating*

The Territory held net assets of \$7.1b at the end of 1996-97. This includes \$8b of fixed assets and \$500m in cash and financial investments. Borrowings of \$705m remained stable over the year, while accrued employee entitlements increased to \$1,156m.

*\$186m
cash surplus
from
operations*

The Territory had a cash surplus from operating activities of \$186m in 1996-97. This \$85m improvement on budget and an increase of \$59m

from 1995-96, underpins the improved operating result. \$158m was used to purchase new physical and financial assets, and working capital increased by \$37m.

2. Financial Overview

The 1996-97 financial year was the first in which the Australian Capital Territory Government budgeted, managed, and reported according to accrual accounting principles, and outputs delivered to the community. These financial management reforms to emphasise services and the full cost of their delivery, at both an agency and whole of Government level, have been accompanied by a significant financial improvement in 1996-97.

In accordance with accepted accounting principles, the Territory's consolidated operating result for 1996-97 includes all departments, statutory authorities and corporations owned by the ACT, as well as entities controlled by the ACT Government. To accurately reflect the financial performance of the Territory as a whole, internal transactions and balances between ACT agencies are eliminated so that only external trading of the Territory entity remains.

The Territory's consolidated operating loss for 1996-97 was \$100m, before abnormal and extraordinary items. This is a \$153m, or 60%, improvement from the previous year, and \$131m better than originally budgeted. The operating loss for the year falls to \$153m, still a \$78m improvement over budget, and a \$191m improvement over 1995-96, with the inclusion of some \$53m of net abnormal and extraordinary items. These abnormal and extraordinary items largely reflect adjustments to existing asset and liability values.

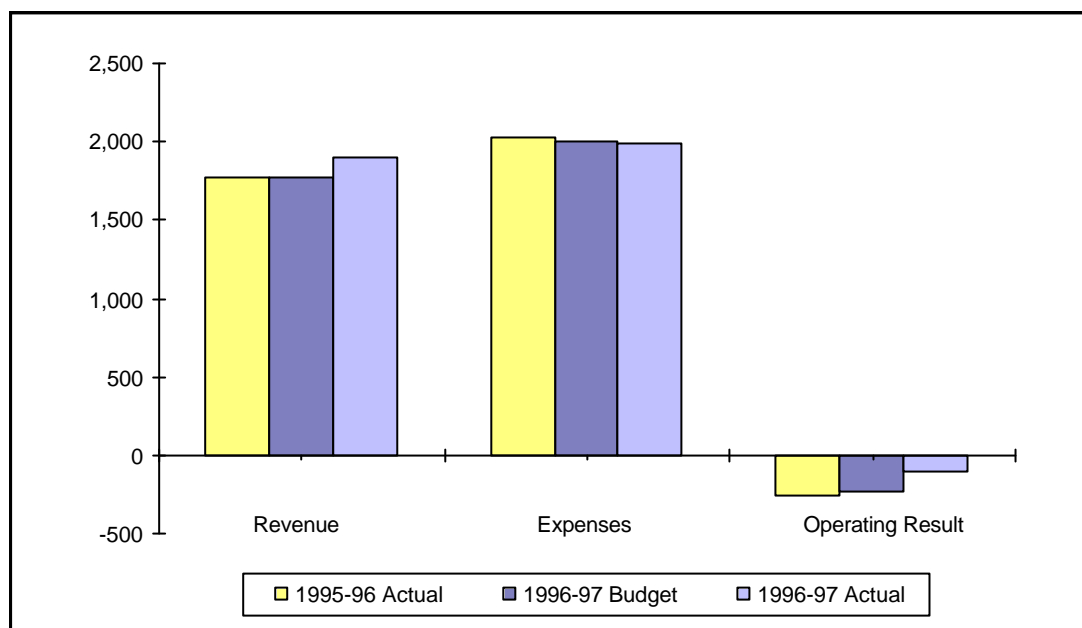
Table 1 - Consolidated Operating Result

<i>\$ Millions</i>	<i>1996-97 Result</i>	<i>1996-97 Budget</i>	<i>1995-96 Result</i>
Revenue	1,895	1,766	1,771
Expenses	1,995	1,997	2,024
Operating Result before Abnormal and Extraordinary Items	(100)	(231)	(253)
Abnormal and Extraordinary Items	(53)	(0)	(91)
Operating Result	(153)	(231)	(344)

The \$191m improvement over the consolidated operating result for the previous year stems from a \$124m increase in revenues and a \$29m decrease in ordinary expenses, as well as a \$38m improvement in net abnormal expenses. After budgeting for a modest improvement in operating result from 1995-96, Territory revenues were \$129m higher than originally expected for 1996-97, and ordinary expenses decreased by \$2m. The \$53m of unfavourable net abnormal and extraordinary items during the year were largely technical and therefore were not budgeted.

The Government's financial reforms have allowed it to manage and improve its financial performance during the year without reducing services to the community or increasing taxes levied across the Territory.

**Graph 1 - Consolidated Operating Result (\$m)
(before abnormal and extraordinary items)**



The Territory's net asset position reduced from \$7,297m at the end of 1995-96, to \$7,093m at the end of 1996-97. This reduction results from the loss on operations, or *unfunded* expenses incurred by the ACT, and a decrease in previously accumulated increases in fixed asset valuations, offset by adjustments to the opening balance for assets brought to account for the first time.

Table 2 - Consolidated Net Asset Position

<i>\$ Millions</i>	<i>1996-97 Result</i>	<i>1996-97 Budget</i>	<i>1995-96 Result</i>
Beginning Period Net Assets	7,297	7,045	7,704
Operating Result	(153)	(231)	(344)
Shift in Capital Reserves	(68)	2	(63)
End Period Net Assets	7,093	6,816	7,297
Total Assets	9,165	8,984	9,213
Total Liabilities	2,072	2,167	1,916

Borrowings have remained stable during 1996-97, and the Territory's credit risk rating remains at triple-A, the highest available in this country.

The Territory's cash flow statement for 1996-97 shows a cash surplus from operating activities during the year of \$186m, \$85m more than budgeted, and \$59m more than 1995-96. While the cash surplus for the year underpins the improved 1996-97 operating result, it also shows that the Territory's operating loss consists entirely of non-cash items such as depreciation of fixed assets and unpaid employee entitlements.

The surplus cash from operating activities, along with proceeds from sales of assets, was used to purchase and construct \$206m of new property, plant and equipment during 1996-97. The remaining proceeds from investments, and \$9m of net new financial creditors, was invested in financial assets. Working capital reserves at the end of 1996-97 were \$103m, consisting of \$59m of actual cash on hand and in bank accounts, and \$44m of further liquid financial investments. These investments are described as cash in the cash flow statement as they are used to meet the day to day cash needs of Government activities.

Table 3 - Change in Cash Held

<i>\$ Millions</i>	<i>1996-97 Result</i>	<i>1996-97 Budget</i>	<i>1995-96 Result</i>
Cash at the beginning of period	83	55	81
<i>Adjustment to opening balances</i>	<i>(17)</i>	-	-
Net cash inflows from operating activities	186	101	127
Net cash flow used in investing activities	(158)	(46)	(181)
Net cash inflows from financing activities	9	(52)	56
Cash at the end of the period	103	59	83

During 1996-97, the ACT Government appropriated only some \$1,361m of the \$1,374m available under the *Appropriation Act 1996*. This included \$10m of the *Treasurer's Advance* contingency reserve used to meet opportunities emerging across Government during the year.

At the end of the period, the ACT also had \$167m in outstanding commitments, compared to \$150m at the equivalent time a year ago. This increase was due to the renewal of a number of existing leases for office accommodation. Of the total commitments, \$14m of operating leases and \$80m of capital and other obligations are required to be met in 1997-98. This represents the planning and lead in time required for construction type projects.

A full set of consolidated general purpose financial statements for 1996-97 have been prepared in accordance with the new Australian Accounting Standard, AAS31 "Financial Reporting by Government", although this standard does not become mandatory for all Australian governments for a further two years. The statements have received an unqualified audit opinion from the ACT Auditor General. The 1996-97 financial statements also provide, for the first time, details of the result for 1995-96 which has only recently been audited following a trial preparation.

The consolidated financial statements for 1996-97 are attached to this report.

Appendix A provides an analysis of key financial performance indicators for the Territory for the year.

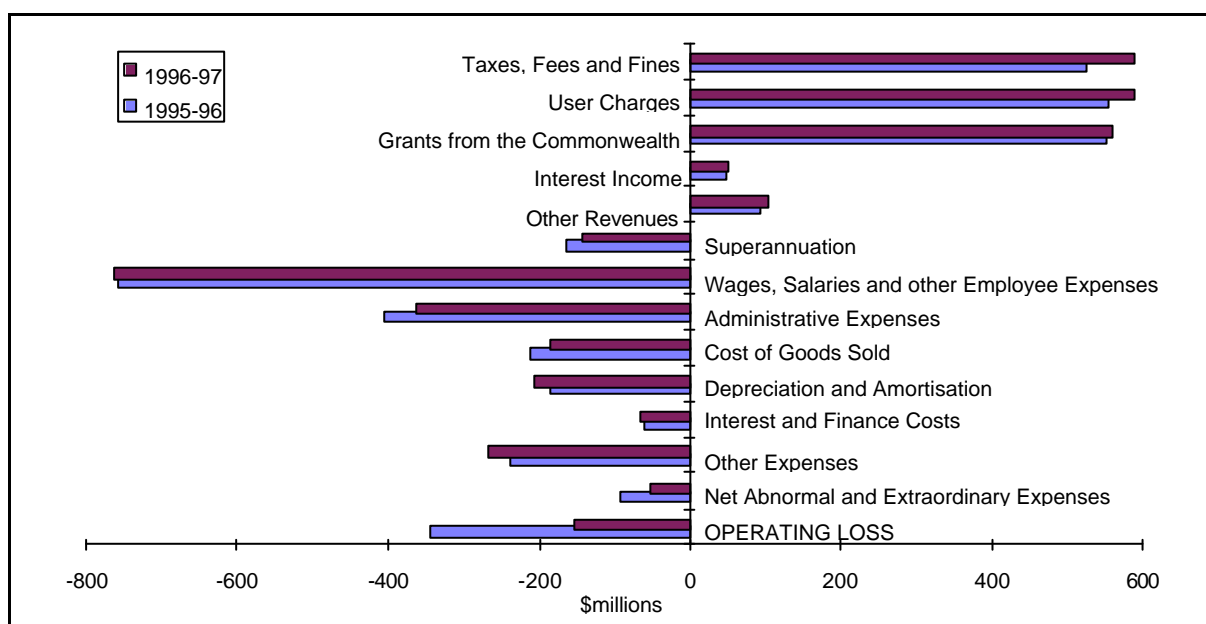
3. Operating Result

The ACT Government is dependent on local economic activity for much of its revenue, as well as for providing for a healthy, well educated, and vibrant community. The Government’s prudent management of its activities and the economy has resulted in a significantly improved operating result for 1996-97. While it is essential to address the ACT’s prevailing operating loss so that today’s liabilities are not deferred to later generations, the Government must continue its measured response to dramatic Commonwealth employment and spending cuts in the region.

Total ordinary operating expenses of \$1,995m for the Territory during 1996-97, exceeded ordinary revenues for the year of \$1,885m. The resulting operating loss of \$100m, before abnormal and extraordinary items, represents 5% of ordinary expenses for 1996-97. This is an improvement from the previous year, when 13% of ordinary expenses were not funded.

The operating loss for 1996-97 worsens to \$153m with the inclusion of \$53m of unfavourable net abnormal and extraordinary items. These largely consist of one off adjustments to existing asset and liability values, which are sufficient to otherwise distort the ordinary operating result of the Territory.

Graph 2 - Consolidated Operating Statement



The ACT delivers a range of state and municipal type services to the Territory community, including hospital and other health services, schooling and vocational education, public transport, and municipal city services. Revenues to meet the cost of these services is earned from state like general taxation and municipal rates, fees from the users of goods or services, and state grants from the Commonwealth Government. Combined with revenues recognised in the operating statement for the Territory, the spending on functions in Note 8 of the audited statements can be compared to the consolidated operating statement for the Territory.

Table 4 - Statement of Revenues by Source and Expenses by Function

	1996-97 Actual \$m	1996-97 Budget \$m
Revenues by Source		
Taxation, Fees, and Fines	590	560
User Charges for Goods and Services	591	523
Commonwealth Grants	560	561
Other	154	122
Total Revenue	1,895	1,766
Expenses by Function		
School, Vocational and Tertiary Education	453	433
Urban and Construction Services	411	290
Hospital and Public Health Services	394	369
Utility Services	283	296
Public Housing	154	108
Public Order and Safety and Other Legal Services	118	112
Public Transport	72	63
Family, Youth and Children's Services	62	62
Sport, the Arts, Tourism, and Other Recreational Activities	61	60
Forestry, and Land Planning and Management	42	41
Business Development and Marketing	32	31
Emergency Services	28	28
General Public Administration		
Legislative and Executive affairs	12	12
Financial and economic management	57	36
Other policy and administrative services	18	20
Debt Servicing	46	52
<i>Treasurer's Advance</i>	-	14
<i>Elimination of inter-Function Expenses</i>	(248)	(30)
Total Expenses	1,995	1,997
Operating Result before Abnormal & Extraordinary Items	(100)	(231)
Abnormal and Extraordinary Items	(53)	(0)
Operating Result after Abnormal & Extraordinary Items	(153)	(231)

The above table shows the nature of expenses, by function, of the ACT Government during 1996-97, and how they are funded. As many ACT agencies purchase services from other ACT agencies in meeting their own objectives, expenses incurred in delivering a function include amounts paid which may in turn be expended in delivering other functions. So that the full expense is presented for each function of Government, \$248m of transactions between functions are separately eliminated.

The overall operating loss for the Territory for the year is equivalent to \$500 spent, on average, for every resident of the ACT, compared to more than \$1,100 each in the previous year. After excluding abnormal items, the loss reduces to \$324 per resident, a significant improvement from \$828 each in the previous year. The following table, which includes jurisdictions who presently prepare accepted accounting financial statements, shows that the Territory's latest operating loss, excluding abnormal and extraordinary items, is on a par with that of the Commonwealth Government.

**Table 5 - Operating Result per Capita
(before abnormal and extraordinary items)**

ACT (1996-97)	-\$324
NSW (1995-96)	-\$24
Victoria (1996-97)	\$342
Western Australia (1995-96)	\$503
Commonwealth (1995-96)	-\$327

After elimination of internal trading between ACT agencies, the total Territory operating loss of \$153m consists of a \$170m operating loss by the general government sector (GGS), offset by a \$43m surplus achieved by the public trading enterprise sector (PTE). The GGS is made up of those agencies which receive the majority of their funding from ACT Government sources, while PTE agencies are those that operate on a commercial basis, earning the majority of revenues from fees for services direct to the community.

Table 6 - 1996-97 Operating Result by Sector

<i>\$ Millions</i>	<i>General Government</i>	<i>Public Trading Enterprises</i>	<i>Inter Sector Eliminations</i>	<i>Territory Result</i>
Revenue	1,490	611	(206)	1,895
Expenses	1,634	536	(175)	1,995
Operating Result before Abnormal and Extraordinary Items	(144)	75	(31)	(100)
Abnormal and Extraordinary Items	(26)	(32)	5	(53)
Operating Result	(170)	43	(26)	(153)

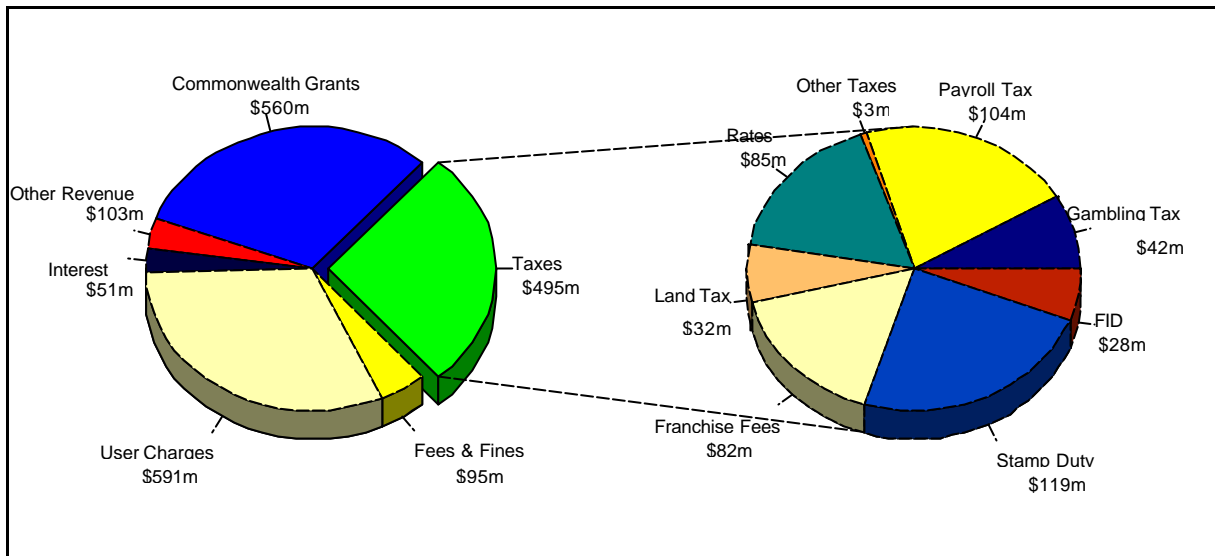
The attached financial statements for the ACT contain the consolidated operating statement for the Territory and for each sector.

3.1. Revenue

The Territory earned revenue of \$1,895m in 1996-97. This is \$129m more than budgeted, and a \$124m improvement from the previous year. After allowing for growth in the consumer price index and ACT population over the year, the 1996-97 result is a real increase in revenues of 7%.

With the continuing transition to state-like Commonwealth funding arrangements, and the accompanying real reduction in general purpose Commonwealth grants, the Territory funded 67% of its 1996-97 ordinary expenses from its own source revenue, compared to 60% the previous year. Territory taxation has increased by \$58m from last year due largely to increased dutiable transactions. Fees recovered for the delivery of goods and services are also up by \$36m. Prudent financial management has also resulted in a \$26m improvement in interest and other investment income.

