

**CONSOLIDATED FINANCIAL STATEMENTS
OF THE NSW TOTAL STATE SECTOR
(INCORPORATING
THE NSW PUBLIC ACCOUNTS)
1999 – 2000**

Inquiries concerning this document can be directed to: Financial Management Directorate, NSW Treasury
[Tel: (02) 9228 4659 Fax: (02) 9228 3031 Email: rosenbi@mail.treasury.nsw.gov.au.
This document can be accessed from NSW Treasury's Internet site [<http://www.treasury.nsw.gov.au>].
For printed copies contact the NSW Treasury's Publications Officer [Tel: (02) 9228 4426].
Photos supplied courtesy of Bob Shields

ISSN 1441-7979

PREFACE

The Consolidated Financial Statements of the Total State Sector are prepared on an accrual basis and report on the financial position and the results of operations of the State and the General Government Sector. The comprehensive financial reports play an important role in assisting the Government in discharging its accountability to the community and in enhancing the transparency of the State's finances.

Australian Accounting Standard AAS31 *Financial Reporting by Governments* requires each jurisdiction to prepare accrual based consolidated financial statements.

This document includes a review of the Government's achievement against the fiscal principles and targets identified in the General Government Debt Elimination Act for the General Government Sector.

The extensive information contained in the reports is also designed to provide a basis for the assessment of the Government's financial position and performance over time and for comparison with other jurisdictions.

John Aquilina MP
Acting Treasurer

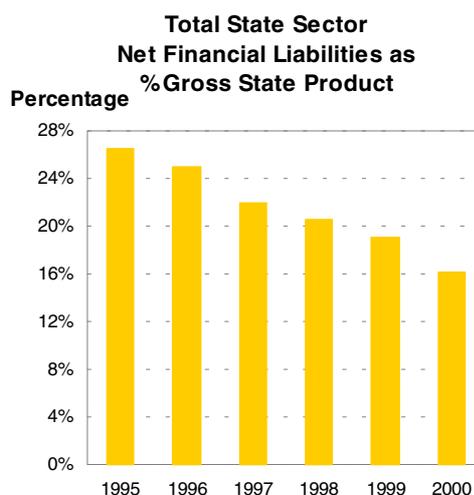
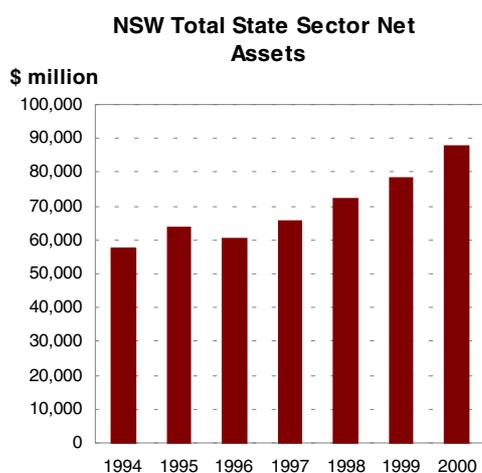
C O N T E N T S

	Page
Highlights	i
Review of Financial Performance	iii
AUDITED CONSOLIDATED FINANCIAL STATEMENTS	
Statement of Compliance	2
Independent Audit Report on the Financial Statements	3
Operating Statement	6
Statement of Financial Position	7
Statement of Cash Flows	8
Notes to and forming part of the Financial Statements	9
1. Statement of Significant Accounting Policies	9
2. Revenue	20
3. Expenses	22
4. Abnormal Items	23
5. Receivables	25
6. Investments	25
7. Inventories	26
8. Property, Plant and Equipment	26
9. Other Assets	27
10. Payables	27
11. Borrowings	27
12. Employee Entitlements	29
13. Other Liabilities	31
14. Asset Revaluation Reserve	31
15. Accumulated Funds	32
16. Cash Flow Information	33
17. Trust Funds	36
18. Expenditure Commitments	37
19. Contingent Liabilities	38
20. Events Occurring After Reporting Date	43
21. Compliance With Appropriations	43
22. Financial Instruments	43
23. Consolidated Fund Transactions	50
24. Disaggregated Financial Statements	51
25. Details of Consolidated Entities	56
UNAUDITED INFORMATION	
Statement of Compliance (Budget Result)	64
Statement of the Budget Result	65
Reconciliation of the Statement of Budget Result with the Public Accounts Accrual Based Operating Result	67
Government Finance Statistics Balance Sheets	68



1999-2000 HIGHLIGHTS

- ◆ Strengthened the State's finances while providing more money for Government services and meeting the fiscal principles of the General Government Debt Elimination Act.
- ◆ An accrual based operating surplus after abnormals for the Total State Sector of \$5,496 million.
- ◆ The 1999-2000 operating surplus after abnormals for the Total State Sector included net abnormal revenues of \$2,515 million. This included a \$2,976 million abnormal decrease in defined benefit scheme superannuation liabilities as a result of changes to actuarial economic assumptions.
- ◆ An accrual based operating surplus after abnormal for the General Government Sector of \$4,471 million, a surplus for the fourth year in a row.
- ◆ An accrual based operating surplus for the Non General Government Sector of \$2,211 million (prior to financial distributions) reflecting continuing sound performance.
- ◆ A cash surplus for the Budget Sector of \$881 million (prepared on a Government Finance Statistics basis).
- ◆ The State's net assets (or equity) were \$87,556 million at 30 June 2000, an increase of 11.6% (\$9,086 million) on the level at 30 June 1999.
- ◆ Total assets for the State increased by 3.1% (\$4,097 million) to \$135,726 million. This was primarily a result of net asset revaluations of \$3,060 million and net investments in assets of \$1,037 million. Net investments included \$235 million of investment in Olympic sporting facilities and infrastructure.
- ◆ The Total State Sector net financial liabilities fell 9.7% (\$3,940 million) to \$36,614 million. The ratio of net financial liabilities to Gross State Product fell from 19.0% to 16.1%. The fall in net financial liabilities comprised a reduction in net debt of \$1,633 million to \$19,675 million, a reduction in net unfunded superannuation liabilities of \$2,905 million to \$5,284 million and an increase in other net financial liabilities of \$598 million.
- ◆ Since June 1995 the NSW Total State Sector net financial liabilities have been reduced by 16.5% (\$7,232 million) to \$36,614 million. Over this same period the ratio of net financial liabilities to Gross State Product has fallen from 26.5% to 16.1%.





1999-2000 HIGHLIGHTS

TOTAL STATE AND GENERAL GOVERNMENT KEY FINANCIAL INDICATORS

		Total State	General Government
Operating Surplus Before Abnormals	\$m	2,981	1,855
Operating Surplus after Abnormals	\$m	5,496	4,471
Net Cost of Services	\$m	19,399	22,349
Net Financial Liabilities (NFL)	\$m	36,614	23,779
NFL as a % of Gross State Product	%	16.1	10.5
Net Debt	\$m	19,675	11,196
Net Unfunded Superannuation Liability	\$m	5,284	5,686
Net Assets (Equity)	\$m	87,556	41,204
Total Assets	\$m	135,726	74,386
Total Liabilities	\$m	48,170	33,182
GFS Cash Surplus	\$m	N/A	881



REVIEW OF FINANCIAL PERFORMANCE FOR 1999-2000

GENERAL

This review of the financial performance of the NSW Total State Sector for 1999-2000 comments on:

- the Total State Sector Accounts;
- the Public Accounts of the NSW General Government Sector; and
- the Statement of the Budget Result prepared on the Government Finance Statistics Cash Basis.

Background information is provided at the end of this Chapter on the scope of this review, together with an assessment of the performance of the General Government Sector against the fiscal principles established under the General Government Debt Elimination Act 1995.

STATEMENT OF FINANCIAL POSITION

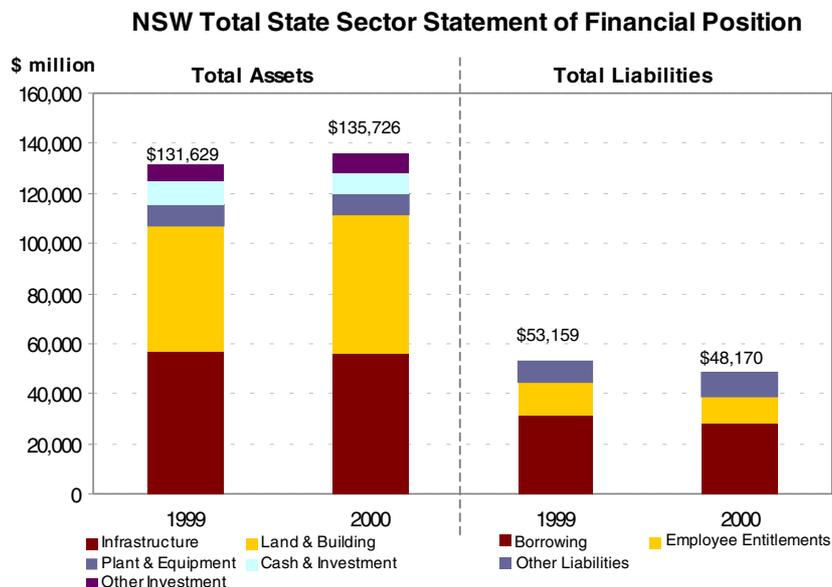
The Statement of Financial Position for the Total State Sector, including the General Government Sector, reports on its assets, liabilities and equity.

