

# C2 Financial Statements

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AUDITOR-GENERAL AN OFFICER  
OF THE ACT LEGISLATIVE ASSEMBLY 

Sensitive: Auditor-General

A18/09

Ms Yvette Berry MLA  
Minister for Education and Early Childhood Development  
ACT Legislative Assembly  
London Circuit  
CANBERRA CITY ACT 2601

Dear Ms Berry

**AUDIT REPORT - EDUCATION DIRECTORATE  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

The Audit Office has completed the audit of the financial statements of the Education Directorate for the year ended 30 June 2018.

Attached is a copy of the audited financial statements and an unqualified audit report.

I have provided the original financial statements and audit report to the Director-General of the Education Directorate, Ms Natalie Howson.

Yours sincerely

A handwritten signature in black ink, appearing to read 'B Stanton'.

Brett Stanton  
Director, Performance Audits  
14 September 2018

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**INDEPENDENT AUDIT REPORT  
EDUCATION DIRECTORATE****To the Members of the ACT Legislative Assembly****Audit opinion**

I am providing an **unqualified audit opinion** on the financial statements of the Education Directorate (the Directorate) for the year ended 30 June 2018. These comprise the following financial statements and accompanying notes:

- Controlled financial statements – operating statement, balance sheet, statement of changes in equity, cash flow statement and statement of appropriation.
- Territorial financial statements – statement of income and expenses on behalf of the Territory, statement of assets and liabilities on behalf of the Territory, cash flow statement on behalf of the Territory and Territorial statement of appropriation.

In my opinion, the financial statements:

- (i) are presented in accordance with the *Financial Management Act 1996*, Australian Accounting Standards and other mandatory financial reporting requirements in Australia; and
- (ii) present fairly the financial position of the Directorate and results of its operations and cash flows.

**Basis for the audit opinion**

The audit was conducted in accordance with the Australian Auditing Standards. I have complied with the requirements of the Accounting Professional and Ethical Standards 110 *Code of Ethics for Professional Accountants*.

I believe that sufficient evidence was obtained during the audit to provide a basis for the audit opinion.

**Responsibility for preparing and fairly presenting the financial statements**

The Director-General of the Directorate is responsible for:

- preparing and fairly presenting the financial statements in accordance with the *Financial Management Act 1996* and relevant Australian Accounting Standards;
- determining the internal controls necessary for the preparation and fair presentation of the financial statements so that they are free from material misstatements, whether due to error or fraud; and
- assessing the ability of the Directorate to continue as a going concern and disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting in preparing the financial statements.

**Responsibility for the audit of the financial statements**

Under the *Financial Management Act 1996*, the Auditor-General is responsible for issuing an audit report that includes an independent audit opinion on the financial statements of the Directorate.



As required by Australian Auditing Standards, the auditors:

- applied professional judgement and maintained scepticism;
- identified and assessed the risks of material misstatements due to error or fraud and implemented procedures to address these risks so that sufficient evidence was obtained to form an audit opinion. The risk of not detecting material misstatements due to fraud is higher than the risk due to error, as fraud may involve collusion, forgery, intentional omissions or misrepresentations or the override of internal controls;
- obtained an understanding of internal controls to design audit procedures for forming an audit opinion;
- evaluated accounting policies and estimates used to prepare the financial statements and disclosures made in the financial statements;
- evaluated the overall presentation and content of the financial statements, including whether they present the underlying transactions and events in a manner that achieves fair presentation;
- reported the scope and timing of the audit and any significant deficiencies in internal controls identified during the audit to the Director-General; and
- assessed the going concern\* basis of accounting used in the preparation of the financial statements.

(\*Where the auditor concludes that a material uncertainty exists which casts significant doubt on the appropriateness of using the going concern basis of accounting, the auditor is required to draw attention in the audit report to the relevant disclosures in the financial statements or, if such disclosures are inadequate, the audit opinion is to be modified. The auditor's conclusions on the going concern basis of accounting are based on the audit evidence obtained up to the date of this audit report. However, future events or conditions may cause the entity to cease to continue as a going concern.)

#### Limitations on the scope of the audit

An audit provides a high level of assurance about whether the financial statements are free from material misstatements, whether due to fraud or error. However, an audit cannot provide a guarantee that no material misstatements exist due to the use of selective testing, limitations of internal control, persuasive rather than conclusive nature of audit evidence and use of professional judgement in gathering and evaluating evidence.

An audit does not provide assurance on the:

- reasonableness of budget information included in the financial statements;
- prudence of decisions made by the Directorate;
- adequacy of controls implemented by the Directorate; or
- integrity of the audited financial statements presented electronically or information hyperlinked to or from the financial statements. Assurance can only be provided for the printed copy of the audited financial statements.



Brett Stanton  
Director, Performance Audits

14 September 2018

**Financial Statements**  
**For the Year Ended**  
**30 June 2018**

**Education Directorate**

**Education Directorate  
Financial Statements  
For the Year Ended 30 June 2018**

**Statement of Responsibility**

In my opinion, the financial statements are in agreement with the Directorate's accounts and records and fairly reflect the financial operations of the Directorate for the year ended 30 June 2018 and the financial position of the Directorate on that date.



Natalie Howson  
Director-General  
Education Directorate

7 September 2018

**Education Directorate  
Financial Statements  
For the Year Ended 30 June 2018**

**Statement by the Chief Finance Officer**

In my opinion, the financial statements have been prepared in accordance with the Australian Accounting Standards, and are in agreement with the Directorate's accounts and records and fairly reflect the financial operations of the Directorate for the year ended 30 June 2018 and the financial position of the Directorate on that date.



Lynette Daly

Chief Finance Officer

Education Directorate

7 September 2018

**EDUCATION DIRECTORATE**

**CONTROLLED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
30 JUNE 2018**

**Education Directorate  
Operating Statement  
For the Year Ended 30 June 2018**

	Note No.	Actual 2018 \$'000	Original Budget 2018 \$'000	Actual 2017 \$'000
<b>Income</b>				
<i>Revenue</i>				
Controlled Recurrent Payments	4	662 146	670 059	628 063
User Charges	5	18 952	18 728	18 478
Interest		1 199	1 396	1 128
Distribution from Investments with the Territory Banking Account		61	84	90
Resources Received Free of Charge		688	666	595
Other Revenue	6	22 587	21 478	21 942
<b>Total Revenue</b>		<b>705 633</b>	<b>712 411</b>	<b>670 296</b>
<b>Total Income</b>		<b>705 633</b>	<b>712 411</b>	<b>670 296</b>
<b>Expenses</b>				
Employee Expenses	7	506 780	501 268	469 676
Superannuation Expenses	8	71 914	76 904	69 419
Supplies and Services	9	59 344	62 115	55 559
Depreciation and Amortisation	10	68 777	67 987	61 838
Grants and Purchased Services		2 231	3 450	2 709
School and Other Expenses	11	71 734	70 221	69 681
<b>Total Expenses</b>		<b>780 780</b>	<b>781 945</b>	<b>728 882</b>
<b>Operating (Deficit)</b>		<b>(75 147)</b>	<b>(69 534)</b>	<b>(58 586)</b>
<b>Other Comprehensive Income</b>				
(Decrease)/Increase in Asset Revaluation Surplus		(7 917)	120 202	140 553
<b>Total Other Comprehensive Income</b>		<b>(7 917)</b>	<b>120 202</b>	<b>140 553</b>
<b>Total Comprehensive (Deficit)/Surplus</b>		<b>(83 064)</b>	<b>50 668</b>	<b>81 967</b>

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



**Education Directorate  
Balance Sheet  
As at 30 June 2018**

	Note No.	Actual 2018 \$'000	Original Budget 2018 \$'000	Actual 2017 \$'000
<b>Current Assets</b>				
Cash and Cash Equivalents	14	72 389	79 419	77 819
Receivables	15	5 400	3 265	2 866
Investments	16	261	260	261
Other Assets - Prepayments		1 600	1 456	1 859
<b>Total Current Assets</b>		<b>79 650</b>	<b>84 400</b>	<b>82 805</b>
<b>Non-Current Assets</b>				
Investments	16	1 860	1 912	1 860
Property, Plant and Equipment	17	1 903 969	1 891 388	1 906 347
Intangible Assets	18	5 654	6 791	1 257
Capital Works in Progress	19	28 210	30 630	8 494
<b>Total Non-Current Assets</b>		<b>1 939 693</b>	<b>1 930 721</b>	<b>1 917 958</b>
<b>Total Assets</b>		<b>2 019 343</b>	<b>2 015 121</b>	<b>2 000 763</b>
<b>Current Liabilities</b>				
Payables	20	7 628	4 400	7 058
Employee Benefits	21	138 274	137 510	132 769
Other Liabilities	22	5 887	7 282	6 804
<b>Total Current Liabilities</b>		<b>151 789</b>	<b>149 192</b>	<b>146 631</b>
<b>Non-Current Liabilities</b>				
Employee Benefits	21	12 545	11 694	11 189
Other Liabilities	22	3 361	3 177	3 967
<b>Total Non-Current Liabilities</b>		<b>15 906</b>	<b>14 871</b>	<b>15 156</b>
<b>Total Liabilities</b>		<b>167 695</b>	<b>164 063</b>	<b>161 787</b>
<b>Net Assets</b>		<b>1 851 648</b>	<b>1 851 058</b>	<b>1 838 976</b>
<b>Equity</b>				
Accumulated Funds		853 677	865 521	833 088
Asset Revaluation Surplus	23	997 971	985 537	1 005 888
<b>Total Equity</b>		<b>1 851 648</b>	<b>1 851 058</b>	<b>1 838 976</b>

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

**Education Directorate  
Statement of Changes in Equity  
For the Year Ended 30 June 2018**

	Accumulated Funds Actual 2018 \$'000	Asset Revaluation Surplus Actual 2018 \$'000	Total Equity Actual 2018 \$'000	Original Budget 2018 \$'000
Note No.				
Balance at 1 July 2017	833 088	1 005 888	1 838 976	1 714 788
<b>Comprehensive Income</b>				
Operating (Deficit)	(75 147)	-	(75 147)	(69 534)
(Decrease)/Increase in the Asset Revaluation Surplus	-	(7 917)	(7 917)	120 202
<b>Total Comprehensive (Deficit)/Income</b>	<b>(75 147)</b>	<b>(7 917)</b>	<b>(83 064)</b>	<b>50 668</b>
<b>Transactions Involving Owners Affecting Accumulated Funds</b>				
Capital Injections	95 736	-	95 736	85 602
<b>Total Transactions Involving Owners Affecting Accumulated Funds</b>	<b>95 736</b>	<b>-</b>	<b>95 736</b>	<b>85 602</b>
<b>Balance at 30 June 2018</b>	<b>853 677</b>	<b>997 971</b>	<b>1 851 648</b>	<b>1 851 058</b>

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

**Education Directorate  
Statement of Changes in Equity - Continued  
For the Year Ended 30 June 2018**

	Accumulated Funds Actual 2017 \$'000	Asset Revaluation Surplus Actual 2017 \$'000	Total Equity Actual 2017 \$'000
Note No.			
Balance at 1 July 2016	865 704	865 335	1 731 039
<b>Comprehensive Income</b>			
Operating (Deficit)	(58 586)	-	(58 586)
Increase in Asset Revaluation Surplus	23	140 553	140 553
<b>Total Comprehensive (Deficit)/Income</b>	<b>(58 586)</b>	<b>140 553</b>	<b>81 967</b>
<b>Transactions Involving Owners Affecting Accumulated Funds</b>			
Capital Injections	25 970	-	25 970
<b>Total Transactions Involving Owners Affecting Accumulated Funds</b>	<b>25 970</b>	<b>-</b>	<b>25 970</b>
<b>Balance at 30 June 2017</b>	<b>833 088</b>	<b>1 005 888</b>	<b>1 838 976</b>