Graph 3 - 1996-97 Revenue

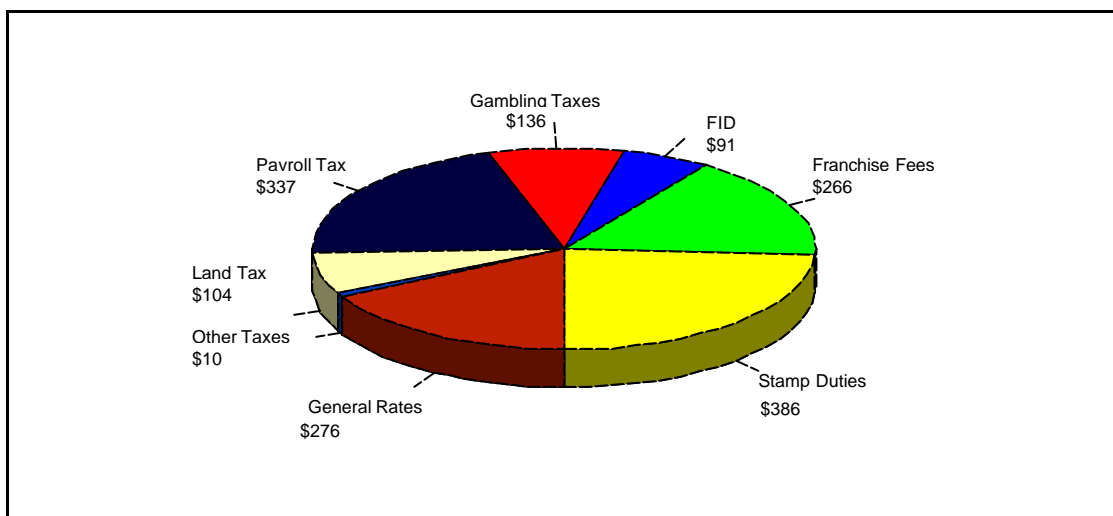


3.1.1. Taxes, Fees and Fines

Revenues from *Taxes, Fees, and Fines* includes compulsory levies imposed by the ACT Government, fees for regulatory services, and civil and criminal fines. General taxation revenues are used to fund general government services provided to the community. Note 4 of the audited financial statements shows the major sources for this type of revenue.

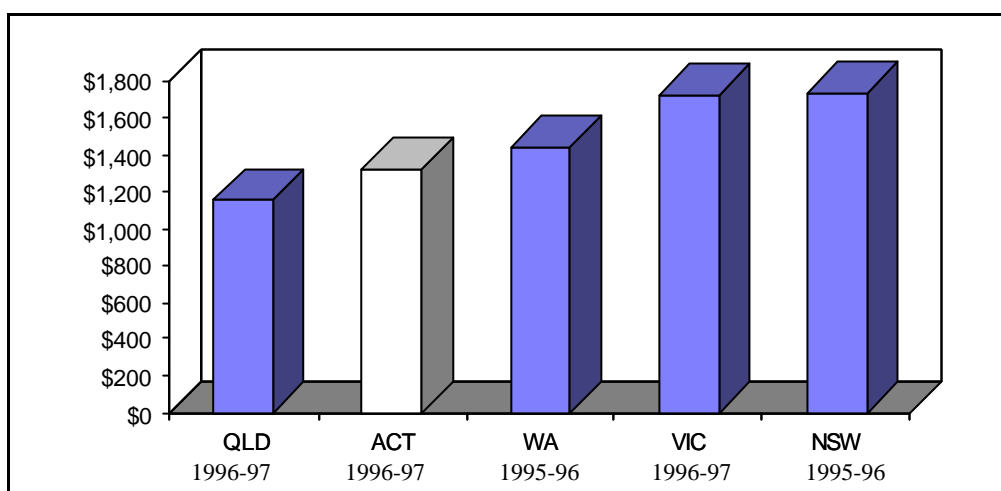
After self government in 1989, it was necessary for the ACT to increase its taxation levels to a level similar to other states as Commonwealth grants declined. In recent years, the Territory’s taxation revenues have been assessed to be at average capacity with the states by the Commonwealth Grants Commission.

Graph 4 - 1996-97 Taxation Revenue, per Capita, by Type



As such, the Government has long recognised the need to ensure Territory taxes and regulatory fees are no higher than that of surrounding jurisdictions. The Government's strategy to limit tax increases to inflation levels or that of NSW, is necessary to facilitate opportunities for investment and employment creation vital to the Territory. Despite an increase in tax revenue in 1996-97, largely stemming from transactions outside the Territory, the ACT compares favourably with other jurisdictions.

Graph 5: Taxation Revenue per Capita - State Comparison



Note: ACT tax revenue excludes municipal rates to be comparable with the states.

Overall *Taxes, Fees and Fines* of \$590m in 1996-97 consisted of \$495m of general taxation, and \$95m of regulatory fees and fines. Taxation revenue was \$26m higher than budgeted for the year (\$38m after allowing for \$12m of internal taxation payments, by ACT agencies, which were not eliminated in the budgeted consolidated operating statement), and increased by \$58m since the previous year.

Table 7 - Taxes, Fees and Fines Revenue

	1996-97 Result \$m	1996-97 Budget \$m	1995-96 Result \$m
<i>Taxes</i>			
Payroll Taxes	104	104	97
General Rates	85	96	86
Land Taxes	32	29	29
FID	28	27	26
Total Taxes	249	255	238
<i>Stamp Duties</i>			
Conveyances	43	34	30
General Insurance	14	14	13
Hiring Duty	1	1	-
Leases	3	4	3
Life Insurance	0	0	0
Vehicle Registrations	15	16	13
Marketable Securities	43	10	12
Business Agreements	0	0	0

Total Stamp Duties	119	79	71
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Table 7 - Taxes, Fees and Fines Revenue

	1996-97 Result \$m	1996-97 Budget \$m	1995-96 Result \$m
<i>Franchise Fees</i>			
Petroleum	30	29	28
Tobacco	41	41	39
Liquor	11	14	13
Total Franchise Fees	82	84	80
<i>Gambling Taxes</i>			
Bookmakers Turnover Tax	0	0	0
Casino Tax	4	4	7
Gaming Machine Tax	26	26	26
Lotteries and Lotto Taxes	12	13	12
Total Gambling Taxes	42	43	45
<i>Other Taxes</i>			
Ambulance Levy	2	2	2
Gas Turnover Tax	1	1	1
Other	-	5	-
Total Other Taxes	3	8	3
Total Taxation Revenue	495	469	437
<i>Fees</i>			
Betterment Fees	5	5	6
Drivers Licences	5	5	7
Motor Vehicle Registrations	50	46	47
Other Fees	25	25	20
Total Fees Revenue	85	81	80
<i>Fines</i>			
Traffic Infringements	5	5	4
Parking Fines	5	5	4
Court Fines	0	0	0
Total Fines Revenue	10	10	8
Total Taxes, Fees & Fines	590	560	525

- *Payroll Tax (an increase of \$7m on the previous year)* - despite a decrease in the tax rate from 7% to 6.85%, and an increase in the payroll tax exemption threshold from \$550,000 to \$600,000, payroll tax revenue increased by \$7m in 1996-97. This is a result of a broadening of the tax base to include employer superannuation contributions, and strong business growth and increased employment and wages in the Territory's private sector. 1996-97 revenue was \$5m higher than budgeted only after excluding an equivalent amount from the budget for internal payments which weren't eliminated in the budget's consolidation.

- *General Rates* (a decrease of \$1m on the previous year and \$11m on the 1996-97 budget) - revenue remained stable from the previous year. The variation on budget is also a result of \$8m of internal payments, by ACT agencies, not being eliminated in the budget's consolidation.
- *Land Tax* (an increase of \$3m on the previous year and on the 1996-97 budget) - a 3% increase in taxable properties, as well as higher than expected commercial land values, resulted in increased revenue.
- *Stamp Duties* (an increase of \$48m on the previous year and \$40m on the 1996-97 budget) - the significant increase largely stemmed from land conveyances and corporate share transfers. A number of large share transfers and restructures, and a general 25% increase in share transactions, during the year involving companies registered in the ACT, has resulted in a \$31m increase in revenue since the previous year. A number of large commercial property sales, as well as greater than expected resilience in the commercial property sector generally, has also resulted in higher stamp duties revenue in 1996-97.

Due to the nature of many of the large commercial property and share transfers, the incidence of much of this increase in tax fell outside the ACT.

- *Franchise Fees* - while franchise fees on tobacco, petroleum and liquor traders were largely on target during 1996-97, since the end of the financial year a High Court ruling has ruled franchise fees of all states and territories as invalid under the Constitution. The Commonwealth has taken steps however to protect this revenue base and pass future revenue collections onto the states and territories.
- *Other taxes* - other taxes includes a budgeted amount for internal tax equivalent payments from commercial Territory agencies, and totalisator turnover tax from the Territory owned ACTTAB. These and other internal tax payments not eliminated in consolidation of the budget do not effect the budgeted operating result as an equivalent amount should have been eliminated from budgeted administrative expenses.

3.1.2. User Charges for Goods and Services

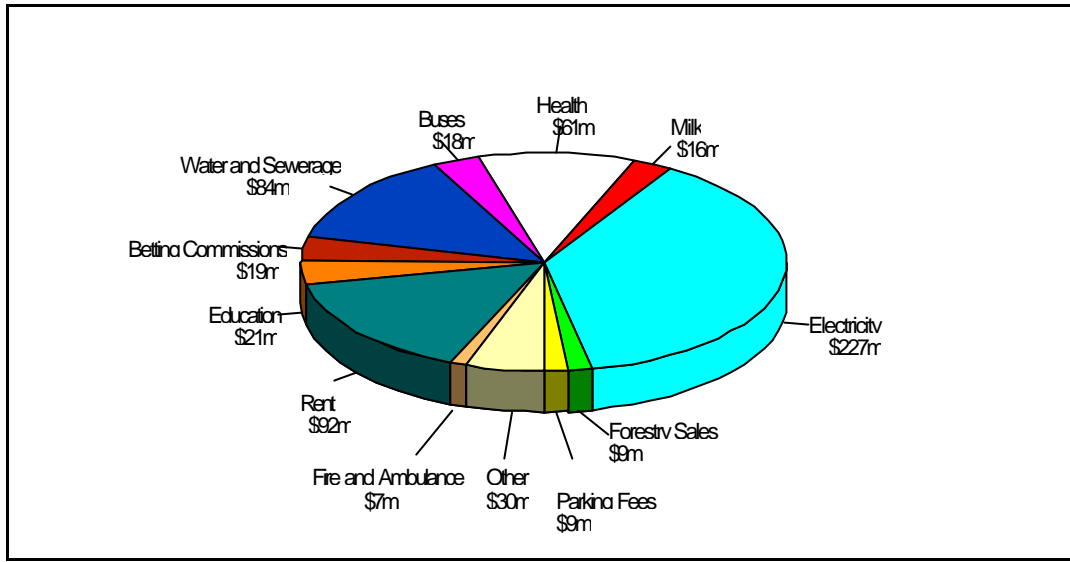
User Charges include revenues for services or goods sold by the Territory. Levying of user charges where appropriate to recover all, or part, of the costs of service delivery, is an important strategy of the ACT Government both in ensuring the users of services, rather than the general community, pay for the cost of providing those services, and in identifying the true need for services and goods. Government can also then target financial assistance for purchasing such services, to those groups with a real need, and ensure those who shouldn't, including nearby NSW residents, do not benefit from services and goods subsidised by ACT taxpayers.

A number of ACT agencies raise user charges revenues on both a full, or partial, cost recovery basis. Those which recover at least half of their operating costs from sale of their goods or services are categorised as *Public Trading Enterprises* (PTE). The audited consolidated operating statements by sector show that, before elimination of internal trading between the two sectors, PTEs earn \$485m from external customers, compared to \$153m raised by the *General Government Sector* (GGS).

In accordance with their commercial objectives, PTEs have increased the portion of their ordinary expenses that they fund from user charges, to 90% in 1996-97 compared to 81% during the previous year. GGS user charges have increased from 8.5% to 9% of ordinary expenses.

Overall consolidated user charges revenue for the Territory of \$591 for 1996-97 is \$36m higher than the previous year, and \$68m higher than budgeted. Note 5 to the audited financial statements sets out the nature of services and goods which are sold by the ACT.

Graph 6 - 1996-97 User Charges



Increased user charges revenue from 1995-96 to 1996-97 is largely a result of negotiations with NSW to ensure the ACT is paid a reasonable price for the treatment in ACT hospitals of patients from the surrounding region. This has resulted in an increase of \$20m in 1996-97 in cross border health payments from NSW. The Canberra Hospital has also earned improved revenue from in-patient fees and other health services. Other user pays revenues have increased through growth in activity.

In addition to the increases from the previous year, user charges revenues are higher than budgeted for 1996-97 because of the budget time treatment of residential housing tenant fees. In the budget only, some \$45m of notional rental rebates to tenants were netted off against the market rent revenues. The budget also included some \$9m of water and electricity concession payments which should have been eliminated. Not included in the budget, and therefore reasons for higher than expected user fees, were \$3m of in-patient fees for Calvary Public Hospital, and \$17m of sales by Totalcare. Lower than expected user charges revenue included a \$4m reduction in bus passenger fares.

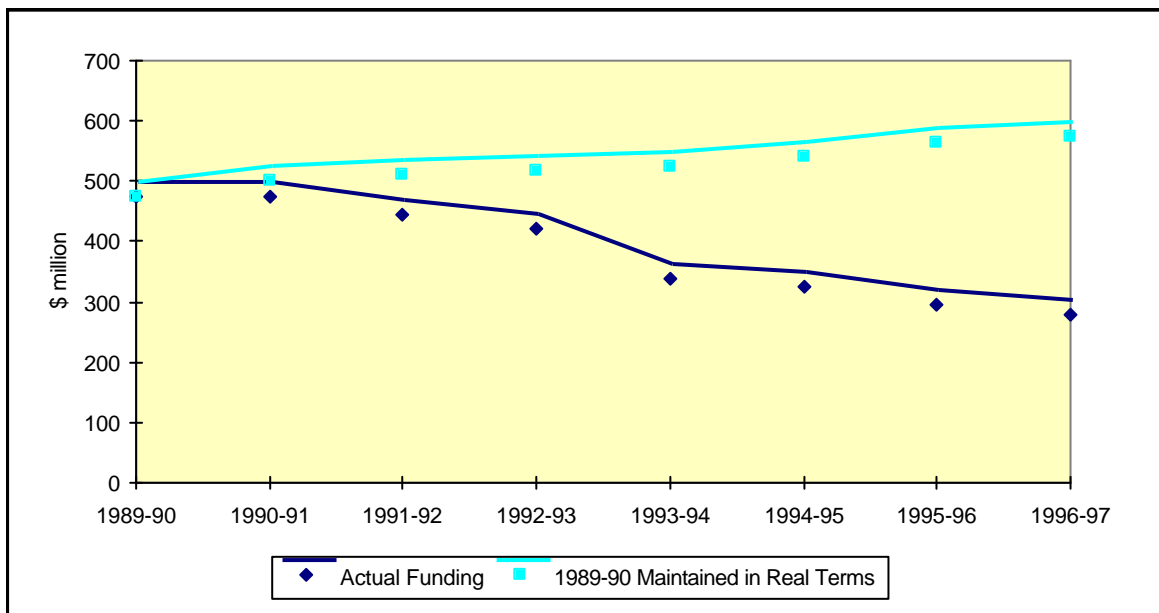
3.1.3. Grants from the Commonwealth Government

Like all states and territories, the ACT receives significant *Grants from the Commonwealth Government*. Commonwealth grants of \$560m for 1996-97 were largely as budgeted. Note 6 of the audited financial statements sets out the nature of grants from the Commonwealth.

While Commonwealth grants for specific purposes increased by \$23m from the previous year to \$257m, spending of these amounts is largely beyond the control of the ACT in meeting its own objectives. With the continued transition, since self government, to state like funding arrangements, general purpose payments decreased by \$13m in 1996-97 to \$280m. General purpose grants now account for almost 15% of the Territory’s total operating revenues, compared to 17% the year before. Graph 7 shows the comparison of the ACT’s general purpose Commonwealth revenues for 1996-97, against almost \$600m if levels at the time of self government had been maintained in real terms after allowing for inflation.

During 1996-97, the ACT Government successfully negotiated an extension of the Commonwealth’s transitional period. This will result in additional general purpose payments of \$10m in 1997-98, and \$5m in the following year, to meet the continuing legacy of the Commonwealth’s control of Territory service delivery and assets prior to self government.

Graph 7 - General Purpose Commonwealth Grants 1989-90 to 1996-97



3.1.4. Other Revenues

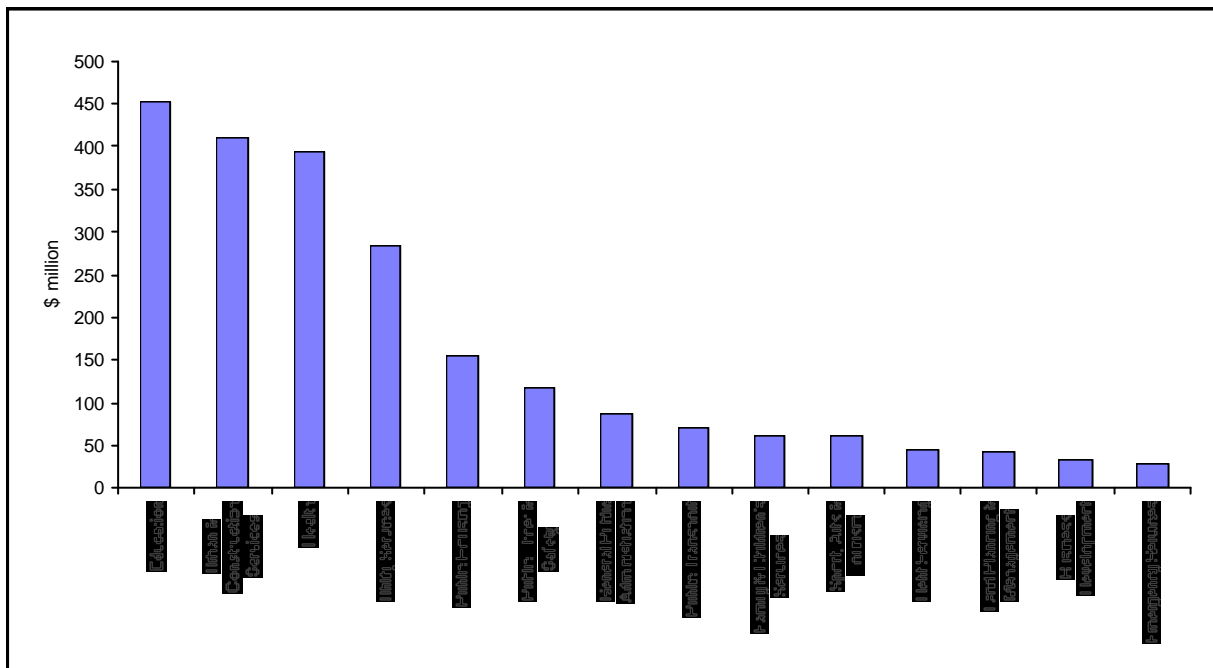
Other Revenues of \$103m improved by \$11m over the previous year, and \$26m over the budget for 1996-97. This was largely a result of gains in the market value of financial investments.

