

DEPARTMENTAL
FINANCIAL REPORT
for the year ended
30 June 2006



**Department of Urban Services
Operating Statement
For the Year Ended 30 June 2006**

| | Note No. | Actual 2006 \$'000 | Original Budget 2006 \$'000 | Actual 2005 \$'000 |
|------------------------------------|-------------|--------------------------|--------------------------------------|--------------------------|
| Income | | | | |
| <i>Revenue</i> | | | | |
| Government Payment for Outputs | 4 | 219,116 | 214,611 | 223,435 |
| User Charges - ACT Government | 5 | 61,592 | 54,120 | 60,613 |
| User Charges - Non-ACT Government | 5 | 15,000 | 24,355 | 18,313 |
| Interest | 6 | 553 | 614 | 655 |
| Resources Received Free of Charge | 7 | 1,157 | 600 | 627 |
| Other | 8 | 6,982 | 6,974 | 5,804 |
| <i>Total Revenue</i> | | <u>304,400</u> | <u>301,274</u> | <u>309,447</u> |
| <i>Gains</i> | | | | |
| Other | 9, 40 | 53,363 | 82,973 | 42,788 |
| <i>Total Gains</i> | | <u>53,363</u> | <u>82,973</u> | <u>42,788</u> |
| Total Income | | <u>357,763</u> | <u>384,247</u> | <u>352,235</u> |
| Expenses | | | | |
| Employee | 10 | 62,217 | 66,415 | 66,741 |
| Superannuation | 11 | 8,154 | 9,284 | 9,003 |
| Supplies and Services | 12 | 161,823 | 151,231 | 157,062 |
| Depreciation and Amortisation | 13, 40 | 85,271 | 81,341 | 81,181 |
| Grants and Purchased Services | 14 | 54,388 | 56,759 | 57,794 |
| Borrowing Costs | 15, 40 | 3,509 | 3,077 | 4,343 |
| Other | 16 | 13,728 | 685 | 4,049 |
| Total Expenses | | <u>389,090</u> | <u>368,792</u> | <u>380,173</u> |
| Operating (Deficit)/Surplus | | <u>(31,327)</u> | <u>15,455</u> | <u>(27,938)</u> |

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

Department of Urban Services
Balance Sheet
As at 30 June 2006

| | Note No. | Actual 2006 \$'000 | Original Budget 2006 \$'000 | Actual 2005 \$'000 |
|--------------------------------------|-------------|--------------------------|--------------------------------------|--------------------------|
| Current Assets | | | | |
| Cash and Cash Equivalents | 20 | 9,894 | 29,048 | 24,137 |
| Receivables | 21 | 13,810 | 17,580 | 11,494 |
| Inventories | 22 | 3,373 | 3,593 | 3,475 |
| Other | 27 | 1,753 | 368 | 1,449 |
| Total Current Assets | | 28,830 | 50,589 | 40,555 |
| Non-Current Assets | | | | |
| Investment Property | 23, 40 | 29,259 | - | 21,858 |
| Property, Plant and Equipment | 24, 40 | 4,497,290 | 4,394,011 | 4,329,837 |
| Intangible Assets | 25 | 10,423 | 9,765 | 10,530 |
| Capital Works in Progress | 26 | 60,382 | 52,709 | 53,373 |
| Other | 27 | 55 | 55 | 55 |
| Total Non-Current Assets | | 4,597,409 | 4,456,540 | 4,415,653 |
| Total Assets | | 4,626,239 | 4,507,129 | 4,456,208 |
| Current Liabilities | | | | |
| Payables | 28 | 11,529 | 19,550 | 15,192 |
| Interest-Bearing Liabilities | 29 | 4,968 | 4,887 | 4,606 |
| Finance Leases | 29 | 58 | 146 | 54 |
| Employee Benefits | 30, 40 | 18,947 | 9,156 | 19,938 |
| Other | 32 | 8,233 | 3,626 | 6,979 |
| Total Current Liabilities | | 43,735 | 37,365 | 46,769 |
| Non-Current Liabilities | | | | |
| Payables | 28 | 167 | 97 | 235 |
| Interest-Bearing Liabilities | 29 | 30,772 | 31,746 | 39,368 |
| Finance Leases | 29 | 171 | 2,348 | 229 |
| Employee Benefits | 30, 40 | 632 | 11,510 | 652 |
| Other Provisions | 31, 40 | 8,761 | - | 8,318 |
| Total Non-Current Liabilities | | 40,503 | 45,701 | 48,802 |
| Total Liabilities | | 84,238 | 83,066 | 95,571 |
| Net Assets | | 4,542,001 | 4,424,063 | 4,360,637 |
| Equity | | | | |
| Accumulated Funds | 33, 40 | 3,932,762 | 3,990,455 | 3,919,723 |
| Asset Revaluation Reserve | 33, 40 | 609,239 | 433,608 | 440,914 |
| Total Equity | | 4,542,001 | 4,424,063 | 4,360,637 |

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

**Department of Urban Services
Statement of Changes in Equity
For the Year Ended 30 June 2006**

| | Note No. | Actual 2006 \$'000 | Original Budget 2006 \$'000 | Actual 2005 \$'000 |
|--|-------------|--------------------------|--------------------------------------|--------------------------|
| Opening Balance | 40 | 4,360,637 | 4,346,524 | 4,369,434 |
| <i>Accumulated Funds</i> | | | | |
| Operating (Deficit)/Surplus | 33 | (31,327) | 15,455 | (27,938) |
| <i>Reserves</i> | | | | |
| Increase in Asset Revaluation Reserve | 33 | 168,325 | - | 547 |
| Total Income and Expense Recognised Directly in Equity for the Period | | 136,998 | 15,455 | (27,391) |
| <i>Transactions Involving Equity Holders Affecting Accumulated Funds</i> | | | | |
| Capital Injections | 33 | 48,835 | 66,559 | 54,263 |
| Decrease in Net Assets due to Administrative Restructure | 33 | (94) | - | (31,377) |
| Dividend Paid | 33 | (4,375) | (4,475) | (4,292) |
| Closing Balance | | 4,542,001 | 4,424,063 | 4,360,637 |

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

**Department of Urban Services
Cash Flow Statement
For the Year Ended 30 June 2006**

| | Note No. | Actual 2006 \$'000 | Original Budget 2006 \$'000 | Actual 2005 \$'000 |
|---|-------------|--------------------------|--------------------------------------|--------------------------|
| Cash Flows from Operating Activities | | | | |
| Receipts | | | | |
| Government Payment for Outputs | | 165,773 | 159,333 | 171,309 |
| Government Payment for Community Service Obligations | | 53,343 | 55,278 | 52,126 |
| User Charges | | 81,486 | 80,553 | 75,912 |
| Interest Received | | 560 | 614 | 656 |
| GST Input Tax Credits from the Australian Taxation Office | | 13,255 | 12,058 | 14,832 |
| GST Collected from Customers | | 7,218 | 16,689 | 9,889 |
| Other | | 8,659 | 2,936 | 12,436 |
| Total Receipts from Operating Activities | | 330,294 | 327,461 | 337,160 |
| Payments | | | | |
| Related to Employees | | 63,209 | 65,746 | 66,550 |
| Related to Superannuation | | 8,153 | 8,481 | 9,003 |
| Related to Supplies and Services | | 172,149 | 162,145 | 162,158 |
| Borrowing Costs | | 3,108 | 3,077 | 3,479 |
| Grants and Purchased Services | | 54,388 | 56,759 | 55,657 |
| GST Paid to Suppliers | | 20,750 | 27,979 | 26,624 |
| Other | | 8,427 | 421 | 6,544 |
| Total Payments from Operating Activities | | 330,184 | 324,608 | 330,015 |
| Net Cash Inflows from Operating Activities | 37 | 110 | 2,853 | 7,145 |
| Cash Flows from Investing Activities | | | | |
| Receipts | | | | |
| Proceeds from Sale of Property, Plant and Equipment | | 17 | - | 203 |
| Total Receipts from Investing Activities | | 17 | - | 203 |
| Payments | | | | |
| Purchase of Property, Plant and Equipment | | 43,916 | 68,138 | 45,263 |
| Purchase of Investment Properties | | 509 | - | - |
| Purchase of Intangible Assets | | 2,851 | 564 | - |
| Capital Payment to Government Agencies | | 5,440 | 8,440 | 4,945 |
| Purchase of Capital Work in Progress | | 7,107 | - | 16,360 |
| Total Payments from Investing Activities | | 59,823 | 77,142 | 66,568 |
| Net Cash Outflows from Investing Activities | | (59,806) | (77,142) | (66,365) |

Department of Urban Services
Cash Flow Statement
For the Year Ended 30 June 2006

| | Note | Actual | Original | Actual |
|---|------|-----------------|-----------------|-----------------|
| | No. | 2006 | Budget | 2005 |
| | | \$'000 | \$'000 | \$'000 |
| Cash Flows from Financing Activities | | | | |
| Receipts | | | | |
| Capital Injections | | 54,275 | 74,999 | 59,208 |
| Total Receipts from Financing Activities | | 54,275 | 74,999 | 59,208 |
| Payments | | | | |
| Repayment of Borrowings | | 4,393 | 5,592 | 4,158 |
| Payment of Transferred Cash Balances | | - | - | 333 |
| Payment of Dividend | | 4,375 | 4,475 | 4,292 |
| Repayment of Finance Lease | | 54 | 1,310 | 1,417 |
| Total Payments from Financing Activities | | 8,822 | 11,377 | 10,200 |
| Net Cash Inflows from Financing Activities | | 45,453 | 63,622 | 49,008 |
| Net Decrease in Cash Held | | (14,243) | (10,667) | (10,212) |
| Cash at the Beginning of the Reporting Period | | 24,137 | 39,715 | 34,349 |
| Cash at the End of the Reporting Period | 37 | 9,894 | 29,048 | 24,137 |

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

Department of Urban Services
Summary of Department Output Classes
For the Year Ended 30 June 2006

| | Output Class 1 \$'000 | Output Class 2 \$'000 | Output Class 3 \$'000 | Intra Department Eliminations \$'000 | Total \$'000 |
|------------------------------------|--------------------------------|--------------------------------|--------------------------------|---|-----------------|
| 2006 | | | | | |
| Total Income | 197,511 | 79,902 | 97,301 | (16,951) | 357,763 |
| Total Expenses | 238,433 | 80,341 | 87,267 | (16,951) | 389,090 |
| Operating Surplus/(Deficit) | (40,922) | (439) | 10,034 | - | (31,327) |
| 2005 | | | | | |
| Total Income | 188,108 | 76,782 | 140,837 | (67,335) | 338,392 |
| Total Expenses | 218,595 | 76,521 | 138,654 | (67,335) | 366,435 |
| Operating Surplus/(Deficit) | (30,487) | 261 | 2,183 | - | (28,043) |

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

Due to Administrative Arrangement Orders, the number of output classes for the Department of Urban Services was reduced from five in 2004-05 to three in 2005-06. Output Class 3 in 2004-05 *Environment and Heritage* (with an operating deficit of \$336,000) and Output Class 4 in 2004-05 *Arts and Cultural Services* (with an operating surplus of \$441,000) were transferred to the Chief Minister's Department as from 1 July 2005. A reconciliation of the 2005 Output Class Operating Deficit is shown below.