The State's net assets (or equity) were \$87,556 million at 30 June 2000, an increase of 11.6% or \$9,086 million on the level at 30 June 1999.

The \$9,086 million increase in Total State Sector net assets is the result of a \$4,097 million increase in total assets and a reduction in total liabilities of \$4,989 million during the period.

Over the period June 1994 through to June 2000 the net assets of the NSW Total State Sector have increased by 52%.

Figure 1





REVIEW OF FINANCIAL PERFORMANCE FOR 1999-2000

Total Assets

The State's total assets at 30 June 2000 were \$135,726 million (1999 \$131,629 million). The \$4,097 million increase was mainly due to a \$4,613 million increase in the value of the non-current physical assets. This increase included a net investment in property and infrastructure of \$4,558 million, and asset revaluations of \$3,060 million which were offset by an increased provision for depreciation of \$2,757 million.

Investments in the State's property and infrastructure will provide benefits for current and future generations. It includes investments during 1999-2000 in:

- roads \$887 million
- Olympic facilities \$235 million
- hospitals and equipment \$376 million

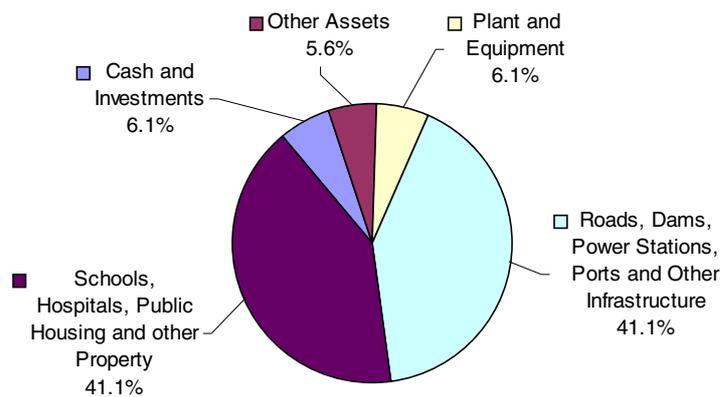
- educational facilities \$301 million
- public housing \$372 million
- transport \$669 million
- energy infrastructure \$966 million; and
- water infrastructure \$598 million

The Department of Housing revalued its residential properties by \$3,636 million during 1999-2000. The Roads and Traffic Authority adopted a different depreciation methodology and revalued its assets resulting in a net \$774 million reduction in the value of its property and infrastructure.

Over 90% of the Total State Sector's assets represent investments in non-current infrastructure and facilities which will return long-term benefits to the community of New South Wales.

Figure 2

NSW Total State Sector Assets





REVIEW OF FINANCIAL PERFORMANCE FOR 1999-2000

Total Liabilities

Total State liabilities fell during 1999-2000 by \$4,989 million (9.4%) to \$48,170 million. This includes reductions in borrowings of \$2,965 million and superannuation liabilities of \$2,755 million.

The reduction in borrowings of \$2,965 million was primarily the result of three outcomes:

- the application of the General Government cash surplus of \$881 million for the year ended 30 June 2000 to repay debt;
- as part of ordinary asset and liability management, excess cash and investments were applied to reduce Non General Government Sector borrowings; and
- the budgeted additional \$1,005 million debt repayment as part of the Superannuation Conversion Offer (SCO).

SUPERANNUATION CONVERSION OFFER (SCO)

The effect of funding for the Superannuation Conversion Offer (SCO) has a significant impact on aggregate liability classes over the four years commencing from 1998-99.

The Crown borrowed \$3,261 million to enable the accelerated payment in 1998-99 of three forward years' of Crown superannuation contributions to the SAS Trustee Corporation (STC) fund.

As a result of the prepayment the Crown will not make payments to the fund during the three years 1999-2000 through to 2001-02. The resultant \$1 billion savings per annum are being applied in each of the three years to repay borrowings.

Net Debt

Total State Sector Net Debt fell by \$1,633 million to \$19,675 million for the year ended 30 June 2000. Net Debt primarily comprises borrowings less cash, investments and advances receivable. It excludes superannuation and insurance liabilities and is calculated in accordance with Australian Bureau of Statistics methodology.

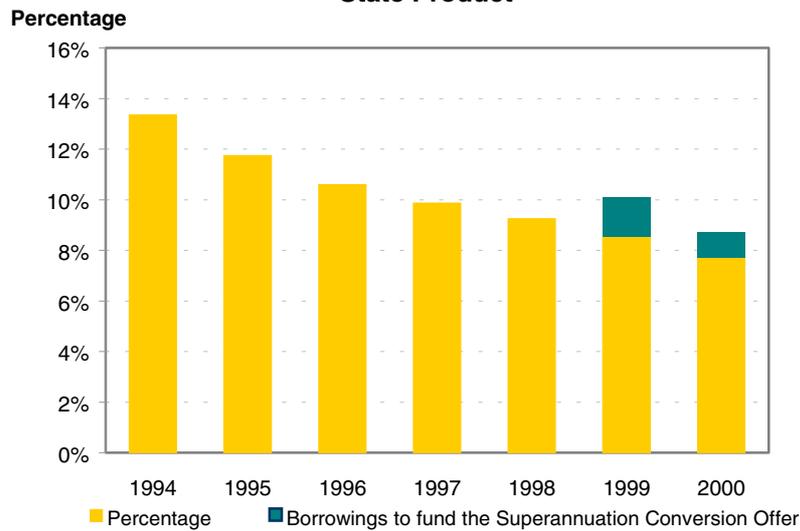
The cash surplus of \$881 million and the budgeted \$1,005 million associated with the SCO are the primary reasons for the reduction in Net Debt.

The net debt of the State, excluding SCO, as a percentage of Gross State Product decreased from 8.5% in 1998-99 to 7.7% in 1999-2000 in line with a consistent trend since 1994.



Figure 3

State Net Debt as a percentage of Gross State Product



UNFUNDED TOTAL STATE SECTOR LIABILITIES

Unfunded superannuation represents that part of the liability to members not covered by assets of the fund.

Unfunded Total State Sector superannuation liabilities fell \$2,755 million to \$5,579 million. After adjusting for prepaid superannuation contribution assets, the net superannuation liabilities of the Total State Sector fell \$2,905 million to \$5,284 million.

Significant factors contributing to this reduction were:

- a change in actuarial economic assumptions which lowered previous long-term salary growth assumptions from 5% to 4% p.a. and the forecast long-term consumer price index growth rate from 3.25% to 2.5%

- strong investment performance returning 15.2% earnings on Pooled Fund employer reserves
- additional contributions during 1999-2000 by the Crown of \$587 million following improved cash performance of the General Government Sector
- a distribution from unallocated funds in the State Superannuation Scheme (SSS) contributors' reserves to the SSS employer reserve accounts.

The impact of the above factors was partly offset by the Crown applying \$1,005 million that would normally be paid towards superannuation contributions, to repay borrowings during 1999-2000. This was a budgeted outcome in 1999-2000 resulting from the arrangements put in place as part of the Superannuation Conversion Offer.



REVIEW OF FINANCIAL PERFORMANCE FOR 1999-2000

NET FINANCIAL LIABILITIES OF THE TOTAL STATE SECTOR

If unfunded superannuation and insurance obligations, and other liabilities are added to Net Debt the result is a measure known as Net Financial Liabilities. Net Financial Liabilities reflects the financial obligations of the Government.

Total State Sector Net Financial Liabilities fell by \$3,940 million during 1999-2000 to \$36,614 million. The fall in net financial liabilities comprised a reduction in net debt of \$1,633 million to \$19,675 million, a reduction in net unfunded superannuation liabilities of \$2,905 million to

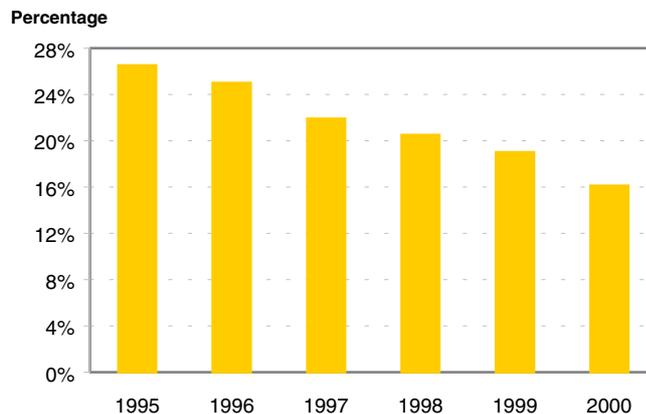
\$5,284 million and an increase in other net financial liabilities of \$598 million.