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

**Education Directorate  
Cash Flow Statement  
For the Year Ended 30 June 2018**

	Note No.	Actual 2018 \$'000	Original Budget 2018 \$'000	Actual 2017 \$'000
<b>Cash Flows from Operating Activities</b>				
<b>Receipts</b>				
Controlled Recurrent Payments		662 146	670 059	628 063
User Charges		17 428	18 728	19 054
Interest Received		1 199	1 396	1 128
Distribution from Investments with the Territory Banking Account		61	84	88
Other		22 128	21 478	21 230
Goods and Services Tax Received		21 402	19 352	16 331
<b>Total Receipts from Operating Activities</b>		<b>724 364</b>	<b>731 097</b>	<b>685 894</b>
<b>Payments</b>				
Employees		498 008	497 725	474 238
Superannuation		71 891	76 904	69 128
Supplies and Services		60 101	61 449	53 321
Grants and Purchased Services		2 231	3 450	2 709
Schools and Other		70 918	70 122	69 961
Goods and Services Tax Paid		23 016	19 352	16 319
<b>Total Payments from Operating Activities</b>		<b>726 165</b>	<b>729 002</b>	<b>685 676</b>
<b>Net Cash (Outflows)/ Inflows from Operating Activities</b>	28	<b>(1 801)</b>	<b>2 095</b>	<b>218</b>
<b>Cash Flows from Investing Activities</b>				
<b>Receipts</b>				
Proceeds from the Sale of Property, Plant and Equipment		54	-	180
<b>Payments</b>				
Purchase of Property, Plant and Equipment		98 812	87 526	28 968
<b>Net Cash (Outflows) from Investing Activities</b>		<b>(98 758)</b>	<b>(87 526)</b>	<b>(28 788)</b>
<b>Cash Flows from Financing Activities</b>				
<b>Receipts</b>				
Capital Injections		95 736	85 602	25 970
<b>Payments</b>				
Repayment of Loan		607	772	418
<b>Net Cash Inflows from Financing Activities</b>		<b>95 129</b>	<b>84 830</b>	<b>25 552</b>
<b>Net (Decrease) in Cash and Cash Equivalents Held</b>		<b>(5 430)</b>	<b>(601)</b>	<b>(3 018)</b>
Cash and Cash Equivalents at the Beginning of the Reporting Period		77 819	80 020	80 837
<b>Cash and Cash Equivalents at the End of the Reporting Period</b>	28	<b>72 389</b>	<b>79 419</b>	<b>77 819</b>

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

**Education Directorate  
Summary of Directorate Output Classes  
For the Year Ended 30 June 2018**

	Output Class 1 \$'000	Output Class 2 \$'000	Total \$'000
<b>2018</b>			
Total Income	702 369	3 264	705 633
Total Expenses	777 170	3 610	780 780
<b>Operating (Deficit)</b>	<b>(74 801)</b>	<b>(346)</b>	<b>(75 147)</b>
<b>2017</b>			
Total Income	666 819	3 477	670 296
Total Expenses	(725 042)	(3 840)	(728 882)
<b>Operating (Deficit)</b>	<b>(58 223)</b>	<b>(363)</b>	<b>(58 586)</b>



**Education Directorate**  
**Operating Statement for Output Class 1 - Public School Education**  
**For the Year Ended 30 June 2018**

**Description**

This output contributes to the provision of preschool, primary, high, secondary and special school education in public schools to all enrolled students, and regulation of education and care services.

	Actual 2018 \$'000	Original Budget 2018 \$'000	Actual 2017 \$'000
<b>Income</b>			
<i>Revenue</i>			
Controlled Recurrent Payments	559 178	566 826	524 878
User Charges	18 949	18 668	18 460
Interest	1 192	1 396	1 123
Distribution from Investments with the Territory Banking Account	61	83	90
Resources Received Free of Charge	686	661	592
Other Revenue	22 303	21 118	21 676
<b>Total Revenue</b>	<b>702 369</b>	<b>708 752</b>	<b>666 819</b>
<b>Total Income</b>	<b>702 369</b>	<b>708 752</b>	<b>666 819</b>
<b>Expenses</b>			
Employee Expenses	504 896	499 741	467 766
Superannuation Expenses	71 647	76 630	69 137
Supplies and Services	58 468	60 962	54 547
Depreciation and Amortisation	68 639	67 791	61 726
Grants and Purchased Services	1 801	2 745	2 197
Other Expenses	71 719	70 221	69 669
<b>Total Expenses</b>	<b>777 170</b>	<b>778 090</b>	<b>725 042</b>
<b>Operating (Deficit)</b>	<b>(74 801)</b>	<b>(69 338)</b>	<b>(58 223)</b>

**Education Directorate**  
**Operating Statement for Output Class 2 - Non Government Education**  
**For the Year Ended 30 June 2018**

**Description**

This output contributes to the maintenance of standards in non-government schools and home education through compliance and registration, accreditation and certification of senior secondary courses, support and liaison with the non-government sector, administration and payment of Commonwealth Government and Territory grants for the non-government sector and the conduct of an annual non-government schools census.

	Actual 2018 \$'000	Original Budget 2018 \$'000	Actual 2017 \$'000
<b>Income</b>			
<i>Revenue</i>			
Controlled Recurrent Payments	2 968	3 233	3 185
User Charges	3	60	18
Interest	7	-	5
Distribution from Investments with the Territory Banking Account	-	1	-
Resources Received Free of Charge	2	5	3
Other Revenue	284	360	266
<b>Total Revenue</b>	<b>3 264</b>	<b>3 659</b>	<b>3 477</b>
<b>Total Income</b>	<b>3 264</b>	<b>3 659</b>	<b>3 477</b>
<b>Expenses</b>			
Employee Expenses	1 884	1 527	1 910
Superannuation Expenses	267	274	282
Supplies and Services	876	1 153	1 012
Depreciation and Amortisation	138	196	112
Grants and Purchased Services	430	705	512
Other Expenses	15	-	12
<b>Total Expenses</b>	<b>3 610</b>	<b>3 855</b>	<b>3 840</b>
<b>Operating (Deficit)</b>	<b>(346)</b>	<b>(196)</b>	<b>(363)</b>

**Education Directorate  
Financial Statements  
For the Year Ended 30 June 2018**

**DISAGGREGATED DISCLOSURE OF ASSETS AND LIABILITIES**

Year Ended 30 June 2018

	Output Class 1 \$'000	Output Class 2 \$'000	Unallocated \$'000	Total \$'000
<b>Current Assets</b>				
Cash and Cash Equivalents <sup>1</sup>	68 553	285	3 551	72 389
Investments	261	-	-	261
Receivables	5 341	59	-	5 400
Other Assets	1 593	7	-	1 600
<b>Total Current Assets</b>	<b>75 748</b>	<b>351</b>	<b>3 551</b>	<b>79 650</b>
<b>Non-Current Assets</b>				
Investments	1 860	-	-	1 860
Property, Plant and Equipment	1 900 160	3 809	-	1 903 969
Intangible Assets	5 427	227	-	5 654
Capital Works in Progress	28 154	56	-	28 210
<b>Total Non-Current Assets</b>	<b>1 935 601</b>	<b>4 092</b>	<b>-</b>	<b>1 939 693</b>
<b>Total Assets</b>	<b>2 011 349</b>	<b>4 443</b>	<b>3 551</b>	<b>2 019 343</b>
<b>Current Liabilities</b>				
Payables	7 586	42	-	7 628
Employee Benefits	137 674	600	-	138 274
Other Liabilities	5 887	-	-	5 887
<b>Total Current Liabilities</b>	<b>151 147</b>	<b>642</b>	<b>-</b>	<b>151 789</b>
<b>Non-Current Liabilities</b>				
Employee Benefits	12 491	54	-	12 545
Other Liabilities	3 354	7	-	3 361
<b>Total Non-Current Liabilities</b>	<b>15 845</b>	<b>61</b>	<b>-</b>	<b>15 906</b>
<b>Total Liabilities</b>	<b>166 992</b>	<b>703</b>	<b>-</b>	<b>167 695</b>
<b>Net Assets</b>	<b>1 844 357</b>	<b>3 740</b>	<b>3 551</b>	<b>1 851 648</b>

1. Some cash and cash equivalents have been included in the "Unallocated" column above as parts of this line item cannot be reliably attributed to the Directorate's output classes. As the amount in cash and cash equivalents held by the Directorate is comprised of a number of disparate components, no single allocation driver can be used to reliably attribute this asset class. The components include working capital, cash for un-presented cheques and for specific purpose payments.

**Education Directorate  
Financial Statements  
For the Year Ended 30 June 2018**

**DISAGGREGATED DISCLOSURE OF ASSETS AND LIABILITIES - CONTINUED**

Year Ended 30 June 2017

	Output Class 1 \$'000	Output Class 2 \$'000	Unallocated \$'000	Total \$'000
<b>Current Assets</b>				
Cash and Cash Equivalents <sup>1</sup>	46 868	228	30 723	77 819
Investments	261	-	-	261
Receivables	2 830	36	-	2 866
Other Assets	1 850	9	-	1 859
<b>Total Current Assets</b>	<b>51 809</b>	<b>273</b>	<b>30 723</b>	<b>82 805</b>
<b>Non-Current Assets</b>				
Investments	1 860	-	-	1 860
Property, Plant and Equipment	1 906 347	-	-	1 906 347
Intangible Assets	1 257	-	-	1 257
Capital Works in Progress	8 494	-	-	8 494
<b>Total Non-Current Assets</b>	<b>1 917 958</b>	<b>-</b>	<b>-</b>	<b>1 917 958</b>
<b>Total Assets</b>	<b>1 969 767</b>	<b>273</b>	<b>30 723</b>	<b>2 000 763</b>
<b>Current Liabilities</b>				
Payables	7 022	36	-	7 058
Employee Benefits	132 229	540	-	132 769
Other Liabilities	6 804	-	-	6 804
<b>Total Current Liabilities</b>	<b>146 055</b>	<b>576</b>	<b>-</b>	<b>146 631</b>
<b>Non-Current Liabilities</b>				
Employee Benefits	11 143	46	-	11 189
Other Liabilities	3 967	-	-	3 967
<b>Total Non-Current Liabilities</b>	<b>15 110</b>	<b>46</b>	<b>-</b>	<b>15 156</b>
<b>Total Liabilities</b>	<b>161 165</b>	<b>622</b>	<b>-</b>	<b>161 787</b>
<b>Net Assets</b>	<b>1 808 602</b>	<b>(349)</b>	<b>30 723</b>	<b>1 838 976</b>

1. Some cash and cash equivalents have been included in the 'Unallocated' column above as parts of this line item cannot be reliably attributed to the Directorate's output classes. As the amount in cash and cash equivalents held by the Directorate is comprised of a number of disparate components, no single allocation driver can be used to reliably attribute this asset class. The components include working capital, cash for un-presented cheques and for specific purpose payments.

**Education Directorate  
Controlled Statement of Appropriation  
For the Year Ended 30 June 2018**

	Note No.	Original Budget 2018 \$'000	Total Appropriated 2018 \$'000	Total Appropriation Drawn 2018 \$'000	Appropriation Drawn 2017 \$'000
<b>Controlled</b>					
Controlled Recurrent Payments	4	670 059	671 764	662 146	628 063
Capital Injections		85 602	122 610	95 736	25 970
<b>Total Controlled Appropriation</b>		<b>755 661</b>	<b>794 374</b>	<b>757 882</b>	<b>654 033</b>

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

**Column Heading Explanations**

- The *Original Budget* column shows the amounts that appear in the Cash Flow Statement in the Budget Papers. This amount also appears in these financial statements, in the Cash Flow Statement.
- 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 Directorate during the year. This amount appears in these financial statements, in the Cash Flow Statement.

**Variances between 'Original Budget' and 'Total Appropriated'**

**Controlled Recurrent Payments**

The difference between the original budget and total appropriated mainly related to the transfer of funds from 2016-17 (\$1.186m) including professional development funds (\$0.434m), the Independent Public Schools national partnership (\$0.263m) and the School Modernisation project (\$0.250m), combined with new funding provided through the second appropriation for the Technology Enabled Learning program (\$0.519m).

**Capital Injection**

The difference between the original budget and the total appropriated relates to the transfer of funds from 2016-17 (\$17.845m) and the second appropriation (\$19.163m) which provided funding for works at Narrabundah College, Campbell Primary School and the Technology Enabled Learning program. The transfer of funds from 2016-17 included funding provided for the Public School Infrastructure Upgrades and Supporting our School System - Improving ICT projects.

**Variances between 'Total Appropriated' and 'Appropriation Drawn'**

**Controlled Recurrent Payments**

The difference between the total appropriated and appropriation drawn mainly related to lower than budgeted workers compensation insurance costs (\$3.119m) and funds transferred to 2018-19 (\$6.121m). Funds transferred to 2018-19 included transfers associated with delays in finalisation of the clerical enterprise bargaining agreement, professional development funds and early childhood scholarships.

**Capital Injections**

The difference between the total appropriated and appropriation drawn relates to the transfer of funds to 2018-19 (\$26.874m). The transfer of funds to 2018-19 largely related to project expenditure delays associated with contractor prequalification and tender processes for the Modernising Belconnen High School project and Schools for the Future - North Gurigahlin and Molonglo projects and the extended timeframe for the Education Cloud Enablement project which impacted expenditure on the Supporting our School System - Improving ICT project.