Reconciliation of 2005 Output Class Deficit

| | |
|--|------------------------|
| 2005 Operating Deficit (as shown above) | (28,043) |
| Less: Environment and Heritage 2005 Operating Deficit | (336) |
| Add: Arts and Cultural Services 2005 Operating Surplus | 441 |
| 2005 Operating Deficit (as per Operating Statement) | <u>(27,938)</u> |

Department of Urban Services
Operating Statement for Output Class 1 – Municipal Services
For the Year Ended 30 June 2006

Description

The Municipal Services output class includes:

- Customer Services and Information – improves customer service by fostering electronic service delivery and providing electronic transactions as well as bill-paying capabilities for Government Services through ACT Government Shopfronts and Call Centres, and managing public, heritage and Legislative Assembly libraries.
- Roads and Infrastructure – provide infrastructure services including management of territory and municipal roads, national highways, community paths, drainage, carpark facilities, traffic signals and streetlights.
- Waste and Recycling – provides waste and recycling services including; strategic advice and strategy development, household garbage and recycling collection and processing, the implementation of the waste management development control measures, resource recovery and waste infrastructure management.
- Parks and Places – provides asset, sport and recreational facilities use and management services for urban parks, lakes, sportsgrounds, pools and public urban open space.

| | Actual | Original | Actual |
|------------------------------------|-----------------|-----------------|-----------------|
| | 2006 | 2006 | 2005 |
| | \$'000 | \$'000 | \$'000 |
| Income | | | |
| <i>Revenue</i> | | | |
| Government Payment for Outputs | 142,711 | 133,442 | 134,090 |
| User Charges – ACT Government | 4,605 | 3,962 | 3,711 |
| User Charges – Non-ACT Government | 2,666 | 2,156 | 2,833 |
| Interest | 450 | 474 | 420 |
| Resources Received Free of Charge | 887 | 472 | 506 |
| Other Revenue | 4,891 | 5,710 | 3,760 |
| Total Revenue | 156,210 | 146,216 | 145,320 |
| <i>Gains</i> | | | |
| Other Gains | 41,301 | 82,973 | 42,788 |
| Total Gains | 41,301 | 82,973 | 42,788 |
| Total Income | 197,511 | 229,189 | 188,108 |
| Expenses | | | |
| Employee Expenses | 38,738 | 26,988 | 24,229 |
| Superannuation Expenses | 5,282 | 4,111 | 3,621 |
| Supplies and Services | 105,936 | 106,854 | 111,372 |
| Depreciation and Amortisation | 75,288 | 73,006 | 72,657 |
| Grants and Purchased Services | 245 | 2,637 | 2,462 |
| Borrowing Costs | 631 | 595 | 1,521 |
| Other Expenses | 12,313 | 685 | 2,733 |
| Total Expenses | 238,433 | 214,876 | 218,595 |
| Operating Surplus/(Deficit) | (40,922) | 14,313 | (30,487) |

Department of Urban Services
Operating Statement for Output Class 2 – Transport
For the Year Ended 30 June 2006

Description

The Transport output class includes:

- Road Transport and Regulation Services (RTRS) – regulates public passenger transport, driver competency, vehicle safety, parking practices and heavy vehicles to promote road user safety. RTRS also implements national road transport reforms.
- Public Transport – assists the Government in implementing the Sustainable Transport Plan. In particular it will promote the goals of achieving a modal shift from private vehicles to public transport and ensuring that the transport system helps make Canberra a more accessible city.

| | Actual | Original | Actual |
|------------------------------------|---------------|-----------------|---------------|
| | 2006 | 2006 | 2005 |
| | \$'000 | \$'000 | \$'000 |
| Income | | | |
| <i>Revenue</i> | | | |
| Government Payment for Outputs | 76,405 | 81,169 | 75,922 |
| User Charges – ACT Government | 1,041 | 748 | 338 |
| User Charges – Non-ACT Government | 25 | 102 | 82 |
| Interest | 100 | 125 | 91 |
| Resources Received Free of Charge | 270 | 128 | 121 |
| Other | 2,061 | - | 228 |
| <i>Total Revenue</i> | 79,902 | 82,272 | 76,782 |
| <i>Gains</i> | | | |
| Other | - | - | - |
| <i>Total Gains</i> | - | - | - |
| Total Income | 79,902 | 82,272 | 76,782 |
| Expenses | | | |
| Employee | 10,959 | 4,223 | 3,329 |
| Superannuation | 1,494 | 724 | 535 |
| Supplies and Services | 11,210 | 23,360 | 19,225 |
| Depreciation and Amortisation | 2,100 | 503 | 756 |
| Grants and Purchased Services | 54,143 | 54,122 | 52,646 |
| Borrowing Costs | - | - | - |
| Other | 435 | - | 30 |
| Total Expenses | 80,341 | 82,932 | 76,521 |
| Operating (Deficit)/Surplus | (439) | (660) | 261 |

Department of Urban Services
Operating Statement for Output Class 3 – Government Services
For the Year Ended 30 June 2006

Description

The Government services output class includes the following businesses that provide services to ACT Government agencies; Facilities Management, Publishing Services, ACT Record Services, Capital Linen Services and Property ACT.

| | Actual | Original | |
|-----------------------------------|----------------------|----------------------|-----------------------|
| | 2006 | Budget | Actual |
| | \$'000 | 2006 | 2005 |
| | | \$'000 | \$'000 |
| Income | | | |
| <i>Revenue</i> | | | |
| Government Payment for Outputs | - | - | - |
| User Charges – ACT Government | 72,896 | 49,410 | 123,370 |
| User Charges – Non-ACT Government | 12,310 | 20,290 | 15,193 |
| Interest | 3 | 15 | 144 |
| Resources Received Free of Charge | - | - | - |
| Other | 30 | 3,071 | 1,381 |
| <i>Total Revenue</i> | <u>85,239</u> | <u>72,786</u> | <u>140,088</u> |
| <i>Gains</i> | | | |
| Other | 12,062 | - | 749 |
| <i>Total Gains</i> | <u>12,062</u> | <u>-</u> | <u>749</u> |
| Total Income | <u>97,301</u> | <u>72,786</u> | <u>140,837</u> |
| Expenses | | | |
| Employee | 12,230 | 35,204 | 33,737 |
| Superannuation | 1,668 | 4,449 | 4,051 |
| Supplies and Services | 61,628 | 21,017 | 89,479 |
| Depreciation and Amortisation | 7,881 | 7,832 | 7,459 |
| Grants and Purchased Services | - | - | - |
| Borrowing Costs | 2,877 | 2,482 | 2,822 |
| Other | 983 | - | 1,106 |
| Total Expenses | <u>87,267</u> | <u>70,984</u> | <u>138,654</u> |
| Operating Surplus | <u>10,034</u> | <u>1,802</u> | <u>2,183</u> |

**Department of Urban Services
Departmental Statement of Appropriation
For the Year Ended 30 June 2006**

| | Original Budget 2006 \$'000 | Total Appropriation Appropriated 2006 \$'000 | Appropriation Drawn 2006 \$'000 | Appropriation Drawn 2005 \$'000 |
|--|--------------------------------------|---|--|--|
| Departmental | | | | |
| Government Payment for Outputs and Community Service Obligations | 214,611 | 220,421 | 219,116 | 223,435 |
| Capital Injections | 74,999 | 73,299 | 54,275 | 59,208 |
| Total Departmental Appropriation | 289,610 | 293,720 | 273,391 | 282,643 |

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

RECONCILIATION OF MOVEMENTS IN APPROPRIATIONS **2006**
\$'000

Government Payment for Outputs and Community Service Obligations

| | |
|--|----------------|
| Original Budget | 214,611 |
| Supplementary Appropriation for Legal Settlement | 7,500 |
| Transfer of ACT Forests to Chief Minister's Department | (2,138) |
| Transfer of Fire Management Unit to Chief Minister's Department | (1,023) |
| Transfer of Fire Management Unit to Emergency Services Authority | (122) |
| Transfer of the Maintenance of Phillip Oval to Chief Minister's Department | (80) |
| Transfer of Land Management Functions from ACT Planning and Land Authority | 212 |
| Interstate Road Transport | 50 |
| ACTION - Diesel Fuel Supplementation | 1,325 |
| National Disaster Mitigation Funding | 86 |
| Total Appropriated | 220,421 |
| Remove Cityscape Payroll Tax | (329) |
| ACTION - Superannuation Round Robin | (976) |
| Total Appropriation Drawn | 219,116 |

Capital Injections

| | |
|--|---------------|
| Original Budget | 74,999 |
| Transfer of Phillip Oval to Chief Minister's Department | (1,700) |
| Total Appropriated | 73,299 |
| Capital projects carried forward into the 2006-07 financial year | (18,079) |
| Projects removed in the 2005-06 financial year | (945) |
| Total Appropriation Drawn | 54,275 |

Column Heading Explanations

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

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

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

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Department of Urban Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2006

NOTE 1 OBJECTIVES OF THE DEPARTMENT OF URBAN SERVICES

Operation and Principal Activities of the Department of Urban Services

The Department of Urban Services (the Department) provides services to the community, including library services and the provision of whole of government information and transaction services through Canberra Connect. The Department provides and maintains major infrastructure such as roads, streetlights and stormwater systems, waste and recycling services and the management of public urban open space, including ranger services.

The Department plays a role at the national level in the development of road transport reforms and road transport regulation, including road user safety. The Department also provides a range of Government support services including Property Management, Capital Linen Services, Publishing Services and ACT Records Services.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The *Financial Management Act 1996* (FMA) requires the preparation of annual financial statements (financial report) for ACT Government Departments.

The FMA and the *Financial Management Guidelines*, requires a Department's financial statements (financial report) to include:

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

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

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

This is the first financial report by the Department of Urban Services, to be prepared in accordance with AIFRS and as such AASB 1 *'First-Time Adoption of Australian Equivalent to International Financial Reporting Standards'* has been applied to this financial report. Previous Australian GAAP was used as the basis for preparing the Department's financial report for the 30 June 2005 financial year. The 2005 comparative figures in this financial report have been amended from those in the 30 June 2005 financial report so that they are compliant with AIFRS. These changes are further outlined in Note 40 – Reconciliation of Previous GAAP to Australian Equivalents to IFRS.

Department of Urban Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2006

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

(a) Basis of Accounting (continued)

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

The Department of Urban Services is an individual reporting entity.

(b) Departmental and Territorial Items

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

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

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

(c) The Reporting Period

The financial report states the financial performance and cash flows of the Department of Urban Services for the year ending 30 June 2006 and the financial position of the Department of Urban Services as at 30 June 2006.

(d) Comparative Figures

Budget Figures

Budget information for 2005-06 has been presented in the financial report in accordance with the *Financial Management Act 1996* to facilitate a comparison with the Budget Papers. Budget numbers in the financial report are the original budget numbers that appear in the budget papers.

Prior Year Comparatives

Comparative information has been disclosed in respect of the previous period for all amounts reported in the financial report. Where the presentation or classification of items in the financial report are amended, the comparative amounts have been reclassified where practical. Where a reclassification occurs the nature, amount and reason for the reclassification is provided. For changes in relation to the introduction of International Financial Reporting Standards refer to Note 40.

(e) Rounding

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

Department of Urban Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2006

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

(f) Revenue Recognition

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

Sale of Goods

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

Rendering of Services

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

Interest

Interest revenue is recognised in the Operating Statement when earned.

(g) Resources Received and Provided Free of Charge

Resources received and provided free of charge are recorded as revenue and expenditure in the Operating Statement at fair value. The revenue is separately disclosed under Resources Received Free of Charge, with the expense being recorded in the line item to which it relates. Goods and services received free of charge from ACT Government agencies are recorded as resources received free of charge, whereas goods and services received free of charge from entities external to the ACT Government are recorded as donations. Services that are received free of charge are only recorded in the Operating Statement if they can be reliably measured and would have been purchased if not provided to the Department of Urban Services free of charge.

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

(h) Repairs and Maintenance

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

(i) Borrowing Costs

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

Department of Urban Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2006

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

(j) Waivers of Debt

Debts that are waived during the year under section 105 of the *Financial Management Act 1996* are expensed during the year in which the right to payment was waived. Further details of waivers are disclosed at Note 17 – Waivers, Impairment Losses and Write-offs.

(k) Current and Non-Current Items

Assets and liabilities are classified as either current or non-current on the face of the Balance Sheet and in the relevant notes. The Department of Urban Services classifies assets and liabilities as current where they are expected to be realised within 12 months after the reporting date, the exception being Employee Benefits - refer paragraph (z). Assets or liabilities not classified as current are classified as non-current.