3.2. Expenses

The Territory incurred ordinary operational costs of \$1,995m in delivering services to the community in 1996-97. The \$29m, or 1.4%, reduction from the previous year, was a measured response to the present financial pressures faced by the ACT Government, and the needs of the community during the stagnant local economic environment.

The ACT Government has adopted a deliberate strategy of maintaining public expenditure as the local economy develops into one more reliant on a robust private sector. This approach includes a sustainable balance of community services, prudent financial performance, and economic management.

Graph 8 - 1996-97 Expenses by Function



Note 8 of the audited financial statements shows that the Territory spent, on average, \$1,468 on education on behalf of each resident of the Territory in 1996-97, \$1,277 on health and hospital services, \$499 for providing public housing, and \$382 to ensure the community was adequately policed and legally protected.

After allowing for Commonwealth Grants, user charges, and other own source non-taxation revenues, \$690m, or 35%, of 1996-97 ordinary operating expenses were either funded by general revenue measures or remained unfunded. This compares to 39% in 1995-96, and is an important indicator in measuring the portion of expenses supported by non-targeted revenue raising measures imposed on the community in the current or future years. During 1996-97, Territory spending of \$2,237 for every ACT resident was funded by general taxation or not funded at all, compared to \$2,547 in the year before.

Table 8 - Expenses, per Capita, Supported by Taxes, Fees and Fines

ACT (1996-97)	\$2,237
NSW (1995-96)	\$1,744
Victoria (1996-97)	\$1,431
Western Australia (1995-96)	\$982

3.2.1. Superannuation, Wages and Salaries, and Other Employee Expenses

Total expenses relating to personnel for 1996-97 amounted to \$907m, 45% of total expenses. This compares to \$922m, the same proportion, in the previous year.

The reduction since the previous year is related to superannuation expense. An actuarial assessment of accruing superannuation expenses (see Note 21 of the audited financial statements) resulted in a decline from \$163m in 1995-96 to \$144m in 1996-97.

Superannuation expense for 1996-97 equated to 19% of other employee expenses, compared to the Commonwealth Government Superannuation Guarantee Charge which presently ensures all Australians receive 6% of their wages as employer funded superannuation contributions. As a comparison, the Victorian Government incurred superannuation expense in 1996-97 of 18% of other employee expenses, while the equivalent amount for the NSW Government was 21% in 1995-96.

Wages and Salaries and Other Employee Expenses for 1996-97 of \$763m is \$71m above the budget for the year due merely to exclusions from the budget and reclassifications. Calvary Public Hospital (employee expenses of \$26m) was not included in the budget, and Totalcare (\$9m) was not consolidated at budget time. Approximately \$56m of actual employee expenses was included in *Other Expenses* as general operational expenses in the 1996-97 budget. A revised budget of \$783m was offset by savings across Government from general restructuring initiatives to better allow the Government to target its resources toward the community's needs.

The Government provided a central voluntary redundancy funding pool of \$12m for agency restructuring initiatives during 1996-97. This amount contributed to almost 800 voluntary redundancies across Government during the year as part of this agency restructuring.

3.2.2. Administrative and Other Expenses

The audited consolidated operating statement of the Territory, together with Note 9 to the statements, shows that *Administrative* and *Other Expenses* for 1996-97 were \$1,088m, compared to \$1,102m the previous year.

As a number of classifications of operational and other expenses have been revised since preparation of the budget, it is best to look at the variations in all non-employee related expenses combined.

Table 9 - Non-Employee Related Expenses

	1996-97 Actual	1996-97 Budget	1995-96 Actual
Interest and Finance Costs	65	66	60
Depreciation and Amortisation	208	190	184
Administrative Expenses	363	412	407
Costs of Goods Sold	185	*	213
<i>Other Expenses</i>			
Net Loss on Disposal of Fixed Assets	2	*	15
Legal Compensation	13	*	6
Grants and Subsidies	146	*	133
Residential Tenancy Rebates	45	-	46
School Managed Costs	23	*	16
Other	38	463	22
Total	1,088	1,131	1,102

* not specifically identified in budget.

- *Administrative Expenses* (a decrease of \$44m on the previous year and \$49m on the 1996-97 budget) - a portion of the reductions in *Administrative Expenses* since 1995-96 result from reclassifications stemming from improved reporting and management systems. Approximately \$19m of general administrative spending in 1995-96 is offset by expenses reported as *Other Expenses* in 1996-97.

It is estimated that some \$30m of the reduction in administrative expenses from 1995-96, is because of an increased focus on new assets and works, rather than major maintenance repairs. These new assets are added to the Territory's balance sheet and depreciated as an expense over their useful life. In 1995-96, agencies were not responsible for their own capital works projects and a larger portion of works were major operational expenses.

Taxation doubtful debts of \$16m have increased administrative expenses over 1996-97. The remainder of the difference between 1996-97 and the previous year stems from minor savings across Government.

The budget for administrative expenses included some \$65m of items which have now been reported as costs of goods sold, as well as approximately \$30m of spending which was used for capital purchases and construction, rather than major maintenance works. The budget also included \$14m of the *Treasurer's Advance* contingency reserve which was eventually largely allocated for capital purposes. These capital outlays are not reported as an operating expense, but capitalised as a physical asset in the balance sheet and depreciated over the useful life of the relevant assets.

Budgeted administrative expenses also included some \$12m of payments by ACT agencies for Territory taxes, which have now been eliminated on consolidation. Budgeted legal compensation payments of \$10m have also been reported separately. On the other hand, some \$45m of operational expenses budgeted as *Other Expenses* have now been reclassified as administrative expenses.

These technical adjustments are offset by administrative expenses of \$26m for entities which were not included in the 1996-97 budget consolidation. Doubtful debts provisions of \$16m established for disputed taxation revenues earned during the year, have also increased administrative

expenses over budget for 1996-97. The remainder of the difference against 1996-97 budget relates to minor savings across Government.

- *Costs of Goods Sold and Other Expenses (an increase of \$1m on the previous year and a decrease of \$11m on the 1996-97 budget) - Costs of Goods Sold* have reduced in 1996-97 as a result of savings in the cost of providing commercial goods and services.

Some \$19m of costs reported as *Administrative Expenses* in 1995-96, have now been more accurately classified as *Other Expenses* in 1996-97. Other increases in administrative expenses in 1996-97 over 1995-96, include an additional \$13m in grants and subsidies, and an increase in school managed costs (\$7m) with the implementation of school based management across the Territory. These increases have been offset by lower losses on disposal of unneeded assets (\$13m). These assets sold in 1996-97 largely included sales of residential housing at prevailing market prices, but below the existing book value of the assets.

The remaining savings in other expenses since the previous year resulted from minor savings across Government.

All other expenses combined are \$11m lower than budgeted in 1996-97. Some \$65m has been reclassified from budgeted administrative expenses to costs of goods sold, while \$10m budgeted as legal compensation payments has also been reported separate from administrative expenses.

These have been offset by a reclassification of \$45m of commercial operating expenses to administrative expenses, and an amount of \$41m budgeted to be paid to Calvary Public Hospital has now been eliminated as the Hospital is included in the consolidated Territory financial statements.

3.3. Abnormal and Extraordinary Items

Abnormal items for 1996-97 are largely technical in nature and contribute \$53m to the operating loss. This is compared to \$91m in 1995-96. Due to their technical and unexpected nature, and because they do not affect spending during the year, none of these abnormal items were included in the original budget for 1996-97.

During the year, the Territory varied the value of some of its assets to better reflect current market conditions and the useful life of these assets. While the value of water infrastructure assets was decreased by \$12m to more accurately reflect its true value to the Territory, accumulated depreciation was also increased by \$11m to better reflect a shorter than expected useful life of these assets. Surplus buildings and other properties were also devalued by \$22m to reflect the present market and the likely use of these assets.

During the year, surplus property at Acton Peninsula was transferred to the Commonwealth in exchange for commercial property at Kingston Foreshores. The value previously recorded in the Territory's balance sheet for the Acton Peninsula site was reported as an \$18m extraordinary loss. An offsetting extraordinary revenue of \$10m was recorded for the receipt of Kingston Foreshores, but this merely reflected the value of the Acton land (not the buildings) and other consideration transferred to the Commonwealth. The Kingston property will be revalued according to its future use when that is determined.

Further details of abnormal and extraordinary items are at Notes 10 and 11 to the statements.

4. Financial Position

The Consolidated Statement of Financial Position, or Balance Sheet, of the Territory shows the worth, in financial terms, of the ACT Government at the end of 1996-97. The Territory's assets are an essential component of the delivery of its services to the community, as well as protection of its heritage. Its financial assets are also an important reserve for offsetting the Territory's debt and burgeoning accrued employee entitlements.

4.1. Net Assets

The ACT Government held assets valued at \$9,165m at the end of June 1997, a decrease of \$48m over the consolidated position at the beginning of the financial year. Assets are offset by liabilities of \$2,072m, an increase of \$156m since the beginning of the year, resulting in a net asset position of \$7,093m.

The decrease of \$204m in net assets of the Territory since year beginning represents 11% of total 1996-97 operating revenues. Note 24 to the audited statements shows that this decrease in net assets comprises the overall operating loss (\$153m) and reduced valuations of existing assets (\$191m), offset by adjustments for initial measurement of existing assets and adjustments for accounting policies (\$142m).

The Territory's *current liquidity ratio* at end of June 1997 of 179% shows that the Territory is more than able to meet its short term liabilities (\$390m) with its readily realisable assets (\$697m). The improvement from 128% in the year before stems from a steady increase in cash reserves from the better than expected operating result, as well as the conversion of short term debt to longer term borrowings attracting lower interest costs.

The Territory's increasing accrued superannuation liability is incorporated in the operating result for 1996-97 and past years, but will place pressure on the Territory's financial position in future. The following table compares the Territory's financial assets and liabilities, including outstanding superannuation and other employee entitlements.

Table 10 - Net Financial Worth

	1997	1996
	\$m	\$m
<i>Financial Assets</i>		
Cash	59	31
Investments	450	383
Receivables	361	385
Total Financial Assets	870	799
<i>Financial Liabilities</i>		
Creditors	118	100
Borrowings	705	710
Finance Leases	44	13
Superannuation	934	820
Other Employee Entitlements	222	221
Total Financial Liabilities	2,023	1,864

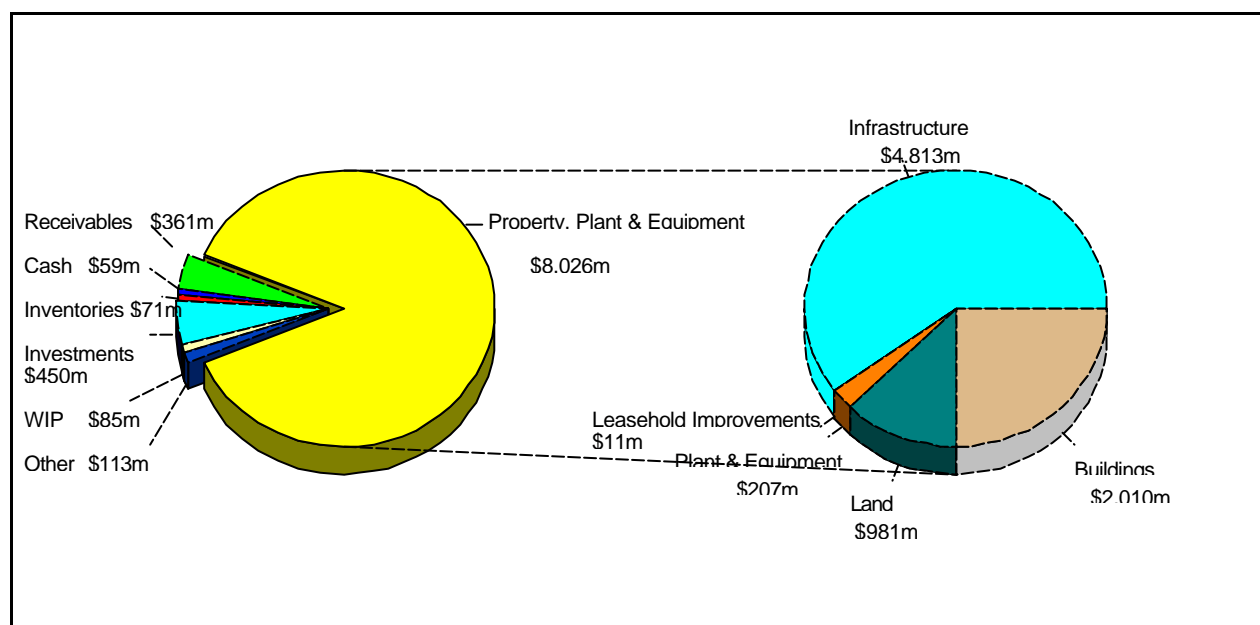
Net Financial Worth	(1,153)	(1,065)
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While this financial deficit provides a challenge for the Territory for the future, the ACT has been awarded a long term triple-A credit risk rating by Standard and Poor's, and Moody's Investor Services, the premier independent risk assessment agencies in the World. This shows the present position is more than acceptable, and a confidence in the ACT's past record and position to meet this challenge. The Territory's credit ratings are the highest available in this country, and rank its prudent financial management record, and its outlook for the future, as the equivalent of the state governments of New South Wales and Queensland.

4.2. Assets

At the end of the 1996-97 financial year, the Territory held total assets of \$9,165m, consisting of physical assets of \$8,111m, and financial and other assets of \$1,054m.

Graph 9 - Territory Assets as at 30 June 1997



The Territory's assets can be classified into "current" or "non-current" to provide an illustration of those assets that the Territory can or will realise within the coming year.

4.2.1. Current Assets

The Territory's short to medium term realisable assets at the end of 1996-97 amounted to \$697m, an increase of \$99m over the year. Almost all of these assets can be classified as financial assets, including cash at bank, receivables, and investments.

Movements over the 1996-97 financial year include:

- *Cash (\$59m at year end, an increase of \$28m from the beginning of the year)* - the increase in cash assets from the opening balance is shown in the cashflow statement and reflects net cash inflows from operating activities (\$186m) and financing activities (\$9m), offset by outflows from

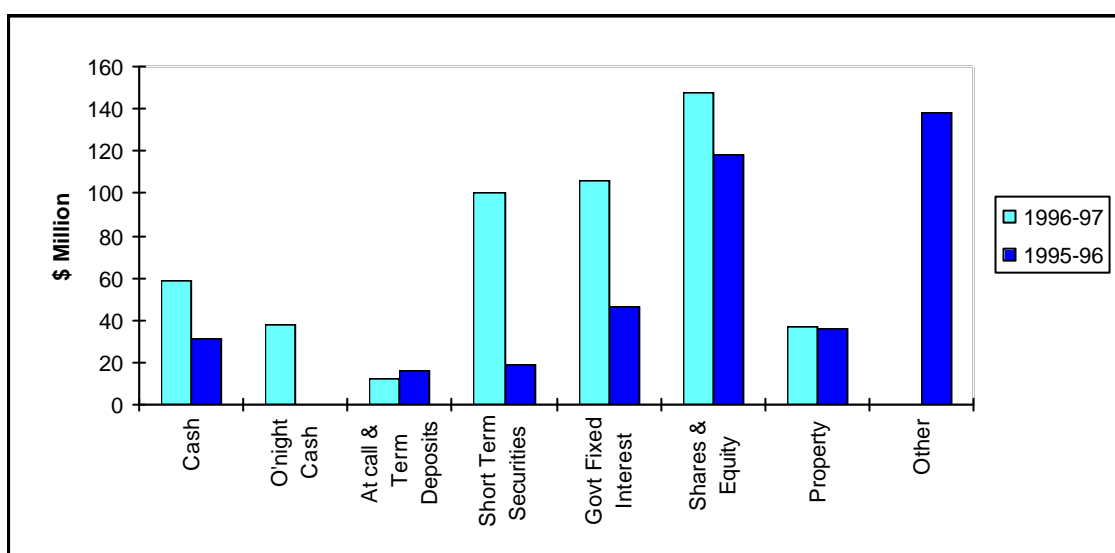
investing activities (\$158m) during the financial year. This increase in cash of \$37m is offset by an amount (\$9m) held in, and classified as, overnight investments.

The *Cash* balance merely reflects daily working capital needs at the end of the period. Excess cash balances have been moved to investments and overnight money markets. More information is contained later in this report in relation to the consolidated Cash Flow Statement.

The Territory's *cash position indicator*, combining both cash and liquid financial investments to show a true reflection of the ACT's liquid assets, has improved from 4.4% to 5.5% as a proportion of total assets since beginning of year.

- *Investments* (\$441m at year end, an increase of \$68m from the beginning of the year) - increases have arisen as better than expected cash receipts are managed and invested appropriately.

Graph 10 - Cash and Investments as at 30 June 1997 (\$m)



4.2.2. Non-Current Assets

The non-current assets of the Territory as at the end of June 1997 are valued at \$8,468m, \$164m below the opening balances.

Property, plant and equipment amounts to \$8,026m, reduced from the opening balance of \$8,107m largely as a result of depreciation and devaluation of assets, offset by new purchases and construction during the year. These physical assets consisted of infrastructure such as roads and bridges, water and drainage systems, and electricity networks; office, school and hospital buildings; land in use; and plant and equipment such as vehicles and information technology.

The Territory's major fixed asset holdings are outlined at Note 16 to the audited financial statements and illustrated in Graph 9 of this report. At self government in 1989, the ACT Government was left with a relatively asset-rich public sector. While these assets provide an opportunity to aid the

transition to sustainable financial operating performance, they also themselves can be a burden to efficient service delivery to the community.

During 1996-97, the ACT Government developed and implemented an integrated Asset Management Strategy to improve and support the Territory's operating performance. The strategy aims to optimise the use of assets and ensure they provide effective support for service delivery. In the first instance this focuses on improved information on asset holdings and accountability for their management.

The Territory held fixed assets worth \$26,000 for every resident of the Territory at the end of 1996-97, compared to \$26,600 at the end of the previous year. This is in excess of that required by the states to deliver effective services to the community.