**EDUCATION DIRECTORATE  
CONTROLLED NOTE INDEX – CONTINUED**

	<b>General Notes</b>	
Note	1	Objectives of the Directorate
Note	2	Significant Accounting Policies <i>Appendix A - Basis of Preparation of the Financial Statements</i> <i>Appendix B - Significant Accounting Policies</i> <i>Appendix C - Impact of Accounting Standards Issued But Yet to be Applied</i>
Note	3	Change in Accounting Estimates <i>Appendix D - Change in Accounting Estimates</i>
	<b>Income Notes</b>	
Note	4	Controlled Recurrent Payments
Note	5	User Charges
Note	6	Other Revenue
	<b>Expense Notes</b>	
Note	7	Employee Expenses
Note	8	Superannuation Expenses
Note	9	Supplies and Services
Note	10	Depreciation and Amortisation
Note	11	School and Other Expenses
Note	12	Act of Grace Payments, Waivers, Impairment Losses and Write-Offs
Note	13	Auditor's Remuneration
	<b>Asset Notes</b>	
Note	14	Cash and Cash Equivalents
Note	15	Receivables
Note	16	Investments
Note	17	Property, Plant and Equipment
Note	18	Intangible Assets
Note	19	Capital Works In Progress
	<b>Liability Notes</b>	
Note	20	Payables
Note	21	Employee Benefits
Note	22	Other Liabilities
	<b>Equity Notes</b>	
Note	23	Equity
	<b>Other Notes</b>	
Note	24	Financial Instruments
Note	25	Commitments
Note	26	Contingent Liabilities
Note	27	Interest in a Joint Operation
Note	28	Cash Flow Reconciliation
Note	29	Related Party Disclosures
Note	30	Budgetary Reporting

**Education Directorate**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2018**

**NOTE 1. OBJECTIVES OF THE DIRECTORATE**

**Operations and Principal Activities**

The Education Directorate (the Directorate) delivers quality public school education and early childhood education to shape every child's future and to lay the foundation for lifelong development and learning. The Directorate works in partnership with students, parents and the community to ensure that every child and young person in the ACT will benefit from high quality, accessible education.

In addition to providing public school education and early childhood education, the Directorate is responsible for the regulation of education and care services, registration of non-government schools and home education. Through this role the Directorate also facilitates the provision of quality education services across the ACT.

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**

Refer to the following appendices for the notes comprising significant accounting policies and other explanatory information.

- Appendix A – Basis of Preparation of the Financial Statements
- Appendix B – Significant Accounting Policies
- Appendix C – Impact of Accounting Standards Issued But Yet to be Applied

**NOTE 3. CHANGE IN ACCOUNTING ESTIMATES**

Refer to Appendix D – Change in Accounting Estimates.

**NOTE 4. CONTROLLED RECURRENT PAYMENTS**

	2018	2017
	\$'000	\$'000
<b>Revenue from ACT Government</b>		
Controlled Recurrent Payments <sup>1</sup>	662 146	628 063
<b>Total</b>	<b>662 146</b>	<b>628 063</b>

1. The increase primarily relates to additional funding for pay increases associated with teaching, administrative and other staff enterprise agreements and salary costs due to enrolment increases in public schools.

**Education Directorate**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2018**

**NOTE 5. USER CHARGES**

	2018 \$'000	2017 \$'000
<b>User Charges - ACT Government</b>		
User Charges - ACT Government	357	534
<b>Total</b>	<b>357</b>	<b>534</b>
<b>User Charges - Non-ACT Government</b>		
International Private Students Program <sup>1</sup>	10 462	9 995
Active Leisure Centre	2 891	2 982
Hire of Facilities and Recreational Activities	689	612
Commonwealth National Agreements <sup>2</sup>	4 000	3 729
Commonwealth Own Purpose Payments (COPE) / Specific Projects	389	467
Other	164	159
<b>Total</b>	<b>18 595</b>	<b>17 944</b>
<b>Total User Charges for Goods and Services</b>	<b>18 952</b>	<b>18 478</b>

1. The increase mainly relates to indexation of international student fees.
2. The increase primarily relates to indexation of Commonwealth funding for Jervis Bay School and Telopea Park School.

**NOTE 6. OTHER REVENUE**

Mainly comprises schools revenue from voluntary contributions, fund raising revenue and excursion funds.

<b>Other Revenue</b>		
School Revenue <sup>1</sup>	21 420	20 875
ACT Teacher Quality Institute	923	864
Other	244	203
<b>Total</b>	<b>22 587</b>	<b>21 942</b>

1. The increase mainly relates to higher community use revenue and the payment of Commonwealth Government funding associated with the Defence School Transition Aide program direct to schools.

**Education Directorate**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2018**

**NOTE 7. EMPLOYEE EXPENSES**

	2018	2017
	\$'000	\$'000
Wages and Salaries <sup>1</sup>	491 708	464 117
Movement in Employee Benefits <sup>2</sup>	6 561	(6 383)
Workers' Compensation Insurance Premium <sup>3</sup>	8 511	11 942
<b>Total</b>	<b>506 780</b>	<b>469 676</b>

1. The increase is mainly due to wage increases provided through enterprise bargaining agreements for teaching and administrative staff and salary costs due to enrolment increases in public schools.
2. The increase relates to a change in the present value factor used to calculate employee benefits.
3. The decrease is due to a one-off reduction in workers compensation insurance in 2017-18.

**NOTE 8. SUPERANNUATION EXPENSES**

Superannuation Contributions to the Territory Banking Account	33 042	33 549
Productivity Benefit	4 433	4 684
Superannuation to External Providers <sup>1</sup>	34 439	31 186
<b>Total</b>	<b>71 914</b>	<b>69 419</b>

1. The increase is mainly due to increased staff utilising external superannuation providers following the closure of the Public Sector Superannuation Scheme, the Commonwealth Superannuation Scheme and the Public Sector Superannuation Accumulation Plan to new entrants.

**Education Directorate**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2018**

**NOTE 9. SUPPLIES AND SERVICES**

	2018	2017
	\$'000	\$'000
<b>Supplies and Services</b>		
Property and Maintenance <sup>1</sup>	18 575	16 793
Materials and Services	30 803	29 781
Travel and Transport	749	881
Administrative <sup>2</sup>	4 208	2 879
Financial	3 739	4 100
Operating Lease Costs	1 214	1 106
Write-Off of Assets	56	19
<b>Total</b>	<b>59 344</b>	<b>55 559</b>

1. The increase primarily relates to additional programmed maintenance work in schools undertaken by Education Support Office.
2. The increase mainly relates to Act of Grace payments and legal costs.

**NOTE 10. DEPRECIATION AND AMORTISATION**

<b>Depreciation</b>		
Buildings and Land Improvements <sup>1</sup>	56 668	50 739
Plant and Equipment <sup>2</sup>	11 786	9 910
Leasehold Improvements	5	943
<b>Total Depreciation</b>	<b>68 459</b>	<b>61 592</b>
<b>Amortisation</b>		
Intangible Assets	318	246
<b>Total Amortisation</b>	<b>318</b>	<b>246</b>
<b>Total Depreciation and Amortisation</b>	<b>68 777</b>	<b>61 838</b>

1. The increase is due to the flow-on impact of the revaluation of assets in 2016-17 combined with capitalisation of new assets at the end of 2016-17.
2. The increase is mainly due to depreciation associated with new ICT assets.



**Education Directorate**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2018**

**NOTE 11. SCHOOL AND OTHER EXPENSES**

Mainly comprise utilities, cleaning, security and maintenance costs in schools as well as educational enrichment activities.

	2018 \$'000	2017 \$'000
School Expenses <sup>1</sup>	68 060	65 712
Other Expenses	3 674	3 969
<b>Total</b>	<b>71 734</b>	<b>69 681</b>

1. The increase primarily relates to increased utility costs and higher levels of programmed maintenance undertaken directly by schools.

**NOTE 12. ACT OF GRACE PAYMENTS, WAIVERS, IMPAIRMENT LOSSES AND WRITE-OFFS**

<b>Write-offs</b>		
Write-Off of Assets	56	18
<b>Total</b>	<b>56</b>	<b>18</b>
<b>Impairment Losses</b>		
Property, Plant and Equipment <sup>1</sup>	7 917	-
<b>Total</b>	<b>7 917</b>	<b>-</b>
<b>Act of Grace Payments</b>		
Payment relating to cleaning contracts <sup>2</sup>	202	-
<b>Total</b>	<b>202</b>	<b>-</b>
<b>Total Act of Grace Payments, Waivers, Impairment Losses and Write-offs</b>	<b>8 175</b>	<b>18</b>

1. An impairment loss has been recognised in 2017-18 for Campbell Primary School (\$3.816 million) and Narrabundah College (\$4.101 million). The impairment loss recognises the demolition of buildings at the school sites.
2. Under Section 130 of the *Financial Management Act 1996* the Treasurer may, in writing, authorise Act of Grace Payments be made by a Directorate. In 2017-18, the Treasurer authorised Act of Grace Payments to ACT public school cleaners affected by transition arrangements between the expiration of prior contracts and the commencement of new contractual arrangements.
3. There were no waivers provided in 2016-17 or 2017-18.

**Education Directorate**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2018**

**NOTE 13. AUDITOR'S REMUNERATION**

Auditor's remuneration consists of financial audit services provided to the Directorate by the ACT Audit Office. No other services were provided by the ACT Audit Office.

	2018 \$'000	2017 \$'000
<b>Audit Services</b>		
Audit Fees Paid or Payable to the ACT Audit Office	153	136
<b>Total</b>	<u>153</u>	<u>136</u>

**NOTE 14. CASH AND CASH EQUIVALENTS**

The Directorate holds a number of bank accounts with the Westpac Bank as part of the whole-of-government banking arrangements.

Educational Support Office Bank Accounts <sup>1</sup>	22 137	30 717
School Management Accounts <sup>2</sup>	49 481	46 523
ACT Teacher Quality Institute Bank Account	712	508
Other Operations Bank Accounts	49	61
Cash on Hand	10	10
<b>Total</b>	<u>72 389</u>	<u>77 819</u>

1. The reduction in cash held largely relates to utilisation of cash held for specific projects including internally and externally funded programs.
2. The increase mainly relates to increased community use revenue and additional community donations including from Parents and Citizens Associations.

**Education Directorate**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2018**

**NOTE 15. RECEIVABLES**

	2018	2017
	\$'000	\$'000
<b>Current Receivables</b>		
Trade Receivables <sup>1</sup>	1 643	767
Less: Allowance for Impairment Losses	(146)	(207)
	<b>1 497</b>	<b>560</b>
Other Trade Receivables <sup>1</sup>	434	375
Less: Allowance for Impairment Losses	-	-
	<b>434</b>	<b>375</b>
Accrued Revenue	41	116
Net Goods and Services Tax Receivable <sup>2</sup>	3 428	1 815
<b>Total Current Receivables</b>	<b>3 469</b>	<b>1 931</b>
<b>Total Receivables</b>	<b>5 400</b>	<b>2 866</b>

1. The increase relates to a receivable associated with Commonwealth funding for the Jervis Bay school.  
2. The increase is due to timing of payments.

**Ageing of Receivables**

	Not Overdue		Overdue		Total
		Less than 30 Days	30 to 60 Days	Greater than 60	
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2018</b>					
<b>Not Impaired</b>					
Receivables	4 727	142	158	373	5 400
<b>Impaired</b>					
Receivables	-	-	-	146	146
<b>2017</b>					
<b>Not Impaired</b>					
Receivables	2 221	134	26	485	2 866
<b>Impaired</b>					
Receivables	-	-	-	207	207

**Education Directorate**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2018**

**NOTE 15. RECEIVABLES - CONTINUED**

	2018	2017
	\$'000	\$'000
<b>Reconciliation of the Allowance for Impairment Losses</b>		
Allowance for Impairment Losses at the Beginning of the Reporting Period	207	187
(Less)/Additional Allowance Recognised During the Reporting Period	(61)	20
<b>Allowance for Impairment Losses at the End of the Reporting Period</b>	<b>146</b>	<b>207</b>
<b>Classification of ACT Government/Non-ACT Government Receivables</b>		
<b>Receivables from ACT Government Entities</b>		
Net Trade Receivables	149	55
Net Other Trade Receivables	28	5
Accrued Revenue	17	18
<b>Total Receivables from ACT Government Entities</b>	<b>194</b>	<b>78</b>
<b>Receivables from Non-ACT Government Entities</b>		
Net Trade Receivables	1 494	712
Net Other Trade Receivables	406	370
Accrued Revenue	24	98
Net Goods and Services Tax Receivable	3 428	1 815
Less: Allowance for Impairment Losses	(146)	(207)
<b>Total Receivables from Non-ACT Government Entities</b>	<b>5 206</b>	<b>2 788</b>
<b>Total Receivables</b>	<b>5 400</b>	<b>2 866</b>

**Education Directorate**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2018**

**NOTE 16. INVESTMENTS**

Short-term investments were held with the Territory Banking Account in the Cash Enhanced Portfolio throughout the year. These funds are able to be withdrawn upon request.

The purpose of the investment in the Fixed Interest Portfolio is to hold it for a period of longer than 12 months. The total carrying amount of the Fixed Interest Portfolio investment below has been measured at fair value.