(l) Cash

For the purposes of the Cash Flow Statement and the Balance Sheet, cash includes cash at bank and cash on hand. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents include short-term investments held in the Cash Enhanced Portfolio managed by an external fund manager on behalf of the Central Financing Unit. Bank overdrafts are included in cash and cash equivalents in the Cash Flow Statement but not in the Balance Sheet.

Cash is measured at nominal value.

(m) Receivables

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

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

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

(n) Investments

The Department of Urban Services did not hold any investments as at 30 June 2006. Investments held as at 30 June 2005 have been re-classified as cash and cash equivalents and the 2005 comparative information has been amended accordingly.

Department of Urban Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2006

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

(o) Inventories

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

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

(p) Non-Current Assets Held for Sale

Assets held for sale are non-current assets that the Department of Urban Services has determined are available for immediate sale in their present condition, and their sale is highly probable.

The Department of Urban Services did not hold any non-current assets held for sale as at 30 June 2006.

(q) Investment Property

The Department of Urban Services has determined that the 28 properties it rents out to commercial organisations fall within the scope of AASB 140 'Investment Property' and therefore are to be recognised as investment properties. The effect of this change will be to remove the 28 properties from property, plant and equipment and create a new line item on the face of the Balance Sheet titled Investment Property. Investment properties are valued annually with any increase/decrease being recorded in the Operating Statement.

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

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

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

The Department of Urban Services expenses all non-current property, plant and equipment costing less than \$5,000 unless they form part of a group of similar items that are significant in total.

Department of Urban Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2006

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

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

Property, plant and equipment is valued using the cost or revaluation model of valuation in accordance with AASB 116 'Property, Plant and Equipment', details of which are available by referring to Note 24.

Fair value is the amount for which an asset could be exchanged between knowledgeable willing parties in an arms length transaction. The Department of Urban Services measures fair value using a market price in an active market where a market price is available for that asset (or a similar asset), as this is the best evidence of an asset's fair value. Where the market price of an asset cannot be obtained because of its specialised nature, the Department of Urban Services estimates fair value using the depreciated replacement cost approach.

The Department of Urban Services measures the majority of land, buildings and library resources at fair value using valuations provided by the Australian Valuation Office.

Infrastructure assets are measured at fair value using the depreciated replacement cost approach with revaluations taking place every 3 years under a rolling program. Departmental officers revalued roads, carparks and traffic signals in the 2005-06 financial period by applying an appropriate unit rate (in accordance with Rawlinsons Australian Construction Handbook) to the relevant quantities held in the asset register. In accordance with AASB 1045 'Land Under Roads' the Department did not recognise land under roads in the 2005-06 financial reporting period.

If at any time management considers that the carrying amount of an asset materially differs from its fair value then the asset will be revalued regardless of when the last valuation took place. In this case the value of the asset and its accumulated depreciation at the date of revaluation is written back against the asset revaluation reserve for that asset class. The revalued amount, including accumulated depreciation, is then restated in property, plant and equipment. Property, plant and equipment acquired between revaluations is held at cost until the next valuation.

The Department of Urban Services measures all other assets at cost.

(t) Impairment Losses

An impairment loss is the amount by which the carrying amount of an asset (i.e. the book value) exceeds its recoverable amount. The recoverable amount is the higher of 'fair value less costs to sell' and its 'value in use'. For the Department of Urban Services, an asset's 'value in use' is its depreciated replacement cost where the Department would, if deprived of the asset, replace the asset.

At each reporting date, the Department assesses whether there were any indicators of impairment during the year, and if an indicator exists then an estimate of the recoverable amount is made. Impairment losses on assets measured 'at cost' are recognised as expenditure in the Operating Statement. Impairment losses on assets that are carried at revalued amount (i.e. fair value) are recognised directly against the asset revaluation reserve, if one exists, in respect of the same class of assets. Where the impairment loss is greater than the balance in the asset revaluation reserve for that class of assets, the difference is expensed in the Operating Statement. The carrying amount of the asset is reduced to its recoverable amount by recording an accumulated impairment loss.

Department of Urban Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2006

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

(u) Intangible Assets

Externally acquired software is capitalised when the expenditure meets the definition and general recognition criteria of an intangible asset and when the amount of expenditure is greater than or equal to \$50,000. In addition to the general recognition criteria and capitalisation threshold, where internally developed software also meets the specific recognition criteria relating to internally generated intangible assets they have also been recognised by the Department of Urban Services.

All capitalised software has a finite useful life. Software is amortised on a straight-line basis over its useful life, with a maximum time limit for amortisation of five years.

(v) Depreciation and Amortisation of Non-Current Assets

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

The value of leasehold improvements are depreciated over the estimated useful life of each improvement, or the unexpired period of the relevant lease, whichever is shorter. Depreciation/amortisation for non-current assets is determined as follows:

| Class of Asset | Depreciation/Amortisation | | Useful Life (Years) |
|--|---------------------------|--|--|
| | Method | | |
| Land | Not Applicable | | Infinite |
| Land Restoration | Straight Line | | 31 – 46 years |
| Buildings | Straight Line | | 5 – 100 years |
| Leasehold Improvements | Straight Line | | 5-10 years (or period of lease if shorter) |
| Plant and Equipment | Straight Line | | 5 – 20 years |
| Heritage & Community | Straight Line | | 5 years |
| Infrastructure (excluding road earthworks) | Straight Line | | 10 – 100 years |
| Road Earthworks * | Not Applicable | | Infinite |

* Due to the introduction of UIG 1055 'Accounting for Road Earthworks' as from 1 July 2005, the Department of Urban Services separated the earthwork component of roads. Based upon independent advice from GHD Pty Ltd it was determined that road earthworks have an extremely long life and therefore will not be depreciated in the 2005-06 financial reporting period.

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

Department of Urban Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2006

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

(w) Payables

Payables include trade payables, accrued expenses and other payables. Trade Payables represent the amounts owing for goods and services received prior to the end of the reporting period and unpaid at the end of the reporting period and relating to the normal operations of the Department of Urban Services. All amounts are normally settled within 30 days after the Department receives an invoice.

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

Other payables are those unpaid invoices that do not directly relate to the normal operations of the Department of Urban Services.

(x) Interest-Bearing Liabilities

Interest-bearing liabilities held by the Department of Urban Services are a financial liability and have been classified into the 'Other Financial Liabilities' category. The 'Other Financial Liabilities' category is measured at the fair value of the consideration received when initially recognised and at amortised cost subsequent to initial recognition, with any adjustments to the carrying amount going through the Operating Statement. The associated interest expense is recognised in the reporting period in which it occurs. For further details on interest-bearing liabilities refer to Note 29.

(y) Leases

The Department of Urban Services has entered into operating leases and holds one finance lease for an industrial iron at the Capital Linen Service.

Finance Leases

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

Operating Leases

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

Department of Urban Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2006

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

(z) Employee Benefits

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

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

Annual leave and long service leave liabilities are disclosed as current liabilities on the face of the Balance Sheet where the Department of Urban Services does not have an unconditional right to defer the settlement of the liability for at least 12 months. However, where there is an unconditional right to defer settlement of the liability for at least 12 months, annual leave and long service leave have been classified as a non-current liability.

(aa) Superannuation

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

From 1 July 2005 the Department of Urban Services has also made a superannuation expense payment direct to Comsuper, to cover its total superannuation liability for employees that are members in the new Public Sector Superannuation Scheme Accumulation Plan (the PSSAP).

Superannuation employer contribution expense payments, for the CSS and PSS, are calculated, by taking the salary level at an employee's anniversary date and multiplying it by the notional CSS or PSS employer contribution rate for each employee of the Department of Urban Services. The 3% productivity expense payments are calculated by taking the salary level, at an employee's anniversary date, and multiplying it by the employer contribution rate of 3% for each employee of the Department of Urban Services. Superannuation expense payments for the PSSAP are calculated by taking the salary level, at an employee's anniversary date, and multiplying it by the employer contribution rate of 15.4% for each employee of the Department of Urban Services.

The Department of Urban Services does not carry a superannuation liability on its Balance Sheet as the Superannuation Unit carries the total Territory superannuation liability for the CSS and PSS and Comsuper carries the superannuation liability for the PSSAP.

**Department of Urban Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2006**

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

(aa) Superannuation (continued)

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

(ab) Equity Contributed by the ACT Government

Contributions made by the ACT Government, through its role as owner of the Department of Urban Services, that increase the net assets of Department of Urban Services, are treated as contributions of equity. Increases or decreases in net assets as a result of administrative restructures are also recognised in equity.

(ac) Insurance

The Department of Urban Services insures all of its major risks through the ACT Insurance Authority. The excess payable, under this arrangement, varies depending on each class of insurance held by the Department of Urban Services.

NOTE 3 CHANGE IN ACCOUNTING POLICIES

There have been no major changes to accounting policies as a result of management decisions applicable for 2005-06. For changes in accounting policy resulting from the adoption of AIFRS refer to Note 40 'Reconciliation of previous GAAP to Australian Equivalents to IFRS'.

NOTE 4 GOVERNMENT PAYMENT FOR OUTPUTS

Government Payment for Outputs (GPO) is revenue the Department of Urban Services received from Government for the delivery of outputs. The Government pays GPO appropriation to the Department of Urban Services on a fortnightly basis.

| | 2006 | 2005 |
|--|----------------|----------------|
| | \$'000 | \$'000 |
| Revenue from the ACT Government | | |
| Government Payment for Outputs | 165,773 | 171,312 |
| Government Payment for Community Service Obligations | 53,343 | 52,123 |
| Total Government Payment for Outputs | 219,116 | 223,435 |

Community Service Obligations (CSO) are a sub-category of GPO and are paid to the Department of Urban Services for the provision of services to the public at subsidised rates.

* Note: The decrease in government payment for outputs mainly relates to the transfer of Arts and Cultural Services, Environment and Heritage and ACT Forests to the Chief Minister's Department.

Department of Urban Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2006

NOTE 5 USER CHARGES FOR GOODS AND SERVICES

The Department of Urban Services derives user-charge revenue by providing goods and services to other ACT Government agencies and to the public. User-charge revenue is not part of government appropriation and is paid by the user of the goods or services. This revenue is driven by consumer demand and is commercial in nature.

| | 2006 | 2005 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| User Charges – ACT Government | | |
| User Charges - ACT Government | 61,592 | 60,613 |
| Total User Charges – ACT Government | 61,592 | 60,613 |
| User Charges – Non-ACT Government | | |
| User Charges - Non ACT Government * | 15,000 | 18,313 |
| Total User Charges - Non-ACT Government | 15,000 | 18,313 |
| Total User Charges for Goods and Services | 76,592 | 78,926 |

* Note: The decrease in Non ACT Government User Charges relates to the discontinuation of contracts for insurance assessments and facilities management and a decline in sales at the Yarralumla Nursery.

NOTE 6 INTEREST

Revenue from within the ACT Government

| | | |
|---|------------|------------|
| Interest Received from the Central Financing Unit | 358 | 428 |
| Total Interest Received from within ACT Government | 358 | 428 |

Revenue from Other Sources

| | | |
|---|------------|------------|
| Interest Received from Banks | 194 | 227 |
| Interest Received from the Australian Taxation Office | 1 | - |
| Total Interest Received from Other Sources | 195 | 227 |
| Total Interest Received | 553 | 655 |

Department of Urban Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2006

NOTE 7 RESOURCES RECEIVED FREE OF CHARGE

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

| | 2006 | 2005 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Revenue from within the ACT Government | | |
| Department of Justice and Community Safety - Legal Services | 829 | 593 |
| Emergency Services Authority - Support Charges | 296 | - |
| Legislative Assembly Secreteriat - Library Expenses | 32 | 34 |
| Total Resources Received Free of Charge | 1,157 | 627 |

NOTE 8 OTHER REVENUE

| | 2006 | 2005 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Revenue from Other Sources | | |
| Commonwealth Government Grants | 3 | 96 |
| Asset Revaluations | - | 1,125 |
| Taxes, Fees and Fines | 2,214 | 2,684 |
| Other * | 4,765 | 1,899 |
| Total Revenue from Other Sources | 6,982 | 5,804 |
| Total Other Revenue | 6,982 | 5,804 |

* Note: The increase in other revenue mainly relates to a payment of \$2.6 million from ACT Treasury for a reimbursement relating to voluntary redundancy payments.