Table 11 - Fixed Asset Holdings per Capita

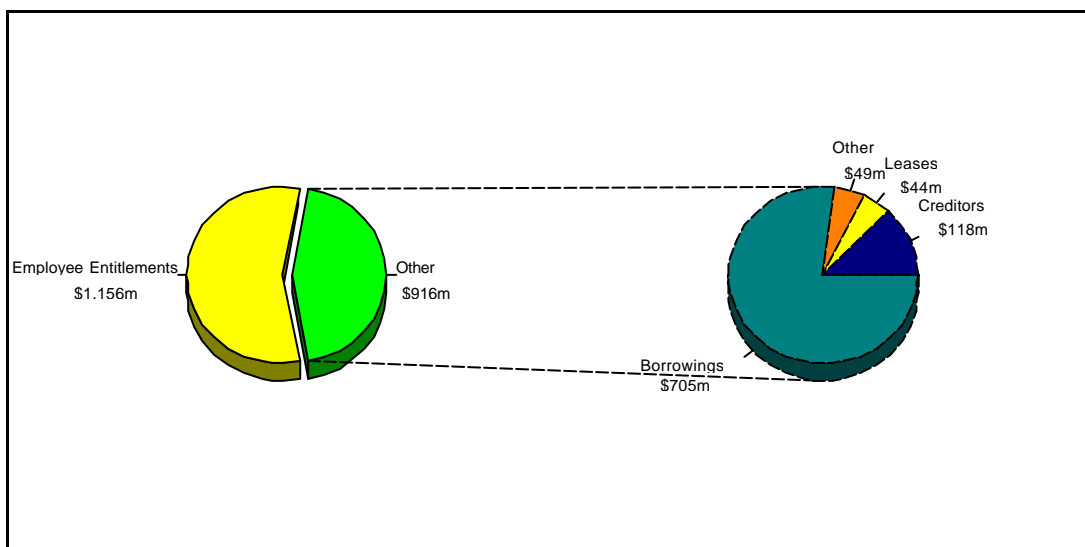
ACT (1997)	\$26,016
NSW (1996)	\$16,286
Victoria (1997)	\$11,245
Western Australia (1996)	\$18,391

Non-current *Receivables* largely consist of residential home loans to Territory residents as outlined in Note 13 to the audited financial statements.

4.2. Liabilities

Territory liabilities largely consist of future employee entitlements, borrowings and accounts payable (creditors).

Graph 11 - Territory Liabilities as at 30 June 1997



Territory borrowings remained relatively stable over 1996-97. The majority of this borrowing is historical in nature, being assigned to the ACT from the Commonwealth at self government.

The Territory's high credit rating is exemplified by its low net debt. The ACT's net debt, being total borrowings and finance leases, offset by cash and investments, was \$240m at the end of 1996-97, compared to \$309m at the end of the previous year. This is \$778 per resident at the end of June 1997, compared to \$1,012 the previous year.

Table 12 - Net Debt and Employee Entitlements per Capita

	<i>Net Debt</i>	<i>Employee Entitlements</i>
ACT (1997)	\$778	\$3,747
NSW (1996)	\$3,180	\$3,136
Victoria (1997)	\$1,829	\$3,844
Western Australia (1996)	\$3,241	\$3,251

The above table once again highlights the level of outstanding employee entitlements, especially superannuation. At the end of 1996-97, the ACT's outstanding employee entitlements of \$1,156m for its workforce, was equivalent to \$3,747 for each resident of the Territory, compared to \$3,409 the previous year.

Although most of these employment entitlements are non-current in nature and will not emerge significantly until later years, it is important to note the ever increasing level of liabilities being deferred to later years and future generations. While the Territory's net debt reduced by \$236 per capita as surplus cash was invested and borrowings were restrained, this was not sufficient to offset the \$338 per capita increase in employee entitlements.

Table 13 - Employee Entitlements

	<i>1997</i>	<i>1996</i>
	<i>\$m</i>	<i>\$m</i>
<i>Current</i>		
Unpaid Wages and Salaries	7	8
Annual Leave	78	77
Long Service Leave	11	8
Superannuation	16	13
Other Employee Entitlements	-	1
Total Current Employee Entitlements	112	107
<i>Non-Current</i>		
Long Service Leave	125	126
Superannuation	918	807
Other Employee Entitlements	1	1
Total Non-Current Employee Entitlements	1,044	934

A breakdown of total liabilities into current and non-current provides an illustration of those liabilities that the Territory will be expected to meet within the coming year. This is an important description for managing the Territory's financial position.

4.3.1. Current Liabilities

Current liabilities for the ACT Government as at the end of June 1997 amount to \$390m, a decrease of \$78m on the opening balance for the year.

The reduction in short term liabilities over the year is largely due to the refinancing of \$104m of short term debt with longer term, non-current, debt.

Table 13 of this report shows that some \$112m of accrued employee entitlements are due to be paid in 1997-98. This amount includes only \$16m of emerging superannuation liability, but includes some \$78m of annual leave, \$11m of long service leave, and \$7m of unpaid wages due to the timing of the last pay day of the year.

4.3.2. Non-Current Liabilities

Non-current liabilities of the Territory were \$1,682m at the end of June 1997, up from \$1,448m at year commencement. The deteriorating position is largely a result of unfunded future employee entitlements such as superannuation and long service leave.

Non-current *borrowings* have also increased from year beginning as a result of an initiative to reduce the Territory's debt servicing costs by converting an equivalent portion of short term debt to less expensive long term debt acquired from the Japanese market and against new Territory office buildings.

5. Cash Flows

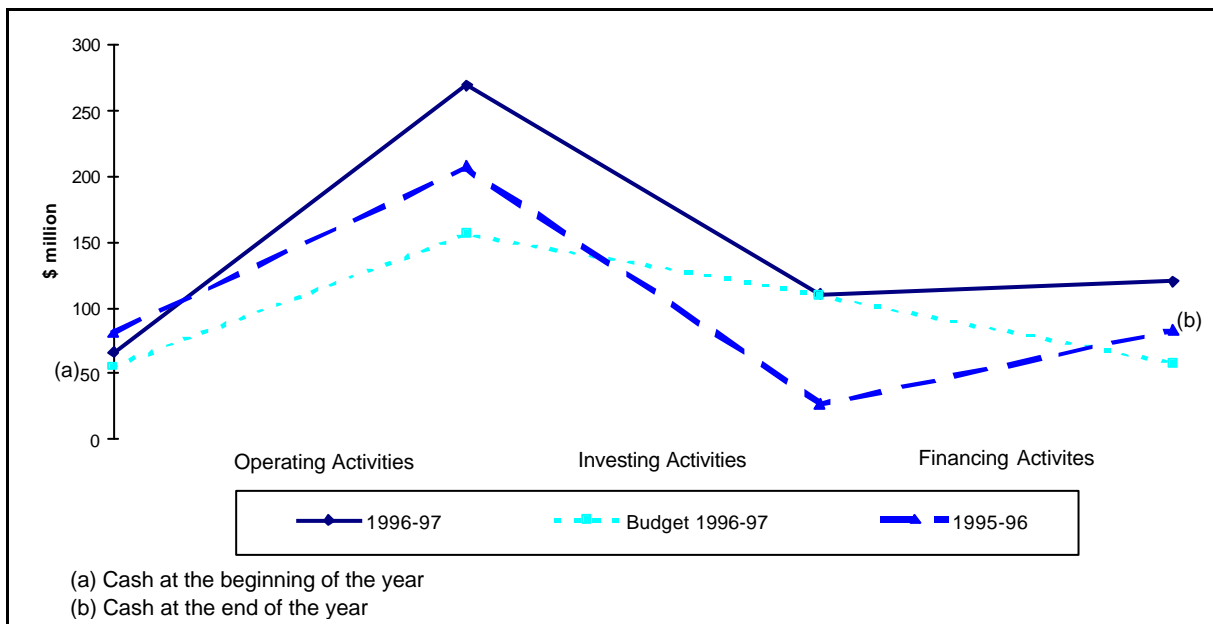
The consolidated Statement of Cash Flows shows the Territory’s cash receipts and payments from operating activities during the year, as well as investments and asset sales, and finance raised and repaid. This information is an important tool for managing the ACT Government’s cash needs.

The Territory’s net cash inflows, or increase in cash held, for 1996-97 was \$37m, offset by a downward adjustment to the opening balance (\$17m). Details can be found previously against the Statement of Financial Position *Cash*. The final working capital cash balance at the end of year, as per the Statement of Cash Flows, is \$103m compared to \$83m at the end of 1995-96. This \$103m however consists of the \$59m recorded as cash in the balance sheet, as well as \$44m recorded in the balance sheet as short term financial investments. The Statement of Cash Flows classifies these investments as cash as they are invested overnight but remain part of the day to day management of the Territory’s cash needs.

Cash held at the end of the year is higher than the opening year balances largely as a result of working capital needs and cash management decisions at the end of the year. As excess cash is applied to investments, cash balances are not by themselves an accurate measure of financial performance.

Variations in actual to budgeted receipts and payments are largely for the same reasons as outlined against the operating statement and balance sheet. Differences between variations from budget in the cash flow statement and equivalent variations in expenses and revenues in the operating statement and movements in the balance sheet, are due to differences in timing of payments to, or by, the Territory, or non cash items.

Graph 12 - Cash Inflow/Outflow



5.1. Net Cash Flows from Operating Activities

The Territory achieved a cash surplus from operating activities for 1996-97 of \$186m. The \$85m better than expected result for the year, and the \$59m improvement from 1995-96, underpins the improved consolidated operating result, and demonstrates that the Territory operating loss consists of accruing future entitlements and other non-cash expenses.

The \$85m improvement on the Budget time estimate, and \$59m increase on the previous year, consists of a \$42m increase in budgeted operating receipts to \$1,820m in 1996-97, or \$141m higher than the previous year. This is offset by outlays of \$1,634m, a \$43m reduction against budgeted outlays and \$82m higher than the previous year.

Note 25(c) of the audited financial statements shows the difference between the Territory's cash inflows from operating activities and its operating loss. If non-cash costs such as depreciation of fixed assets (\$208m), the increase in accrued employee entitlements (\$115m), and the net abnormal and extraordinary items (\$53m), are excluded from the operating loss (\$153m), as well as the loss on disposal of assets (\$2m) and investment income (\$40m) which are both investing activities, the operating cash surplus (\$186m) is obtained. Net movements in other operating assets and liabilities do not impact on the cash result.

5.2. Net Cash Flows Used for Investing Activities

Net cash applied to investing activities for 1996-97 was \$158m, representing the Territory's net investment in fixed and financial assets. This is \$112m higher than budgeted for the year, but \$23m lower than 1995-96.

Receipts from *Sale of Property, Plant and Equipment* are \$39m, \$101m less than the original budget due to the Government's decision not to proceed with the sales of the bus fleet and a number of office buildings. The Territory also invested \$206m in new asset purchases and construction during the year.

The high level of sale and maturity of financial investments is a result of the Territory's daily cash management activities, as well as its short term arbitrage borrowing and investment program during the year.

The improved operating performance of the Territory is reflected in the higher than expected net outflows of cash holdings to investments. Unrealised investment gains accounted for in the Operating Statement are also not reflected in cash flows.

5.3. Net Cash Flows from Financing Activities

The Territory's net cash inflows from financing activities are \$9m for 1996-97, representing entirely an increase in *Other Creditors* for moneys transferred from third party trust accounts controlled by the ACT Government, to the Government for investment on the trusts' behalf.

Aside from this, the Territory refinanced a portion of its existing borrowings during the year and repaid finance leases. The majority of financing activity however is in relation to short term borrowings for the Territory's arbitrage program. This arbitrage activity is simply a continuation of past practice by the Territory of taking advantage of the ACT's high credit rating to use short term borrowings during the year to earn an interest advantage on investments. The program is wound down to avoid end of year new borrowings which exceed limits set by the Commonwealth Loans Council.

AUSTRALIAN CAPITAL TERRITORY
**Consolidated Annual Financial
Statements**

for the
1996-97 Financial Year

**Australian Capital Territory
Government**



INDEPENDENT AUDIT OPINION

INDEPENDENT AUDIT OPINION

**CERTIFICATION BY THE TREASURER
AND THE CHIEF EXECUTIVE AND EXECUTIVE DIRECTOR OF THE
CHIEF MINISTER'S DEPARTMENT**

Certification by the Treasurer

The Treasurer is responsible for administering the *Financial Management Act 1996* (the Act) and related guidelines governing the financial affairs of the Territory. Accordingly, the Act requires the Treasurer to prepare, and certify, consolidated financial statements of the Territory each year.

It is my opinion that the attached financial statements for the year ending 30 June 1997 reflect fairly the financial operations of the Territory during the financial year, and the financial position of the Territory at the end of the financial year.

Kate Carnell, MLA
Treasurer

Date: 31 October 1997

Certification by the Chief Executive of the Chief Minister's Department and the Executive Director of the Office of Financial Management

The Chief Executive of the *Chief Minister's Department* has delegated responsibility for administering the *Financial Management Act 1996* (the Act), and therefore the financial administration of Territory activities. This responsibility for financial affairs, and preparation of these consolidated financial statements of the Territory, is exercised through the *Office of Financial Management*.

It is our opinion that the attached financial statements for the year ending 30 June 1997 have been prepared in accordance with generally accepted accounting practice and the requirements generally of the Act.

John Walker
Chief Executive
Chief Minister's Department

Mick Lilley
Executive Director
Office of Financial Management

Date: 31 October 1997

Date: 31 October 1997

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
CONSOLIDATED OPERATING STATEMENT
FOR THE YEAR ENDED 30 JUNE 1997

	<i>Note</i>	<i>1996-97 Actual \$m</i>	<i>1996-97 Budget \$m</i>	<i>1995-96 Actual \$m</i>
REVENUES				
Taxes, Fees and Fines	4	590	560	525
User Charges for Goods and Services	5	591	523	555
Grants from the Commonwealth Government	6	560	561	550
Interest Income		51	45	49
Other Revenues	7	103	77	92
Total Revenues		1,895	1,766	1,771
EXPENSES				
Superannuation	21	144	174	163
Wages and Salaries and Other Employee Expenses		763	692	759
Administrative Expenses		363	412	407
Costs of Goods Sold*		185	-	213
Depreciation and Amortisation		208	190	184
Interest and Finance Costs		65	66	60
Other Expenses	9	267	463	238
Total Expenses		1,995	1,997	2,024
OPERATING RESULT BEFORE ABNORMAL ITEMS		(100)	(231)	(253)
Abnormal Items (net)	10	(53)	-	(91)
OPERATING RESULT AFTER ABNORMAL ITEMS		(153)	(231)	(344)
Extraordinary Items (net)	11	(0)	(0)	-
OPERATING RESULT AFTER ABNORMAL AND EXTRAORDINARY ITEMS		(153)	(231)	(344)
Accumulated Funds at the Beginning of the Year		4,994	6,210	5,368
Adjustments Relating to Prior Periods	24	65	-	-
Net Transfers from Reserves	24	1,265	-	(13)
Accumulated Funds at the End of the Year	24	6,171	5,979	4,994

* Not separately disclosed in the 1996-97 Budget.

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

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 1997

	<i>Note</i>	<i>1997 Actual \$m</i>	<i>1997 Budget \$m</i>	<i>1996 Actual \$m</i>
ASSETS				
Current Assets				
Cash	12	59	59	31
Receivables	13	135	109	110
Investments	14	441	378	373
Inventories	15	27	38	45
Other	17	35	28	39
Total Current Assets		697	612	598
Non-Current Assets				
Receivables	13	226	277	275
Investments	14	9	26	10
Inventories	15	44	40	40
Property, Plant and Equipment	16	8,026	7,896	8,107
Works in Progress		85	60	81
Other	17	78	73	102
Total Non-Current Assets		8,468	8,372	8,615
TOTAL ASSETS		9,165	8,984	9,213
LIABILITIES				
Current Liabilities				
Creditors	18	118	230	98
Borrowings	19	112	10	216
Finance Leases	20	6	3	2
Superannuation	21	16	17	13
Other Employee Entitlements	22	96	90	94
Other	23	42	132	45
Total Current Liabilities		390	482	468
Non-Current Liabilities				
Creditors	18	0	119	2
Borrowings	19	593	370	494
Finance Leases	20	38	38	11
Superannuation	21	918	969	807
Other Employee Entitlements	22	126	134	127
Other	23	7	55	7
Total Non-Current Liabilities		1,682	1,685	1,448
TOTAL LIABILITIES		2,072	2,167	1,916
TOTAL NET ASSETS		7,093	6,816	7,297
CAPITAL				
Accumulated Funds	24	6,171	5,979	4,994
Asset Revaluation Reserve		816	-	985
Other Reserves		106	837	1,318
TOTAL CAPITAL		7,093	6,816	7,297

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 1997

<i>Notes</i>	<i>1996-97 Actual \$m</i>	<i>1996-97 Budget \$m</i>	<i>1995-96 Actual \$m</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Receipts</i>			
Taxes, Fees and Fines	579	556	537
User Charges for Goods and Services	574	541	496
Grants from the Commonwealth Government	560	558	546
Interest Income	47	46	42
Other	60	77	58
Operating Receipts	1,820	1,778	1,679
<i>Payments</i>			
Related to Superannuation	30	13	11
Other Payments Related to Employees	762	688	717
Related to Administration and Suppliers	420	433	347
Grants, Subsidies and Transfer Payments	139	213	109
Interest and Finance Costs	62	68	59
Other	221	262	309
Operating Payments	1,634	1,677	1,552
Net Cash Inflows from Operating Activities	186	101	127
25(c)			
CASH FLOWS FROM INVESTING ACTIVITIES			
<i>Receipts</i>			
Proceeds from Sale/Maturity of Investments	2,490	1,781	1,505
Proceeds from Sale of Property, Plant & Equipment	39	140	61
Repayments of Home Loan Principal	33	25	28
Dividends Received	5	0	3
Investing Receipts	2,567	1,946	1,597
<i>Payments</i>			
Purchase of Investments	2,508	1,752	1,497
Purchase of Property, Plant & Equipment	206	224	229
Issue of Home Loans	11	16	51
Capital Contributions Paid	0	-	1
Investing Payments	2,725	1,992	1,778
Net Cash Used in Investing Activities	158	46	181
CASH FLOWS FROM FINANCING ACTIVITIES			
<i>Receipts</i>			
Proceeds from Borrowings	1,309	2,585	2,676
Financing Receipts	1,309	2,585	2,676
<i>Payments</i>			
Repayment of Advance	1	19	
Repayment of Borrowings and Finance Leases	1,299	2,618	2,620
Financing Payments	1,300	2,637	2,620
Net Cash Inflows from Financing Activities	9	(52)	56
NET INCREASE IN CASH HELD			
Cash Held at the Beginning of the Year	83	55	81
Adjustment to Opening Balance	(17)	-	-
25(b)			
Cash Held at the End of the Year*	103	59	83
2(h), 25(a)			

* "Cash held at the end of the year" of \$103m consists of \$59m in cash as per the balance sheet, plus \$44m of short term financial investments. This amount of investments is characterised as cash in the cash flow statement as it is used to meet the day to day cash management function of agencies. Refer Note 2(h) and 25(a).