	2018 \$'000	2017 \$'000
<b>Current Investments</b>		
Investments with the Territory Banking Account - Cash Enhanced Portfolio	261	261
<b>Total</b>	<b>261</b>	<b>261</b>
<b>Non-Current Investments</b>		
Investments with the Territory Banking Account - Fixed Interest Portfolio	1 860	1 860
<b>Total</b>	<b>1 860</b>	<b>1 860</b>
<b>Total Investments<sup>1</sup></b>	<b>2 121</b>	<b>2 121</b>

1. The unit value of the Directorate's investments did not change during 2017-18.



**Education Directorate**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2018**

**NOTE 17. PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment includes the following classes of assets – land, buildings, improvement to land, leasehold improvements and plant and equipment.

	2018 \$'000	2017 \$'000
<b>Land and Buildings</b>		
Land at Fair Value	358 518	358 518
<b>Total Land Assets</b>	<b>358 518</b>	<b>358 518</b>
Buildings and Improvements to Land at Fair Value	1 566 081	1 517 223
Less: Accumulated Depreciation	(56 668)	-
<b>Total Written-Down Value of Buildings and Improvements to Land</b>	<b>1 509 413</b>	<b>1 517 223</b>
<b>Total Land and Written Down Value of Buildings and Improvements to Land</b>	<b>1 867 931</b>	<b>1 875 741</b>
<b>Leasehold Improvements</b>		
Leasehold Improvements at Cost	5 697	5 670
Less: Accumulated Depreciation	(5 648)	(5 643)
<b>Total Written-Down Value of Leasehold Improvements</b>	<b>49</b>	<b>27</b>
<b>Plant and Equipment</b>		
Plant and Equipment at Cost	138 939	121 979
Less: Accumulated Depreciation	(102 950)	(91 400)
<b>Total Written-Down Value of Plant and Equipment</b>	<b>35 989</b>	<b>30 579</b>
<b>Total</b>	<b>1 903 969</b>	<b>1 906 347</b>

**Education Directorate**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2018**

**NOTE 17. PROPERTY, PLANT AND EQUIPMENT - CONTINUED**

**Reconciliation of Property, Plant and Equipment**

The following table shows the movement of Property, Plant and Equipment during 2017-18

	Land \$'000	Buildings and Improvements to Land \$'000	Leasehold Improvements \$'000	Plant and Equipment \$'000	Total \$'000
<b>Carrying Amount at the Beginning of the Reporting Period</b>	358 518	1 517 223	27	30 579	1 906 347
Additions	-	56 775	27	17 252	74 054
Depreciation	-	(56 668)	(5)	(11 786)	(68 459)
Impairment Losses Recognised Directly in Other Comprehensive Income	-	(7 917)	-	-	(7 917)
Write-offs/Other	-	-	-	(56)	(56)
<b>Carrying Amount at the End of the Reporting Period</b>	<b>358 518</b>	<b>1 509 413</b>	<b>49</b>	<b>35 989</b>	<b>1 903 969</b>

**Education Directorate**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2018**

**NOTE 17. PROPERTY, PLANT AND EQUIPMENT - CONTINUED**

**Reconciliation of Property, Plant and Equipment**

The following table shows the movement of Property, Plant and Equipment during 2016-17.

	Land \$'000	Buildings and Improvements to Land \$'000	Leasehold Improvements \$'000	Plant and Equipment \$'000	Total \$'000
Carrying Amount at the Beginning of the Reporting Period	316 745	1 453 390	943	33 129	1 804 207
Additions	-	15 792	27	7 371	23 190
Revaluation Increment	41 773	98 780	-	-	140 553
Depreciation	-	(50 739)	(943)	(9 910)	(61 592)
Write-offs/Other	-	-	-	(11)	(11)
<b>Carrying Amount at the End of the Reporting Period</b>	<b>358 518</b>	<b>1 517 223</b>	<b>27</b>	<b>30 579</b>	<b>1 906 347</b>

**Education Directorate**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2018**

**NOTE 17. PROPERTY, PLANT AND EQUIPMENT - CONTINUED**

**Fair Value Hierarchy**

The Fair Value Hierarchy below reflects the significance of the inputs used in determining their fair value. The Fair Value Hierarchy is made up of the following three levels:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the Directorate can access at the measurement date;
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - inputs that are unobservable for particular assets or liabilities

Details of the Directorate's property, plant and equipment at fair value and information about the Fair Value Hierarchy as at 30 June 2018 are as follows:

**2018**

	Classification According to Fair Value Hierarchy			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Property, Plant and Equipment at Fair Value</b>				
Land	-	-	358 518	358 518
Buildings and Improvements to Land	-	-	1 509 413	1 509 413
	-	-	<b>1 867 931</b>	<b>1 867 931</b>

**2017**

	Classification According to Fair Value Hierarchy			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Property, Plant and Equipment at Fair Value</b>				
Land	-	-	358 518	358 518
Buildings and Improvements to Land	-	-	1 517 223	1 517 223
	-	-	<b>1 875 741</b>	<b>1 875 741</b>

**Transfers Between Categories**

There have been no transfers between Levels 1, 2 and 3 during the current or previous reporting period.

**Education Directorate**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2018**

**NOTE 17. PROPERTY, PLANT AND EQUIPMENT - CONTINUED**

**Valuation Techniques, inputs and processes**

***Level 2 Valuation Techniques and Inputs***

Valuation Technique: The valuation technique used to value land and buildings is the market approach that reflects recent transaction prices for similar properties and buildings (comparable in location and size).

Inputs: Prices and other relevant information generated by market transactions involving comparable land and buildings were considered. Regard was taken of the Crown Lease terms and tenure. The Australian Capital Territory Plan and the National Capital Plan, where applicable, as well as current zoning were also used.

***Level 3 Valuation Techniques and Significant Unobservable Inputs***

Valuation Technique: Land where there is no active market or significant restrictions is valued through the market approach.

Significant Unobservable Inputs: Selecting land with similar approximate utility. In determining the value of land with similar approximate utility significant adjustment to market based data was required.

Valuation Technique: Buildings, and improvements to land were considered specialised assets by the valuers and measured using the cost approach.

Significant Unobservable Inputs: Estimating the cost to a market participant to construct assets of comparable utility adjusted for obsolescence. In determining the value of buildings and improvements to land regard was given to the age and condition of the assets, their estimated replacement cost and current use. This required use of data internal to the Directorate.

There has been no change to the above valuation techniques during the year.

Transfers in and out of a fair value level are recognised on the date of the event or change in circumstances that caused the transfer.

**Education Directorate**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2018**

**NOTE 18. INTANGIBLE ASSETS**

The Directorate has internally generated software.

	2018	2017
	\$'000	\$'000
<b>Computer Software</b>		
<i>Internally Generated Software</i>		
Computer Software at Cost <sup>1</sup>	6 834	2 119
Less: Accumulated Amortisation	(1 180)	(862)
<b>Total Computer Software</b>	<b>5 654</b>	<b>1 257</b>

1. The movement primarily relates to internally generated software associated with the School Administration System.

**NOTE 19. CAPITAL WORKS IN PROGRESS**

Assets under construction include buildings, infrastructure assets and software.

Capital Works in Progress	28 210	8 494
<b>Total</b>	<b>28 210</b>	<b>8 494</b>

**Reconciliation of Capital Works in Progress<sup>1</sup>**

The following table shows the movement of Capital Works in Progress during the reporting periods.

Balance at the Beginning of the Reporting Period	8 494	2 449
Additions <sup>2</sup>	96 395	27 102
Capitalised to Property, Plant and Equipment <sup>3</sup>	(76 679)	(21 057)
<b>Carrying Amount at the End of the Reporting Period</b>	<b>28 210</b>	<b>8 494</b>

1. The reconciliation of capital works in 2017-18 has been prepared on a gross movement basis to reflect the full amount added to capital works in progress during the year. In previous years the reconciliation was prepared on a net movement basis. 2016-17 comparatives have been updated to reflect the gross movement.
2. The additions primarily relate to Better Schools for our Kids – Narrabundah College and Campbell Primary School, Schools for the Future – North Gungahlin and Moongie and Modernising Belconnen High School projects and the Technology Enabled Learning program.
3. The capitalisation to property plant and equipment includes the Public School Infrastructure Upgrades program, Better Schools – Investment in Gungahlin School Infrastructure project and Better Schools for our Kids – Narrabundah College and Campbell Primary School.



**Education Directorate**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2018**

**NOTE 20. PAYABLES**

	2018	2017
	\$'000	\$'000
<b>Current Payables</b>		
Payables	172	285
Accrued Expenses	7 456	6 773
<b>Total</b>	<u>7 628</u>	<u>7 058</u>

**Payables are aged as followed**

Not Overdue	7 608	7 033
Overdue for Less than 30 Days	20	12
Overdue for 30 to 60 Days	-	12
Overdue for More than 60 Days	-	1
<b>Total</b>	<u>7 628</u>	<u>7 058</u>

**Classification of ACT Government/Non-ACT Government Payables**

**Payables with ACT Government Entities**

Payables	15	68
Accrued Expenses	3 267	4 856
<b>Total Payables with ACT Government Entities</b>	<u>3 282</u>	<u>4 924</u>

**Payables with Non-ACT Government Entities**

Payables	157	217
Accrued Expenses	4 189	1 917
<b>Total Payables with Non-ACT Government Entities</b>	<u>4 346</u>	<u>2 134</u>
<b>Total</b>	<u>7 628</u>	<u>7 058</u>

**Education Directorate**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2018**

**NOTE 21. EMPLOYEE BENEFITS**

	2018	2017
	\$'000	\$'000
<b>Current Employee Benefits</b>		
Annual Leave <sup>1</sup>	38 437	35 983
Long Service Leave <sup>1</sup>	95 347	92 595
Accrued Salaries	4 490	4 191
<b>Total Current Employee Benefits</b>	<u>138 274</u>	<u>132 769</u>
<b>Non-Current Employee Benefits</b>		
Long Service Leave <sup>1</sup>	12 545	11 189
<b>Total Non-Current Employee Benefits</b>	<u>12 545</u>	<u>11 189</u>
<b>Total</b>	<u>150 819</u>	<u>143 958</u>
<b>Estimate of when Leave is Payable</b>		
<b>Estimated Amount Payable within 12 months</b>		
Annual Leave	32 118	32 798
Long Service Leave	5 786	6 862
Accrued Salaries	4 490	4 191
<b>Total Employee Benefits Payable within 12 months</b>	<u>42 394</u>	<u>43 851</u>
<b>Estimated Amount Payable after 12 months</b>		
Annual Leave	6 319	3 185
Long Service Leave	102 106	96 922
<b>Total Employee Benefits Payable after 12 months</b>	<u>108 425</u>	<u>100 107</u>
<b>Total</b>	<u>150 819</u>	<u>143 958</u>

1. The increase is primarily due to wage and salary increases and accrued leave partially offset by a decrease in the present value rate used to calculate leave entitlements.

**Education Directorate**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2018**

**NOTE 22. OTHER LIABILITIES**

	2018	2017
	\$'000	\$'000
<b>Current Other Liabilities</b>		
International Students Revenue Received in Advance	5 030	5 528
Schools Revenue Received in Advance	857	1 276
<b>Total</b>	<b>5 887</b>	<b>6 804</b>
<b>Non-Current Other Liabilities</b>		
Other Loans <sup>1</sup>	3 361	3 967
<b>Total</b>	<b>3 361</b>	<b>3 967</b>
<b>Total Other</b>	<b>9 248</b>	<b>10 771</b>

1. Relates to loans from the Environment, Planning and Sustainable Development Directorate for environmentally sustainable projects in schools.

**NOTE 23. EQUITY**

**Asset Revaluation Surplus**

The Asset Revaluation Surplus is used to record the increments and decrements in the value of Property, Plant and Equipment.

<b>Balance at the Beginning of the Reporting Period</b>	1 005 888	865 335
Increment in Land due to Revaluation	-	41 773
Increment in Buildings and Improvements to Land due to Revaluation	-	98 780
(Decrement) in Buildings and Improvements to Land due to Impairment Loss <sup>1</sup>	(7 917)	-
<b>Total (Decrease)/Increase in the Asset Revaluation Surplus</b>	<b>(7 917)</b>	<b>140 553</b>
<b>Balance at the End of the Reporting Period</b>	<b>997 971</b>	<b>1 005 888</b>

1. An impairment loss has been recognised in 2017-18 for Campbell Primary School (\$3.816 million) and Narrabundah College (\$4.101 million). The impairment loss recognises the demolition of buildings at the school sites.

**Education Directorate**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2018**

**NOTE 24. FINANCIAL INSTRUMENTS**

**Terms, Conditions and Accounting Policies**

Details of the significant policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised, with respect to each class of financial asset and financial liability are disclosed in Note 2 - Significant Accounting Policies (see Appendix B).

**Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Directorate's financial assets consist of cash and cash equivalents, investments and receivables. Its financial liabilities are comprised of payables and finance leases. The Directorate's exposure to interest rate risk relating to these financial assets and liabilities is shown below in the table later in this note on 'Maturity Analysis and Exposure to Interest Rates'.