NOTE 9 OTHER GAINS

Other gains tend to be one off, more unusual transactions that are not part of the Department of Urban Services core activities. Other gains are distinct from other revenue, as other revenue arises from the core activities of the Department of Urban Services.

| | 2006 | 2005 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Infrastructure Assets Received Free of Charge * ¹ | 36,578 | 42,039 |
| Gain on Investment Property * ² | 6,892 | 749 |
| Assets Received from other ACT Government Agencies * ³ | 6,048 | - |
| Liabilities Transferred to other ACT Government Agencies * ⁴ | 3,842 | - |
| Gain on Sale of Assets | 3 | - |
| Total Other Gains | 53,363 | 42,788 |

*1 Note: Decrease was due to a reduction in infrastructure assets transferred from the Land Development Agency.

*2 Note: The increase in the gain on investment property was due to a stronger commercial market in 2006.

*3 Note: Includes the transfer of government properties to Property ACT including the old Woden Police Station.

*4 Note: Relates to the transfer of two loans to ACT Treasury.

Department of Urban Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2006

NOTE 10 EMPLOYEE EXPENSES

| | 2006 | 2005 |
|--------------------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Wages and Salaries * | 58,508 | 62,254 |
| Annual Leave | 220 | 383 |
| Long Service Leave | 891 | 725 |
| Comcare Premium | 1,831 | 2,488 |
| Other Employee Benefits and On-Costs | 767 | 891 |
| Total Employee Expenses | 62,217 | 66,741 |

* Note: The decrease in wages and salaries is mainly the result of internal restructuring and the transfer of information technology functions to InTACT.

NOTE 11 SUPERANNUATION EXPENSES

The Department of Urban Services received funding for superannuation payments as part of the Government Payment for Output. The Department of Urban Services then makes payments on a fortnightly basis to the Superannuation Unit for its portion of the Territory's annual superannuation liability.

From 1 July 2005 the Department of Urban Services has made superannuation expense payments direct to Comsuper to cover its superannuation liability for employees that are in the new Public Sector Superannuation Scheme Accumulation Plan (the PSSAP).

The Department of Urban Services has also made superannuation expense payments to employment agencies for the superannuation contribution it is required to make for the contract staff it employs.

| | 2006 | 2005 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Superannuation Contributions to the ACT Superannuation Unit | 6,456 | 7,316 |
| Productivity Benefit | 1,698 | 1,687 |
| Total Superannuation Expenses | 8,154 | 9,003 |

Department of Urban Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2006

NOTE 12 SUPPLIES AND SERVICES

| | 2006 | 2005 |
|---|----------------|----------------|
| | \$'000 | \$'000 |
| Professional Services (eg contractors and consultants) * ¹ | 49,032 | 53,883 |
| Building and Facilities Operating Cost * ² | 37,819 | 33,683 |
| Repairs and Maintenance (eg parks, roads and property) * ³ | 29,904 | 27,230 |
| IT & Communications | 12,749 | 12,169 |
| Consumables | 8,077 | 7,559 |
| Operating Lease Costs | 7,485 | 6,451 |
| Insurance | 4,757 | 4,870 |
| Communication, Printing & Publication | 4,210 | 5,199 |
| Cost of Goods Sold | 1,115 | 1,439 |
| Other Supplies and Services * ⁴ | 6,675 | 4,579 |
| Total Supplies and Services | 161,823 | 157,062 |

*¹ Note: The decrease in professional services is due to the transfer of Environment and Heritage to the Chief Minister's Department and a decrease in the development costs of computer systems.

*² Note: The increase in building and facilities operating costs is mainly attributable to the rental of new office accommodation at Fairbairn in 2006.

*³ Note: The increase in repairs and maintenance reflects the increase in maintenance of infrastructure assets to address public safety issues (eg clean up after violent storms in December 2005).

*⁴ Note: The increase in other supplies and services includes an expense of \$2.4 million to buy back hire car licences.

NOTE 13 DEPRECIATION AND AMORTISATION

| | 2006 | 2005 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Depreciation | | |
| Land Restoration | 227 | 227 |
| Buildings | 6,775 | 6,059 |
| Infrastructure Assets * | 65,398 | 61,872 |
| Plant and Equipment | 3,508 | 3,458 |
| Community and Heritage Assets | 5,409 | 5,837 |
| Leasehold Improvements | 996 | 1,183 |
| Total Depreciation | 82,313 | 78,636 |
| Amortisation | | |
| Intangible Assets | 2,958 | 2,545 |
| Total Amortisation | 2,958 | 2,545 |
| Total Depreciation and Amortisation | 85,271 | 81,181 |

* Note: The increase in depreciation on infrastructure assets is mainly attributable to the revision of useful lives for roads and an increase in the valuation of several infrastructure asset sub-classes.

Department of Urban Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2006

NOTE 13 DEPRECIATION AND AMORTISATION - CONTINUED

Revision in Accounting Estimates

With the introduction of UIG 1055 'Accounting for Road Earthworks' from 1 July 2005, the Department of Urban Services reviewed the useful life of roads. As a result, the useful life of roads was reduced from 100 years for all roads to 90 years for municipal roads, 75 years for main arterial roads and 40 years for gravel roads. Based upon independent advice from GHD Pty Ltd road earthworks were determined to have an extremely long life and therefore were not depreciated. The outcome of this change is that depreciation on roads increased by \$2,085,000.

NOTE 14 GRANTS AND PURCHASED SERVICES

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

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

| | 2006 | 2005 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Payments to Service Providers - ACTION | 53,343 | 52,127 |
| Payments to Service Providers - Cultural Facilities Corporation * | - | 2,272 |
| Payments to Service Providers - ACT Forests * | - | 2,138 |
| Grants to Community Organisations | 1,045 | 1,257 |
| Total Grants and Purchased Services | 54,388 | 57,794 |

* Note: Arts and Cultural Services and ACT Forests were transferred to the Chief Minister's Department on 4 November 2004 and 1 July 2005 respectfully.

NOTE 15 BORROWING COSTS

| | 2006 | 2005 |
|-------------------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Interest on Borrowings | 3,043 | 3,910 |
| Finance Charges on Finance Leases | 23 | 13 |
| Borrowing Cost for Land Restoration | 443 | 420 |
| Total Borrowing Cost | 3,509 | 4,343 |

Department of Urban Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2006

NOTE 16 OTHER EXPENSES

| | 2006 | 2005 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Legal Settlement * ¹ | 7,500 | - |
| Expensing of Capital Works in Progress * ² | 3,648 | 1,191 |
| Transfer of assets to other ACT government agencies | 1,224 | 1,065 |
| Write-Off of Other Assets | 255 | 910 |
| Bad and Doubtful Debts Expense | - | 18 |
| Waivers, Impairment Losses and Write-offs (see Note 17) * ³ | 404 | - |
| Loss on Disposal of Assets | 2 | 32 |
| Other Expenses | 695 | 833 |
| Total Other Expenses | 13,728 | 4,049 |

*¹ Note: Relates to a court judgement in respect to a public liability claim.

*² Note: Expensing of works that do not meet the definition of assets in accordance with accounting standards.

*³ Note: The 2004-05 comparative information has not been shown for waivers, impairment losses and write-offs (refer Note 17) as the previous years figures were used for disclosure purposes only and some amounts were written back against revenue and therefore will not reconcile to this note.

Department of Urban Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2006

NOTE 17 WAIVERS, IMPAIRMENT LOSSES AND WRITE-OFFS

Under Section 105 of the *Financial Management Act 1996* the Treasurer may, in writing, waive the right to payment of an amount payable to the Territory.

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

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

| | | 2006 | | 2005 |
|--|--------------|---------------|------------|---------------|
| | No. | \$'000 | No. | \$'000 |
| Waivers | | | | |
| Waivers | 60 | 23 | 86 | 3 |
| Total Waivers | 60 | 23 | 86 | 3 |
| Impairment Losses | | | | |
| Impairment Losses | - | - | - | - |
| Total Impairment Losses | - | - | - | - |
| Write-offs | | | | |
| Losses or Deficiencies in Public Monies | 23 | 3 | 9 | 2 |
| Irrecoverable Debts * | 7,787 | 227 | 17 | 792 |
| Obsolete and Condemned Stock | 13 | 151 | 43 | 1,538 |
| Total Write-offs | 7,823 | 381 | 69 | 2,332 |
| Total Waivers, Impairment Losses and Write-offs | 7,883 | 404 | 155 | 2,335 |

* Note: The total number of irrecoverable debts in 2006 includes the write-off of 7,746 library fines of a minor nature. In 2005 the total number of library fines written-off was shown as one (1) unit.

NOTE 18 ACT OF GRACE PAYMENTS

There were no Act of Grace payments made during the reporting period pursuant to Section 104 of the *Financial Management Act 1996*.

Department of Urban Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2006

NOTE 19 AUDITOR'S REMUNERATION

The Auditor's remuneration note includes statutory audit services provided to the Department of Urban Services. This note does not include internal audit costs.

| | 2006 | 2005 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Audit Services | | |
| Audit Fees Payable to the ACT Auditor-General's Office for the audit of the 2005-06 Financial Reports (GST inclusive) | 227 | 220 |
| Other financial audits undertaken by the ACT Auditor General's Office | 16 | - |
| Total Audit Fees | 243 | 220 |
| Total Auditor's Remuneration | 243 | 220 |

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

NOTE 20 CASH AND CASH EQUIVALENTS

The Department of Urban Services holds a number of bank accounts with the Commonwealth Bank as part of the whole-of-government banking arrangements. As part of these arrangements, the Department of Urban Services does not receive any interest on these accounts.

The Department of Urban Services also held short-term investments with the Central Financing Unit (CFU) in the Cash Enhanced Portfolio throughout the year. These funds are able to be withdrawn upon request and as such meet the definition of a cash equivalent.

| | 2006 | 2005 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Cash on Hand | 616 | 2,958 |
| Cash at Bank | 8,779 | 10,266 |
| Investments with the Central Financing Unit - Cash Enhanced Portfolio | 499 | 10,913 |
| Total Cash and Cash Equivalents | 9,894 | 24,137 |

* Note: Cash and cash equivalents have decreased due to an increase in unbudgeted expenditure in order to undertake essential repairs and maintenance on the Department's infrastructure assets to address public safety issues.

Department of Urban Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2006

NOTE 21 RECEIVABLES

| | 2006 | 2005 |
|------------------------------------|----------------------|----------------------|
| | \$'000 | \$'000 |
| Current Receivables | | |
| Trade Receivables | 8,385 | 7,450 |
| Less: Allowance for Doubtful Debts | (50) | (65) |
| | <u>8,335</u> | <u>7,385</u> |
| Other Receivables * | 1,685 | 438 |
| Less: Allowance for Doubtful Debts | - | - |
| | <u>1,685</u> | <u>438</u> |
| Accrued Revenue | 1,708 | 1,866 |
| Net GST Receivable | 2,082 | 1,805 |
| | <u>3,790</u> | <u>3,671</u> |
| Total Current Receivables | <u>13,810</u> | <u>11,494</u> |
| Total Receivables | <u>13,810</u> | <u>11,494</u> |

* Note: The increase in other receivables relates to a refund of \$1.2 million due from InTACT as at 30 June 2006.