Since June 1995 the NSW Total State Net Financial Liabilities as a percentage of GSP has fallen from 26.5% to 16.1% (\$43,846 million 1995 \$36,614 million 2000) refer Figure 4. Further information on Net Financial Liabilities is provided in the section on "Intergovernmental Total State Sector Comparisons" towards the end of this chapter.

Trends in Net Financial Liabilities as a percentage of GSP over time provides a useful indication of the movement in a State's financial position, whereby reductions represent an improvement.

Figure 4

NSW Total State Sector Net Financial Liabilities as a percentage of Gross State Product at 30 June





REVIEW OF FINANCIAL PERFORMANCE FOR 1999-2000

Net assets

As a result of the above asset and liability movements net assets of the Total State Sector increased during 1999-2000 by \$9,086 million.

The growth can be explained by the impact of:

- net asset revaluations adjusted to equity \$3,841 million;
- direct equity adjustments of minus \$251 million; and

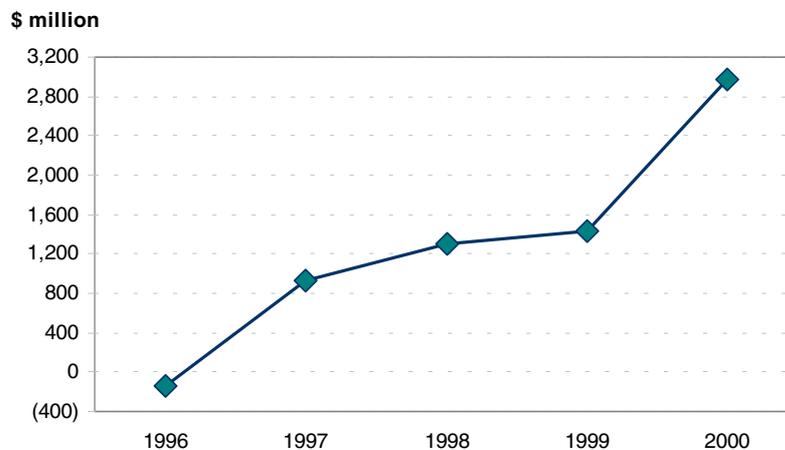
- the consolidated Total State Sector accrual operating surplus after abnormals of \$5,496 million.

TOTAL STATE SECTOR OPERATING RESULT

The Total State Sector operating result after abnormal items was a surplus of \$5,496 million compared to \$1,620 million for the prior year. The operating result before abnormals improved from a surplus of \$1,435 million in 1998-99 to a surplus of \$2,981 million in 1999-2000.

Figure 5

Total State Sector Operating Result Before Abnormal and Extraordinary Items



The surplus for the State of \$5,496 million (1998-99 \$1,620 million) results from a General Government surplus of \$4,471 million and a Non General Government surplus of \$2,211 million before distributions.

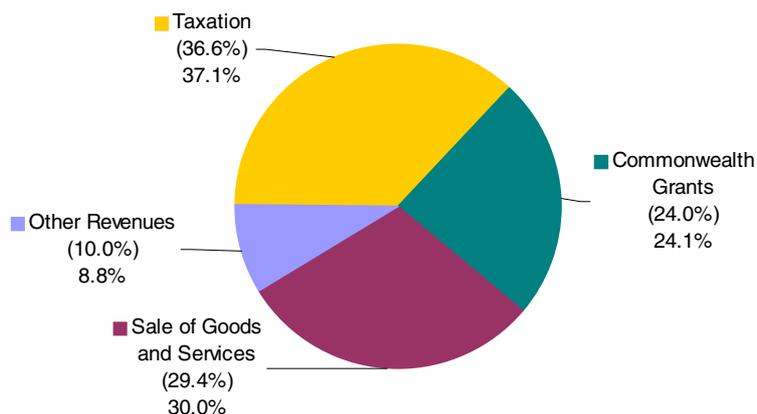
An amount of \$1,186 million was eliminated on consolidation primarily for financial distributions from the Non General Government Sector to the General Government Sector.



REVIEW OF FINANCIAL PERFORMANCE FOR 1999-2000

Figure 6

**Total State Sector Revenue 1999-2000
(1998-99 in brackets)**



The Total State Sector operating result comprises State Revenues less the Net Cost of Services.

State Revenues

State Revenues, which principally comprise State Taxes and Commonwealth Grants, increased by \$1,578 million (6.8%) to \$24,895 million.

State taxation increased to \$14,540 million in 1999-2000 despite reductions in payroll and land tax rates. The increase was principally due to a \$740 million increase in stamp duties, a \$163 million increase in payroll tax, and a \$149 million increase in gambling and betting taxes.

Stamp duty revenues increased due to the continuing high levels of activity in the property and share markets. Some of the strength in these markets reflected purchases brought forward in anticipation of the GST.

Commonwealth Grants increased by \$549 million (6.2%) between 1998-99 and 1999-2000.

This includes an increase in Financial Assistance Grants (\$377 million), and grants for Public Health (\$85 million). Specific Commonwealth grants for roads, education, community services and public housing remained constant or fell slightly in nominal terms, which reflects a fall in real terms for New South Wales.



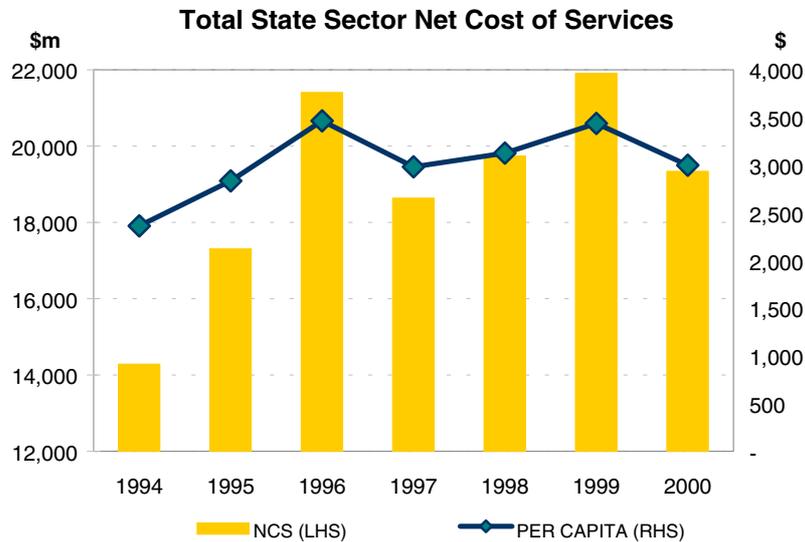
REVIEW OF FINANCIAL PERFORMANCE FOR 1999-2000

Net Cost of Services

The Net Cost of Services represents the total cost to the Government of providing services to the community, less both revenue retained by Government agencies in providing the services, and the profit on sale of non-current assets.

The Net Cost of Services of \$19,399 million in 1999-2000, is a reduction of 10.6% compared with \$21,697 million last year. Excluding abnormal revenue and expense items the increase in 1999-2000 was 0.2% for the Total State Sector.

Figure 7



The Net Cost of Services of the Total State Sector was impacted by the following factors:

Revenue from the **sale of goods and services** increased by \$910 million (8.4%) to \$11,787 million. This includes an increase in revenue earned by electricity generators of \$455 million. The increased generator income of \$455 million arises mainly from project management fees for construction of power stations, higher wholesale prices, and increasing electricity revenues associated with the national electricity market.

Other operating revenue fell \$344 million to \$1,119 million. The 1998-99 revenues were affected by a one-off abnormal of \$520 million for the write-back of the State's share of higher education superannuation obligations. After adjusting for this one-off item, other revenues actually increased by \$176 million during 1999-2000.

Superannuation expenses were significantly impacted by abnormal revenues in both 1999-2000 (\$3,176 million) and 1998-99 (\$704 million). The abnormal revenues related to the distribution of unallocated employer reserves



REVIEW OF FINANCIAL PERFORMANCE FOR 1999-2000

(both years) and changes to actuarial economic assumptions in 1999-2000. The superannuation expense before abnormals fell \$203 million to \$1,628 million. The fall was the result of good investment performance of the Pooled Fund employer reserves which returned 15.2% during 1999-2000.