As receivables and payables are held in non-interest bearing arrangements, the Directorate is not exposed to movements in interest rates in respect of these financial assets and liabilities.

A significant proportion of the Directorate's financial assets consist of cash and cash equivalents. As these are held in floating interest arrangements with the Territory's Banking Provider, the Directorate is exposed to movements in the amount of interest it may earn on cash and cash equivalents.

There have been no changes in risk exposure or processes for managing risk since the last financial reporting period.

As the Directorate's operating cash flows are not significantly dependant on interest earned from cash and cash equivalents, a sensitivity analysis of interest rate risk has not been performed.

**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.

Financial assets consist of cash, investments and receivables. The Directorate's maximum exposure to credit is limited to the amount of these financial assets net of any allowance made for impairment. This is shown below in the table 'Maturity Analysis and Exposure to Interest Rates'.

Cash and investment accounts are held with high credit quality financial institutions under whole of government banking arrangements. Cash at bank is held with the Westpac Bank and cash not immediately required is invested with the Territory Banking Account. The Chief Minister, Treasury and Economic Development Directorate coordinates the investment of this money with various fund managers. These fund managers have the discretion to invest money in a variety of different investments within certain parameters.

**Education Directorate**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2018**

**NOTE 24. FINANCIAL INSTRUMENTS – CONTINUED**

**Credit Risk - Continued**

The majority of receivables consist of Goods and Services Tax (GST) refund due from the Australian Taxation Office (ATO) and ACT Government Agencies which have a strong credit history. Credit risk for investments is managed by the Directorate through only investing with the Territory Banking Account, which has appropriate investment criteria for the external fund manager engaged to manage the Territory's surplus funds and therefore the credit risk is considered low.

There have been no changes to credit risk exposure since the last reporting period.

**Liquidity Risk**

Liquidity risk is the risk that the Directorate will not be able to meet its financial obligations as they fall due.

The Directorate's exposure to liquidity risk is shown below in the table later in this note on 'Maturity Analysis and Exposure to Interest Rates'. This note discloses when the Directorate expects its financial assets and financial liabilities to mature.

Appropriations received to fund operations are drawn down progressively throughout the year to meet the operating requirements. Under the cash management framework, the Directorate cannot hold excess cash, however, in the event of cash pressure, access to additional appropriation from the Territory Bank Account can be obtained.

The Directorate's exposure to liquidity risk has not changed since the last reporting period.

**Price Risk**

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market price (other than arising from interest rate risk or currency risk).

The only price risk which the Directorate is exposed to results from its investments in the Fixed Interest Portfolio. The Directorate has units in the Fixed Interest Portfolio that fluctuate in value. The price fluctuations in the units of the Fixed Interest Portfolio are caused by movements in the underlying investments of the portfolio. To limit price risk, all bonds that make up the underlying investments of the Fixed Interest Portfolio must have a long term credit rating of BBB or greater.

The Directorate's exposure to price risk and the management of this risk has not significantly changed since last reporting period. A sensitivity analysis has not been undertaken for the price risk of the Directorate as it has been determined that the possible impact on profit and loss or total equity from fluctuations in price is immaterial.

**Education Directorate**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2018**

**NOTE 24. FINANCIAL INSTRUMENTS – CONTINUED**

**Fair Value of Financial Assets and Liabilities**

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

	Note No.	Carrying Amount 2018 \$'000	Fair Value 2018 \$'000	Carrying Amount 2017 \$'000	Fair Value 2017 \$'000
<b>Financial Assets</b>					
Cash and Cash Equivalents	14	72 389	72 389	77 819	77 819
Investments	16	2 121	2 121	2 121	2 121
Receivables <sup>1</sup>	15	1 972	1 972	1 051	1 051
<b>Total</b>		<b>76 482</b>	<b>76 482</b>	<b>80 991</b>	<b>80 991</b>
<b>Financial Liabilities</b>					
Payables	20	7 628	7 628	7 058	7 058
Other Loans	22	3 361	3 361	3 967	3 967
<b>Total</b>		<b>10 989</b>	<b>10 989</b>	<b>11 025</b>	<b>11 025</b>

1. Receivable reported under Financial Instrument does not include receivables relating to goods and service tax.



**Education Directorate**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2018**

**NOTE 24. FINANCIAL INSTRUMENTS - CONTINUED**

**Fair Value Hierarchy**

The carrying amount of financial assets measured at fair value, as well as the methods used to estimate the fair value are summarised in the table below. All other financial assets and liabilities are measured, subsequent to initial recognition, at amortised cost and as such are not included in the table below.

30 June 2018	<u>Classification According to Fair Value Hierarchy</u>			Total \$'000
	Level 1	Level 2	Level 3	
	\$'000	\$'000	\$'000	
<b>Financial Assets</b>				
Investment with the Territory Banking Account - Cash Enhanced Portfolio	-	261	-	261
Investment with the Territory Banking Account - Fixed Interest Portfolio	-	1 860	-	1 860
	-	<u>2 121</u>	-	<u>2 121</u>

30 June 2017	<u>Classification According to Fair Value Hierarchy</u>			Total \$'000
	Level 1	Level 2	Level 3	
	\$'000	\$'000	\$'000	
<b>Financial Assets</b>				
Investment with the Territory Banking Account - Cash Enhanced Portfolio	-	261	-	261
Investment with the Territory Banking Account - Fixed Interest Portfolio	-	1 860	-	1 860
	-	<u>2 121</u>	-	<u>2 121</u>

**Transfer between Categories**

There have been no transfers of financial assets or financial liabilities between Level 1 and Level 2 during the current and previous reporting period.

**Education Directorate**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2018**

**NOTE 24. FINANCIAL INSTRUMENTS – CONTINUED**

The following tables set out the Directorate's maturity analysis for financial assets and liabilities as well as the exposure to interest rates, including the weighted average interest rates by maturity period as at 30 June 2018. Except for non-current other liabilities, financial assets and liabilities which have a floating interest rate or are non-interest bearing will mature in 1 year or less. All amounts appearing in the following maturity analysis are shown on an undiscounted cash flow basis.

As at 30 June 2018	Note No.	Weighted Average Interest Rate	Floating Interest Rate	Fixed Interest Maturing In:			Non-Interest Bearing \$'000	Total \$'000
				1 Year or Less \$'000	Over 1 Year to 5 Years \$'000	Over 5 Years \$'000		
<b>Financial Instruments</b>								
<b>Financial Assets</b>								
Cash and Cash Equivalents	14	1.36%	50 242	-	-	-	22 147	72 389
Investments	16	-	-	-	-	-	2 121	2 121
Receivables	15	-	-	-	-	-	1 972	1 972
<b>Total</b>			<b>50 242</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>26 240</b>	<b>76 482</b>
<b>Financial Liabilities</b>								
Payables	20	-	-	-	-	-	(7 628)	(7 628)
Other Liabilities	22	-	-	-	-	-	(3 361)	(3 361)
<b>Total</b>			<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10 989)</b>	<b>(10 989)</b>
<b>Net Financial Assets</b>			<b>50 242</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15 251</b>	<b>65 493</b>

**Education Directorate**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2018**

**NOTE 24. FINANCIAL INSTRUMENTS – CONTINUED**

The following tables set out the Directorate's maturity analysis for financial assets and liabilities as well as the exposure to interest rates, including the weighted average interest rates by maturity period as at 30 June 2017. Except for non-current other liabilities, financial assets and liabilities which have a floating interest rate or are non-interest bearing will mature in 1 year or less. All amounts appearing in the following maturity analysis are shown on an undiscounted cash flow basis.

As at 30 June 2017	Note No.	Weighted Average Interest Rate	Floating Interest Rate	Fixed Interest Maturing In:		Over 5 Years \$'000	Non-Interest Bearing \$'000	Total \$'000
				1 Year or Less \$'000	Over 1 Year to 5 Years \$'000			
<b>Financial Instruments</b>								
<b>Financial Assets</b>								
Cash and Cash Equivalents	14	1.39%	47 092	-	-	-	30 727	77 819
Investments	16	-	-	-	-	-	2 121	2 121
Receivables	15	-	-	-	-	-	1 051	1 051
<b>Total Financial Assets</b>			<b>47 092</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>33 899</b>	<b>80 991</b>
<b>Financial Liabilities</b>								
Payables	20	-	-	-	-	-	(7 058)	(7 058)
Other Liabilities	22	-	-	-	-	-	(3 967)	(3 967)
<b>Total Financial Liabilities</b>			<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(11 025)</b>	<b>(11 025)</b>
<b>Net Financial Assets</b>			<b>47 092</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22 874</b>	<b>69 966</b>

**Education Directorate**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2018**

**NOTE 24 FINANCIAL INSTRUMENTS - CONTINUED**

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Carrying Amount of Each Category of Financial Asset and Financial Liability</b>		
<b>Financial Assets</b>		
Financial Assets at Fair Value through the Profit and Loss		
Designated upon Initial Recognition	2 121	2 121
Loans and Receivables at Amortised Cost	1 972	1 051
<b>Financial Liabilities</b>		
Financial Liabilities Measured at Amortised Cost	10 989	11 025

The Directorate does not have any financial assets in the 'Available for Sale' category or the 'Held to Maturity' category and as such these categories are not included above. Also, the Directorate does not have any financial liabilities in the 'Financial Liabilities at Fair Value through Profit and Loss' category and, as such, this category is not included above.

**Gains / (Losses) on Each Category of Financial Asset and Financial Liability**

**Gains / (Losses) on Financial Assets**

Financial Assets at Fair Value through the Profit and Loss <sup>1</sup>	-	(51)
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1. The result reflects nil growth in the Directorate's investments in 2017-18.

**Education Directorate**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2018**

**NOTE 25. COMMITMENTS**

**Capital Commitments**

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

	2018	2017
	\$'000	\$'000
<b>Capital Commitments - Property, Plant and Equipment</b>		
Payable:		
Within one year	12 984	23 615
Later than one year but not later than five years	16 880	13 325
Later than five years	10 375	266
<b>Total<sup>1</sup></b>	<b>40 239</b>	<b>37 206</b>

**Other Commitments**

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

Within one year	22 157	24 410
Later than one year but not later than five years	16 220	25 756
Later than five years	-	-
<b>Total<sup>2</sup></b>	<b>38 377</b>	<b>50 166</b>

1. The decrease in commitments due within one year mainly relates to finalisation of contracts including construction contracts for investment in Gungahlin School Infrastructure and Schools for the Future – Caroline Chisholm Centre – Centre for Innovation and Learning. The increase in commitments between one to five years and greater than five years is primarily due to contract commitments for the North Gungahlin P-6 School.
2. The decrease in the commitments of between one to five years mainly relates to the expiration of a number of new and existing contracts in June 2019.

**Operating Lease Commitments**

Within one year	3 927	3 547
Later than one year but not later than five years	4 504	5 556
Later than five years	332	337
<b>Total<sup>1</sup></b>	<b>8 763</b>	<b>9 440</b>

1. Operating lease commitments mainly relate to building leases and information communication technology leases.

All amounts shown in the commitment note are inclusive of goods and services tax.

**Education Directorate**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2018**

**NOTE 26. CONTINGENT LIABILITIES**

As at 30 June 2018 the Directorate had contingent liabilities in relation to known personal injury cases not settled of \$2.89m. As at 30 June 2017 the liability was \$2.59m. The liability will be offset by insurance and the final settlement amount is unknown as at 30 June 2018.

**NOTE 27. INTEREST IN A JOINT OPERATION**

Gold Creek Primary School operates adjacent to the Holy Spirit Primary School that is operated by the Catholic Education Office. Both schools share joint facilities including a hall/gymnasium, canteen, library, car park and meeting rooms. The shared facilities are managed by a Joint Facilities Management Committee which was created under a formal agreement in December 1995 between the ACT Government and the Catholic Education Office. All assets and liabilities relating to the shared facilities are owned by the ACT Government and Catholic Education Office in accordance with the participating share of each party, which is 53% for the ACT Government and 47% for the Catholic Education Office.