Aging of Receivables

Receivables are Aged as Follows:

| | | |
|--|----------------------|----------------------|
| Not Overdue | 12,046 | 7,294 |
| Overdue for less than 30 Days | 489 | 3,204 |
| Overdue for 30 to 60 Days | 196 | 447 |
| Overdue for more than 60 Days | 1,129 | 614 |
| Less: Total Allowance for Doubtful Debts | (50) | (65) |
| Total Receivables | <u>13,810</u> | <u>11,494</u> |

Split of Government/Non-Government Receivables

Receivables with Other ACT Government Agencies

| | | |
|---|---------------------|---------------------|
| Net Trade Receivables | 5,712 | 4,898 |
| Net Other Receivables | 1,661 | 51 |
| Accrued Revenue | 732 | 859 |
| Total Receivables with Other ACT Government Agencies | <u>8,105</u> | <u>5,808</u> |

Receivables with Entities Outside Government

| | | |
|---|---------------------|---------------------|
| Net Trade Receivables | 2,624 | 2,487 |
| Net Other Receivables | 23 | 387 |
| Accrued Revenue | 976 | 1,007 |
| Net GST Receivable | 2,082 | 1,805 |
| Total Receivables with Entities Outside Government | <u>5,705</u> | <u>5,686</u> |

| | | |
|--------------------------|----------------------|----------------------|
| Total Receivables | <u>13,810</u> | <u>11,494</u> |
|--------------------------|----------------------|----------------------|

Department of Urban Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2006

NOTE 22 INVENTORY

| | 2006 | 2005 |
|--------------------------------|----------------------------|----------------------------|
| | \$'000 | \$'000 |
| Current Inventory | | |
| Raw Materials | 962 | 1,045 |
| Finished Goods | 2,411 | 2,430 |
| Total Current Inventory | <u>3,373</u> | <u>3,475</u> |
| Total Inventory | <u><u>3,373</u></u> | <u><u>3,475</u></u> |

Department of Urban Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2006

NOTE 23 INVESTMENT PROPERTY

The Department of Urban Services has identified 28 properties (land and buildings) that meet the definition of an 'investment property'. Independent valuations were obtained for all investment properties from the Australian Valuation Office with the total valuations being shown below:

| | 2006 | 2005 |
|----------------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Investment Property | 29,259 | 21,858 |
| Total Investment Property | 29,259 | 21,858 |

Reconciliation of Investment Property

| | | |
|--|---------------|---------------|
| Carrying Amount - Beginning of the Reporting Period | 21,858 | 21,109 |
| Additions | 509 | - |
| Net Gains from Fair Value Adjustments | 6,892 | 749 |
| Carrying Amount - End of the Reporting Period | 29,259 | 21,858 |

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

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

The amount recognised as rental income from investment property in 2005-06 was \$749,000. The operating expenses arising from investment property that generated rental income in 2005-06 was \$428,000. The operating expenses arising from investment property that did not generate income in 2005-06 was \$20,000.

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

In September 2005, the Department of Urban Services entered into a deed of agreement for works to be undertaken over a three-year period on the Hotel Kurrajong (classified as an investment property).

Department of Urban Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2006

NOTE 24 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment includes the following classes of assets – land, buildings, leasehold improvements, plant and equipment, infrastructure assets and heritage and community assets. Property, plant and equipment does not include investment property (refer Note 23).

Land includes leasehold land held by the Department of Urban Services, but excludes land held for sale and land under infrastructure.

Buildings held by the Department of Urban Services include both office buildings and warehouses.

Leasehold improvements represent capital expenditure incurred in relation to leased assets. This includes fit-outs of leased buildings undertaken by the Department of Urban Services.

Plant and Equipment includes mobile plant, air conditioning and heating systems, office and computer equipment, furniture and fittings, motor vehicles, and other mechanical and electronic equipment.

Infrastructure assets comprise public utilities that provide essential services and enhance the productive capacity of the economy. Infrastructure assets held include roads, bridges, stormwater assets, carparks, streetlights, community paths, traffic signals, driveways, signs and barriers. Land under infrastructure is not included in infrastructure assets.

Heritage assets are defined as those non-current assets that Government intends to preserve indefinitely because of their unique historical, cultural or environmental attributes. A common feature of heritage assets is that they cannot be replaced and they are not usually available for sale or for redeployment. Heritage assets held include art, museum and library collections, historical buildings, other cultural assets and other certain land that will be preserved in its existing state to maintain the intrinsic value of the Territory.

Community assets are those assets that are provided essentially for general community use or services. Community assets held include public parks and gardens, public sporting reserves, public nature reserves, and land under infrastructure (excluding roads).

Trees

In addition to property, plant and equipment (as detailed on the following pages), the Department manages trees in urban open spaces in Canberra. The financial report excludes recognition of any value for these trees. However, a study has established the following valuation based upon replacement costs determined as at 30 June 2002.

| Trees in Urban Open Space | 2006 | 2006 | 2005 | 2005 |
|----------------------------------|-----------------|----------------|-----------------|----------------|
| | Number | Actual | Number | Actual |
| | of Trees | Value | of Trees | Value |
| | '000 | \$'000 | '000 | \$'000 |
| Native Species | 260 | 23,000 | 260 | 23,000 |
| Exotic Species | 367 | 77,000 | 367 | 77,000 |
| | 627 | 100,000 | 627 | 100,000 |

Department of Urban Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2006

NOTE 24 PROPERTY, PLANT AND EQUIPMENT - CONTINUED

| | 2006 | 2005 |
|---|----------------|----------------|
| | \$'000 | \$'000 |
| LAND | | |
| Land at Cost | 6,071 | 6,071 |
| Total Land at Cost | 6,071 | 6,071 |
| Land at Independent Valuation - progressively valued between 2001-2005 | 100,137 | 98,250 |
| Land Restoration at Urban Services Valuation (waste landfill sites) | 7,898 | 7,898 |
| Less: Accumulated Depreciation - Land Restoration (waste landfill sites) | (6,349) | (6,122) |
| Total Land at Valuation | 101,686 | 100,026 |
| Total Written Down Value of Land | 107,757 | 106,097 |
| BUILDINGS | | |
| Buildings at Cost | 55,517 | 57,362 |
| Less: Accumulated Depreciation | (10,478) | (9,637) |
| Total Buildings at Cost | 45,039 | 47,725 |
| Buildings at Independent Valuation - progressively valued between 2001-2005 | 144,925 | 135,218 |
| Less: Accumulated Depreciation | (8,786) | (2,383) |
| Total Buildings at Valuation | 136,139 | 132,835 |
| Total Written Down Value of Buildings | 181,178 | 180,560 |
| LEASEHOLD IMPROVEMENTS | | |
| Leasehold Improvements at Cost | 10,454 | 8,291 |
| Less: Accumulated Depreciation | (7,852) | (6,859) |
| Total Leasehold Improvements at Cost | 2,602 | 1,432 |
| Total Written Down Value of Leasehold Improvements | 2,602 | 1,432 |
| PLANT AND EQUIPMENT | | |
| Plant and Equipment Under Finance Leases | | |
| Plant and Equipment at Cost | 10,188 | 10,188 |
| Less: Accumulated Depreciation | (9,622) | (9,587) |
| Total Plant and Equipment Under Finance Leases at Cost | 566 | 601 |
| Plant and Equipment Not Under Finance Leases | | |
| Plant and Equipment at Cost | 28,326 | 23,539 |
| Less: Accumulated Depreciation | (16,755) | (13,884) |
| Total Plant and Equipment Not Under Finance Leases at Cost | 11,571 | 9,655 |
| Total Written Down Value of Plant and Equipment | 12,137 | 10,256 |

Department of Urban Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2006

NOTE 24 PROPERTY, PLANT AND EQUIPMENT - CONTINUED

| | 2006 | 2005 |
|--|------------------|------------------|
| | \$'000 | \$'000 |
| INFRASTRUCTURE ASSETS | | |
| Roads | | |
| Roads at Valuation - valued by Urban Services in 2006 | 2,842,388 | 2,236,389 |
| Less: Accumulated Depreciation | (977,496) | (749,656) |
| Total Roads at Valuation | 1,864,892 | 1,486,733 |
| | | |
| Roads at Cost | - | 215,233 |
| Less: Accumulated Depreciation | - | (3,934) |
| Total Roads at Cost | - | 211,299 |
| | | |
| Total Written Down Value of Roads | 1,864,892 | 1,698,032 |
| | | |
| Bridges | | |
| Bridges at Valuation -valued by Urban Services in 2003. | 581,471 | 581,471 |
| Less: Accumulated Depreciation | (170,600) | (164,818) |
| Total Bridges at Valuation | 410,871 | 416,653 |
| | | |
| Bridges at Cost | 16,581 | 13,749 |
| Less: Accumulated Depreciation | (363) | (212) |
| Total Bridges at Cost | 16,218 | 13,537 |
| | | |
| Total Written Down Value of Bridges | 427,089 | 430,190 |
| | | |
| Stormwater Assets | | |
| Stormwater Assets at Valuation - valued by Urban Services in 2004 | 2,040,805 | 2,040,805 |
| Less: Accumulated Depreciation | (693,873) | (673,465) |
| Total Stormwater at Valuation | 1,346,932 | 1,367,340 |
| | | |
| Stormwater Assets at Cost | 28,594 | 18,503 |
| Less: Accumulated Depreciation | (314) | (94) |
| Total Stormwater at Cost | 28,280 | 18,409 |
| | | |
| Total Written Down Value of Stormwater Assets | 1,375,212 | 1,385,749 |
| | | |
| Cyclepaths and Footpaths | | |
| Cyclepaths and Footpaths at Valuation - valued by Urban Services in 2003 | 113,867 | 113,866 |
| Less: Accumulated Depreciation | (51,195) | (48,348) |
| Total Cyclepaths and Footpaths at Valuation | 62,672 | 65,518 |
| | | |
| Cyclepaths and Footpaths at Cost | 16,043 | 10,400 |
| Less: Accumulated Depreciation | (553) | (247) |
| Total Cyclepaths and Footpaths at Cost | 15,490 | 10,153 |
| | | |
| Total Written Down Value of Cyclepaths and Footpaths | 78,162 | 75,671 |

Department of Urban Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2006

NOTE 24 PROPERTY, PLANT AND EQUIPMENT - CONTINUED

| | 2006 | 2005 |
|---|------------------|------------------|
| | \$'000 | \$'000 |
| Other Infrastructure | | |
| Other Infrastructure at Valuation - valued by Urban Services 2003-2006 | 487,459 | 470,015 |
| Less: Accumulated Depreciation | (232,813) | (217,714) |
| Less: Accumulated Impairment Losses | (2,770) | (2,770) |
| Total Other Infrastructure at Valuation | 251,876 | 249,531 |
| Other Infrastructure at Cost | 20,711 | 13,213 |
| Less: Accumulated Depreciation | (1,009) | (207) |
| Total Other Infrastructure at Cost | 19,702 | 13,006 |
| Total Written Down Value of Other infrastructure | 271,578 | 262,537 |
| Total Written Down Value of Infrastructure Assets | 4,016,933 | 3,852,179 |
| COMMUNITY AND HERITAGE ASSETS | | |
| Land (Community and Heritage Assets) | | |
| Land (Community and Heritage Assets) at Cost | 90,037 | 90,037 |
| Total Land (Community and Heritage Assets) at Cost | 90,037 | 90,037 |
| Library Materials | | |
| Library Materials at Cost | - | 10,398 |
| Less: Accumulated Depreciation | - | (3,480) |
| Total Library Materials at Cost | - | 6,918 |
| Library Materials at Independent Valuation in 2006 | 19,523 | - |
| Less: Accumulated Depreciation | (9,420) | - |
| Total Library Materials at Valuation | 10,103 | - |
| Specific Community and Heritage Assets | | |
| The following assets are included with a nominal value of \$1,000 each | | |
| Parks in the ACT, not otherwise shown | 1 | 1 |
| Acton Jetty | 1 | 1 |
| Lake Ginninderra | 1 | 1 |
| Lake Tuggeranong | 1 | 1 |
| Molonglo Reach | 1 | 1 |
| Rose Cottage | 1 | 1 |
| Other Infrastructure | 1 | 1 |
| Total Specific Community and Heritage Assets | 7 | 7 |
| Other Community and Heritage Assets | | |
| Miscellaneous improvements in ACT community and heritage parks and reserves (eg landscaping, playgrounds, flagpoles, barbeques) | | |
| Other Community and Heritage Assets at Cost | 107,644 | 116,120 |
| Less: Accumulated Depreciation | (31,108) | (33,769) |
| Total Other Community and Heritage Assets at Cost | 76,536 | 82,351 |
| Total Written Down Value of Community and Heritage Assets | 176,683 | 179,313 |
| TOTAL WRITTEN DOWN VALUE OF PROPERTY, PLANT AND EQUIPMENT | 4,497,290 | 4,329,837 |