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
SCHEDULE OF COMMITMENTS AND CONTINGENT OBLIGATIONS**

AS AT 30 JUNE 1997

	<i>Note</i>	<i>1997</i> \$m	<i>1996</i> \$m
<i>Commitments by Type</i>			
Operating Leases	26	68	39
Capital Commitments*	27	75	-
Other Commitments	28	24	111
Total Commitments		167	150
<i>Commitments by Maturity</i>			
Not later than one year		94	101
From one to two years		24	13
From two to five years		34	18
More than five years		15	18
Total Commitments		167	150
<i>Quantifiable Contingencies**</i>			
Contingent Liabilities	29	55	57
Bank Guarantees		42	20
Total Quantifiable Contingencies		97	77

* "Capital Commitments" were not separately identified in 1995-96 and were therefore included in "Other Commitments".

** "Contingencies" are obligations entered into by the Territory which may give rise to a liability for the Territory if a particular event occurs. They consequently are not recognised as a liability in the Consolidated Statement of Financial Position.

The above Schedule of Commitments and Contingent Obligations should be read in conjunction with the accompanying notes.

**AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
CONSOLIDATED OPERATING STATEMENTS BY SECTOR
FOR THE YEAR ENDED 30 JUNE 1997**

	<i>General Government</i>			<i>Public Trading Enterprises</i>		
	<i>1996-97</i>	<i>1996-97</i>	<i>1995-96</i>	<i>1996-97</i>	<i>1996-97</i>	<i>1995-96</i>
	<i>Actual</i>	<i>Budget</i>	<i>Actual</i>	<i>Actual</i>	<i>Budget</i>	<i>Actual</i>
	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
REVENUES						
Taxes, Fees and Fines	612	560	536	-	-	-
User Charges for Goods and Services	153	117	135	485	433	451
Grants from the Commonwealth Government	560	561	524	-	-	26
Interest Income	39	36	35	25	22	27
Funding from General Government	-	-	-	69	71	65
Other Revenues	126	103	118	32	17	20
Total Revenues	1,490	1,377	1,348	611	543	589
EXPENSES						
Superannuation	142	174	155	13	18	8
Wages and Salaries and Other Employee Expenses	656	641	659	110	43	108
Administrative Expenses	307	368	336	103	61	103
Costs of Goods Sold*	59	-	65	128	-	146
Depreciation and Amortisation	121	110	103	87	80	81
Interest and Finance Costs	45	46	38	32	32	35
Other Expenses	304	270	246	63	267	73
Total Expenses	1,634	1,609	1,601	536	501	554
OPERATING RESULT BEFORE ABNORMAL ITEMS	(144)	(232)	(253)	75	42	35
Abnormal Items (net)	(20)	-	(91)	(32)	-	-
OPERATING RESULT AFTER ABNORMAL ITEMS	(164)	(232)	(344)	43	42	35
Extraordinary Items (net)	(6)	(0)	-	-	-	-
OPERATING RESULT AFTER ABNORMAL AND EXTRAORDINARY ITEMS	(170)	(232)	(344)	43	42	35
Income Tax Equivalent	-	-	-	(19)	-	-
OPERATING RESULT AFTER TAX EQUIVALENTS	(170)	(232)	(344)	24	42	35
Accumulated Funds at the Beginning of the Year	4,262	4,186	4,621	730	2,054	730
Adjustments Arising from Prior Periods	54	-	-	(0)	-	-
Dividends	-	-	-	(24)	(41)	(37)
Capital Injections	(25)	-	-	24	(30)	-
Net Transfers from Reserves	(9)	-	(15)	1,274	-	2
Accumulated Funds at the End of the Year	4,112	3,954	4,262	2,028	2,025	730

* Not separately disclosed in the 1996-97 Budget.

The above Consolidated Operating Statements by Sector should be read in conjunction with the accompanying notes. The aggregate of the General Government Sector (GGS) and Public Trading Enterprise Sector (PTE) amounts may vary from the consolidated total for the Territory due to consolidation eliminations.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION BY SECTOR

AS AT 30 JUNE 1997

	<i>General Government</i>			<i>Public Trading Enterprises</i>		
	<i>1997 Actual \$m</i>	<i>1997 Budget \$m</i>	<i>1996 Actual \$m</i>	<i>1997 Actual \$m</i>	<i>1997 Budget \$m</i>	<i>1996 Actual \$m</i>
ASSETS						
Current Assets						
Cash	35	31	15	24	28	16
Receivables	96	58	75	69	54	60
Investments	396	377	352	60	18	26
Inventories	16	21	28	11	17	17
Other	32	24	35	4	3	4
Total Current Assets	575	511	505	168	120	123
Non-Current Assets						
Receivables	86	146	197	206	223	230
Investments	27	4	0	7	23	10
Inventories	2	-	-	42	40	40
Property, Plant and Equipment	5,344	5,059	5,232	2,686	2,838	2,875
Works in Progress	55	60	52	30	-	29
Other	78	67	100	1	5	2
Total Non-Current Assets	5,592	5,336	5,581	2,972	3,129	3,186
TOTAL ASSETS	6,167	5,847	6,086	3,140	3,249	3,309
LIABILITIES						
Current Liabilities						
Creditors	110	189	60	30	38	45
Borrowings	100	1	199	40	14	19
Finance Leases	6	3	2	-	-	-
Superannuation	16	17	13	-	20	-
Other Employee Entitlements	80	70	77	17	36	17
Other	32	111	41	36	3	27
Total Current Liabilities	344	391	392	123	111	108
Non-Current Liabilities						
Creditors	-	119	2	-	0	0
Borrowings	269	45	159	383	417	471
Finance Leases	36	38	11	2	-	-
Superannuation	918	969	807	-	-	-
Other Employee Entitlements	106	112	107	21	22	20
Other	2	17	3	40	39	20
Total Non-Current Liabilities	1,331	1,300	1,089	446	478	511
TOTAL LIABILITIES	1,675	1,691	1,481	569	589	619
TOTAL NET ASSETS	4,492	4,156	4,605	2,571	2,662	2,690
CAPITAL						
Accumulated Funds	4,112	3,984	4,262	2,028	1,995	730
Asset Revaluation Reserve	313	-	318	504	-	667
Reserves	67	171	25	40	667	1,293
TOTAL CAPITAL	4,492	4,156	4,605	2,571	2,662	2,690

The above Consolidated Statements of Financial Position should be read in conjunction with the accompanying notes. The aggregate of the GGS and PTE amounts may vary from the consolidated total for the Territory due to consolidation eliminations.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
CONSOLIDATED STATEMENTS OF CASH FLOWS BY SECTOR*
FOR THE YEAR ENDED 30 JUNE 1997

	<i>General Government</i>		<i>Public Trading Enterprises</i>	
	<i>1996-97 Actual \$m</i>	<i>1996-97 Budget \$m</i>	<i>1996-97 Actual \$m</i>	<i>1996-97 Budget \$m</i>
CASH FLOWS FROM OPERATING ACTIVITIES				
<i>Receipts</i>				
Taxes, Fees and Fines	591	556	-	-
User Charges for Goods and Services	169	124	453	441
Commonwealth Government Grants	560	558	-	-
Interest Income	35	31	25	22
Revenue from Government	-	-	61	71
Other	77	74	4	3
Operating Receipts	1,432	1,343	543	537
<i>Payments</i>				
Related to Employees	678	641	125	60
Related to Administration and Suppliers	245	392	215	60
Grants, Subsidies and Transfer Payments	148	221	0	1
Interest and Finance Costs	42	44	32	32
Other	262	61	38	279
Operating Payments	1,375	1,359	410	432
Net Cash Inflows from Operating Activities	57	(16)	133	105
CASH FLOWS FROM INVESTING ACTIVITIES				
<i>Receipts</i>				
Proceeds from Sale/Maturity of Investments	2,489	1,779	79	2
Proceeds from Sale of Property, Plant & Equipment	5	60	33	80
Repayments of Home Loan Principal	-	-	33	25
Repayment of Advance	34	28	-	-
Dividends Received	21	34	-	-
Capital Distributions from Government Agencies	-	31	-	-
Investing Receipts	2,549	1,932	145	107
<i>Payments</i>				
Purchase of Investments	2,506	1,740	84	12
Purchase of Property, Plant & Equipment	114	138	92	85
Issue of Home Loans	-	-	11	16
Capital Contributions to Government Agencies	5	5	-	-
Investing Payments	2,625	1,883	187	113
Net Cash Used in Investing Activities	76	(49)	41	6
CASH FLOWS FROM FINANCING ACTIVITIES				
<i>Receipts</i>				
Proceeds from Borrowings	1,394	2,587	1	-
Capital Injection from Government	-	-	4	5
Financing Receipts	1,394	2,587	5	5
<i>Payments</i>				
Distributions to Government	-	-	1	31
Dividends to Government	-	-	21	22
Repayment of Advance to Government Agencies	77	-	5	49
Repayment of Borrowings and Finance Leases	1,289	2,606	40	11
Financing Payments	1,366	2,606	67	113
Net Cash Inflows from Financing Activities	28	(19)	(62)	(108)
NET INCREASE IN CASH HELD	8	13	30	(10)
Cash Held at Beginning of the Year	27	17	38	38
Adjustment to Opening Balance	13	-	4	-
Cash Held at End of the Year**	48	30	72	28

* As AAS 31 does not require disaggregated cash flow information, comparisons are not available for 1995-96.

** "Cash held at the end of the year" of \$48m for GGS and \$72m for PTE consists of \$35m for the GGS and \$24m for the PTE in cash as per the respective balance sheets, plus \$13m and \$38m, respectively, of short term financial investments. This amount of investments is characterised as cash in the cash flow statement as it is used to meet the day to day cash management function of agencies. Refer Note 2(h).

The above Statements of Cash Flows should be read in conjunction with the accompanying notes. The aggregate of the GGS and PTE amounts may vary from the consolidated total for the Territory due to consolidation eliminations.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT

STATEMENT OF APPROPRIATIONS

FOR THE YEAR ENDED 30 JUNE 1997*

<i>Appropriation Unit</i>	<i>Appropriation Act 1996</i>	<i>Neutral Transfers between/within Appropriation^s</i>	<i>Commonwealth Grants Variations</i>	<i>Treasurer's Advance</i>	<i>Available Appropriation</i>	<i>Final Appropriation</i>
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
<i>Legislative Assembly</i>						
Net cost of outputs	3,179				3,179	3,179
Capital Injection	-				-	-
Payment on behalf of the Territory	2,451			134	2,585	2,585
<i>Auditor General</i>						
Net cost of outputs	848				848	848
Capital Injection	-				-	-
Payment on behalf of the Territory	-				-	-
<i>Chief Minister's Department</i>						
Net cost of outputs	34,210	372			34,582	34,582
Capital Injection	760				760	760
Payment on behalf of the Territory	22,891	(727)			22,164	22,164
<i>Executive</i>						
Net cost of outputs	-				-	-
Capital Injection	-				-	-
Payment on behalf of the Territory	1,726			121	1,847	1,847
<i>Central Financing Unit</i>						
Net cost of outputs	-				-	-
Capital Injection	12,147				12,147	1,577
Payment on behalf of the Territory	22,629			315	22,944	22,944
<i>Accommodation & Property Services</i>						
Net cost of outputs	-	4,314			4,314	4,314
Capital Injection	-				-	-
Payment on behalf of the Territory	-				-	-
<i>ACT Superannuation Provision</i>						
Net cost of outputs	-				-	-
Capital Injection	-				-	-
Payment on behalf of the Territory	13,324				13,324	13,324
<i>Health and Community Care</i>						
Net cost of outputs	13,900				13,900	13,900
Capital Injection	-				-	-
Payment on behalf of the Territory	308,502			3,905	312,407	312,407
<i>Business, the Arts, Sport and Tourism</i>						
Net cost of outputs	26,050	260			26,310	26,310
Capital Injection	1,049				1,049	1,049
Payment on behalf of the Territory	30,448	535		2,500	33,483	33,483
<i>Department of Urban Services</i>						
Net cost of outputs	163,382	(4,796)			158,586	158,586
Capital Injection	61,655				61,655	61,655
Payment on behalf of the Territory	8,860	192			9,052	9,052

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
 STATEMENT OF APPROPRIATIONS (CONTINUED)

FOR THE YEAR ENDING 30 JUNE 1997*

<i>Appropriation Unit</i>	<i>Appropriation Act 1996</i>	<i>Neutral Transfers between/within Appropriations</i>	<i>Commonwealth Grants Variations</i>	<i>Treasurer's Advance</i>	<i>Available Appropriation</i>	<i>Final Appropriation</i>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>InTACT</i>						
Net cost of outputs	-				-	-
Capital Injection	-				-	-
Payment on behalf of the Territory	-				-	-
<i>Housing</i>						
Net cost of outputs	23,398				23,398	23,376
Capital Injection	-				-	-
Payment on behalf of the Territory	8,164				8,164	8,077
<i>Public Transport</i>						
Net cost of outputs	37,765				37,765	37,765
Capital Injection	4,020				4,020	4,020
Payment on behalf of the Territory	-				-	-
<i>ACT Forests</i>						
Net cost of outputs	-				-	-
Capital Injection	960				960	960
Payment on behalf of the Territory	-				-	-
<i>Attorney General's Department</i>						
Net cost of outputs	36,665	594		577	37,836	37,836
Capital Injection	3,660				3,660	3,649
Payment on behalf of the Territory	73,277			2,202	75,479	75,463
<i>Emergency Services</i>						
Net cost of outputs	17,974				17,974	17,974
Capital Injection	-				-	-
Payment on behalf of the Territory	-				-	-
<i>Education and Training</i>						
Net cost of outputs	279,348	(744)			278,604	278,604
Capital Injection	2,742				2,742	2,742
Payment on behalf of the Territory	87,605		700		88,304	88,304
<i>Canberra Institute of Technology</i>						
Net cost of outputs	54,016				54,016	54,016
Capital Injection	3,246			550	3,796	3,796
Payment on behalf of the Territory	-				-	-
<i>Treasurer's Advance</i>	13,600				-	-
Total Appropriation	1,374,451	0	700	10,304	1,371,855	1,361,148

* As this is the first year the Territory has budgeted and appropriated on a full accrual and output basis in accordance with a purchaser/provider model of Government, no comparative data is available for the Statement of Appropriation.

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

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO, AND FORMING PART OF, THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 1997

1. THE AUSTRALIAN CAPITAL TERRITORY GOVERNMENT

The Australian Capital Territory Government (the Territory) represents a popularly elected Legislative Assembly empowered to govern the Australian Capital Territory. The ACT Government was effectively created by the Commonwealth Government's *Australian Capital Territory (Self Government) Act 1988*, with the first elections held in 1989. The common term of each Assembly is three years, with the next election to be held in February, 1998.

The ACT Government is responsible for administering both state-like and municipal powers and functions in accordance with the Australian model of Government.

The ACT Government administers its responsibilities through a model characterising it as both a purchaser of services on behalf of the community, and the owner of entities providing services to Government and the community. This model, more commonly known as a "purchaser/provider" model of government, is the forerunner to similar frameworks which are expected to be adopted by all Australian States and the Commonwealth Government by the end of this century.

Financial Administration and Preparation of Consolidated Financial Statements

The ACT Government owns, or controls, a diverse range of administrative entities, statutory authorities, and corporations (refer Appendix), to deliver services purchased by the Government or the community directly. The ACT's *Financial Management Act 1996* (the Act) governs the administration of financial affairs of the ACT Government and its agencies. All Territory owned entities are required to budget, manage, and report on a full accrual basis in meeting the defined service delivery performance of their Government, or private, customers, while managing the Government's financial investment in the entity.

The 1996-97 Budget for the Territory and each of its agencies, the first to be presented on a accrual and output basis and to represent the larger Territory economic entity, was published in the *1996-97 Budget Papers*. Government's direct outlays in 1996-97 on services, and additional investments in its agencies, were controlled by the ACT's *Appropriation Act 1996*.

Under section 26 of the Act, the Treasurer is required to present consolidated general purpose financial statements to the Assembly each month. This requires the monthly financial performance of each agency to be monitored and assessed.

Section 22 of the Act requires the Treasurer to prepare annual audited consolidated financial statements for the Territory. This has been done using the audited financial information of each agency.

The overall process is similar to that used to embrace the full regime of financial management in the Territory, including budgeting and monthly management accounts for Government. The extensive efforts in liaising with Territory entities each month to monitor financial performance and prepare a properly consolidated financial report for the Territory has made preparation of these annual financial statements possible in a useful timeframe.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO, AND FORMING PART OF, THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 1997

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

These general purpose financial statements have been prepared in accordance with “generally accepted accounting practice” as defined in the *Financial Management Act 1996* (“the Act”). The financial statements have been prepared to comply with applicable Australian Accounting Standards and subsection 22(2) of the Act, which requires that the financial statements include:

- (i) an operating statement for the Territory for the year;
- (ii) a statement of the assets and liabilities of the Territory at the end of the year;
- (iii) a statement of the cash flows of the Territory for the year;
- (iv) a statement of the accounting policies adopted by the Territory for the year; and
- (v) such other statements as are necessary to fairly reflect the financial operations of the Territory during the year and its financial position at the end of the year.

The financial statements have been prepared using the full accrual basis of accounting which recognises the effects of transactions and events when they occur. The financial statements have 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 departments and statutory authorities during the financial year.

The financial statements represent an accumulation of the accounting policies and records of Territory controlled entities. All agencies are expected to prepare their accounts according to Australian Accounting Standards and generally accepted accounting principles.

Where considered material, differing accounting treatments between agencies have been amended to ensure these consolidated financial statements are prepared on a consistent basis and illustrate a fair and accurate financial depiction of the Territory’s activities and position.

Application of Australian Accounting Standard No. 31, “Financial Reporting by Government”

These financial statements comply, unless otherwise stated, with the requirements of Australian Accounting Standard, AAS 31 “Financial Reporting by Governments”, although this Standard is not yet mandatory.