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Share of the Jointly Controlled Operation is as follows:</b>		
Revenue	104	103
Expenses	(152)	(144)
<b>Operating (Deficit)</b>	<b>(48)</b>	<b>(41)</b>
<b>Share of Asset in the Jointly Controlled Operation</b>		
Current Assets	105	109
Non-Current Assets	3 455	3 188
<b>Total Assets</b>	<b>3 560</b>	<b>3 297</b>
Current Liabilities	6	2
<b>Total Liabilities</b>	<b>6</b>	<b>2</b>
<b>Net Assets</b>	<b>3 554</b>	<b>3 295</b>



**Education Directorate**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2018**

**NOTE 28. CASH FLOW RECONCILIATION**

	2018 \$'000	2017 \$'000
<b>(a) Reconciliation of Cash and Cash Equivalents at the End of the Reporting in the Cash Flow Statement to the Equivalent Items in the Balance Sheet</b>		
Total Cash and Cash Equivalents Recorded in the Balance Sheet	72 389	77 819
Cash and Cash Equivalents at the End of the Reporting Period as Recorded in the Cash Flow Statement	<u>72 389</u>	<u>77 819</u>
<b>(b) Reconciliation of Operating (Deficit) to Net Cash Inflows from Operating Activities</b>		
Operating (Deficit)	(75 147)	(58 586)
<b>Add/(Less) Non-Cash Items</b>		
Depreciation and Amortisation	68 777	61 838
Assets Written Off/Other Asset Adjustments	56	17
(Gain) from Sale of Assets	(54)	(180)
Unrealised Gain on Investments	-	51
<b>Cash Before Changes in Operating Assets and Liabilities</b>	<u><b>(6 368)</b></u>	<u><b>3 140</b></u>
<b>Changes in Operating Assets and Liabilities</b>		
(Increase)/Decrease in Receivables	(2 534)	401
Decrease /(Increase) in Prepayments	259	(402)
Increase in Payables	898	1 719
Increase/(Decrease) in Employee Benefits	6 861	(4 162)
(Decrease) in Revenue Received in Advance	(917)	(478)
<b>Net Changes in Operating Assets and Liabilities</b>	<u><b>4 567</b></u>	<u><b>(2 922)</b></u>
<b>Net (Outflows)/Inflows from Operating Activities</b>	<u><b>(1 801)</b></u>	<u><b>218</b></u>

**Education Directorate**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2018**

**NOTE 29. RELATED PARTY DISCLOSURES**

A related party is a person that controls or has significant influence over the reporting entity, or is a member of the Key Management Personnel (KMP) of the reporting entity or its parent entity, and includes their close family members and entities in which the KMP and/or their close family members individually or jointly have controlling interests.

KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the Directorate, directly or indirectly.

KMP of the Directorate are the Portfolio Minister, Director-General and certain members of the Senior Management Team.

The Head of Service and the ACT Executive comprising the Cabinet Ministers are KMP of the ACT Government and therefore related parties of the Directorate.

This note does not include typical citizen transactions between the KMP and Directorate that occur on terms and conditions no different to those applying to the general public.

**(A) CONTROLLING ENTITY**

The Directorate is an ACT Government controlled entity.

**(B) KEY MANAGEMENT PERSONNEL**

**B.1 Compensation of Key Management Personnel**

Compensation of all Cabinet Ministers, including the Portfolio Minister, is disclosed in the note on related party disclosures included in the ACT Executive's financial statements for the year ended 30 June 2018.

Compensation of the Head of Service is included in the note on related party disclosures included in the CMTEDD financial statements for the year ended 30 June 2018.

Compensation by the Directorate to KMP employed by the Directorate is set out below.

	2018	2017
	\$'000	\$'000
Short-term employee benefits	2 294	1 501
Post employment benefit	363	249
Other long-term benefit	54	35
<b>Total Compensation by the Education Directorate to KMP<sup>1</sup></b>	<b>2 711</b>	<b>1 785</b>

1. The total full time equivalent staff identified as key management personnel in 2017-18 was 10. The total full time equivalent key management personnel in 2016-17 was 6. The increase is a result of changes in the structure of the Directorate's governance committee.

**Education Directorate**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2018**

**NOTE 29. RELATED PARTY DISCLOSURES – CONTINUED**

**(C) TRANSACTIONS WITH OTHER ACT GOVERNMENT CONTROLLED ENTITIES**

All transactions with ACT Government controlled entities are disclosed in the relevant notes to the financial Statements of the Directorate.

**Note 30. BUDGETARY REPORTING**

Operating Statement Line Items	Actual 2017-18 \$'000	Original Budget <sup>1</sup> 2017-18 \$'000	Variance \$'000	Variance %	Variance Explanation
Increase/(Decrease) in Asset Revaluation Surplus	(7 917)	120 202	(128 119)	(107)	The budget anticipated an effective revaluation date in 2017-18. The revaluation was actually taken up in the previous year.

Cash Flow Statement Line Items	Actual 2017-18 \$'000	Original Budget <sup>1</sup> 2017-18 \$'000	Variance \$'000	Variance %	Variance Explanation
Purchase of Property Plant and Equipment	98 812	87 526	11 286	13	The variance is primarily related to additional funding provided through the 2017-18 Second Appropriation for works at Narrabundah College and Campbell Primary School.

1. Original Budget refers to the amounts presented to the Legislative Assembly in the original budgeted financial statements in respect of the reporting period (2017-18 Budget Statements). These amounts have not been adjusted to reflect supplementary appropriation or appropriation instruments.
2. Explanations for variations from budget for Controlled Recurrent Payments, and Capital Injection are provided in the Statements of Appropriation.

**EDUCATION DIRECTORATE**

**TERRITORIAL FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**30 JUNE 2018**

**Education Directorate**  
**Statement of Income and Expenses on Behalf of the Territory**  
**For the Year Ended 30 June 2018**

	Note No.	Actual 2018 \$'000	Original Budget 2018 \$'000	Actual 2017 \$'000
<b>Income</b>				
<i>Revenue</i>				
Payments for Expenses on Behalf of the Territory	31	296 072	284 090	272 654
<b>Total</b>		<u>296 072</u>	<u>284 090</u>	<u>272 654</u>
<b>Expenses</b>				
Grants and Purchased Services	32	296 072	284 090	272 654
<b>Total</b>		<u>296 072</u>	<u>284 090</u>	<u>272 654</u>
<b>Operating Result</b>		<u>-</u>	<u>-</u>	<u>-</u>

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

**Education Directorate**  
**Statement of Assets and Liabilities on Behalf of the Territory**  
**As at 30 June 2018**

	Note No.	Actual 2018 \$'000	Original Budget 2018 \$'000	Actual 2017 \$'000
<b>Current Assets</b>				
Cash and Cash Equivalents	33	51	208	201
Receivables		-	2	-
<b>Total Current Assets</b>		<b>51</b>	<b>210</b>	<b>201</b>
<b>Total Assets</b>		<b>51</b>	<b>210</b>	<b>201</b>
<b>Current Liabilities</b>				
Payables	34	51	210	201
<b>Total Current Liabilities</b>		<b>51</b>	<b>210</b>	<b>201</b>
<b>Total Liabilities</b>		<b>51</b>	<b>210</b>	<b>201</b>
<b>Net Assets</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>Equity</b>				
Accumulated Funds		-	-	-
<b>Total</b>		<b>-</b>	<b>-</b>	<b>-</b>

The above Statement of Assets and Liabilities on Behalf of the Territory should be read in conjunction with the accompanying notes.  
Net Assets and Total Equity has remained at nil, therefore a Statement of Changes in Equity on Behalf of the Territory has not been prepared.



**Education Directorate  
Cash Flow Statement on Behalf of the Territory  
For the Year Ended 30 June 2018**

	Note No.	Actual 2018 \$'000	Original Budget 2018 \$'000	Actual 2017 \$'000
<b>Cash Flows from Operating Activities</b>				
<b>Receipts</b>				
Cash from Government for Expenses on Behalf of the Territory		295 923	284 090	272 646
Goods and Services Tax Received		6 395	6 538	6 161
<b>Total Receipts from Operating Activities</b>		<b>302 318</b>	<b>290 628</b>	<b>278 807</b>
<b>Payments</b>				
Grants and Purchased Services	32	296 072	284 090	272 656
Goods and Services Tax Paid		6 396	6 538	6 158
<b>Total Payments from Operating Activities</b>		<b>302 468</b>	<b>290 628</b>	<b>278 814</b>
<b>Net Cash Outflows from Operating Activities</b>	36	<b>(150)</b>	-	<b>(7)</b>
<b>Net (Decrease) in Cash and Cash Equivalents Held</b>				
		(150)	-	(7)
Cash and Cash Equivalents at the Beginning of the Reporting Period	33	201	208	208
<b>Cash and Cash Equivalents at the End of the Reporting Period</b>	36	<b>51</b>	<b>208</b>	<b>201</b>

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

**Education Directorate  
Territorial Statement of Appropriation  
For the Year Ended 30 June 2018**

	Original Budget 2018 \$'000	Total Appropriated 2018 \$'000	Appropriation Drawn 2018 \$'000	Appropriation Drawn 2017 \$'000
<b>Territorial</b>				
Expenses on Behalf of the Territory	284 090	298 877	295 923	272 646
<b>Total Territorial Appropriation</b>	<b>284 090</b>	<b>298 877</b>	<b>295 923</b>	<b>272 646</b>

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

**Column Heading Explanations**

- The *Original Budget* column shows the amounts that appear in the Cash Flow Statement in the Budget Papers.
- The *Total Appropriated* column is inclusive of all appropriation variations occurring after the Original Budget.
- The *Appropriation Drawn* is the total amount of appropriation received by the Directorate during the year. This amount appears in these financial statements, in the Cash Flow Statement.

**Variances between 'Original Budget' and 'Total Appropriated'**

**Expenses on Behalf of the Territory**

The difference between the original budget and the total appropriated relates to increased Commonwealth Government Quality Schools grants (\$13.445 million) and the transfer of funds from 2016-17 for the Interest Subsidy Scheme (\$1.342 million).

**Variances between 'Total Appropriated' and 'Appropriation Drawn'**

**Expenses on Behalf of the Territory**

The difference between the total appropriated and appropriation drawn mainly relates to transfer of funds to 2018-19 associated with the Interest Subsidy Scheme (\$2.270 million) and other ACT Government grants. The funding associated with the Interest Subsidy Scheme will be incorporated into the Non-Government School Infrastructure program from 2018-19.

## TERRITORIAL NOTE INDEX

	<b>Income Notes</b>	
Note	31	Payment for Expenses on behalf of the Territory – Territorial
	<b>Expenses Notes</b>	
Note	32	Grants and Purchased Services – Territorial
	<b>Assets Notes</b>	
Note	33	Cash and Cash Equivalents – Territorial
	<b>Liabilities Notes</b>	
Note	34	Payables – Territorial
	<b>Other Notes</b>	
Note	35	Financial Instruments – Territorial
Note	36	Cash Flow Reconciliation – Territorial
Note	37	Budgetary Reporting – Territorial

**Education Directorate**  
**Notes to and Forming Part of the Financial Statements - Territorial**  
**For the Year Ended 30 June 2018**

**NOTE 31. PAYMENT FOR EXPENSES ON BEHALF OF THE TERRITORY – TERRITORIAL**

Under the *Financial Management Act 1996*, the Directorate receives this appropriation to fund a number of expenses incurred on behalf of the Territory, the main one being the payment of grants to non-government schools. Refer **Note 32 – Grants and Purchased Services – Territorial** for the details of the expenses.

	2018	2017
	\$'000	\$'000
Expenses Incurred on Behalf of the Territory	296 072	272 654
<b>Total Payment for Expenses on Behalf of the Territory<sup>1</sup></b>	<b>296 072</b>	<b>272 654</b>

1. The increase from 2016-17 primarily relates to increased Commonwealth and ACT Government Grants in accordance with the *Commonwealth Education Act 2013* and the *National Education Reform Agreement: Australian Capital Territory Bilateral Agreement*.

**NOTE 32. GRANTS AND PURCHASED SERVICES – TERRITORIAL**

	2018	2017
	\$'000	\$'000
<b>Grants and Purchased Services</b>		
<i>Payments for grants and subsidies were as follows:</i>		
Grants - Non-Government Schools <sup>1</sup>	295 396	272 005
Junior Bursary Scheme	676	649
<b>Total</b>	<b>296 072</b>	<b>272 654</b>

1. The increase from 2016-17 primarily relates to increased Commonwealth and ACT Government Grants in accordance with the *Commonwealth Education Act 2013* and the *National Education Reform Agreement: Australian Capital Territory Bilateral Agreement*.

**Education Directorate**  
**Notes to and Forming Part of the Financial Statements - Territorial**  
**For the Year Ended 30 June 2018**

**NOTE 33. CASH AND CASH EQUIVALENTS – TERRITORIAL**

	2018 \$'000	2017 \$'000
Cash at Bank <sup>1,2</sup>	51	201
<b>Total</b>	<b>51</b>	<b>201</b>

1. The Territorial accounts are programs administered by the Directorate on behalf of the Territory. Territorial accounts cannot generate an operating result and must hold nil equity balance. This means cash held at year-end is recorded as a payable owed to the Territory Banking Account.

2. Under whole-of-government banking arrangements interest is not earned on cash at bank held with the Territory Banking Account.

**NOTE 34. PAYABLES – TERRITORIAL**

All payables at 30 June 2018 are current and not overdue.

**Current Payables:**

Payable to the Territory Banking Account <sup>1</sup>	51	201
<b>Total Current Payables</b>	<b>51</b>	<b>201</b>
<b>Total</b>	<b>51</b>	<b>201</b>

1. The Territorial accounts are programs administered by the Directorate on behalf of the Territory. Territorial accounts cannot generate an operating result and must hold nil equity balance. This means cash held at year-end is recorded as a payable owed to the Territory Banking Account.