Department of Urban Services
Notes to and Forming Part of the Financial Report
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NOTE 24 PROPERTY, PLANT AND EQUIPMENT – CONTINUED

Reconciliation of Property, Plant and Equipment

The following table shows the movement of Property, Plant and Equipment during 2005-06.

| | Land \$'000 | Buildings \$'000 | Leasehold Improvements \$'000 | Plant and Equipment \$'000 | Infrastructure Assets \$'000 | Community and Heritage Assets \$'000 | Total \$'000 |
|---|----------------|---------------------|-------------------------------------|----------------------------------|------------------------------------|---|------------------|
| | | | | | | | |
| Carrying Amount at the Beginning of the Reporting Period | 106,097 | 180,560 | 1,432 | 10,256 | 3,852,179 | 179,313 | 4,329,837 |
| Additions | 60 | 1,677 | 18 | 5,617 | 29,678 | 3,400 | 40,450 |
| Disposals | - | - | - | (16) | - | - | (16) |
| Revaluation Increment/(Decrement) | - | - | - | - | 166,020 | 2,305 | 168,325 |
| Depreciation | (227) | (6,775) | (996) | (3,508) | (65,398) | (5,409) | (82,313) |
| Acquisition/(Disposal) from Transfers | 858 | 3,669 | 2,148 | (61) | 34,454 | 90 | 41,158 |
| Write offs | - | - | - | (151) | - | - | (151) |
| Other Movements | 969 | 2,047 | - | - | - | (3,016) | - |
| Carrying Amount at the End of the Reporting Period | 107,757 | 181,178 | 2,602 | 12,137 | 4,016,933 | 176,683 | 4,497,290 |

Department of Urban Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2006

NOTE 25 INTANGIBLE ASSETS

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

| | 2006 | 2005 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Computer Software | | |
| <i>Internally Generated Software</i> | | |
| Computer Software at Cost | 17,772 | 14,921 |
| Less: Accumulated Amortisation | (7,349) | (4,391) |
| <i>Total Internally Generated Software</i> | 10,423 | 10,530 |
| <i>Externally Purchased Software</i> | | |
| Computer Software at Cost | - | - |
| Less: Accumulated Amortisation | - | - |
| <i>Total Externally Purchased Software</i> | - | - |
| Total Computer Software | 10,423 | 10,530 |
| Total Intangible Assets | 10,423 | 10,530 |

Reconciliation of Intangible Assets

The following table shows the movement of Intangible Assets from the beginning to the end of 2005-06.

| | Internally Generated Software \$'000 | Externally Purchased Software \$'000 | Total \$'000 |
|---|---|---|-------------------------|
| Carrying Amount at the Beginning of the Reporting Period | 10,530 | - | 10,530 |
| Additions | 2,851 | - | 2,851 |
| Amortisation | (2,958) | - | (2,958) |
| Carrying Amount at the End of the Reporting Period | 10,423 | - | 10,423 |

Department of Urban Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2006

NOTE 26 CAPITAL WORKS IN PROGRESS

Capital Works in Progress are assets being constructed over periods of time in excess of the present reporting period. These assets mainly consist of construction works being undertaken on infrastructure assets such as the Gungahlin Drive Extension.

| | 2006 | 2005 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| The following capital works projects had not been completed at the end of the reporting period: | | |
| Capital Works in Progress (mainly construction of infrastructure) | 60,382 | 53,373 |
| Total Capital Works in Progress | 60,382 | 53,373 |

Reconciliation of Assets under Construction

The following shows the movement of assets under construction from the beginning to end of 2005-06:

| | | |
|--|---------------|---------------|
| Carrying Amount at the Beginning of the Reporting Period | 53,373 | 37,013 |
| Additions | 48,729 | 59,225 |
| Completed Works and Transferred out to Property, Plant and Equipment | (35,221) | (39,284) |
| Completed Works Transferred to Intangibles | (2,851) | - |
| Transfers out of the Department | - | (2,306) |
| Capital Works Expensed | (3,648) | (1,275) |
| Carrying Amount at the End of the Reporting Period * | 60,382 | 53,373 |

* The increase in capital works in progress mainly relates to the continuation of works on the Gungahlin Drive Extension.

NOTE 27 OTHER ASSETS

| | 2006 | 2005 |
|---------------------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Current Other Assets | | |
| Prepayments | 1,753 | 1,449 |
| Total Current Other Assets | 1,753 | 1,449 |
| Non-Current Other Assets | | |
| Other | 55 | 55 |
| Total Non-Current Other Assets | 55 | 55 |
| Total Other Assets | 1,808 | 1,504 |

Department of Urban Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2006

NOTE 28 PAYABLES

| | 2006 | 2005 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Current Payables | | |
| Trade Payables * | 101 | 4,721 |
| Other Payables | 3,430 | 4,349 |
| Accrued Expenses | 7,998 | 6,122 |
| Total Current Payables | 11,529 | 15,192 |
| Non-Current Payables | | |
| Trade Payables | 167 | 235 |
| Total Non-Current Payables | 167 | 235 |
| Total Payables | 11,696 | 15,427 |
| * Note: The decrease in trade payables reflects the early payment of the majority of accounts to effect a systems restructure. | | |
| Payables are aged as follows: | | |
| Not Overdue | 11,696 | 12,391 |
| Overdue for Less than 30 Days | - | 2,789 |
| Overdue for 30 to 60 Days | - | 141 |
| Overdue for More than 60 Days | - | 106 |
| Total Payables | 11,696 | 15,427 |
| Split of Government/Non-Government Payables | | |
| Payables with Other ACT Government Agencies | | |
| Trade Payables | 16 | 1,342 |
| Other Payables | 69 | 686 |
| Accrued Expenses | 973 | 1,505 |
| Total Payables with Other ACT Government Agencies | 1,058 | 3,533 |
| Payables with Entities Outside ACT Government | | |
| Trade Payables | 252 | 3,614 |
| Other Payables | 3,361 | 3,663 |
| Accrued Expenses | 7,025 | 4,617 |
| Total Payables with Entities Outside ACT Government | 10,638 | 11,894 |
| Total Payables | 11,696 | 15,427 |

Department of Urban Services
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For the Year Ended 30 June 2006

NOTE 29 INTEREST-BEARING LIABILITIES

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

| | 2006 | 2005 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Current Interest-Bearing Liabilities | | |
| Finance Lease | | |
| Finance Lease Liability | 58 | 54 |
| Total Current Finance Lease | 58 | 54 |
| Borrowings | | |
| Commonwealth Government | - | 213 |
| Debt to the private sector for construction of ACT Government buildings * | 3,993 | 3,499 |
| Debt to the private sector for waste management facilities ** | 975 | 894 |
| Total Current Borrowings | 4,968 | 4,606 |
| Total Current Interest-Bearing Liabilities | 5,026 | 4,660 |
| Non-Current Interest-Bearing Liabilities | | |
| Finance Lease | | |
| Finance Lease Liability | 171 | 229 |
| Total Non-Current Finance Lease | 171 | 229 |
| Borrowings | | |
| Commonwealth Government | - | 3,629 |
| Debt to the private sector for construction of ACT Government buildings * | 25,185 | 29,178 |
| Debt to the private sector for waste management facilities ** | 5,587 | 6,561 |
| Total Non-Current Borrowings | 30,772 | 39,368 |
| Total Non-Current Interest-Bearing Liabilities | 30,943 | 39,597 |
| Total Interest-Bearing Liabilities | 35,969 | 44,257 |

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

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

Department of Urban Services
Notes to and Forming Part of the Financial Report
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NOTE 29 INTEREST-BEARING LIABILITIES – CONTINUED

Finance Lease

The Department of Urban Services holds one finance lease for an industrial iron used by the Capital Linen Service. The interest rate applicable for this finance lease is 8.69% and the lease has been taken up as a finance lease liability and a leased asset.

| | 2006 | 2005 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Finance lease commitments are payable as follows: | | |
| Within one year | 77 | 77 |
| Later than one year but not later than five years | 191 | 268 |
| Minimum Lease Payments | 268 | 345 |
| Less: Future Finance Lease Charges | (39) | (62) |
| Amount Recognised as a Liability | 229 | 283 |
| Total Present Value of Minimum Lease Payments | 229 | 283 |

The present value of the minimum lease payments are as follows:

| | | |
|--|------------|------------|
| Within one year | 58 | 54 |
| Later than one year but not later than five years | 171 | 229 |
| Total Present Value of Minimum Lease Payments | 229 | 283 |

Split on the Balance Sheet

Interest-Bearing Liabilities

| | | |
|--|---------------|---------------|
| Current Interest-Bearing Liabilities | 4,968 | 4,606 |
| Non-Current Interest-Bearing Liabilities | 30,772 | 39,368 |
| | 35,740 | 43,974 |

Finance Leases

| | | |
|-------------------------------------|------------|------------|
| Current Finance Lease Liability | 58 | 54 |
| Non-Current Finance Lease Liability | 171 | 229 |
| | 229 | 283 |

| | | |
|---|---------------|---------------|
| Total Interest-Bearing Liabilities | 35,969 | 44,257 |
|---|---------------|---------------|

Credit Facilities

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

Department of Urban Services
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NOTE 30 EMPLOYEE BENEFITS

| | 2006 | 2005 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Current Employee Benefits | | |
| Annual Leave | 7,789 | 8,383 |
| Long Service Leave | 10,693 | 11,086 |
| Accrued Salaries | 464 | 461 |
| Other Benefits | 1 | 8 |
| Total Current Employee Benefits | 18,947 | 19,938 |
| Non-Current Employee Benefits | | |
| Long Service Leave | 632 | 652 |
| Total Non-Current Employee Benefits | 632 | 652 |
| Total Employee Benefits | 19,579 | 20,590 |
| Estimate of Employee Benefits Payable within 12 months | | |
| Annual Leave | 7,399 | 7,963 |
| Long Service Leave | 566 | 586 |
| Accrued Salaries | 464 | 461 |
| Other Benefits | 1 | 8 |
| Total Employee Benefits Payable within 12 months | 8,430 | 9,018 |
| Estimate of Employee Benefits Payable after 12 months | | |
| Annual Leave | 390 | 420 |
| Long Service Leave | 10,759 | 11,152 |
| Accrued Salaries | - | - |
| Other Benefits | - | - |
| Total Employee Benefits Payable after 12 months | 11,149 | 11,572 |
| Total Employee Benefits | 19,579 | 20,590 |

Department of Urban Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2006

NOTE 31 OTHER PROVISIONS

Provision for Restoration of Waste Landfill Sites

The Department of Urban Services has made provision for the future restoration of the Mugga Lane and Belconnen waste landfill sites.

| | 2006 | 2005 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Non-Current Other Provisions | | |
| Provision for Restoration of Waste Landfill Sites | 8,761 | 8,318 |
| Total Non-Current Other Provisions | 8,761 | 8,318 |
| | | |
| Total Other Provisions | 8,761 | 8,318 |

NOTE 32 OTHER LIABILITIES

| | 2006 | 2005 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Current Other Liabilities | | |
| Revenue Received in Advance | 1,655 | 2,118 |
| Project Funding Raised in Advance * | 3,004 | - |
| Rent Raised in Advance ** | 1,512 | - |
| Cash Collected on Behalf of Other Entities | 2,062 | 4,826 |
| Other | - | 35 |
| Total Current Other Liabilities | 8,233 | 6,979 |
| | | |
| Total Other Liabilities | 8,233 | 6,979 |

* Note: Relates to invoices raised in advance for works to be undertaken in relation to facilities management.