Employee related expenses (excluding superannuation) increased by \$648 million (4.5%). The increase reduces to 3.9% after adjusting for Sydney Water's 1999-2000 costs associated with a voluntary exit program. The remaining increase reflects improved pay levels for teachers, health and police employees.

Other Operating expenses increased \$257 million to \$10,789 million. Significant increases included further asset valuation decrements of \$190 million, additional costs of electricity generators \$129 million (partly associated with extra revenues earned for project managing the construction of power stations). This was offset by falls in operating expenditure associated with prior year one off events relating to provisions for annuity investors, transfer of the Murrumbidgee Irrigation net assets to irrigators and costs associated with the water contamination incident.

Maintenance expenses remained constant overall at \$1,835 million. Significant variances from last year included the increased expenditure of \$63 million on the rail infrastructure, an across the board increase in other net maintenance expenditure of \$86 million, offset by a fall in road maintenance of \$137 million. The Roads and Traffic Authority's (RTA) maintenance spending fell significantly in 1999-2000 as the previous year's costs included special expenditure to repair roads damaged throughout New South Wales in the August and September 1998 floods.

Depreciation and Amortisation expense increased \$401 million to \$2,810 million. The increase is primarily due to adjustments by the RTA to its depreciation methodology during 1999-2000 on adoption of the Urgent Issues Group Abstract 30. The condition based depreciation approach has been discontinued and straight line depreciation adopted. As a result the RTA's depreciation expense for infrastructure has increased by \$326 million during 1999-2000.

Finance expenses fell \$511 million (22.7%) to \$1,738 million in 1999-2000, as a result of reduced levels of overall borrowings by the State and lower expenses associated with Treasury Corporation restructuring its debt portfolio.

GENERAL GOVERNMENT OPERATING RESULT

The General Government Sector operating surplus after abnormals is \$4,471 million compared to \$2,007 million in 1998-99. The operating result before abnormals of \$1,855 million is an improvement of \$440 million on the 1998-99 result.

As with the Total State Sector, the General Government Sector result after abnormals was affected by improved taxation earnings and grants from the Commonwealth, and a lower superannuation expense, partly offset by higher depreciation costs within the RTA.

Unique to the General Government Operating Surplus is the state's revenue from financial distributions.

Financial distributions comprise dividends and tax equivalents that the Government's commercial enterprises return on their earnings to the General Government Sector.



REVIEW OF FINANCIAL PERFORMANCE FOR 1999-2000

The General Government Sector's revenue from financial distributions on an underlying basis increased by \$175 million in 1999-2000. Dividend revenue increased by \$130 million after adjusting for the one-off impact of a special dividend during 1998-99 from Treasury Corporation of \$164 million.

Dividends from the electricity and water sectors have increased by \$92 million and \$20 million respectively during 1999-2000. This reflects their improved operating result which has significantly influenced the \$713 million growth in the Public Trading Enterprise sector's operating result after abnormals to \$1,763 million. Factors influencing the results include improved electricity generator performance, higher electricity wholesale prices, reduced superannuation expenses and increased water sector capital contributions revenue due to development activity.

Underlying income tax equivalent revenues increased by \$26 million after adjusting for the \$156 million impact of the change in the corporate tax rate from 36% to 34%, affecting 30th June 2000 deferred tax balances.

OLYMPIC GAMES

Sydney hosted the Olympic Games and Paralympic Games during September and October 2000. The 1999-2000 operating result of the Total State Sector has not been directly affected by the outcome of the Olympics as the Organising Committees have deferred all operating revenues and expenses until the year 2000-01.

Accordingly the 2000-01 Total State Sector Operating Statement is expected to report one-off increases in both revenues and expenses, although indications are that the impact on the forward year's operating result will be negligible.

During 1999-2000 the State Government directly invested \$235 million in Olympic facilities. These will return future benefits to the community long after the Olympics are over.

The New South Wales Government underwrote the Olympic budget. The Sydney Organising Committee for the Olympic Games expects to return the unused portion of a \$140 million grant to the NSW Government, and that the government guarantee will not be called upon.



REVIEW OF FINANCIAL PERFORMANCE FOR 1999-2000

INTER-GOVERNMENTAL TOTAL STATE SECTOR COMPARISONS

Australian Accounting Standard AAS31 "Financial Reporting by Governments" requires each jurisdiction to prepare consolidated accrual based financial reports.

Information from these reports will enable comparisons between jurisdictions as well as the analysis of trends as time series are built up.

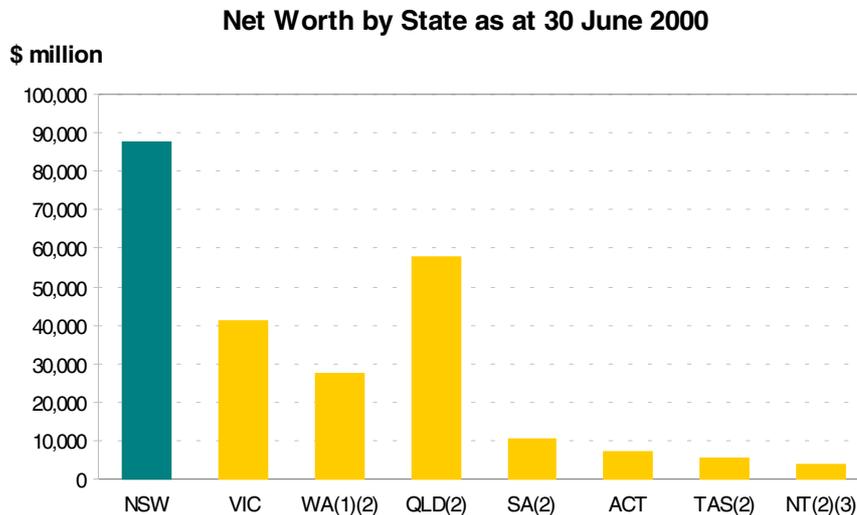
The publishing of consolidated government aggregates will focus the community's attention on how well, over time, governments are managing their total assets and total liabilities.

Published consolidated financial statements are not yet available for 1999-2000 for several jurisdictions. The following comparisons are therefore based on the latest published information.

Net Worth is a measure used to report upon whether State Governments are maintaining the value of their physical and financial resources. Net Worth, also known as Net Assets, is the difference between total assets and total liabilities. Figure 8 outlines the published Net Worth by State at 30 June 2000.

The Net Worth of the NSW Public Sector at 30 June 2000 was \$87,556 million, the strongest of all States.

Figure 8



(1) for comparability land under roads has been excluded.
 (2) 30 June 1999, latest available information
 (3) source: Australian Bureau of Statistics, Government Finance Statistics 1998-99.



REVIEW OF FINANCIAL PERFORMANCE FOR 1999-2000

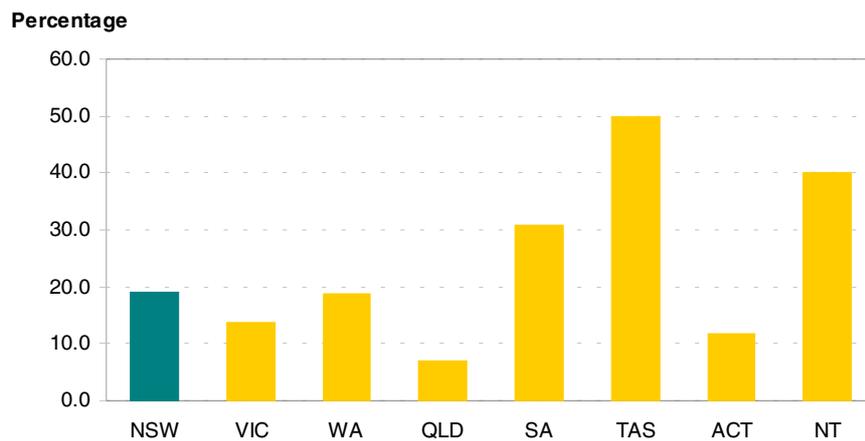
Net Financial Liabilities as a percentage of Gross State Product (GSP) is a useful measure as it allows for comparisons between different jurisdictions.

Figure 9 compares Net Financial Liabilities as a percentage of GSP for each State. Published Government Finance Statistics information is

not yet available for June 2000. Figure 9 is therefore based on the latest published Government Finance Statistics information which is for June 1999. However, Net Financial Liabilities in New South Wales declines significantly in the year ending 30 June 2000 (refer to Figure 4).