**Education Directorate**  
**Notes to and Forming Part of the Financial Statements - Territorial**  
**For the Year Ended 30 June 2018**

**NOTE 35. FINANCIAL INSTRUMENTS – TERRITORIAL**

**Terms, Conditions and Accounting Policies**

Details of the significant policies and methods adopted, including the criteria for recognition, the basis of measurement, with respect to each class of financial asset and financial liability are disclosed in **Note 2 – Significant Accounting Policies** (refer Appendix B).

The carrying amounts for all financial assets and liabilities reflect their fair value and are non-interest bearing. The Directorate on behalf of the Territory has no exposure to interest rate, credit, liquidity or price risk.

**NOTE 36. CASH FLOW RECONCILIATION – TERRITORIAL**

(a) Reconciliation of Cash and Cash Equivalents at the end of the Reporting Period in the Cash Flow Statement on Behalf of the Territory to the Related Items in the Statement of Assets and Liabilities on Behalf of the Territory.

	2018 \$'000	2017 \$'000
Total Cash Disclosed on the Statement of Assets and Liabilities on Behalf of the Territory	51	201
Cash at the end of the Reporting Period as Recorded in the Cash Flow Statement on Behalf of the Territory	51	201

(b) Reconciliation of Net Cash Inflows from Operating Activities to the Operating Surplus/(Deficit)

Operating Result	-	-
Cash Before Changes in Operating Assets and Liabilities	-	-
<b>Changes in Operating Assets and Liabilities</b>		
Decrease in Receivables	-	2
(Decrease) in Payables	(150)	(9)
<b>Net Changes in Operating Assets and Liabilities</b>	(150)	(7)
<b>Net Cash (Outflows) from Operating Activities</b>	(150)	(7)



**Education Directorate**  
**Notes to and Forming Part of the Financial Statements - Territorial**  
**For the Year Ended 30 June 2018**

**Note 37. BUDGETARY REPORTING – TERRITORIAL**

The following are brief explanations of major line item variances between budget estimates and actual outcomes. Variances are considered to be major variances if both of the following criteria are met:

- The line item is a significant line item: the line item actual amount accounts for more than 10% of the relevant associated category (Income, Expenses and Equity totals); and
- The variances (original budget to actual) are greater than plus (+) or minus (-) 10% of the budget for the financial statement line item.

Statement of Assets and Liabilities on Behalf of The Territory Line Items	Actual 2017-18 \$'000	Original Budget <sup>1</sup> 2017-18 \$'000	Variance \$'000	Variance %	Variance Explanation
Cash and Cash Equivalents	51	208	(157)	(75)	The Territorial accounts are programs administered on behalf of the Territory. The accounts cannot generate an operating result and must hold a nil equity balance. This means cash held at year end is recorded as a payable owed to the Territory Banking Account.
Payables	51	210	(159)	(76)	

1. Original Budget refers to the amounts presented to the Legislative Assembly in the original budgeted financial statements in respect of the reporting period (2017-18 Budget Statements).
2. There were no significant variations against budget in the Statement of Income and Expenses on Behalf of the Territory or the Cash Flow Statement on Behalf of the Territory in accordance with the criteria (a) and (b) above.

**Education Directorate**  
**APPENDIX A - BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS**  
**FORMS PART OF NOTE 2 OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**APPENDIX A - BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS**

**LEGISLATIVE REQUIREMENT**

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

The FMA and the *Financial Management Guidelines* issued under the FMA, requires the Education Directorate's financial statements to include:

- i. an Operating Statement for the year;
- ii. a Balance Sheet for 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. significant accounting policies adopted for the year; and
- viii. such other statements as are necessary to fairly reflect the financial operations of the Education Directorate during the year and its financial position at the end of the year.

These general-purpose financial statements have been prepared to comply with Australian Accounting Standards as required by the FMA. The financial statements have been prepared in accordance with:

- i. Australian Accounting Standards; and
- ii. ACT Accounting and Disclosure Policies.

**ACCRUAL ACCOUNTING**

The financial statements have been prepared using the accrual basis of accounting. The financial statements have also been prepared according to the historical cost convention, except for assets such as those included in property, plant and equipment and financial instruments which were valued at fair value in accordance with the revaluation policies applicable to the Directorate during the reporting period.

**CURRENCY**

These financial statements are presented in Australian dollars, which is the Education Directorate's functional currency.

**INDIVIDUAL REPORTING ENTITY**

The Education Directorate is an individual reporting entity.

## APPENDIX A - BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

### CONTROLLED AND TERRITORIAL ITEMS

The Directorate produces Controlled and Territorial financial statements. The Controlled financial statements include income, expenses, assets and liabilities over which the Directorate has control. The Territorial financial statements include income, expenses, assets and liabilities that the Directorate administers on behalf of the ACT Government, but does not control.

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

The basis of preparation described applies to both Controlled and Territorial financial statements except where specified otherwise.

### REPORTING PERIOD

These financial statements state the financial performance, changes in equity and cash flows of the ACT Directorate for the year ended 30 June 2018 together with the financial position of the Education Directorate as at 30 June 2018.

### COMPARATIVE FIGURES

#### *Budget Figures*

To facilitate a comparison with the Budget Papers, as required by the FMA, budget information for 2017-18 has been presented in the financial statements. Budget numbers in the financial statements are the original budget numbers that appear in the Budget Statements.

#### *Prior Year Comparatives*

Comparative information has been disclosed in respect of the previous period for amounts reported in the financial statements, except where an Australian Accounting Standard does not require comparative information to be disclosed.

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

#### *Rounding*

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

### GOING CONCERN

As at 30 June 2018, the Education Directorate's current assets are insufficient to meet its current liabilities. This is not considered a liquidity risk as its cash needs are funded through appropriation from the ACT Government on a cash-needs basis. This is consistent with the whole of government cash management regime, which requires excess cash balances to be held centrally rather than within individual agency bank accounts.

The 2017-18 financial statements have been prepared on a going concern basis as the Directorate has been funded in 2018-19 Budget and Budget Papers include forward estimates for the Directorate.

## APPENDIX B - SIGNIFICANT ACCOUNTING POLICIES

### APPENDIX B - SIGNIFICANT ACCOUNTING POLICIES

Appendix B – Significant Accounting Policies applies to both the Controlled and Territorial financial statements.

#### SIGNIFICANT ACCOUNTING POLICIES – INCOME

Where significant accounting policies and other explanatory information is applicable it is provided in this Appendix. Additional information is not provided for all notes in the financial statements.

#### REVENUE RECOGNITION

Revenue is recognised at the fair value of the consideration received or receivable in the Operating Statement. In addition, the following specific recognition criteria must be met before revenue is recognised: Revenue for user charges is recorded when received with the exception of international private students, which is recognised on an accrual basis.

#### NOTE 4 – CONTROLLED RECURRENT PAYMENTS

Controlled Recurrent Payments are recognised as revenues when the Directorate gains control over the funding. Control over appropriated funds is obtained upon the receipt of cash.

#### NOTE 5 – USER CHARGES

##### *User charges*

Revenue for user charges is recorded when received except for international private student's revenue which is recognised when the fee is earned.

#### NOTE 6 – OTHER REVENUE

##### *Revenue Received in Advance*

Revenue received in advance is recognised as a liability if there is a present obligation to return the funds received, otherwise all are recorded as revenue.

#### SIGNIFICANT ACCOUNTING POLICIES – EXPENSES

#### NOTE 7 – EMPLOYEE EXPENSES

Employee benefits include:

- short-term employee benefits such as wages and salaries, annual leave loading, and applicable on cost if expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services – wages and salaries, annual leave loading, and applicable on-costs;
- other long-term benefits such as long service leave and annual leave; and
- termination benefits.

On-costs include annual leave, long service leave, superannuation and other costs that are incurred when employees take annual and long service leave.

(See Appendix B – Note 21 Employee Benefits for accrued wages and salaries, and annual and long service leave).



## APPENDIX B - SIGNIFICANT ACCOUNTING POLICIES

### SIGNIFICANT ACCOUNTING POLICIES – EXPENSES CONTINUED

#### NOTE 8 – SUPERANNUATION EXPENSES

Employees of the Directorate will have different superannuation arrangements due to the type of superannuation scheme available at the time of commencing employment, including both defined benefit and defined contribution superannuation scheme arrangements.

For employees who are members of the defined benefit Commonwealth Superannuation Scheme (CSS) and Public Sector Superannuation Scheme (PSS) the Directorate makes employer superannuation contribution payments to the Territory Banking Account at a rate determined by the Chief Minister, Treasury and Economic Development Directorate. The Directorate also makes productivity superannuation contribution payments on behalf of these employees to the Commonwealth Superannuation Corporation, which is responsible for administration of the schemes.

For employees who are members of defined contribution superannuation schemes (the Public Sector Superannuation Scheme Accumulation Plan (PSSAP) and schemes of employee choice) the Directorate makes employer superannuation contribution payments directly to the employees' relevant superannuation fund.

All defined benefit employer superannuation contributions are recognised as expenses on the same basis as the employer superannuation contributions made to defined contribution schemes. The accruing superannuation liability obligations are expensed as they are incurred and extinguished as they are paid.

#### SUPERANNUATION LIABILITY RECOGNITION

For Directorate employees who are members of the defined benefit Commonwealth Superannuation Scheme or Public Sector Superannuation Scheme, the employer superannuation liabilities for superannuation benefits payable upon retirement are recognised in the financial statements of the Superannuation Provision Account.

#### NOTE 9 – SUPPLIES AND SERVICES

##### Insurance

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

##### Repairs and Maintenance

The Directorate undertakes major cyclical maintenance on its assets. Where the maintenance leads to an upgrade of the asset, and increases the service potential of the existing asset, the cost is capitalised. Maintenance expenses which do not increase the service potential of the asset are expensed.

##### Operating Leases

Operating lease payments are recorded as an expense in the Operating Statement on a straight-line basis over the term of the lease.

## APPENDIX B - SIGNIFICANT ACCOUNTING POLICIES

### SIGNIFICANT ACCOUNTING POLICIES – EXPENSES CONTINUED

#### NOTE 10 – DEPRECIATION AND AMORTISATION

Land has an unlimited useful life and is therefore not depreciated.

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

Class of Asset	Depreciation/Amortisation	Useful Life (Years)
Buildings and Land Improvements	Straight Line	50
Leasehold Improvements	Straight Line	5
Plant and Equipment	Straight Line	2-20
Internally Generated Intangibles	Straight Line	2-10

The aggregate amount of depreciation allocated for each class of asset during the reporting period is disclosed in **Note 10 – Depreciation and Amortisation**.

#### NOTE 12 – ACT OF GRACE PAYMENTS, WAIVERS, IMPAIRMENT LOSSES AND WRITE-OFFS

##### Waivers

Debts that are waived under Section 131 of the FMA are expensed during the reporting period in which the right to payment was waived. Further details of waivers are disclosed at **Note 12 Act of Grace Payments, Waivers, Impairment Losses and Write-Offs**.

##### Impairment of Assets

Expense impairment losses of assets include: land, buildings, and improvements to land, (refer Appendix – B – **Note 17 – Property, Plant and Equipment – Impairment of Assets**).

##### Impairment Losses and Write-Offs - Receivables

The allowance for impairment of receivables (see **Note 15 Receivables - Impairment Loss Receivables**).

### SIGNIFICANT ACCOUNTING POLICIES – ASSETS

#### ASSETS – CURRENT AND NON-CURRENT

Assets are classified as current where they are expected to be realised within 12 months after the reporting date.

Assets which do not fall within the current classification are classified as non-current.

##### Significant Accounting Judgements and Estimates - Fair Value of Assets

The Directorate has made a significant estimate regarding the fair value of its assets. Land and buildings have been recorded at the market value of similar properties as determined by an independent valuer. In some circumstances, buildings that are purpose built may in fact realise more or less in the market. Infrastructure assets and some community and heritage assets have been recorded at fair value based on current replacement cost as determined by an independent valuer. The valuation uses significant judgements and estimates to determine fair value, including the appropriate indexation figure and quantum of assets held. The fair value of assets is subject to management assessment between formal valuations.



## APPENDIX B - SIGNIFICANT ACCOUNTING POLICIES

### SIGNIFICANT ACCOUNTING POLICIES – ASSETS CONTINUED

#### NOTE 14 – CASH AND CASH EQUIVALENTS

Cash includes cash at bank and cash on hand. Directorate money held in the Territory Banking Account Cash Fund is classified as a Cash Equivalent.

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. Bank overdrafts are included in cash and cash equivalents in the Cash Flow Statement and are included as borrowings in the Balance Sheet.

#### NOTE 15 – RECEIVABLES

##### Accounts Receivables

Accounts receivable (including trade receivables, other receivables and loan receivables) are initially recognised at fair value and are subsequently measured at amortised cost, with any adjustments to the carrying amount being recorded in the Operating Statement (see Appendix B - Note 12 Act of Grace Payments, Waivers, Impairment Losses and Write-Offs).