** Note: Relates to rent invoices raised in advance covering the period 1 July 2006 to 30 September 2006.

Department of Urban Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2006

NOTE 33 EQUITY

| | 2006 | 2005 |
|---------------------------|------------------|------------------|
| | \$'000 | \$'000 |
| Accumulated Funds | 3,932,762 | 3,919,723 |
| Asset Revaluation Reserve | 609,239 | 440,914 |
| Total Equity | 4,542,001 | 4,360,637 |

Movements in Equity during the Reporting Period

Accumulated Funds

| | | |
|--|------------------|------------------|
| Balance at the Beginning of the Reporting Period | 3,919,723 | 3,929,067 |
| Capital Injection | 48,835 | 54,263 |
| Decrease in Net Assets due to Administrative Restructure | (94) | (31,377) |
| Operating Deficit | (31,327) | (27,938) |
| Dividends Paid | (4,375) | (4,292) |
| Balance at the End of the Reporting Period | 3,932,762 | 3,919,723 |

Asset Revaluation Reserve

Land Revaluation Reserve

| | | |
|--|---------------|---------------|
| Opening Balance | 14,512 | 5,513 |
| Increment / (Decrement) | - | 8,272 |
| Transfers from Chief Minister's Department | - | 727 |
| Closing Balance | 14,512 | 14,512 |

Infrastructure Revaluation Reserve

| | | |
|--|----------------|----------------|
| Opening Balance | 277,394 | 274,980 |
| Increment / (Decrement) - revaluation of roads, carparks and traffic signals | 166,020 | 2,414 |
| Closing Balance | 443,414 | 277,394 |

Building Revaluation Reserve

| | | |
|--|---------------|---------------|
| Opening Balance | 13,437 | 24,256 |
| Increment / (Decrement) | - | (610) |
| Transfers to Chief Minister's Department | - | (10,209) |
| Closing Balance | 13,437 | 13,437 |

Community and Heritage Assets Revaluation Reserve

| | | |
|--|----------------|----------------|
| Opening Balance | 135,571 | 135,618 |
| Increment / (Decrement) - revaluation of library materials | 2,305 | (47) |
| Closing Balance | 137,876 | 135,571 |

Total Asset Revaluation Reserve

| | | |
|---|----------------|----------------|
| Balance at the Beginning of the Reporting Period | 440,914 | 440,367 |
| Increment / (Decrement) | 168,325 | 547 |
| Balance at the End of the Reporting Period | 609,239 | 440,914 |

Department of Urban Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2006

NOTE 34 FINANCIAL INSTRUMENTS – CONTINUED

Interest Rate Risk

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

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Department of Urban Services' credit risk is limited to the carrying amount of the financial assets it holds net of any provision for loss. There is no significant concentration of credit risk that has been identified by the Department of Urban Services.

Fair Value of Financial Assets and Liabilities

The fair value of cash and cash equivalents is the carrying value recorded in the accounts of the Department of Urban Services. The Department holds investments with the Central Financing Unit in the 'Cash Enhanced Fund', which is measured at cost.

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

| | Carrying Amount 2006 \$'000 | Fair Value 2006 \$'000 | Carrying Amount 2005 \$'000 | Fair Value 2005 \$'000 |
|--|--------------------------------------|------------------------------|--------------------------------------|------------------------------|
| Financial Assets (at fair value) | | | | |
| Cash on Hand and Cash at Bank | 9,395 | 9,395 | 13,224 | 13,224 |
| Investments with Central Financing Unit | 499 | 499 | 10,913 | 10,913 |
| Receivables | 13,810 | 13,810 | 11,494 | 11,494 |
| Total Financial Assets (at fair value) | 23,704 | 23,704 | 35,631 | 35,631 |
| Financial Liabilities (at fair value) | | | | |
| Payables | 11,696 | 11,696 | 15,427 | 15,427 |
| Borrowings - Government Buildings | 29,178 | 29,178 | 32,677 | 32,677 |
| Borrowings - Commonwealth | - | - | 3,842 | 3,842 |
| Borrowings - Waste Management Facilities | 6,562 | 6,562 | 7,454 | 7,454 |
| Finance Lease Liability | 229 | 229 | 283 | 283 |
| Total Financial Liabilities (at fair value) | 47,665 | 47,665 | 59,683 | 59,683 |

Department of Urban Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2006

NOTE 35 COMMITMENTS

| | 2006 | 2005 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Capital Commitments | | |
| Capital commitments contracted at reporting date that have not been recognised as liabilities are as follows: | | |
| <i>Property, Plant and Equipment Capital Commitments</i> | | |
| Payable: | | |
| Within one year | 21,704 | 41,692 |
| Later than one year but not later than five years | 9,682 | - |
| <i>Total Property, Plant and Equipment Capital Commitments</i> | 31,386 | 41,692 |
| <i>Intangible Asset Capital Commitments</i> | | |
| Payable: | | |
| Within one year | 119 | 456 |
| <i>Total Intangible Asset Capital Commitments</i> | 119 | 456 |
| Total Capital Commitments * | 31,505 | 42,148 |

* Note: Decrease in capital commitments relates to a reduction in Roads ACT contracts.

Other Commitments

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

| | | |
|---|---------------|---------------|
| Within one year | 19,731 | 25,612 |
| Later than one year but not later than five years | 44,157 | 31,670 |
| Later than five years | 31,100 | - |
| Total Other Commitments * | 94,988 | 57,282 |

* Note: The increase in other commitments mainly relates to an increase in long-term waste management contracts.

Operating Lease Commitments

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

Non - Cancellable Operating Lease Commitments

Non-cancellable operating lease commitments are payable as follows:

| | | |
|---|----------------|---------------|
| Within one year | 37,236 | 21,002 |
| Later than one year but not later than five years | 57,889 | 62,947 |
| Later than five years | 21,454 | 11,158 |
| Total Operating Lease Commitments | 116,579 | 95,107 |

* Note: The increase in operating lease commitments mainly relates to an increase in the rental of new office accommodation at Fairbairn.

Department of Urban Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2006

NOTE 36 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent Liabilities

The ACT Government Solicitor has advised that the Department of Urban Services is subject to various claims as at the reporting date with the total contingent liability being shown below:

| | 2006 | 2005 |
|--|---------------------|----------------------|
| | \$'000 | \$'000 |
| Contingent Liabilities | | |
| Estimated potential liability in relation to the Department's operations | 9,604 | 14,167 |
| Total Contingent Liabilities | <u><u>9,604</u></u> | <u><u>14,167</u></u> |

Contingent Assets

The Department had no contingent assets as at the reporting date.

Department of Urban Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2006

NOTE 37 CASH FLOW RECONCILIATION

| | 2006 | 2005 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Total Cash Disclosed in the Balance Sheet | 9,894 | 24,137 |
| Cash at the End of the Reporting Period as Recorded in the Cash Flow Statement | 9,894 | 24,137 |

Reconciliation of Net Cash Inflows from Operating Activities to the Operating Deficit

| | | |
|--|----------------|--------------|
| Operating Deficit | (31,327) | (27,938) |
| Add/(Less) Non-Cash Items | | |
| Depreciation of Property, Plant and Equipment | 82,313 | 78,636 |
| Amortisation | 2,958 | 2,545 |
| Write-off of Other Assets | 370 | 924 |
| Expensing of Capital Works in Progress | 3,648 | 1,191 |
| Land Restoration Borrowing Costs | 443 | 420 |
| Assets Transferred to Other Government Agencies | 1,224 | 1,065 |
| Bad and Doubtful Debts | 59 | 18 |
| Other non Cash items | (117) | - |
| Revaluation and Asset Adjustments | - | (1,125) |
| Transfers as a results of Administrative Arrangements | (94) | (7,973) |
| Assets Received Free of Charge | (42,626) | (42,039) |
| Liabilities Transferred to Other Government Agencies | (3,842) | - |
| Add/(Less) Items Classified as Investing or Financing | | |
| Net (Gain)/Loss on Disposal of Non-Current Assets | (1) | - |
| Unrealised Gain on Investment Property | (6,892) | (749) |
| Cash Before Changes in Operating Assets and Liabilities | 6,116 | 4,975 |
| Changes in Operating Assets and Liabilities | | |
| (Increase)/Decrease in Receivables | (2,316) | 14,045 |
| (Increase)/Decrease in Inventories | 102 | 369 |
| (Increase)/Decrease in Other Assets | (304) | 215 |
| Increase/(Decrease) in Payables | (3,731) | (8,437) |
| Increase/(Decrease) in Employee Benefits | (1,011) | (4,286) |
| Increase/(Decrease) in Other Liabilities | 1,254 | 264 |
| Net Changes in Operating Assets and Liabilities | (6,006) | 2,170 |
| Net Cash Inflows from Operating Activities | 110 | 7,145 |

Department of Urban Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2006

NOTE 38 EVENTS OCCURRING AFTER BALANCE DATE

Due to a restructure within the ACT Government, as from 1 July 2006 the Department of Urban Services became the Department of Territory and Municipal Services with various ACT Government agencies and functions being transferred to and from the Department. The significant structural changes are listed below together with the estimated net assets being transferred to / (from) the Department of Territory and Municipal Services.

Transferred In as from 1 July 2006

- ACT Forests from the Chief Minister's Department - \$77.1 million
- Sport and Recreation ACT from the Department of Economic Development - \$14.2 million
- Environment and Heritage from the Chief Minister's Department - \$15.5 million
- Stadiums Authority from the Department of Economic Development - \$4.1 million
- Australian Capital Tourism Corporation - \$4.2 million
- ACT Dragway from Chief Minister's Department - \$4 million
- Stromlo Forest from the Chief Minister's Department - \$2.5 million

Transferred Out as from 1 July 2007

- Finance, Human Resources, Publications, Records Management and Procurement functions to Shared Services - transfer out of \$1.8 million in liabilities
- Parking Operations to Justice and Community Services - transfer out of \$175,000 in liabilities

NOTE 39 THIRD PARTY MONIES

| | 2006 | 2005 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| The Department held the following monies at 30 June: | | |
| NRMA Third Party Insurance | | |
| Balance at the beginning of the reporting period | 2,316 | 5,635 |
| Cash Receipts | 133,685 | 97,635 |
| Cash Payments | (133,576) | (100,954) |
| Balance at the end of the reporting period | 2,425 | 2,316 |
| Total Third Party Monies held by the Department of Urban Services | 2,425 | 2,316 |