Figure 9

Net Financial Liabilities as a percentage of Gross State Product as at 30 June 1999

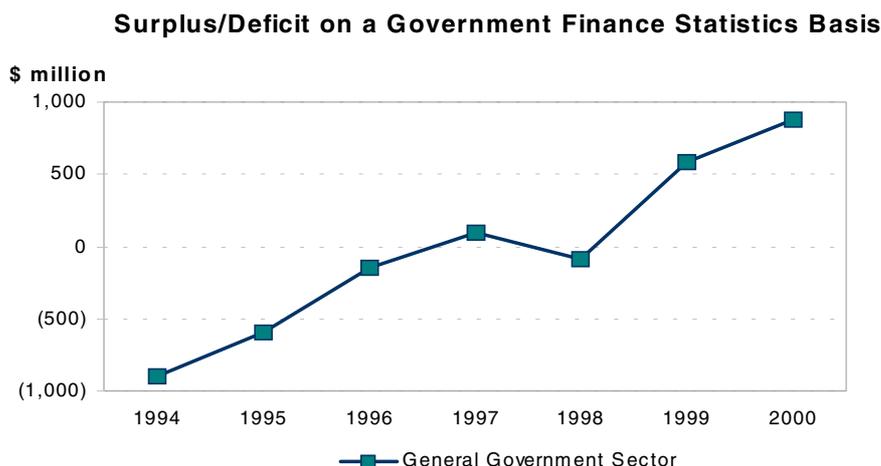


Source: Australian Bureau of Statistics, Government Finance Statistics 1998-99.



RESULTS ON GOVERNMENT FINANCE STATISTICS BASIS

Figure 10



New South Wales has been publishing its Budget result on a Government Finance Statistics (GFS) basis for some years. A requirement to do so is now included in the General Government Debt Elimination Act 1995.

Figure 10 excludes the impact of the Superannuation Conversion Offer funding.

The Budget result for 1999-2000 before adjusting for Superannuation Conversion Offer funding is a surplus of \$881 million. This represents a \$667 million improvement on the original Budget:

- Current Receipts were \$1,621 million higher than budget primarily due to higher State Taxes reflecting the strong growth in the share and property market and a decline in unemployment;

- Current Outlays were higher than budget by \$1,070 million, especially due to expenditures in health, education and road maintenance and an additional contribution to the State's superannuation scheme;
- Capital Outlays were \$162 million lower than budget. Further, Capital Receipts were \$46 million lower than budget. The lower than budgeted capital outlays was due in part to a number of health and road projects being budgeted as capital but spent as recurrent outlays (maintenance).

Due to the adoption of accrual based GFS reporting commencing 2000-01, this is the last time the GFS result will be prepared on a receipts/outlays basis.



REVIEW OF FINANCIAL PERFORMANCE FOR 1999-2000

SCOPE OF THE REVIEW

The Public Accounts report on the operating result, financial position and cash flows of the General Government Sector. The General Government Sector covers all agencies that are generally engaged in the production of goods and services outside the normal market mechanisms.

In practice, this means that commercial entities which operate outside normal market mechanisms (eg the Insurance Ministerial Corporation and the Home Purchase Assistance Authority) and self funded regulatory agencies (eg the WorkCover Authority and the Motor Accidents Authority) are included, as well as budget dependent agencies which receive an appropriation in the Annual Appropriation Act.

The Total State Sector Accounts report on the operating result, financial position and cash flows of the New South Wales Total State Sector.

The New South Wales Total State Sector includes both the General Government Sector (as reported in the Public Accounts) and the Non General Government Sector.

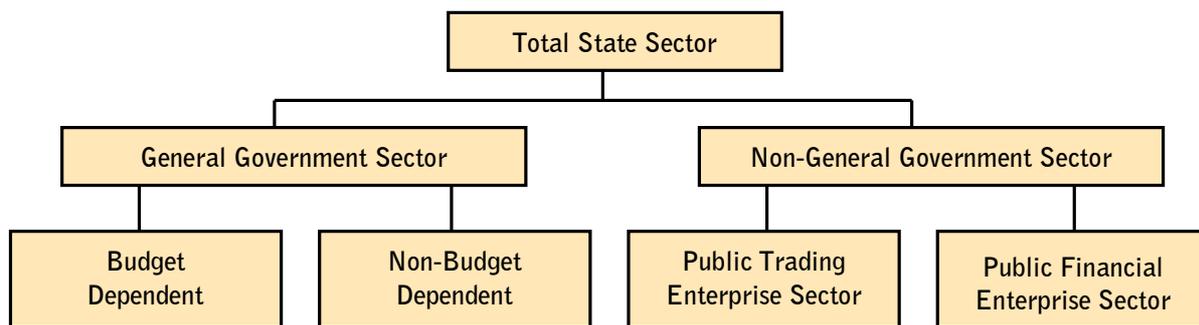
The Non General Government Sector includes the State’s Public Trading Enterprises (PTEs) and Public Financial Enterprises (PFEs). PTEs are responsible for supplying public infrastructure services, including electricity, ports, water and public transport. PTEs are largely self-funded from user charges and have been given a specific charter to run their businesses on commercial lines, including the achievement of a commercial rate of return on the resources employed.

PFEs may accept demand, time or savings deposits and/or have the authority to incur liabilities and acquire financial assets in the market on their own account. An example of a PFE is NSW Treasury Corporation.

Refer Note 25 for a full list of consolidated entities.

The composition of the Total State Sector is summarised in Figure 11, below.

Figure 11





REVIEW OF FINANCIAL PERFORMANCE FOR 1999-2000

Consolidation of entities in this financial report has been done in accordance with Australian Accounting Standards AAS24 and AAS31, as disclosed in note 1 to the financial report. Particular attention is drawn here to the fact that The WorkCover Authority of New South Wales is consolidated in this financial report. It is responsible for the regulation of statutory funds constituted under the Workers Compensation Act 1987. However, these statutory funds, commonly known as the WorkCover Scheme Statutory Funds, are not consolidated because they are regulated, but not controlled.

Treasury's view is that neither the Government nor the WorkCover Authority controls these statutory funds. This is so because the Government does not have a residual interest in the net assets of the Statutory Funds. It is not exposed to the residual liabilities of the statutory funds and it cannot redeploy the assets for its own benefit. Instead, any liability is placed in one sense on the insurers but effectively on employers who are liable to pay the increased premiums to fund any overall deficit that may arise. Instead, the role of the Government is one of regulation. A statutory declaration of trust in the legislation and the clear intention of the legislation support this.

In the second reading speech to the Workers Compensation Act 1987, the Hon Mr. Hills said, regarding the provisions relating to the statutory funds:

"The aim of these provisions is to isolate and secure premiums for the benefit of employees and employers."

Treasury's view has been confirmed in three separate legal opinions provided by the Crown Solicitor's Office since 1996, including advice given on the matter by the NSW Solicitor General. On 4 June 1999, the Solicitor General opined:

"It is clear that the legislation places no liability on the authority or any other Government instrumentality. In these circumstances there is no requirement, in my view, under the relevant Accounting Standards for the statutory funds to be included in the consolidated financial statements of the Total State Sector."

The issue was also the subject of a recent inquiry held by the Public Accounts Committee of Parliament, which considered views of the WorkCover Authority, the Treasury, the Audit Office and the Institute of Chartered Accountants. In its report (No. 124) published in July 2000, the Committee recommended that an explanatory note be included in the Total State Sector Accounts outlining the accumulated deficit and the reasons for it not being consolidated in the accounts. This information is contained in the financial report at note 1.

Despite the above opinions, the Auditor-General has qualified his opinion on this financial report because he is of the opinion that the State has the capacity to control decision-making in relation to the Scheme's financial and operating policy.

The Statement of the Budget Result reports on the cash based result for the General Government Sector. It is prepared in accordance with the Government Finance Statistics (GFS) Framework and follows the principles utilised by the Australian Bureau of Statistics in compiling its Government Finance Statistics data. It differs in its treatment from the General Government accrual result. Under the GFS Framework certain expenditures, such as depreciation and actuarial adjustments for insurance, are excluded, whereas asset sale proceeds and gross fixed capital expenditure are included. An Independent Audit Report for the Statement of Budget Result will be released when it is available.



REVIEW OF FINANCIAL PERFORMANCE FOR 1999-2000

Financial Framework and Targets

Both the General Government and Non General Government Sectors are subject to a financial management framework, including financial policies and fiscal targets against which their performance can be assessed.

The General Government Debt Elimination Act 1995 sets out a number of fiscal principles and targets for the General Government Sector:

The following commentary reviews the Government's achievement during the year against the fiscal principles and targets identified in that Act:

1. To adhere to the following short, medium and long term fiscal targets:
 - To achieve a sustainable Budget surplus within three years from 1 July 1996;
 - To reduce the level of net debt to a sustainable level by 30 June 2005; and
 - To eliminate net debt by 30 June 2020.