(b) ACT Government Reporting Entity

The Act requires the preparation of financial statements of “the Territory”, which includes departments, Territory authorities, and Territory owned corporations (as listed in the Appendix to these financial statements), together with entities they control.

In accordance with AAS 31, this financial report includes the assets, liabilities, equities, revenues and expenses of the Government, including those of entities that the Government controls. That Standard provides guiding principles for understanding the nature of control. As a general guide, Government control is indicated by the following conditions applying to other entities:

- i) the other entity is accountable to the Legislative Assembly, the Executive, or a particular Minister; and
- ii) Government has the residual financial interest in the net assets of the other entity.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO, AND FORMING PART OF, THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 1997

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) ACT Government Reporting Entity (continued)

In the process of reporting the Territory Government as a single reporting (economic) entity, all transactions and balances between controlled entities have been eliminated in accordance with Australian Accounting Standard AAS 24 "Consolidated Financial Reporting".

To improve the usefulness of the report, information has also been provided for the *General Government Sector* (GGS) and *Public Trading Enterprises Sector* (PTE) in accordance with the Australian Bureau of Statistics' *Government Financial Statistics* conventions (refer Note 3).

(c) The Reporting Period

These consolidated financial statements report the operations and financial position of the Territory for the financial year ending 30 June 1997. The consolidated financial statements consequently represent the accounts during this period of individual Territory's agencies. The Canberra Institute of Technology (CIT), and its subsidiary, CIT Solutions, are the only Territory agencies not to report on a financial year basis. The Australian International Hotel School (AIHS) moved from calendar year reporting to financial year reporting from 1 January 1997. As CIT's accounts are completed and audited for each calendar year, and the latest audited accounts for the AIHS are for only the last half of 1996-97, these consolidated financial statements incorporate an interim financial management report for CIT for the 1996-97 financial year, and an aggregation of AIHS' financial statements for the period ending 1997 and expenses and revenues for the final half of the 1996 calendar year.

(d) Comparative Figures

Although not required by the Act, a set of general purpose financial statements were prepared for the Territory for 1995-96. These statements were prepared in accordance with generally accepted accounting practice and generally met the requirements of Australian Accounting Standard AAS 31. While these statements for 1995-96 were a trial exercise, the ACT Auditor-General's Office provided an unqualified audit opinion to the effect that the statements were an accurate and fair reflection of the Territory's financial position for that year.

These 1995-96 results are therefore provided as comparative figures. Some minor adjustments have been made to the previous year's comparative results to better reflect the information used by the Territory in managing its activities, including information shown in monthly consolidated financial management reports to the Legislative Assembly. Due to the process used this year to prepare these consolidated financial statements, a greater level of accuracy at the detailed level may be evident in detailed disclosures. In some cases, where stated, it may not have been practical to accurately reconstruct this year's detailed comparative information from 1995-96 consolidated financial statements.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO, AND FORMING PART OF, THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 1997

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Comparative Figures (continued)

Budget information for 1996-97 has also been provided, where possible, in the primary financial statements. These budgeted comparisons are as published in the ACT's 1996-97 Budget Papers, and as such are based on assumptions and estimates. Budget amounts also do not include Calvary Public Hospital or Totalcare. As the 1996-97 Budget was prepared prior to the finalisation of the previous period's accounts, budgeted opening balances may not reconcile to equivalent 1995-96 results. The original budget estimates also do not incorporate changes to presentation and accounting treatment. Further, detailed disclosure budgets are not available.

As this is the first year the Territory has budgeted and appropriated on an accrual and output basis in accordance with a purchaser/provider model of Government, no comparative data is available for the *Statement of Appropriation*.

(e) Adjustments Relating to Prior Periods

In accordance with the transitional provisions of AAS 31, the value of assets or liabilities recognised during the period for the first time, or corrected from the previous period due to an omission or oversight, have been charged directly against accumulated funds in the balance sheet (refer Note 24).

(f) Rounding

All amounts in the financial statements have generally been rounded to the nearest million dollars (\$m) unless otherwise indicated. The *Statement of Appropriation* shows amounts in thousands of dollar consistent with the *Appropriation Act 1996*.

Use of a zero ("0") represents amounts rounded down to zero.

(g) "Current" and "Non-current" Items

Assets and liabilities are characterised as either "current" or "noncurrent" in nature. Current assets are those which are not expected to be held for greater than another 12 months, and current liabilities are expected to be extinguished within the same time frame. Remaining assets and liabilities are classified as noncurrent.

(h) Cash

For the purposes of these financial statements, cash includes cash at bank and deposits at call that are readily converted to cash and are used in the cash management function on a day to day basis, net of bank overdrafts. The cash flow statement also includes overnight cash and deposits at call, as cash where relevant agencies believe these amounts can be characterised as available cash reserves.

(i) Receivables

Receivables are reported net of any provision for bad and doubtful debts so as to reflect amounts expected to be eventually collected.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO, AND FORMING PART OF, THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 1997

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Investments

Financial investments are measured at the market value applicable to the investment at balance date. Resultant increments and decrements from one valuation date to the next are included in the Operating Statement as they arise.

(k) Asset Recognition

In general, ACT Government policy is to capitalise all non-current physical assets, inventories and intangible assets with a value of \$2,000 or more. Some ACT Government agencies however, have a \$5,000 threshold.

Physical assets, or a group of physical assets with a value exceeding \$1m, are required to be revalued on a deprival value basis on a five yearly cycle. Assets acquired at no cost, or for nominal consideration, are taken up in the balance sheet at fair and reasonable value at the date of acquisition.

(l) Inventories

Current inventories include raw materials and stores that relate to the production of goods and services for sale. Except for forest plantations (refer below), current inventories are valued at the lower of cost, generally on an average cost or "first in, first out" basis, or net realisable value.

Non-current inventories (and some current inventories) include forest plantations, which are valued as wood production units, using current market values.

(m) Property, Plant and Equipment

Property, plant and equipment includes the following classes of assets - land, buildings, leasehold improvements, plant and equipment, heritage and community assets, and infrastructure assets. Revaluation increments and decrements are accounted for in accordance with AAS 10, "Accounting for the Revaluation of Non-current Assets".

Land includes all freehold and leasehold land of the ACT Government, but excludes land held for sale and land under infrastructure. Land is recognised at historical cost or most recent valuation.

Buildings are recognised at historical cost or most recent valuation. All buildings are depreciated except for investment properties.

Leasehold Improvements represent capital expenditure incurred in relation to leased assets, and are valued at historical cost or most recent valuation.

Plant and Equipment includes mobile plant, air conditioning and heating, office and computer equipment, furniture and fittings, motor vehicles, and other mechanical or electronic equipment, and is carried at historical cost or most recent valuation.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO, AND FORMING PART OF, THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 1997

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(m) Property, Plant and Equipment (continued)

Heritage and Community 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 that they are not usually available for sale or for redeployment. Heritage assets include art, museum and library collections, historical buildings, other cultural assets, monuments and memorials, and certain land which will be preserved in its existing state to maintain the intrinsic value of the Territory.

Community assets include public parks and gardens, public sporting reserves, public nature reserves, land under infrastructure, and other public land.

Heritage and community assets for which there is no cost, or other value that can be reliably measured, are listed in the Notes to the Financial Statements of individual Government agencies and allocated a nominal value of \$1,000 each (Refer Note 15).

Infrastructure Assets include items such as roads, bridges, sewerage systems, water reservoirs and supply network, and electricity systems, and are generally valued at historical cost or most recent valuation. If there is no cost, or other value, that can be reliably measured, an infrastructure asset is treated as a community asset and valued at a nominal value of \$1,000.

(n) Depreciation and Amortisation of Non-Current Assets

All non-current physical assets having a limited useful life are systematically depreciated/amortised over their useful lives in a manner which reflects the consumption of their service potential. The value of leasehold improvements is amortised over the estimated useful life of each improvement, or the unexpired period of the relevant lease, whichever is the shorter.

(o) Agreements Equally Proportionately Unperformed

Assets and liabilities which arise from agreements equally proportionately unperformed are not recognised in the *Statement of Financial Position*. They are however reflected in the notes as commitments.

(p) Employee Entitlements

Employee entitlements (including wages and salaries, annual leave, long service leave and superannuation) reflect those entitlements accrued as a result of services provided by employees up to the reporting date. They are recognised as liabilities to the extent that they are considered probable and can be reliably measured.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO, AND FORMING PART OF, THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 1997

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Employee Entitlements (continued)

For most Territory agencies, a long service leave liability is considered probable, and is recognised, in relation to those employees with five years or more completed service in the ACT Public Service and (if applicable) with agencies in other jurisdictions which are recognised by the ACT Government for the purpose of long service leave entitlements. The determination of current and non-current portions is based on a past history of payments and any specific known factors. In accordance with Australian Accounting Standard AAS 30, "Accounting for Employee Entitlements", long service leave liability is measured at the present value of the estimated future cash outflows. Consideration is given, when making this estimate, to expected future wage and salary levels, experience of employee departures and periods of service.

Non-vesting sick leave entitlements are generally not recognised as a liability on the basis that they are not considered probable.

(q) Superannuation

The amount disclosed as "superannuation expense" represents the expense accrued in relation to the Public Sector Superannuation (PSS) Scheme and the Commonwealth Superannuation Scheme (CSS), as well as superannuation expenses relating to employees who are members of other superannuation schemes.

The superannuation liability is calculated by actuarial assessment, recognising that accruing liabilities are not wholly funded. This differs with individual agencies which are required to calculate their superannuation expense as if each was an employer making a contribution to a fully funded notional superannuation fund. Consistent with the model suggested by AAS 29, the Government assumes the majority of superannuation liabilities from its agencies. Due to the differing methods of calculation, the aggregate of annual superannuation expenses of the agencies, does not match the full superannuation expense of the Territory for the year.

The Commonwealth (through ComSuper) manages all superannuation benefits of ACT Government employees in the CSS and PSS Scheme. ComSuper is liable to pay superannuation benefits to ACT Government retirees in accordance with the provisions of the Superannuation Act 1976 (for CSS members) and the Superannuation Act 1990 (for PSS members).

The ACT Government is required to reimburse the Commonwealth for the emerging costs of benefits paid for ACT Government service after 1 July 1989. This arrangement is subject to the ACT meeting ComSuper's administration costs for ACT staff and any associated actuarial costs.

The Territory's liabilities in these financial statements only reflect superannuation liabilities of employees accrued since self-government, as the ACT Government is only responsible for the superannuation payments in relation to this period. The Commonwealth Government is responsible for satisfaction of emerging superannuation entitlements in relation to the period prior to self-government.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO, AND FORMING PART OF, THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 1997

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(r) Leases

The Government's rights and obligations under finance leases, which are leases that effectively transfer to the Government substantially all of the risks and benefits incident to ownership of the leased items, are initially recognised as assets and liabilities equal in amount to the present value of the minimum lease payments. The assets are disclosed as being under lease, and are amortised over the period during which the Government is expected to benefit from use of the leased assets. Minimum lease payments are allocated between interest expense and reduction of the lease liability, according to the interest rate implicit in the lease. Lease liabilities are classified as current and non-current.

The Territory entered into leasing arrangements over a number of office buildings during the year, whereby the risks and benefits of ownership remained with the Territory as the lessee. As no legal transfer of the buildings took place however, the finance raised has been classified as "borrowings".

In respect of operating leases, where the lessor effectively retains substantially all of the risks and benefits incident to ownership of the leased items, lease payments are charged as expenses over the lease term.

The characteristics of the ACT Government's lease of fleet vehicles meet the major accounting tests for classification as an operating lease. The Australian Taxation Office has recognised, for taxation purposes, that fleet ownership has transferred from the Territory. Some ambiguity remains however as to whether the Territory, now as lessor of the fleet, effectively retains substantially all of the risks and benefits incidental to ownership of the leased items. The lease has therefore been treated as a finance lease arrangement from 1996-97.

(s) Borrowings

The ACT borrows funds by way of: borrowings from the Commonwealth, and public domestic and overseas borrowings.

Borrowings are carried at capital value, representing face value less unamortised discount. Discount is amortised over the term of the debt. Overseas borrowings are translated at exchange rates prevailing at balance date unless they are subject to forward exchange contracts, in which case the contract rate is used.

(t) Revenue Recognition

Revenues are, where possible, recognised when the transaction or event giving rise to the revenue occurs.

"Taxes, fees, and fines" in the operating statements generally reflects compulsory levies imposed by Government, fees for regulatory services, including granting of permit/privilege or regulation of activity, and civil and criminal penalties imposed by law.

"User Charges for Goods and Services" in the operating statements encompasses revenues for services rendered or the sale of goods and services by Territory agencies. It does not include general rates, these being classed as a tax.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO, AND FORMING PART OF, THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 1997

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) ACT Taxation and Rates

Taxation and general rates revenue are generally recognised when the underlying transaction or event which gives rise to the Territory's right to collect the tax, occurs, and the value of the revenue can be reliably measured.

The policies adopted for the recognition of each major type of tax revenue are as follows:

Tax Type	-	Recognition of Revenue
<i>General Rates and Land Tax</i>	-	When assessments are issued
<i>Payroll Tax, Gaming Machine Tax, Financial Institutions Duty</i>	-	Assessments relating to the period, including any additional amount for relevant assessments made following the period.
<i>Stamp Duty</i>	-	Assessments relating to transactions in the period, including any additional assessments made following the period.
<i>Franchise Fees</i>	-	When assessments are made.

The ACT Government acknowledges that its revenue collections are unavoidably affected by the incidence of tax evasion and other breaches of legislation by individuals and entities. Similarly, revenue collections during the year may be affected by objections and appeals against the ACT Government's administration of relevant legislation. No assertion, either implicit or explicit, is made in the financial statements that all such additional revenues or refunds have been recognised.

This conforms to generally accepted accounting principles that revenue should be recognised when it is probable that the revenue will be collected, and it can be reliably measured.

The ACT Government promotes a high general level of voluntary compliance by taxpayers through enforcement programs, and administers relevant rates and taxation legislation according to the known, and current, interpretation.

(v) Commonwealth Grants

General and specific purpose grants from the Commonwealth are usually recognised when they are received.

(w) Fines and Regulatory Fees

Fines such as traffic penalties are generally recognised on a cash basis. This same principle is generally applied to regulatory and licence fees, including motor vehicle registrations and driver's licences.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO, AND FORMING PART OF, THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 1997

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Changes in Accounting Policy

In the 1995-96 accounts of the Territory, the ACT Government's lease of fleet vehicles was classified as an operating lease and related outgoings for lease of the vehicles were expensed in the operating statement. Due to ambiguity in the arrangements however (refer Note 2(r)), it has been decided to classify the lease as a finance lease in these 1996-97 consolidated financial statements. The full amount of the lease liability and the vehicle assets have therefore been brought to account in the balance sheet. Expenses and revenues relating to the lease liability and assets are included in the operating statement.

(y) Taxation

The ACT Government is exempt from all forms of Commonwealth taxation except fringe benefits tax, and sales tax on activities of ACTTAB Ltd and purchase of vehicles for all executives. While certain agencies are subject to ACT taxation, including Commonwealth taxation equivalents, and this may be shown as relevant in the disaggregated sector information, all related amounts are eliminated on consolidation to the single Territory entity.

(z) Insurance

In general, assets were not insured, and losses were expensed as they are incurred. Some commercial authorities have entered into insurance policies on a commercial basis. The passenger vehicle fleet used by the Territory, being privately owned and now leased by the Territory, is also insured. The Territory also insures its workforce with Comcare for compensation for loss or injury in the workplace.

The Territory has, since the end of this reporting period, taken substantial catastrophe insurance coverage, including public liability insurance.

(aa) Subsequent Events

Subsequent to the reporting period, an accident occurred during the demolition of the Old Royal Canberra Hospital, resulting in loss of life. This incident is now subject to independent inquiries with which the Territory and its officers are fully cooperating.

3. DISAGGREGATED INFORMATION

The *Consolidated Operating Statements by Sector*, *Consolidated Statements of Financial Position by Sector*, and *Consolidated Statements of Cash Flows*, set out the assets and liabilities, revenues and expenses, and receipts and payments that are reliably attributable to each broad sector of activities of the Government. The sectors have been determined in accordance with the principles used in the *Government Financial Statistics* conventions of the Australian Bureau of Statistics (refer Note 2(b)). This disaggregated information includes transactions and balances between sectors (but excludes transactions between entities within each sector). The aggregate of the GGS and PTE amounts may therefore vary from the consolidated total for the Territory due to consolidation eliminations.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO, AND FORMING PART OF, THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 1997

3. DISAGGREGATED INFORMATION (CONTINUED)

General Government Sector

GGs entities include Government departments and other administrative units, and statutory authorities and other entities which predominantly receive funding, directly or indirectly, from Government sources. It covers those agencies that provide non-market goods or services (such as police or consumer protection), or are responsible for the transfer of income for public policy purposes (such as by way of income support). Government funds the provision of these services, and the transfer of such benefits, by compulsory levies (such as taxes) on the household and business sectors or by general revenue (such as Commonwealth grants), rather than from specific charges paid by users.

It should be noted that all Territory agencies operate on a purchaser/provider (fee for service) basis, delivering services purchased by either Government or the community. Many large GGS agencies provide services at a fee to other Territory funded agencies under a purchaser/provider model of Government.

Public Trading Enterprise Sector

PTE entities include those departments, statutory authorities and Territory owned corporations which largely provide services direct to the community on a commercial fee for service basis, with the aim of recovering all, or a significant proportion of, their operating costs on a commercial basis.