Department of Urban Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2006

NOTE 40 RECONCILIATION OF PREVIOUS GAAP TO AUSTRALIAN EQUIVALENTS TO IFRS

| Reconciliation of Operating Statement for the Year Ended 30 June 2005 | Note | Previous GAAP 30 June 2005 \$'000 | Transition to IFRS \$'000 | AIFRS 30 June 2005 \$'000 |
|--|-------------|--|--|--|
| Income | | | | |
| <i>Revenue</i> | | | | |
| Government Payment for Outputs | | 223,435 | - | 223,435 |
| User Charges - ACT Government | | 60,613 | - | 60,613 |
| User Charges - Non-ACT Government | | 18,313 | - | 18,313 |
| Interest | | 655 | - | 655 |
| Resources Received Free of Charge | | 627 | - | 627 |
| Other Revenue | | 5,804 | - | 5,804 |
| <i>Total Revenue</i> | | <u>309,447</u> | - | <u>309,447</u> |
| <i>Gains</i> | | | | |
| Other Gains | (b) | 42,039 | 749 | 42,788 |
| <i>Total Gains</i> | | <u>42,039</u> | <u>749</u> | <u>42,788</u> |
| Total Income | | <u>351,486</u> | <u>749</u> | <u>352,235</u> |
| Expenses | | | | |
| Employee Expenses | | 66,741 | - | 66,741 |
| Superannuation Expenses | | 9,003 | - | 9,003 |
| Supplies and Services | | 157,062 | - | 157,062 |
| Depreciation and Amortisation | (a, b, c) | 81,795 | (614) | 81,181 |
| Grants and Purchased Services | | 57,794 | - | 57,794 |
| Borrowing Costs | (a) | 3,923 | 420 | 4,343 |
| Other Expenses | | 4,049 | - | 4,049 |
| Total Expenses | | <u>380,367</u> | <u>(194)</u> | <u>380,173</u> |
| Operating Surplus/(Deficit) | | <u>(28,881)</u> | <u>943</u> | <u>(27,938)</u> |

Department of Urban Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2006

**NOTE 40 RECONCILIATION OF PREVIOUS GAAP TO AUSTRALIAN
EQUIVALENTS TO IFRS - CONTINUED**

| Reconciliation of the Balance Sheet as at 30 June 2005 | Previous GAAP 30 June 2005 | Transition to IFRS | AIFRS 30 June 2005 |
|---|----------------------------------|--------------------------|-----------------------|
| Note | \$'000 | \$'000 | \$'000 |
| Current Assets | | | |
| Cash and Cash Equivalents | 24,137 | - | 24,137 |
| Receivables | 11,494 | - | 11,494 |
| Inventories | 3,475 | - | 3,475 |
| Other | 1,449 | - | 1,449 |
| Total Current Assets | 40,555 | - | 40,555 |
| Non-Current Assets | | | |
| Investment Properties | (b) - | 21,858 | 21,858 |
| Property, Plant and Equipment | (a, b, c) 4,351,819 | (21,982) | 4,329,837 |
| Intangible Assets | 10,530 | - | 10,530 |
| Capital Works in Progress | 53,373 | - | 53,373 |
| Other | 55 | - | 55 |
| Total Non-Current Assets | 4,415,777 | (124) | 4,415,653 |
| Total Assets | 4,456,332 | (124) | 4,456,208 |
| Current Liabilities | | | |
| Payables | 15,192 | - | 15,192 |
| Interest-Bearing Liabilities | 4,606 | - | 4,606 |
| Finance Leases | 54 | - | 54 |
| Employee Benefits | (d) 9,512 | 10,426 | 19,938 |
| Other | 6,979 | - | 6,979 |
| Total Current Liabilities | 36,343 | 10,426 | 46,769 |
| Non-Current Liabilities | | | |
| Payables | 235 | - | 235 |
| Interest-Bearing Liabilities | 39,368 | - | 39,368 |
| Finance Leases | 229 | - | 229 |
| Employee Benefits | (d) 11,078 | (10,426) | 652 |
| Other Provisions | (a) - | 8,318 | 8,318 |
| Total Non-Current Liabilities | 50,910 | (2,108) | 48,802 |
| Total Liabilities | 87,253 | 8,318 | 95,571 |
| Net Assets | 4,369,079 | (8,442) | 4,360,637 |
| Equity | | | |
| Accumulated Funds | (a, b, c) 3,924,646 | (4,923) | 3,919,723 |
| Asset Revaluation Reserve | (b, c) 444,433 | (3,519) | 440,914 |
| Total Equity | 4,369,079 | (8,442) | 4,360,637 |

Department of Urban Services
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NOTE 40 RECONCILIATION OF PREVIOUS GAAP TO AUSTRALIAN EQUIVALENTS TO IFRS - CONTINUED

**Reconciliation of the Balance Sheet
as at 1 July 2004**

| | Note | Previous GAAP 1 July 2004 \$'000 | Transition to IFRS \$'000 | AIFRS 1 July 2004 \$'000 |
|--------------------------------------|-----------|---|------------------------------------|--------------------------------|
| Current Assets | | | | |
| Cash and Cash Equivalents | | 34,349 | - | 34,349 |
| Receivables | | 25,539 | - | 25,539 |
| Inventories | | 3,844 | - | 3,844 |
| Other | | 1,664 | - | 1,664 |
| Total Current Assets | | 65,396 | | 65,396 |
| Non-Current Assets | | | | |
| Investment Property | (b) | - | 21,109 | 21,109 |
| Property, Plant and Equipment | (a, b, c) | 4,370,498 | (21,847) | 4,348,651 |
| Intangible Assets | | 8,277 | - | 8,277 |
| Capital Works in Progress | | 37,013 | - | 37,013 |
| Other | | 55 | - | 55 |
| Total Non-Current Assets | | 4,415,843 | (738) | 4,415,105 |
| Total Assets | | 4,481,239 | (738) | 4,480,501 |
| Current Liabilities | | | | |
| Payables | | 21,569 | - | 21,569 |
| Interest-Bearing Liabilities | | 4,159 | - | 4,159 |
| Finance Leases | | 1,416 | - | 1,416 |
| Employee Benefits | (d) | 12,073 | 12,050 | 24,123 |
| Other | | 6,715 | - | 6,715 |
| Total Current Liabilities | | 45,932 | 12,050 | 57,982 |
| Non-Current Liabilities | | | | |
| Payables | | 177 | - | 177 |
| Interest-Bearing Liabilities | | 43,974 | - | 43,974 |
| Finance Leases | | 283 | - | 283 |
| Employee Benefits | (d) | 12,803 | (12,050) | 753 |
| Other Provisions | (a) | - | 7,898 | 7,898 |
| Total Non-Current Liabilities | | 57,237 | (4,152) | 53,085 |
| Total Liabilities | | 103,169 | 7,898 | 111,067 |
| Net Assets | | 4,378,070 | (8,636) | 4,369,434 |
| Equity | | | | |
| Accumulated Funds | (a, b, c) | 3,934,933 | (5,866) | 3,929,067 |
| Asset Revaluation Reserve | (b, c) | 443,137 | (2,770) | 440,367 |
| Total Equity | | 4,378,070 | (8,636) | 4,369,434 |

Department of Urban Services
Notes to and Forming Part of the Financial Report
For the Year Ended 30 June 2006

NOTE 40 RECONCILIATION OF PREVIOUS GAAP TO AUSTRALIAN EQUIVALENTS TO IFRS - CONTINUED

Reconciliation of Cash Flows

There is no material difference between the Cash Flow Statement presented under Australian Equivalents to IFRS's and the Cash Flow Statement presented under previous GAAP.

Notes to the Reconciliation of Equity:

(a) Future Restoration Cost of Waste Landfill Sites

Under previous Australian GAAP the costs associated with the future restoration and remediation of the Belconnen and Mugga Lane landfill sites were not recognised in the financial reports. However, under AIFRS, the cost of an item of property, plant and equipment includes the cost of restoring the site.

An estimate was derived for the future restoration and remediation of the Belconnen and Mugga Lane landfill sites with this cost (discounted to present value) being recognised as an asset as at 1 July 2004 with a corresponding provision being recognised for the future restoration and remediation of the two landfill sites.

Adjustment at 1 July 2004

The Department of Urban Services increased the land restoration asset by \$7,898,000 and accumulated depreciation for land restoration by \$5,896,000 (resulting in a net increase in property, plant and equipment) with equity increasing by \$2,002,000. In addition, a provision for landfill restoration was created with a balance of \$7,898,000 with a corresponding decrease in equity.

Adjustment at 30 June 2005

The Department of Urban Services increased the land restoration asset by \$7,898,000 and accumulated depreciation for land restoration by \$6,123,000 (resulting in a net increase in property, plant and equipment) with equity increasing by \$1,775,000. In addition, a provision for landfill restoration was created with a balance of \$8,318,000 with a corresponding decrease in equity.

(b) Investment Properties

Under previous Australian GAAP all properties were classified as property, plant and equipment. However, under AIFRS, properties (land or buildings) held to earn rentals or for capital appreciation or both (excluding property held for strategic purposes or to provide a social service by not-for-profit entities) are required to be classified and disclosed separately as 'Investment Property' in the financial reports.

The Department of Urban Services has determined that the 28 properties it rents out to commercial organisations fall within the scope of AASB 140 'Investment Property' and therefore need to be recognised as investment property. The effect of this change will be to remove the 28 properties from property, plant and equipment and create a new line item on the face of the Balance Sheet titled Investment Property. Investment properties are valued annually with any increase/decrease being recording in the Operating Statement.

Department of Urban Services
Notes to and Forming Part of the Financial Report
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NOTE 40 RECONCILIATION OF PREVIOUS GAAP TO AUSTRALIAN EQUIVALENTS TO IFRS - CONTINUED

(b) Investment Properties (continued)

Adjustment at 1 July 2004

The Department of Urban Services reduced land by \$7,392,000, buildings by \$11,417,000 and leasehold improvements by \$2,300,000 (resulting in a decrease of \$21,109,000 to property, plant and equipment) and increased investment property by \$21,109,000. In addition, an amount of \$30,000 was written back against accumulated depreciation (resulting in an increase to property, plant and equipment) with a corresponding increase in equity (accumulated funds).

Adjustment at 30 June 2005

The Department of Urban Services reduced land by \$8,470,000, buildings by \$11,088,000 and leasehold improvements by \$2,300,000 (resulting in a decrease of \$21,858,000 to property, plant and equipment) and increased investment property by \$21,858,000. In addition, an amount of \$618,000 was written back against accumulated depreciation (resulting in an increase to property, plant and equipment) with an increase of \$1,367,000 in accumulated funds and a decrease of \$749,000 in equity (asset revaluation reserve).

(c) Impairment Losses.

Under previous Australian GAAP the Department of Urban Services was not required to undertake impairment testing. However, under AIFRS it must make an assessment of impairment at least once a year. On assessment it was determined that the Belconnen Landfill was impaired due to its decommissioning on 15 May 2004.

Adjustment at 1 July 2004

The Department of Urban Services increased accumulated impairment losses (resulting in a decrease in property, plant and equipment) by \$2,770,000 and decreased equity (asset revaluation reserve) by the same amount.

Note: In accordance with AASB 136 'Impairment of Assets' paragraph 61.1 an impairment loss on a revalued asset such as the Belconnen Landfill is to be recognised directly against any asset revaluation reserve in respect of the same class of asset.

Adjustment at 30 June 2005

The Department of Urban Services increased accumulated impairment losses (resulting in a decrease in property, plant and equipment) by \$2,770,000 and decreased equity (asset revaluation reserve) by the same amount. In addition, an amount of \$253,000 was written back against accumulated depreciation (resulting in an increase in property, plant and equipment) with a corresponding increase in equity (accumulated funds).

Department of Urban Services
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For the Year Ended 30 June 2006

**NOTE 40 RECONCILIATION OF PREVIOUS GAAP TO AUSTRALIAN
EQUIVALENTS TO IFRS - CONTINUED**

(d) Employee Benefits

Under previous Australian GAAP the current and non-current classification of employee benefits in the balance sheet was based on an assessment of when the payment of the liability was expected to be made. Employee Benefits were classified as 'current' if payment of the liability was expected within the next 12 months. All other Employee Benefits were classified as 'non-current'.

Under AASB 101 Presentation of Financial Statements, employee benefits are to be classified as a current liability in the Balance Sheet if the Department does not have an unconditional right to defer payment for at least 12 months after the reporting date. The application of this requirement results in the majority of Employee Benefits (annual leave and long service leave) being reclassified from a non-current liability to a current liability.

Adjustment at 1 July 2004

The Department increased current employee benefits by \$12,050,000 and decreased non-current employee benefits by the same amount.

Adjustment at 30 June 2005

The Department increased current employee benefits by \$10,426,000 and decreased non-current employee benefits by the same amount.