There has been a reduction in the General Government Sector net debt in 1999-2000 of \$1.6 billion. Although consistent with the Government's fiscal targets, results in any one year need to be viewed in the context of an overall strategy that is targeting debt reduction in the longer term.

2. To maintain or increase net worth (ie net assets) in real terms;

Net Assets (ie Net Worth) have increased by \$4.0 billion dollars or 10.9% during 1999-2000. This represents a real increase in Net Assets of 8.5%.

3. To fund employer superannuation liabilities by fully funding accruing current service superannuation costs and phasing in funding to eventually eliminate past unfunded liabilities;

The unfunded superannuation liability of the General Government Sector decreased by \$2.3 billion in 1999-2000. This was partly due to the Government's above budget contribution to the defined benefit fund of \$587 million.

4. To properly maintain long-lived physical assets with each agency developing an asset maintenance plan and establishing a funding program;

Asset maintenance of long-lived physical assets is being implemented effectively. Under the Government's total asset management policy, agencies are required to implement asset maintenance plans which set out a maintenance program for each asset or grouping of assets and identify the funding requirements.

5. To constrain the growth in net cost of services and outlays below the growth in inflation and population;

Net cost of services fell by \$1 billion or 4.3% in 1999-2000 due to reductions in superannuation expenses and other operating expenses.

6. To manage net debt on the basis of sound risk management principles and to place a prudent limit on the level of financial risk for overall financial assets and liabilities, with each agency implementing a risk management plan;



REVIEW OF FINANCIAL PERFORMANCE FOR 1999-2000

NSW Treasury Corporation (TCorp) manages the Crown portfolio and the primary debt managerial objective is to minimise the market value based cost of debt subject to specified risk constraints over the longer term. Constraints on the management of the portfolio are detailed in a memorandum of understanding between TCorp and Treasury.

7. To restrain the level of taxes to the maximum extent possible and to pursue policies that give a reasonable degree of predicability about the level and stability of tax rates for future years.

Taxation revenues in 1999-2000 reflect the following tax reductions.

- *Decrease in land tax rate from 1.85% to 1.7% effective 31st December 1999.*
- *Reduction in payroll tax, from 6.85% to 6.4% effective 1-7-99*
- *Phase out of \$43 third party motor vehicle registration levy, completed 1-7-00.*
- *There were no tax rate increases, or new taxes in 1999-2000.*

The Commercial (Non General Government) Sector (comprising Public Trading Enterprises and Public Financial Enterprises) framework has the following key elements:

- A financial distribution policy for the setting of performance benchmarks (eg rates of return) and the determination of dividend and tax equivalent payments to the Government.
- A capital structure policy which deals with the appropriate debt/equity structure for each commercial agency.
- A social program policy to ensure that commercial agencies have arms-length contractual arrangements with the Government to provide non-commercial services.
- A monitoring policy which covers ongoing performance monitoring against negotiated benchmarks and targets.

The financial management framework for commercial agencies aims to achieve efficient prices (which provide significant benefits to the business sector and general community), reduce operating costs and to contribute financial distributions to the Government based upon agreed rates of return.

THIS PAGE LEFT BLANK INTENTIONALLY.



AUDITED INFORMATION

STATEMENT OF COMPLIANCE

In our opinion, the Public Accounts and the Total State Sector Accounts:

- (a) give a true and fair view of the consolidated operating result and cash flows of the NSW General Government Sector and the NSW Total State Sector for the year ended 30 June 2000 and of the financial position of the NSW General Government Sector and the NSW Total State Sector at that date;
- (b) have been prepared on the basis of the financial reporting requirements as prescribed in the Public Finance and Audit Act; and
- (c) are in accordance with all applicable Australian Accounting Standards.

John Aquilina MP
Acting Treasurer

John Pierce
Secretary
NSW Treasury

Ian Neale
Executive Director
Financial Management
NSW Treasury

13 December 2000



BOX 12 GPO
SYDNEY NSW 2001

INDEPENDENT AUDIT REPORT

THE PUBLIC ACCOUNTS AND THE TOTAL STATE SECTOR ACCOUNTS

To Members of the New South Wales Parliament

Scope

I have audited the Public Accounts and the Total State Sector Accounts for the year ended 30 June 2000. The Treasurer is responsible for the financial reports of the General Government Sector (Public Accounts) and the Total State Sector consisting of the accompanying consolidated statements of financial position, consolidated operating statements and statements of cash flows, together with the notes thereto, and the information contained therein. My responsibility is to express an opinion on the financial reports of the General Government Sector and the Total State Sector to Members of the New South Wales Parliament based on my audit as required by sections 34 and 49(1) of the *Public Finance and Audit Act 1983* (the Act).

My audit has been conducted in accordance with the provisions of the Act and Australian Auditing Standards to provide reasonable assurance whether the Public Accounts and the Total State Sector Accounts are free of material misstatement. My procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial reports, and the evaluation of accounting policies and significant accounting estimates.

These procedures have been undertaken to form an opinion whether, in all material respects, the Public Accounts and the Total State Sector Accounts are presented fairly in accordance with the requirements of Section 6(1), 6(1A) and 6(1B) of the Act, Australian Accounting Standards and other mandatory professional reporting requirements in Australia, so as to present a view which is consistent with my understanding of the General Government Sector's and the Total State Sector's financial position, the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Qualifications

The qualifications have been grouped according to their effect on the financial reports.

Affecting both the Public Accounts and Total State Sector Accounts

(a) The following assets have not been recognised in the statements of financial position:

- Undeveloped Crown land (Note 1)
- Collection assets of the Australian Museum (Note 1)
- Herbarium collection assets of the Royal Botanic Gardens (Note 1)
- Cash and Investments held in government school bank accounts (Note 6)

This is a departure from Australian Accounting Standard AAS31 "Financial Reporting by Governments" which requires that assets must be recognised when it is probable that future economic benefits embodied in the assets will eventuate and the assets possess a cost or value that can be measured reliably. In my opinion, these assets meet the AAS31 recognition criteria and should therefore have been recognised. I have not been able to conduct audit procedures to quantify the effects on either the Public Accounts or the Total State Sector Accounts.

- (b) As in previous years, not all of the FANMAC Trusts relating to the HomeFund program have been recognised in the statements of financial position. At 30 June 2000 assets and liabilities of \$93m (1999, \$129m) were recognised but at 30 June 2000, \$321m (1999, \$401m) were not recognised. In my opinion the transactions and balances of all the FANMAC Trusts are required to be consolidated within the Public Accounts and the Total State Sector Accounts under Australian Accounting Standard AAS24 "Consolidated Financial Reports" because the Home Purchase Assistance Authority has the capacity to control the FANMAC Trusts' decision making process in relation to financial and operating policies. Accordingly all the Trusts' assets and liabilities should be recognised in the Public Accounts and the Total State Sector Accounts statements of financial position. Consolidation of the Trusts' operations would not alter the net assets or the operating results for either the Public Accounts or Total State Sector Accounts.
- (c) As disclosed in Notes 4 and 12 to the financial statements, income of \$704m was recognised in the previous year. This income was the estimate by the Government Actuary of unallocated reserve balances in the State Superannuation Scheme that were to be transferred to Crown employer reserve accounts of the Scheme when an allocation process was completed. In my opinion because the approval for allocation required pursuant to the *Superannuation Act 1916* was not given until May 2000, this income should not have been recognised until the current financial year. Had this been done, the surplus for 1999-2000 would have increased to \$6,200m and \$5,175m for the Total State Sector Accounts and the Public Accounts respectively (1998-99 decreased to \$916m and \$1,303m). There was no material effect on net assets or accumulated funds for either the Total State Sector Accounts or the Public Accounts.

Affecting the Total State Sector Accounts only

- (d) Assets and obligations arising from private sector financing of Sydney Water Corporation's water treatment plants have not been recognised in the financial report. In my opinion the Corporation substantially carries the risks and benefits incident to ownership of the underlying assets. As at 30 June 2000 the value of obligations and underlying assets relating to the water treatment plants not recognised in the statement of financial position is approximately \$538.2m (1999 \$542.9m). There is no material effect on net assets or the operating result of the Total State Sector Accounts.
- (e) As disclosed in Note 1 Statement of Significant Accounting Policies, the WorkCover Scheme Statutory Funds (the Scheme) have not been consolidated within the Total State Sector Accounts. In my opinion, the transactions and balances of the Scheme are required to be consolidated under Australian Accounting Standard AAS24 "Consolidated Financial Reports" because the State has the capacity to control decision making in relation to the Scheme's financial and operating policies.