##### Impairment Losses – Receivables

The allowance for impairment losses represents the amount of receivables that the Directorate estimates will not be repaid. The allowance for impairment losses is based on objective evidence and a review of overdue balances. The amount of the allowance is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The Directorate considers the following as indicators of impairment:

- (a) becoming aware of financial difficulties of debtors;
- (b) default in payments;
- (c) debts more than 90 days overdue; or
- (d) known changes to the regulatory environment which may impact recoverability.

The amount of the allowance is recognised in the Operating Statement. The allowance for impairment losses is written off against the allowance account when the Directorate ceases action to collect the debt as it considers that it will cost more to recover the debt than the debt is worth.

#### NOTE 16 – INVESTMENTS

Short-term investments are held with the Territory Banking Account in a unit trust called the Cash Enhanced Portfolio. Long-term investments are held with the Territory Banking Account in a unit trust called the Fixed Interest Portfolio.

The price of units in both these unit trusts fluctuates in value. The net gain or loss on investments consists of the fluctuation in price of the unit trust between the end of the last reporting period and the end of this reporting period as well as any profit on the sale of units in the trust (the profit being the difference between the price at the end of the last reporting period and the sale price). The net gains or losses do not include interest or dividend income.

These short-term and long term investments are measured at fair value with any adjustments to the carrying amount recorded in the Operating Statement. Fair value is based on an underlying pool of investments which have quoted market prices at the reporting date.

## APPENDIX B - SIGNIFICANT ACCOUNTING POLICIES

### SIGNIFICANT ACCOUNTING POLICIES – ASSETS CONTINUED

#### NOTE 17 – PROPERTY, PLANT AND EQUIPMENT

##### Acquisition and Recognition of Property, Plant and Equipment

Property, plant and equipment is initially recorded at cost.

Where property, plant and equipment are acquired at no cost, or minimal cost, cost is its fair value as at the date of acquisition. However property, plant and equipment acquired at no cost or minimal cost as part of a Restructuring of Administrative Arrangements is measured at the transferor's book value

Property, plant and equipment with a minimum value of \$5,000 (exclusive of GST) are capitalised. Assets below \$5,000 are expensed in the reporting period of purchase. Assets that are individually below the threshold, but for which the aggregate value is material, may be capitalised depending on the nature of the assets.

##### Measurement of Property, Plant and Equipment after Initial Recognition

Land, buildings and improvements to land are measured at fair value. Plant and equipment including leasehold improvements are measured at cost. Land and buildings are revalued every three years. However, 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. The most recent complete revaluation of the Directorate's land, buildings and land improvements was performed in 2016-17.

Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is measured using the market approach or the cost approach valuation techniques as appropriate. In estimating the fair value of an asset or liability, the Directorate takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for land and non-specialised buildings is measured using the market approach valuation technique. This approach uses prices and other relevant information generated by market transactions involving identical or similar assets. Fair value for specialised assets is measured using the cost approach that reflects the current cost to construct a comparable asset less accumulated depreciation.

##### Significant Accounting Judgements and Estimates – Useful lives of Property Plant and Equipment (PPE)

The Directorate has made a significant estimate in determining the useful lives of its PPE. The estimation of useful lives of PPE is based on the historical experience of similar assets and in some cases has been based on valuations provided by the CIVAS (ACT) Pty Ltd as at 30 June 2017. The useful lives are assessed on an annual basis and adjustments are made when necessary.

Disclosures concerning assets useful life (see Appendix B -Note 10 Depreciation and Amortisation).

##### Impairment of Assets

The Directorate assesses, at each reporting date, whether there is any indication that an asset may be impaired. Assets are also reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

## APPENDIX B - SIGNIFICANT ACCOUNTING POLICIES

### SIGNIFICANT ACCOUNTING POLICIES – ASSETS CONTINUED

#### NOTE 17 – PROPERTY, PLANT AND EQUIPMENT – CONTINUED

Any resulting impairment losses for land, buildings and improvements are recognised against the relevant class of asset in the Asset Revaluation Surplus with corresponding reduction to the carrying amount in the Balance Sheet. Where the impairment loss is greater than the balance in the Asset Revaluation Surplus, the difference is expensed in the Operating Statement. Refer **Note 12 Act of Grace Payments, Waivers, Impairment Losses and Write-Offs**.

#### NOTE 18 – INTANGIBLE ASSETS

The Directorate's intangible assets are comprised of internally generated software and externally acquired software for internal use. Externally acquired software is recognised and capitalised when:

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

Internally generated software is recognised when it meets the general recognition criteria and where it also meets the specific recognition criteria relating to intangible assets arising from the development phase of an internal project.

Capitalised software has a finite useful life. Software is amortised on a straight line basis over its useful life, over a period not exceeding five years.

Intangible assets are measured at cost.

### SIGNIFICANT ACCOUNTING POLICIES – LIABILITIES

#### LIABILITIES – CURRENT AND NON-CURRENT

Liabilities are classified as current when they are due to be settled within 12 months after the reporting date or the Directorate does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Liabilities which do not fall within the current classification are classified as non-current.

#### NOTE 20 – PAYABLES

Payables are initially recognised at fair value based on the transaction cost and subsequent to initial recognition at amortised cost, with any adjustments to the carrying amount being recorded in the Operating Statement. All amounts are normally settled within 30 days after the invoice date.

Payables include Trade Payables, Accrued Expenses and Other Payables.



## APPENDIX B - SIGNIFICANT ACCOUNTING POLICIES

### SIGNIFICANT ACCOUNTING POLICIES – LIABILITIES – CONTINUED

#### NOTE 21 – EMPLOYEE BENEFITS

##### Wages & Salaries

Accrued salaries and wages are measured at the amount that remains unpaid to employees at the end of the reporting period.

##### Annual and Long Service Leave

Annual and long service leave including applicable on-costs that are not expected to be wholly settled within twelve months are measured at the present value of estimated future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to the future wage and salary levels, experience of employee departures and periods of service. At the end of each reporting period, the present value of annual leave and long service leave payments is estimated using market yields on Commonwealth Government bonds with terms to maturity that match, as closely as possible, the estimated future cash flows.

Annual leave liabilities have been estimated on the assumption that they will be wholly settled within three years. In 2017-18 the rate used to estimate the present value of future annual leave payments is 99.7% (99.8% in 2016-17).

The long service leave liability is estimated with reference to the minimum period of qualifying service. For employees with less than the required minimum period of 7 years of qualifying service, the probability that employees will reach the required minimum period has been taken into account in estimating the provision for long service leave and applicable on-costs. In 2017-18, the rate used to estimate the present value of future payments for long service leave is 100.9% (103.4% in 2016-17).

The provision for annual leave and long service leave includes estimated on-costs. As these on-costs only become payable if the employee takes annual and long service leave while in-service, the probability that employees will take annual and long service leave while in service has been taken into account in estimating the liability for on-costs.

Annual leave and long service leave are classified as current liabilities in the Balance Sheet where there are no unconditional rights to defer the settlement of the liability for at least 12 months.

Conditional long service leave liabilities are classified as non-current because the agency has an unconditional right to defer the settlement of the liability until the employee has completed the requisite years of service.

##### Significant Accounting Judgements and Estimates – Employee Benefits

Significant judgements have been applied in estimating the liability for employee benefits. The estimated liability for annual and long service leave requires a consideration of the future wage and salary levels, experience of employee departures, probability that leave will be taken in service and periods of service. The estimate also includes an assessment of the probability that employees will meet the minimum service period required to qualify for long service leave and that on-costs will become payable.

## APPENDIX B - SIGNIFICANT ACCOUNTING POLICIES

### SIGNIFICANT ACCOUNTING POLICIES – LIABILITIES – CONTINUED

#### NOTE 21 – EMPLOYEE BENEFITS – CONTINUED

The significant judgements and assumptions included in the estimation of annual and long service leave liabilities include an assessment by an actuary. The Australian Government Actuary performed this assessment in May 2014. The assessment by an actuary is performed every 5 years. However, it may be performed more frequently if there is a significant contextual change in the parameters underlying the 2014 report. The next actuarial review is expected to be undertaken by May 2019.

#### NOTE 22 – OTHER LIABILITIES

##### Revenue Received in Advance

Revenue received in advance is recognised as a liability if there is a present obligation to return the funds received, otherwise all are recorded as revenue.

### SIGNIFICANT ACCOUNTING POLICIES – EQUITY

#### NOTE 23 – EQUITY

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

Increases or decreases in net assets as a result of Administrative Restructures are also recognised in equity.

### SIGNIFICANT ACCOUNTING POLICIES – OTHER NOTES

#### NOTE 27 - INTEREST IN A JOINT OPERATION

The Directorate is involved in a joint operation with the Catholic Education Office at Gold Creek Primary School and its share of assets, liabilities, income and expenses have been recognised in the Directorate's financial statements under appropriate headings consistent with AASB 131 'Joint Arrangements'. Please refer to **Note 27 – Interest in a Joint Operation** for details.

#### NOTE 30 – BUDGETARY REPORTING

Significant judgements have been applied in determining what variances are considered 'major variances'. Variances are considered major if both of the following criteria are met:

- The line item is a significant line item: where either the line item actual amount accounts for more than 10% of the relevant associated category (Income, Expenses and Equity totals) or more than 10% of the sub-element (e.g. Current Liabilities and Receipts from Operating Activities totals) of the financial statements; and
- The variances (original budget to actual) are greater than plus (+) or minus (-) 10% of the budget for the financial statement line item.

## **APPENDIX B - SIGNIFICANT ACCOUNTING POLICIES**

### **TERRITORIAL – SPECIFIC SIGNIFICANT ACCOUNTING POLICIES**

#### **SIGNIFICANT ACCOUNTING POLICIES – SPECIFIC TO TERRITORIAL – INCOME**

##### **NOTE 31 – PAYMENT FOR EXPENSES ON BEHALF OF THE TERRITORY – TERRITORIAL**

The Payment for expenses on behalf of the Territory is recognised on an accrual basis. Due to the nature of territorial accounting, the Statement of Assets and Liabilities on Behalf of the Territory includes (as applicable) liabilities to, and receivables from, the Territory Banking Account.

##### **TERRITORIAL NOTES REFERENCED TO CONTROLLED NOTES**

**NOTE 33 CASH AND CASH EQUIVALENTS – TERRITORIAL:** see Appendix B: Note 14 Cash and Cash Equivalents.

**NOTE 34 PAYABLES – TERRITORIAL:** see Appendix B: Note 20 Payables.

**NOTE 37 BUDGETARY REPORTING – TERRITORIAL:** see Appendix B: Note 30 Budgetary Reporting.



**Education Directorate**  
**APPENDIX C - IMPACT OF ACCOUNTING STANDARDS ISSUED BUT YET TO BE APPLIED**  
**FORMS PART OF NOTE 2 OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**APPENDIX C - IMPACT OF ACCOUNTING STANDARDS ISSUED BUT YET TO BE APPLIED**

Appendix C - impact of accounting standards issued but yet to be applied concerns both the Controlled and Territorial financial statements. Where specific to Territorial they are listed below under the heading Territorial.

**ACCOUNTING STANDARDS ISSUED BUT YET TO BE APPLIED**

The following new and revised accounting standards and interpretations that are applicable to the Directorate have been issued by the Australian Accounting Standards Board but do not apply to the current reporting period. These standards and interpretations are applicable to future reporting periods. The Directorate does not intend to adopt these standards and interpretations early. Where applicable, these Australian Accounting Standards will be adopted from their application date. It is estimated that the effect of adopting the below pronouncements, when applicable and based on an initial assessment, will have no material financial impact on the Directorate in future reporting periods:

- AASB 9 Financial Instruments (application date 1 January 2018);
- AASB 15 Revenue from Contracts with Customers (application date 1 January 2019);
- AASB 16 Leases (application date 1 January 2019);
- AASB 1058 Income for Not-for-Profit Entities (application date 1 January 2019);

**APPENDIX D - CHANGE IN ACCOUNTING ESTIMATES**

Appendix D the change in accounting estimates applies to both the Controlled and Territorial financial statements.

**CHANGE IN ACCOUNTING ESTIMATES**

As disclosed in **Note 21 – Employee Benefits**, annual leave and long service leave, including applicable on-costs that do not fall due in the next 12 months are measured at the present value of estimated payments to be made in respect of services provided by employees up to the reporting date. The present value of future payments is estimated from an assessment made by the Australian Government Actuary.

Last financial year the rate used to estimate the present value of future long service leave and annual leave payments was 103.4% for long service leave and 99.8% for annual leave. The rate for 2017-18 is 100.9% for long service leave and 99.7% for annual leave. As such the estimate of the long service leave and annual leave liabilities has changed. This change has resulted in a decrease in the estimate of the long service leave liability and expense in the current reporting period of approximately \$2.673 million and a decrease to the estimate of the annual leave liability and expense in the current reporting period of approximately \$0.039 million.