REVENUES AND EXPENSES

4. REVENUE FROM TAXES, FEES AND FINES

TAXATION

	<i>1996-97</i>	<i>1995-96</i>
	<i>\$m</i>	<i>\$m</i>
General Rates	85	86
Land Tax	32	29
Payroll Tax	104	97
Financial Institutions Duty	28	26
Stamp Duty	119	71
Liquor and Franchise Fees	82	80
Gambling Taxes	42	45
Other Taxes	3	3
Total Revenue from Taxation (Refer Note 2(u))	495	437

REGULATORY FEES AND FINES

Betterment Fees	5	6
Drivers' Licences	5	7
Motor Vehicle Registrations	50	47
Traffic Infringements	5	4
Parking Fines	5	4
Other Fines and Regulatory Fees	25	20
Total Revenue from Fines & Regulatory Fees	95	88

TOTAL REVENUE FROM TAXES, FEES AND FINES

	590	525
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AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO, AND FORMING PART OF, THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 1997

	<i>1996-97</i>	<i>1995-96</i>
	<i>\$m</i>	<i>\$m</i>
5. USER CHARGES FOR GOODS AND SERVICES		
Parking Fees	9	7
Residential Tenants	92	93
Electricity Services	227	223
Water and Sewerage Services	84	79
Hospital and Other Health Services	61	44
Bus Services	18	16
Milk Sales	16	15
Totalisator Commissions	19	17
Vocational and Tertiary Education and Training Fees	21	18
Forestry Log Sales	7	7
Fire and Ambulance Services	7	6
Other User Charges	30	30
Total User Charges from Goods and Services	591	555
6. GRANTS FROM THE COMMONWEALTH GOVERNMENT		
General Purpose Grants	280	293
Specific Purpose and Other Grants	257	234
Other Grants	23	23
Total Commonwealth Grants (refer Note 33 & 2(v))	560	550
7. OTHER REVENUES		
Sales/Rentals of Land Stocks*	23	25
Dividends	5	6
Realised Gains on Investment Market Values	9	3
Unrealised Gains on Investment Market Values	26	7
Donations	10	10
Other	30	41
Total Other Revenues	103	92

* Share of joint venture land revenues is net of share of expenses (refer note 32).

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO, AND FORMING PART OF, THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 1997

	1996-97 \$m	1995-96 \$m
8. EXPENSES BY FUNCTION*		
School, Vocational and Tertiary Education	453	
Urban and Construction Services	411	
Hospital and Public Health Services	394	
Utility Services	283	
Public Housing	154	
Public Order and Safety and Other Legal Services	118	
Public Transport	72	
Family, Youth and Children's Services	62	
Sport, the Arts, Tourism, and Other Recreational Activities	61	
Forestry, and Land Planning and Management	42	
Business Development and Marketing	32	
Emergency Services	28	
General Public Administration		
Legislative and Executive affairs	12	
Financial and economic management	57	
Other policy and administrative services	18	
Debt Servicing	46	

This note shows the nature of expenses incurred, by function, by the ACT Government during 1996-97. As many ACT agencies purchase services from other ACT agencies in meeting their own objectives, expenses incurred in delivering a function include amounts paid which may in turn be expended in delivering other functions. So that the full expense is presented for each function of Government, some \$248m of transactions between functions have not been eliminated.

* Comparisons are not available for 1995-96.

9. OTHER EXPENSES

Net Loss on Disposal of Fixed Assets*	2	15
Legal Compensation	13	6
Grants and Subsidies	146	133
Residential Tenancy Rebates	45	46
School Managed Costs	23	16
Other	38	22
Total Other Expenses	267	238

***DISPOSAL OF FIXED ASSETS**

During the reporting period, the Government sold or disposed of fixed assets as follows:

Proceeds from disposal	40	61
Less: Written-down value of assets disposed	42	76
Net Loss on Disposal of Assets	2	15

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO, AND FORMING PART OF, THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 1997

	1996-97 \$m	1995-96 \$m
10. ABNORMAL ITEMS		
This item represents:		
Actuarial increase to superannuation costs previously paid to ComSuper (refer Note 21)	14	91
Increase in depreciation of existing water infrastructure assets to better reflect the useful life of the assets	11	-
Decrease in valuation of existing water infrastructure assets	12	-
Decrease in valuation of surplus properties and other buildings	22	-
Demolition of residential units which were beyond repair	4	-
Loss on a land development joint venture	4	-
Total Abnormal Expenses	67	91
Actuarial decrease in previously accrued superannuation liability (refer Note 21)	14	-
Total Abnormal Revenues	14	-
Total Abnormal Items	(53)	(91)

11. EXTRAORDINARY ITEMS

This item represents:		
Write off of the value of Acton Peninsula property transferred to Commonwealth	18	-
Total Extraordinary Expenses	18	-
Increase to opening cash balances	8	-
Value of Kingston Foreshore property transferred from Commonwealth (refer Note 16)	10	-
Total Extraordinary Revenues	18	-
Total Extraordinary Items	(0)	-

ASSETS
12. CASH

	1997 \$m	1996 \$m
Cash on Hand	5	5
Cash at Bank	50	26
Cash Equivalents	4	0
Total Cash (refer Note 2(h))	59	31

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO, AND FORMING PART OF, THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 1997

	1997 \$m	1996 \$m
13. RECEIVABLES		
<i>Current</i>		
Trade Debtors	142	69
Other Debtors	12	13
Loans	6	5
<i>Less: Provision for Doubtful Debts</i>	(27)	(4)
Net Current Debtors and Loans	133	83
Accrued Revenue	2	27
Total Current Receivables (refer Note 2(i))	135	110
<i>Non-Current</i>		
Trade Debtors	26	44
Other Debtors	-	8
Loans	204	231
<i>Less: Provision for Doubtful Debts</i>	(4)	(8)
Total Non-Current Receivables (refer Note 2(i))	226	275
14. INVESTMENTS		
<i>Current</i>		
Overnight Cash	38	-
At Call and Term deposits	12	16
Short Term Securities	100	19
Government Fixed Interest Bonds	106	46
Shares and Equities	148	118
Property	37	36
Other	0	138
Total Current Investments (refer Note 2(j))	441	373
<i>Non-Current</i>		
At Call and Term Deposits	-	0
Long Term Securities	5	-
Government Fixed Interest Bonds	-	10
Other	4	-
Total Non-Current Investments (refer Note 2(j))	9	10

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO, AND FORMING PART OF, THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 1997

	1997 \$m	1996 \$m
15. INVENTORIES		
<i>Current</i>		
Raw Materials and Stores	12	15
Work in Progress	0	3
Finished Goods	2	1
Land Held for Resale	10	23
Growing Stock - Forest Plantations	3	3
Total Current Inventories (refer Note 2(l))	27	45
<i>Non-Current</i>		
Raw Materials and Stores	4	-
Growing Stock - Forest Plantations	40	40
Total Non-Current Inventories (refer Note 2(l))	44	40
16. PROPERTY, PLANT AND EQUIPMENT		
<i>Land</i>		
- at cost*	25	1
- at officer valuation	75	72
- at independent valuation	881	808
	981	881
<i>Buildings**</i>		
- at cost	89	122
- at officer valuation	20	53
- at independent valuation	1,998	1,933
Less: Accumulated depreciation	(97)	(68)
	2,010	2,040
<i>Plant and Equipment</i>		
- at cost	324	328
- at officer valuation	39	36
- at independent valuation	9	94
Less: Accumulated depreciation	(165)	(173)
	207	284
<i>Leasehold Improvements</i>		
- at cost	9	1
- at officer valuation	4	3
- at independent valuation	-	36
Less: Accumulated depreciation	(2)	(2)
	11	38
<i>Infrastructure Assets</i>		
- at cost	12	42
- at officer valuation	6,406	6,329
Less: Accumulated depreciation	(1,605)	(1,507)
	4,813	4,864

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO, AND FORMING PART OF, THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 1997

	<i>1997</i>	<i>1996</i>
	<i>\$m</i>	<i>\$m</i>
16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)		
<i>Heritage and Community Assets</i> [^]	<u>5</u>	<u>0</u>
Total Property, Plant and Equipment (refer Note 2(m))	<u>8,026</u>	<u>8,107</u>

* Land at cost includes the value of the land at Kingston Foreshore transferred to the Territory from the Commonwealth during the year. Because valuation of the land is uncertain until its future use is determined, the cost to acquire the land has been used as its value. This cost reflects the value of the consideration for the transfer, being the value of the land at Acton Peninsula (\$7,250,000) transferred to the Commonwealth plus the additional liability for infrastructure works to be carried out on the Acton site (\$3,000,000).

** Buildings includes land and accommodation fitout where they form an integral part of the overall property and separate valuations are not available.

[^] The following specific heritage and community assets are each included with a nominal value of \$1,000 (refer Note 2(m)):

Parks in the ACT	Namadgi National Park
Murrumbidgee River Corridor	Googong Foreshores
Tidbinbilla Nature Reserve	Canberra Nature Park
Ferry Jetty	Lake Ginninderra
Lake Tuggeranong	Molonglo Reach
Horse Holding Paddocks	Agistment Land
Rose Cottage	Mugga Mugga Homestead
Tuggeranong Schoolhouse	Carousel Organ
Rural house	Land under roads
5 netball centres	25 tennis centres

17. OTHER ASSETS

<i>Current</i>		
Prepayments	7	5
Consumables	1	1
Right to Receive Infrastructure from Land Developers	25	30
Other	2	3
Total Other Current Assets	<u>35</u>	<u>39</u>
<i>Non-Current</i>		
Intangible Assets	0	1
Prepayments	0	0
Right to Receive Infrastructure from Land Developers	76	99
Other	2	2
Total Other Non-Current Assets	<u>78</u>	<u>102</u>

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO, AND FORMING PART OF, THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 1997

LIABILITIES

	1997 \$m	1996 \$m
18. CREDITORS		
<i>Current</i>		
Trade Creditors	57	65
Other Creditors	44	18
Accrued Expenses	17	15
Total Current Creditors	118	98
<i>Non-Current</i>		
Trade Creditors	-	2
Other	0	0
Total Non-Current Creditors	0	2
19. BORROWINGS		
<i>Current</i>		
Advances from the Commonwealth	12	7
Banks and Financial Institutions	6	2
Bonds and Bills	94	198
Other	-	9
Total Current Borrowings (refer Note 2(s))	112	216
<i>Non-Current</i>		
Commonwealth Advances	349	304
Banks and Financial Institutions	55	16
Bonds and Bills	189	117
Other	-	57
Total Non-Current Borrowings (refer Note 2(s))	593	494

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO, AND FORMING PART OF, THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 1997

	<i>1997</i>	<i>1996</i>
	<i>\$m</i>	<i>\$m</i>
20. FINANCE LEASE LIABILITIES		
At the reporting date, the Government had the following commitments under finance leases (the statement of financial position reports the liability for the total commitment, net of future lease finance charges):		
Not later than one year	6	2
Later than one year and not later than two years	7	3
Later than two years and not later than five years	17	6
Later than five years	17	6
Minimum Lease Payments	47	17
<i>Deduct:</i> Future finance charges	3	4
Total Finance Lease Liabilities	44	13
<i>Represented by:</i> Current Liability		
Non-Current Liability	6	2
	38	11
Total Finance Lease Liabilities (refer Note 2(r))	44	13

An amount of \$27m included as a liability at the end of 1996-97 arises from a lease which existed in 1995-96 but was not recognised as a liability (refer Note 2(x)).

21. SUPERANNUATION

Superannuation costs outside the Commonwealth schemes were not separately identified in 1995-96 or the 1996-97 Budget, and were included in "Employee Entitlements". Actuarial advice indicating the net present value of the accrued liability of the Territory, to reimburse the Commonwealth for benefits payable to members of the Commonwealth superannuation schemes, was:

Liability at beginning of year	820	577
Prior years' accrued liability adjustment (Abnormal Revenue)	(14)	89
Accumulated deficit in emerging costs (Abnormal Expense)	14	2
Adjusted Liability	820	668
Expense accrued during the period for Commonwealth super	127	163
Other superannuation expense	17	-
Superannuation Expense (refer Note 2(q))	144	163
	964	831
<i>Less:</i> Payments during the period for superannuation	30	11
Liability at end of year	934	820
<i>Represented by:</i> Current Liability		
Non-Current Liability	16	13
	918	807
Total Superannuation Liability (refer Note 2(q))	934	820

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO, AND FORMING PART OF, THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 1997

21. SUPERANNUATION (CONTINUED)

Abnormal Superannuation Revenue

As a result of independent triennial actuarial reviews of the Government's superannuation liability, the consultant actuary recalculated accrued liabilities as at 30 June 1996, using more recent ComSuper data and a more up to date set of actuarial assumptions. These new assumptions resulted in a decrease in the total accrued superannuation liability of \$14m (\$89m increase in liability in 1995-96).

Abnormal Superannuation Expense

The Territory pays amounts to ComSuper based on actuarial projections of emerging superannuation liabilities. The Territory brought to account an amount of \$14m during 1996-97 (\$2m in 1995-96) as a liability owed to ComSuper, for amounts owing for prior years' emerging liability, plus interest. This too was based on amounts determined by the independent actuary. Actual payments to ComSuper during 1996-97 included some \$4m (\$2m in 1995-96) for satisfaction of these prior year adjustments.

22. OTHER EMPLOYEE ENTITLEMENTS

	<i>1997</i>	<i>1996</i>
	<i>\$m</i>	<i>\$m</i>
<i>Current</i>		
Unpaid Wages and Salaries	7	8
Annual Leave	78	77
Long Service Leave	11	8
Other Employee Entitlements	-	1
Total Current Other Employee Entitlements	96	94
<i>Non-Current</i>		
Long Service Leave	125	126
Other Employee Entitlements	1	1
Total Non-Current Other Employee Entitlements	126	127

Accrued wages, salaries and annual leave are measured at remuneration rates current as at the reporting date. Long service leave entitlements are accrued annually at current wage rates and discounted at a rate of 5% to reflect the estimated present value of future cash flows. (Refer Note 2(p)).

23. OTHER LIABILITIES

<i>Current</i>		
Other Provisions	11	22
Revenue Received in Advance	25	10
Other	6	13
Total Current Other Liabilities	42	45
<i>Non-Current</i>		
Other Provisions	6	6
Other	1	1
Total Non-Current Other Liabilities	7	7

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO, AND FORMING PART OF, THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 1997

OTHER INFORMATION

24. RECONCILIATION OF CAPITAL

	<i>Accumulated Funds \$m</i>	<i>Asset Revaluation Reserve \$m</i>	<i>Other Reserves \$m</i>	<i>Total \$m</i>
Balance at 30 June 1996	4,994	985	1,318	7,297
Prior Period Adjustments	65	71	6	142
Operating Result - 1996-97	(153)	-	-	(153)
Net Asset Increments/Decrements	-	(218)	27	(191)
Transfers from/(to) Reserves	1,265	(20)	(1,244)	-
Balance at 30 June 1997	6,171	816	106	7,093

Prior period adjustments included Accumulated Funds amounts reclassified as Reserves (\$77m), as well as other adjustments to Accumulated Funds for initial measurement of asset values (\$65m) and adjustments for accounting policies used in preparation of the 1995-96 result. (Refer Note 2(e)).

As at 30 June 1997, there were no external interests owning equity in the Territory or its agencies.

25. CASH FLOWS

*1996-97
\$m*

(a) Reconciliation of *Cash Flow Statement* to *Statement of Financial Position* (refer Note 2(h)):

Cash, as per the Statement of Financial Position	59
<i>Add:</i> Investments	44
Cash, as per the Cash Flow Statement	103

(b) Cash, as per the Cash Flow Statement, has been adjusted according to a number of corrections to the balances identified at the end of 1995-96. These include a downward variation to correct balances recognised by the *Central Finance Unit* (\$8m) which administers most of the Territory's cash, and another by the *Canberra Institute of Technology* (\$9m) which prepares statutory audited reports on a calendar year basis, and which therefore did not accurately identify cash at 30 June 1996.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO, AND FORMING PART OF, THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 1997

25. CASH FLOWS (CONTINUED)

	<i>1996-97</i>
	<i>\$m</i>
(c) Reconstruction of the reconciliation of <i>Operating Result</i> to <i>Net Cash Inflows from Operating Activities</i> for 1996-97:	
Operating Result after Abnormal and Extraordinary Items	(153)
<i>Add:</i>	
Depreciation and Amortisation	208
Net Loss on Disposal of Fixed Assets	2
Abnormal and Extraordinary Items	53
<i>Less:</i>	
Dividends and Investment Income	40
<i>Change in Operating Assets & Liabilities:</i>	
Increase in Net Debtors	(24)
Decrease in Inventories	18
Increase in Other Assets	(1)
Increase in Creditors	11
Increase in Employee Entitlements	115
Decrease in Other Liabilities	(3)
Net Cash Inflows from Operating Activities	186

26. OPERATING LEASE COMMITMENTS

At the reporting date, the Government had the following obligations under non-cancellable operating leases. (These obligations are not recognised as liabilities):

	<i>1997</i>	<i>1996</i>
	<i>\$m</i>	<i>\$m</i>
Not later than one year	14	5
Later than one year but not later than two years	13	4
Later than two years but not later than five years	27	12
Later than five years	14	18
Total Operating Lease Commitments	68	39

The increase in operating lease commitments since 1995-96 is almost entirely due to the renewal during 1996-97 of a number of leases which existed in 1995-96 for office accommodation arrangements.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO, AND FORMING PART OF, THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 1997

	<i>1997</i>	<i>1996</i>
	<i>\$m</i>	<i>\$m</i>

27. CAPITAL COMMITMENTS

At the reporting date, the Government had entered into contracts for the following capital expenditure. (These commitments are not recognised as liabilities):

Not later than one year	68	-
Later than one year but not later than two years	7	-
Later than two years but not later than five years	-	-
Later than five years	-	-
Total Capital Commitments*	75	-

* Not disclosed separately from "Other Commitments" in 1995-96, and impracticable to reconstruct (refer Note 28).

28. OTHER COMMITMENTS

At the reporting date, the Government had entered into contracts for the following expenditure. (These commitments are not recognised as liabilities):

Not later than one year	12	96
Later than one year but not later than two years	4	9
Later than two years but not later than five years	7	6
Later than five years	1	0
Total Other Commitments*	24	111

* "Other Commitments" at 30 June 1996 included "Capital Commitments" (refer Note 27) not separately disclosed.

29. CONTINGENCIES AND GUARANTEES

Contingencies are items which may in the future constitute a liability, depending on the occurrence of a future specified event. They have not been recognised as liabilities.

Taxation related contingent liabilities*	6	-
Non-Taxation related contingent liabilities	49	57
Total Quantifiable Contingent Liabilities	55	57

* All taxation related claims being made against the Territory have been assessed and where the court decision is likely to favour the plaintiff, the amounts in dispute have been provided for as a liability. This amount represents claims against the Territory which have not been provided for.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO, AND FORMING PART OF, THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 1997

	<i>1997</i>	<i>1996</i>
	<i>\$m</i>	<i>\$m</i>

29. CONTINGENCIES AND GUARANTEES (CONTINUED)

In addition to these quantifiable contingencies, the Territory is also responsible, as part of the agreement between the Territory and the Commonwealth relating to the transfer of land at Kingston Foreshore, for any environmental clean up on existing Territory land at the site.

Total Quantifiable Bank Guarantees	42	20
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ACTEW, a wholly owned Territory corporation, has indemnified the ANZ Bank in respect of bank guarantees issued. These guarantees are issued primarily to meet the prudential requirements of the NSW Electricity Marketing Code.