The audited financial statements of the Scheme disclosed an operating deficiency of \$2.7 million for the 1999-2000 year (operating surplus of \$38.5m in 1998-99) and a net liability position of \$1,639 million (\$1,636 million for 1999). The extent of inter entity transactions between State Government agencies and the Scheme is not readily available. Had the Scheme accounts been consolidated within the Total State Sector Accounts, the Accounts would disclose an operating surplus of \$3,857 million and a net asset position of \$85,917 million.

Qualified Audit Opinion

In my opinion, except for the effects of the matters referred to in the qualification paragraphs, the Public Accounts and the Total State Sector Accounts are properly drawn up in accordance with the Act, accord with the accounts and records of the Treasurer, and present fairly in accordance with applicable Australian Accounting Standards and other mandatory professional reporting requirements the financial position of the General Government Sector and the Total State Sector as at 30 June 2000 and the results of their operations and their cash flows for the year then ended.

Inherent Uncertainty Regarding Litigation

Without further qualification to the opinion expressed above attention is drawn to the class action litigation brought by various HomeFund borrowers as indicated in Note 19 to the financial statements. The circumstances are such that the ultimate outcome of the litigation cannot presently be reliably determined, and accordingly no provision has been made in the either the Public Accounts or Total State Sector Accounts for any liability that may result if the litigants reject the settlement.

R J Sendt
Auditor-General

SYDNEY
13 December 2000



THE NSW TOTAL STATE SECTOR ACCOUNTS (INCORPORATING THE PUBLIC ACCOUNTS) OPERATING STATEMENT FOR THE YEAR ENDED 30 JUNE 2000

	Note	State Sector		General Government Sector	
		99-00	98-99	99-00	98-99
		\$m	\$m	\$m	\$m
State Revenues					
Taxation	2	14,540	13,552	15,185	14,137
Commonwealth Grants	2	9,460	8,911	9,460	8,911
Financial Distributions	2	...	...	1,299	1,444
Fines, Regulatory Fees and Other		895	854	876	876
Total State Revenues		24,895	23,317	26,820	25,368
Operating Revenues					
Sale of Goods and Services	2	11,787	10,877	2,583	2,448
Investment Income		666	542	492	420
Grants and Contributions		728	736	422	485
Other		1,119	1,463	342	822
Total Operating Revenues		14,300	13,618	3,839	4,175
Expenses					
Employee Related	3	13,530	15,557	10,849	12,391
Other Operating	3	10,789	10,532	6,235	6,683
Maintenance		1,835	1,823	1,144	1,249
Depreciation and Amortisation	3	2,810	2,409	1,411	1,037
Grants and Subsidies	3	3,043	2,866	5,056	4,863
Finance	3	1,738	2,249	1,450	1,397
Total Expenses		33,745	35,436	26,145	27,620
Gain on Disposal of Non-Current Assets	2	46	121	(43)	84
NET COST OF SERVICES		(19,399)	(21,697)	(22,349)	(23,361)
SURPLUS FOR THE YEAR		5,496	1,620	4,471	2,007

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



THE NSW TOTAL STATE SECTOR ACCOUNTS (INCORPORATING THE PUBLIC ACCOUNTS) STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2000

	Note	State Sector		General Government Sector	
		2000 \$m	1999 \$m	2000 \$m	1999 \$m
Current Assets					
Cash	16	1,717	2,442	418	960
Investments	6	2,567	4,057	688	1,345
Receivables	5	2,927	2,638	2,152	2,052
Inventories	7	618	815	145	219
Other	9	600	287	94	77
Total Current Assets		8,429	10,239	3,497	4,653
Non-Current Assets					
Land and Buildings	8	55,784	50,251	31,946	30,729
Plant and Equipment	8	8,256	8,325	4,110	4,151
Infrastructure Systems	8	55,800	56,651	27,956	28,902
Investments	6	4,033	3,169	3,341	2,458
Receivables	5	384	379	2,708	2,842
Inventories	7	1,850	1,785	68	68
Other	9	1,190	830	760	664
Total Non-Current Assets		127,297	121,390	70,889	69,814
TOTAL ASSETS		135,726	131,629	74,386	74,467
Current Liabilities					
Payables	10	3,516	3,111	1,543	1,668
Borrowings	11	2,166	8,732	4,165	4,708
Employee Entitlements	12	1,648	1,625	1,503	1,149
Other	13	1,686	1,455	1,014	1,039
Total Current Liabilities		9,016	14,923	8,225	8,564
Non-Current Liabilities					
Borrowings	11	25,837	22,236	12,938	14,323
Employee Entitlements	12	9,211	11,715	8,129	10,466
Other	13	4,106	4,285	3,890	3,950
Total Non-Current Liabilities		39,154	38,236	24,957	28,739
TOTAL LIABILITIES		48,170	53,159	33,182	37,303
NET ASSETS		87,556	78,470	41,204	37,164
Equity					
Asset Revaluation Reserves	14	40,838	32,641	14,982	10,987
Accumulated Funds	15	46,718	45,829	26,222	26,177
TOTAL EQUITY		87,556	78,470	41,204	37,164

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



THE NSW TOTAL STATE SECTOR ACCOUNTS (INCORPORATING THE PUBLIC ACCOUNTS) STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2000

	Note	State Sector		General Government Sector	
		99-00 \$m	98-99 \$m	99-00 \$m	98-99 \$m
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts					
Taxation		14,543	13,613	15,192	14,194
Commonwealth Grants		9,460	8,911	9,460	8,911
Financial Distributions		...	...	1,509	1,292
Sale of Goods and Services		11,675	10,446	2,527	2,383
Investment Income		426	522	255	288
Fines, Fees, Grants and Other		2,151	2,029	1,203	1,344
Total Receipts		38,255	35,521	30,146	28,412
Payments					
Employee Related		(16,294)	(15,844)	(12,825)	(12,707)
- Superannuation Conversion Contributions		...	(3,261)	...	(3,261)
Grants and Subsidies		(2,848)	(2,704)	(5,055)	(4,808)
Finance		(188)	(195)	(1,319)	(1,423)
Other		(11,078)	(10,601)	(7,234)	(7,061)
Total Payments		(30,408)	(32,605)	(26,433)	(29,260)
NET CASH FLOWS FROM OPERATING ACTIVITIES	16	7,847	2,916	3,713	(848)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from Sale of Property, Plant and Equipment		709	707	329	393
Proceeds from Sale of Investments		1,300	921	602	456
Advance Repayments Received		48	34	71	53
Purchase of Property, Plant and Equipment		(5,333)	(4,515)	(2,481)	(2,472)
Purchase of Investments		(1,036)	(835)	(622)	(524)
Advances Made		(91)	(38)	(91)	(37)
Other		(66)	113	(7)	108
NET CASH FLOWS FROM INVESTING ACTIVITIES		(4,469)	(3,613)	(2,199)	(2,023)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from Borrowings and Advances		8	14	339	3,443
Repayments of Borrowings and Advances		(63)	(167)	(2,384)	(762)
Other		...	4	...	...
NET CASH FLOWS FROM FINANCING ACTIVITIES		(55)	(149)	(2,045)	2,681
NET CASH FLOW OF FINANCIAL INSTITUTIONS	16	(4,072)	1,020	...	...
NET INCREASE/(DECREASE) IN CASH HELD		(749)	174	(531)	(190)
Opening Cash and Cash Equivalents		2,086	1,945	915	1,142
Reclassification of Cash Equivalents		65	(33)	...	(37)
CLOSING CASH BALANCE	16	1,402	2,086	384	915

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



THE NSW TOTAL STATE SECTOR ACCOUNTS (INCORPORATING THE PUBLIC ACCOUNTS) NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

This general-purpose financial report covers both the New South Wales General Government Sector (The Public Accounts) and the total New South Wales State Sector (The Total State Sector Accounts).

The New South Wales State Sector comprises the General Government Sector, the Public Financial Enterprise Sector and the Public Trading Enterprise Sector.

The NSW General Government Sector comprises Budget dependent agencies, the Consolidated Fund, the Crown Entity - Non-Commercial Activities, and other General Government Non-Budget dependent agencies. It excludes commercial entities consistent with the Budget presentation.

Budget dependent agencies are those which receive an appropriation in the Annual Appropriation Act. The majority of agencies rely predominantly on the State Budget for direct funding (ie 50% or more of the total funding of each agency is provided by Parliamentary appropriations). With some exceptions, they are known as departments as defined by section 45A(1) of the Public Finance and Audit Act 1983 and are listed in Schedule 3 of that Act and in the Appendix of Budget Paper No. 2 of 2000-01.

The Crown Entity - Non Commercial Activities is part of the General Government Sector and reports on service-wide assets, liabilities, revenues and expenses of a non-commercial nature which are the responsibility of the Government as a whole.

The entity is administered by the NSW Treasury on behalf of the Treasurer who is the portfolio Minister.