In addition, the Territory provided a guarantee to the Commonwealth Bank of Australia, for the total indebtedness (contingent or otherwise) outstanding on or after 8 October 2002 of Harcourt Hill Pty Ltd - a land development joint venture involving the ACT Government. Since the end of the 1996-97 reporting period, the Territory has incurred a liability of \$2,750,000 as a result of a similar previous guarantee of a finance facility for the Harcourt Hill facility issued in 1992. The Territory has in turn assumed ownership of a golf course associated with the joint venture. As the events occurred after 30 June 1997, neither this asset or liability are accounted for in the Territory's balance sheet.

30. CONTROLLED ENTITIES

Agreements exist between the ACT Government and Calvary Hospital ACT Incorporated for the operation of Calvary Public Hospital, and between the Government and the Canberra Mothercraft Society Incorporated for the operation of Queen Elizabeth II Hospital. The 1995-96 financial statements of the Department of Health and Community Care, and the subsequent financial statements of the Territory, consolidated Calvary Public Hospital and Queen Elizabeth II Hospital.

The Agreement governing the activities of Calvary Public Hospital satisfies the definition of control by the ACT Government. Aside from the significant payments to Calvary Hospital for public health services, liabilities incurred by the public hospital, including employee entitlements, are the responsibility of the ACT Government, and any residual value of assets of the Calvary Public Hospital would revert to the ACT if the Hospital ceased activities. Calvary Public Hospital has therefore been fully incorporated within the 1996-97 consolidated financial statements of the Territory.

These consolidated financial statements for the Territory for 1996-97 do not however include the Canberra Mothercraft Society, but recognise payments for services and grants to the organisation as expenses of the Territory, similar to payments to many other organisations to which the Territory provides funds. The 1995-96 comparative information has not been reconstructed to exclude this organisation. The effect is immaterial.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO, AND FORMING PART OF, THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 1997

31. EXCLUDED TERRITORY AUTHORITIES AND THIRD PARTY TRUST MONEYS

These financial statements do not consolidate the Construction Industry Long Service Leave Board, the Rental Bonds Board, or the Registrar of Financial Institutions. The Boards and Registrar operate and own assets as trustees on behalf of the respective industries. As such, the operations and equity of the Board and Registrar are not considered to be Government controlled. Territory agencies are also responsible for a number of other Boards and Trusts which are immaterial in nature.

<i>Third Party Moneys held in Trust by the Territory:</i>	<i>1997 \$m</i>
Construction Industry Long Service Leave Board	21
Registrar of Financial Institutions	2
Rental Bonds Board	15
NRMA Trust	4
Other 3rd party monies	18

32. JOINT VENTURES - INCLUDING UNDERTAKINGS IN RESPECT OF JOINT VENTURES

The Territory has the following interests in joint ventures:

<i>Joint Venture</i>	<i>Principal Activity</i>	<i>Territory share of the joint venture %</i>	<i>Actual 1996-97 profit share %</i>
Ngunnawal 3a	Land Development	50	50
Ngunnawal 3b	Land Development	50	50
Harcourt Hill	Land Development	50	50
Dunlop 1	Land Development	50	82.5
Dunlop 2	Land Development	50	50
Dunlop 3	Land Development	50	50-60
Dunlop 4	Land Development	50	60
Conder 1/Gordon 9	Land Development	50	50
Bruce 52, stage 1	Land Development	50	80

As at 30 June 1997, the above nine joint ventures had assets of \$11m (\$23m in 1996) and liabilities of \$13m (\$22m in 1996) which have been included in the Territory's consolidated Statement of Financial Position as the Territory's share of these joint venture assets and liabilities.

Braddon Joint Venture	Unit Complex Development	50	50
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As at 30 June 1997, this joint venture had assets of \$3m and negligible liabilities (both similar to 1996) which have been included in the Territory's consolidated Statement of Financial Position as the Territory's share of these joint venture assets and liabilities.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO, AND FORMING PART OF, THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 1997

32. JOINT VENTURES - INCLUDING UNDERTAKINGS IN RESPECT OF JOINT VENTURES

(CONTINUED)

<i>Joint Venture</i>	<i>Principal Activity</i>	<i>Territory share of the joint venture %</i>	<i>Actual 1996-97 profit share %</i>
Nicholls Primary School	Education facilities	53	n/a

The school facilities are jointly owned with the neighbouring Holy Spirit Primary School. The Catholic Education Office has a loan from the Territory, the balance of which is \$1,019,000 at 30 June 1997, in relation to this venture.

Cogent Cogeneration Solutions	Minihydro projects	50	0
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ACTEW Corporation, a wholly owned corporation of the Territory, has also entered into a joint venture to develop cogeneration and minihydro generation projects up to 10 megawatts. This venture is still being developed, and as such holds no assets nor is yet to return any profits to the Territory.

The following undertakings were also current at 30 June 1997:

(i) An undertaking to enter into a joint venture with H.I.A. Services (ACT) Pty Ltd in association with the Housing Industry Association of the ACT for the development of a residential estate of approximately 200 blocks. The Territory's share of the profits will be 50% plus an amount of \$130,000 (with interest accrued on this amount since 1 July 1994).

(ii) An undertaking to enter into a joint venture with MBA Land Holdings Pty Ltd in association with the Master Builders' Construction and Housing Association, for the development of a residential estate of approximately 200 blocks. The Territory's share of the profits will be 50% plus an amount of \$130,000 (with interest accrued on this amount since 1 July 1994).

33. ECONOMIC DEPENDENCY

The ACT Legislative Assembly is empowered by an Act of the Commonwealth Government of Australia.

It also relies on Commonwealth Government grants for almost 30 percent of its annual revenues. These grants comprise "Specific Purpose Payments" to provide services to the community on behalf of the Commonwealth, and "General Purpose Grants". The Commonwealth determines a general financial assistance funding pool to address the fiscal imbalance that exists between the revenue raising powers of the Commonwealth and that of the States and Territories. The ACT's share of this pool, or its General Purpose Payments, are determined by the Commonwealth Grants Commission to address both the expenditure and revenue fiscal imbalance that exists between the different States and Territories, and the continuing transition of the Territory to self Government.

The Territory has no economic dependency on any other party.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT
NOTES TO, AND FORMING PART OF, THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 JUNE 1997

33. ECONOMIC DEPENDENCY (CONTINUED)

At the end of the reporting period, there were reasonable grounds to believe the Territory could continue to meet its liabilities as and when they fall due. As a result of independent assessment, the Territory has the following credit risk ratings, including the highest domestic long term rating available in Australia:

	<i>Domestic Long Term</i>	<i>Domestic Short Term</i>	<i>Foreign Currency Long Term</i>
Standard & Poor's	AAA	A1+	na
Moody's Investor Service	Aaa	na	Aa2

34. AUDITOR'S REMUNERATION

The ACT Auditor-General's Office is empowered under the *Auditor General Act 1996* to audit the activities and agencies of the ACT. Financial statement audits of agencies are conducted on a fee for service basis. Performance audits are met by appropriation from the Legislative Assembly.

During 1996-97, the ACT Auditor-General's Office earned:

Financial statement audits (fees for services)	\$981,534
Other audits (Legislative Assembly appropriation)	\$848,000

The ACT Auditor-General's Office paid \$2,500 for independent audit of its own financial statements for 1996-97. In addition, controlled entities of the Territory paid \$21,500 for external audit of 1996-97 financial statements.

While the audit of all financial statements of ACT agencies for 1996-97, including amounts arising subsequent to the reporting date, contributed to the audit of the consolidated financial statements of the Territory, the ACT Auditor-General's Office has provided an estimated account of \$40,000 for the direct audit of these consolidated financial statements of the Territory.

AUSTRALIAN CAPITAL TERRITORY GOVERNMENT CONTROLLED ENTITIES

General Government Sector

Accommodation and Property Services
ACT Agents Board
ACT Community Care
ACT Executive
ACT Legislative Assembly (Secretariat)
Attorney General's Department
Auditor General (Government Audit Office for the ACT)
Australian International Hotel School
Calvary Public Hospital
Canberra Institute of Technology (CIT)
Canberra Public Cemeteries (Trustees of)
Canberra Theatre
Casino Surveillance Authority
Central Finance Unit
Chief Minister's Department
Department of Business, the Arts, Sport & Tourism
Department of Education & Training
Department of Health & Community Care
Department of Urban Services
Emergency Services Bureau
Exhibition Park in Canberra (EPIC)
Gungahlin Development Authority
HealthPact (Health Promotion ACT)
InTACT
Legal Aid Commission
Public Trustee for the ACT (Office of the)
Superannuation Provision
The Canberra Hospital
Totalcare Industries

Public Trading Enterprises

ACTEW Corporation
ACT Forests
ACT Housing
ACT Milk Authority
ACTION
ACTTAB Limited
CIT Solutions

Appendix A: Key Financial Performance Indicators

AAS31 encourages the identification and use of performance indicators to assess the Territory's performance during the year. In analysing the Territory's financial performance over the 1996-97 financial year, it is useful to examine a number of relationships between separate financial items in areas important to the Territory's performance and continuing financial stability. The following table shows some *key financial performance indicators* and includes comparative information based on the previous year's results and the overall improvements aimed for in 1996-97.

Table 14 - Key Financial Performance Indicators

	1996-97 Result %	1996-97 Budget %	1995-96 Result %
Profitability			
Return on Assets	-1.0	-1.8	-3.1
Return on Equity	-2.1	-3.3	-4.7
Profit Margin	-13.0	-21.3	-31.9
Liquidity			
Current Ratio	179.0	127.0	128.0
Cash Position	5.5	4.9	4.4
Receivables Turnover	317.0	281.0	281.0
Financial Stability			
Debt Ratio	22.6	24.1	20.8
Capital ratio	29.2	31.8	26.2
Debt			
Times Interest Earned	300.0	148.5	215.3

Note: As there is no opening year balances for 1995-96, asset based ratios for that year use end of year balances rather than the average assets employed during the year.

Profitability

While it is not the intention of Government to achieve a profit on its service delivery to the community, *profitability* analysis is useful in identifying the effect of present operations on the Territory's accumulated resources.

Due to the less than full funding of Government's services to the community, the Territory budgeted for an operating loss in 1996-97. The profitability performance ratios for the Territory, while a significant improvement on the previous year, reflect a deterioration in the Territory's financial position as indicated by the operating loss.

Return on total assets shows the Territory's return on the assets employed to provide services to the community. Interest expense is added back to the operating loss to reflect the fact it is, in itself, a return on assets to the Territory's creditors for providing debt financing to acquire assets. The better than expected ratio for the ACT of -1.0% for 1996-97 results from the improved operating result after interest expense (ie. capital returns to creditors).

The improved Territory operating result, including interest expense to reflect similar interest returns to creditors, has been reflected in the *return on equity* to the ACT community, as owner, of -2.1% for the financial year. The Territory's equity, or ownership interest, reflects the accumulated funds and other equity reserves accumulated over time, including the position transferred from the Commonwealth at self Government.

Liquidity

The *current ratio* shows that the Territory is more than able to meet its short term liabilities due in the next financial year, with its readily realisable assets. At the end of the 1996-97 financial year, current assets are 180% of, or 1.8 times, current liabilities compared to a budgeted position of 130%.

Similarly, while the ACT's *cash position ratio*, which combines cash at bank and current, or liquid, investments as a proportion of total assets, has improved (*from 4.4% at beginning of year to 5.5%*) despite increasing total assets. This demonstrates the normal move of excess cash funds to short term investments and shows the Territory's true 'cash' position. The increase is an indicator of the improvements generated by reforms to the Territory's cash management regime.

The Territory's *receivables turnover*, being the proportion of independent revenues to receivables, has improved significantly over 1996-97 (*317% compared to a budgeted position of 281%*). The significant improvement over last year is directly attributable to the reforms which provide agencies the responsibility and incentives to manage outstanding debtors. Despite increasing revenues, Territory agencies have been able to limit outstanding amounts to last year's levels.

Financial Stability

The Territory's *debt ratio* shows total liabilities as 23% of total assets at the end of June compared to 21% at year commencement, as an indication of the Territory's ability to service its liabilities in the long term. The deteriorating position is largely a result of unfunded employee entitlements.

Similarly, the proportion of the ACT's liabilities to equity (*capital ratio*) has moved from 26% at year beginning to 29% at the end of June. This worsening position demonstrates the call of these employee entitlements on the Territory's net asset, or accumulated funds, position.

Debt Servicing

The Territory's *times interest earned* ratio demonstrates the capacity of the ACT to meet its interest expense for the year from its net operating activities aside from interest expense. The performance to date shows that the Territory has improved from an operating surplus last year of just over three times its interest and finance costs, to four times for 1996-97. The better than expected result is largely due to the significantly improved operating result after allowing for interest expense.

Appendix B: Financial Performance by Agency
**General Government Sector - Departmental
for the financial year ending 30 June 1997**

	Budget \$'000			Actual \$'000			Variance \$'000		
	Revenue	Expense	Result	Revenue	Expense	Result	Revenue	Expense	Result
Accommodation & Property Services	0	0	0	11,966	27,441	(15,475)	11,966	27,441	(15,475)
Agents Board	0	0	0	1,218	415	802	1,218	415	802
Attorney-General's	40,231	40,696	(465)	43,312	42,478	834	3,081	1,782	1,299
Auditor General's	1,893	1,887	6	1,859	1,828	31	(34)	(59)	25
Australian International Hotel school	5,805	9,092	(3,287)	4,665	6,288	(1,623)	(1,140)	(2,804)	1,664
Business, Arts, Sports & Tourism	34,190	34,589	(399)	37,115	38,187	(1,072)	2,925	3,598	(673)
Calvary	0	0	0	45,131	47,298	(2,167)	45,131	47,298	(2,167)
Canberra Cemeteries Trust	0	0	0	1,019	967	53	1,019	967	53
Canberra Hospital	223,454	223,453	1	230,704	230,249	455	7,250	6,796	454
Canberra Institute of Technology	77,459	77,459	0	81,943	83,088	(1,145)	4,484	5,629	(1,145)
Canberra Theatre	8,628	5,153	3,475	6,855	4,878	1,977	(1,773)	(275)	(1,498)
Casino Surveillance Authority	958	1,092	(134)	970	928	42	12	(164)	176
Central Financing Unit	45,988	42,861	3,127	48,286	44,838	3,448	2,298	1,977	321
Chief Minister's	37,720	37,793	(73)	39,497	37,034	2,463	1,777	(759)	2,536
Community Care	54,251	52,915	1,336	57,152	54,627	2,526	2,901	1,712	1,190
Department of Education & Training	320,467	320,499	(32)	329,497	333,919	(4,422)	9,030	13,420	(4,390)
Emergency Services	26,963	28,068	(1,105)	28,658	28,249	408	1,695	181	1,513
Exhibition Park in Canberra	2,531	1,678	853	2,749	1,695	1,055	218	17	202
Gungahlin Development Authority	0	550	(550)	5	286	(281)	5	(264)	269
Health & Community Care	24,016	24,719	(703)	32,747	32,445	302	8,731	7,726	1,005
Health & Promotion Fund	3,109	2,445	664	2,105	2,232	(127)	(1,004)	(213)	(791)
InTACT	0	0	0	19,232	21,111	(1,879)	19,232	21,111	(1,879)
Legal Aid Commission	5,330	5,580	(250)	5,864	5,658	206	534	78	456
Legislative Assembly	3,334	3,406	(72)	3,444	3,536	(92)	110	130	(20)
Office of Public Trustee	937	953	(16)	1,059	837	221	122	(116)	237
Totalcare	17,470	16,645	825	140,842	124,539	16,303	123,372	107,894	15,478
Urban Services	240,244	244,242	(3,998)	254,522	239,526	14,996	14,278	(4,716)	18,994

**General Government Sector - Territorial
for the financial year ending 30 June 1997**

	Budget \$'000			Actual \$'000			Variance \$'000		
	Revenue	Expense	Result	Revenue	Expense	Result	Revenue	Expense	Result
Attorney General's	88,845	88,465	380	91,215	91,903	(688)	2,370	3,438	(1,068)
Business, Arts, Sports & Tourism	30,296	28,015	2,281	36,738	32,843	3,895	6,442	4,828	1,614
Canberra Institute of Technology	13,853	13,853	0	12,974	12,974	0	(879)	(879)	0
Central Financing Unit	1,254,140	1,296,724	(42,584)	1,284,495	1,336,276	(51,781)	30,355	39,552	(9,197)
Chief Minister's	881,719	879,669	2,050	919,215	919,298	(83)	37,496	39,629	(2,133)
Department of Education & Training	168,679	168,679	0	180,003	180,002	1	11,324	11,323	1
Emergency Services Bureau	1,913	2,368	(455)	2,191	2,191	0	278	(177)	455
Executive	1,828	1,817	11	1,843	1,864	(21)	15	47	(32)
Health & Community Care	428,222	429,577	(1,355)	444,699	445,168	(470)	16,477	15,591	886
Housing Bureau	26,530	26,530	0	22,516	22,516	0	(4,014)	(4,014)	0
Legislative Assembly	2,860	3,236	(376)	2,895	3,230	(335)	35	(6)	41
Superannuation Provision	41,454	177,523	(136,069)	84,707	143,408	(58,702)	43,253	(34,115)	77,367
Urban Services	118,516	172,072	(53,556)	130,022	215,172	(85,150)	11,506	43,100	(31,594)

**Public Trading Enterprises
for the financial year ending 30 June 1997**

	<i>Budget \$'000</i>			<i>Actual \$'000</i>			<i>Variance \$'000</i>		
	<i>Revenue</i>	<i>Expense</i>	<i>Result</i>	<i>Revenue</i>	<i>Expense</i>	<i>Result</i>	<i>Revenue</i>	<i>Expense</i>	<i>Result</i>
ACT Forests	8,612	9,168	(556)	7,860	8,415	(555)	(752)	(753)	1
ACT Milk Authority	17,071	16,864	207	16,477	16,329	148	(594)	(535)	(59)
ACTEW	342,600	313,600	29,000	366,316	328,568	37,748	23,716	14,968	8,748
ACTION	64,078	63,294	784	64,842	72,491	(7,650)	764	9,197	(8,434)
ACTTAB	18,013	17,082	931	19,214	17,497	1,718	1,201	415	787
CIT Solutions	0	0	0	6,802	6,619	183	6,802	6,619	183
Housing Bureau	92,145	99,457	(7,312)	137,752	145,912	(8,160)	45,607	46,455	(848)