General Government Non-Budget dependent agencies do not rely on the Consolidated Fund for ongoing financial support. These agencies usually have a regulatory function and the taxes, fees and fines collected from the regulatory function fund the ongoing operations of the agency.

Public Trading Enterprises are largely self-funded from user charges and have a commercial charter. However, they may receive funding from the Budget for social programs (non-commercial activities).

This sector also includes State Owned Corporations. Examples of State Owned Corporations are the water authorities, the electricity distributors and port authorities.

The Public Financial Enterprise Sector comprises entities which are government controlled and perform central bank functions, or accept demand, time or savings deposits, or have the authority to incur liabilities and acquire financial assets in the market on their own account.

A number of controlled entities prescribed for the purposes of the "invited audit" provisions of the Public Finance and Audit Act under section 44(1) have also been consolidated. These bodies include the Home Purchase Assistance Fund and the NSW Insurance Ministerial Corporation.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

BASIS OF ACCOUNTING

This financial report is prepared in accordance with applicable Australian Accounting Standards (in particular Australian Accounting Standard AAS31 "Financial Reporting by Governments") and other mandatory professional requirements (Urgent Issues Group Consensus Views).

Additionally, the Public Accounts are prepared in accordance with the Public Finance and Audit Act 1983 and Regulations. In the event of any inconsistency between accounting standards and legislative requirements, the latter are given precedence.

BASIS OF MEASUREMENT

The financial report is based on historical cost accounting except that certain assets are valued at current valuation.

All amounts in this financial report have been rounded to the nearest million dollars.

CHANGES IN ACCOUNTING POLICIES

The accounting principles adopted are consistent with those of the previous year except as follows.

Depreciation of Roads and Traffic Authority Infrastructure

Prior to the 1999-2000 accounting period, the Roads and Traffic Authority utilised a condition based depreciation methodology to determine the annual depreciation charge and accumulated depreciation of infrastructure assets. Following the Consensus reached by the Urgent Issues Group on 16 December 1999 and the issue of Abstract 30 "Depreciation of Long-Lived Physical Assets, including Infrastructure Assets: Condition-Based Depreciation and Other Related

Methods", the condition based depreciation approach has been discontinued for financial reporting purposes. The methodology adopted for 1999/2000 and future accounting periods is straight-line depreciation in accordance with AAS 4 "Depreciation".

The adoption of UIG Abstract 30 has resulted in an adjustment to write back accumulated depreciation against accumulated funds by \$4,341 million during 1999-2000. Further, the Roads and Traffic Authority's annual depreciation expense for infrastructure has increased by \$326 million from \$105 million during 1998-99.

Collection Assets

The Royal Botanic Gardens and Domain Trust recognised in its financial statements its library, and various statues and monuments with a value of \$22 million.

The Museum of Applied Arts and Sciences recognised collections valued at \$361 million based on an independent valuation performed by Rushtons Australia Pty Ltd.

The Library Council valued its collections for the first time in 1998-99 and recognised them at a value of \$2,084 million. In 1998-99 the relative standard error for the valuation exceeded 10%. During 1999-2000 the valuation was reviewed and amendments were made to the sampling and estimation bringing the Relative Standard Error to approximately 7%. As a result, the overall valuation of the State Library's collection has been adjusted down by \$575 million during 1999-2000.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

In accordance with AAS29 "Financial Reporting by Government Departments" the recognition and adjustment to collection assets reported above of \$192 million net, (both General Government and Total State Sectors) has been adjusted directly to accumulated funds.

Recognition of Lotteries Statutory Payments

In prior years, prescribed statutory payments collected by the NSW Lotteries Corporation and forwarded to the Consolidated Fund have been reported as part of both General Government and Total State Sector taxation revenue.

The Australian Bureau of Statistics made a determination during the 1999-2000 year that such revenues should be recognised as taxation at the General Government level and revenues from the sale of goods and services at the Public Trading Enterprise level. On consolidation at the Total State Sector the taxation revenue will be eliminated. This in effect results in the recognition of such income at the Total State Sector as revenues from the sale of goods and services. For comparability purposes an amount of \$277 million has been reclassified from Total State Sector tax revenue to revenue from the sale of goods and services in the 1998-99 year.

Recognition of Victims Compensation Fund Debtors

The Attorney General's Department accounting policy has in the past recognised Victims Compensation Fund debtors when restitution orders are made or confirmed by the Tribunal or when payment arrangements between the Director or Registrar and defendants are entered into. As only a proportion of the total amount owing can be expected to be recovered due to the nature and circumstances of the

debtors, large provisions for doubtful debts have always been created as a result of this policy.

From this financial year onwards, there is a change of accounting policy to account only for those debtors in the financial statements where there is a probable future economic benefit to the Department. The financial impact of this policy, had it been applied to the 1998-99 comparatives, would be to reduce both the gross non current receivables and their corresponding provisions for doubtful debts by \$101 million. It would have also resulted in a reduction in comparative year fee revenues of \$29 million and bad and doubtful debts expenses of \$14 million.

COMPARATIVES

Comparative amounts have been adjusted to conform with changes in the present year.

PRINCIPLES OF CONSOLIDATION

This financial report has been consolidated in accordance with Australian Accounting Standard AAS24 "Consolidated Financial Reports" and includes the assets, liabilities, equities, revenues and expenses of the Government including those of entities controlled by the Government.

Entities are considered to be controlled when the Government has the capacity to dominate their financial and operating policies so as to enable them to operate them in pursuing their own objectives. Entities are not consolidated where the nature of the "control" exercised is of a regulatory or trust nature, as such control falls outside the concept of "control" as embodied in AAS31.

Excluded entities include local government bodies, universities, certain reserve trusts created under the Crown Lands Act 1989, hospitals listed under Schedule 3 of the Public Hospitals Act, the State's Superannuation



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Funds, the trust funds of the Public Trustee and Rental Bond Board, the WorkCover Scheme Statutory Funds, the NSW Aboriginal Land Council and most professional registration and marketing authorities.

The WorkCover Authority of New South Wales is consolidated in this financial report. It is responsible for the regulation of statutory funds constituted under the Workers Compensation Act 1987.

However, these statutory funds, commonly known as the WorkCover Scheme Statutory Funds, are not consolidated because they are regulated, but not controlled. This treatment has been confirmed in three separate legal opinions provided by the Crown Solicitor's Office since 1996, including advice given on the matter by the NSW Solicitor General.

The issue was the subject of a recent inquiry held by the Public Accounts Committee of Parliament which considered views of the WorkCover Authority, the Treasury, the Audit Office and the Institute of Chartered Accountants. In its report (No. 124) published in July 2000 the Committee recommended that, until such time as ownership of unfunded liabilities of the Scheme is clearly determined, an explanatory note be included in the Total State Sector Accounts outlining the accumulated deficit and the reasons for it not being consolidated in the accounts.

The WorkCover Scheme Statutory Funds have an overall deficiency of \$1,639 million at 30 June 2000 (\$1,636 million at 30 June 1999). The legislation provides for the funding of any overall deficit that may arise in the WorkCover Scheme by the payment of a contribution by employers as part of future premiums.

All transactions and balances between government agencies have been eliminated. Dissimilar accounting policies adopted by agencies have been amended to ensure consistent policies are adopted in these financial statements.

REVENUE

State Taxation, Fines and Fees

State taxation is recognised as follows:

- Government-assessed revenues (primarily land tax) are recognised at the time the assessments are issued.
- Taxpayer-assessed revenues including payroll tax and stamp duty, are recognised when the funds are received by the revenue-collecting agency. Additional revenues are recognised for assessments subsequently issued following review of returns lodged by taxpayers.
- Fines collected by the Attorney-General's Department, including the State Debt Recovery Office, have been accrued when the fine has been issued, or when it becomes overdue. All other fines and fees are recognised when the cash is received.

Sale of Goods and Services

Revenue is recognised when the goods or services are provided.

Commonwealth Grants

These are funds provided by the Commonwealth to assist the States in meeting their expenditure responsibilities. These grants are for either general or specific purposes. They are recognised when received.

Financial Distributions (Income Tax Equivalents)

Pursuant to National Competition Policy the Government has implemented a Tax



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Equivalents Regime for Public Trading Enterprises and some General Government agencies.

Tax effect accounting principles have therefore been adopted by all agencies, which are part of the State's Tax Equivalents Regime. The Crown adopts the same policy to enable elimination of deferred tax figures on consolidation for both the Public Accounts and Total State Sector Accounts.

Investment Revenue

Interest and other investment income is recognised in the period in which it is earned.

EXPENSES

Expenses are recognised when incurred and are reported in the financial year to which they relate.

Employee Related Expenses

These expenses include all costs related to employment such as salaries and wages, superannuation, leave entitlements, fringe benefits tax, workers' compensation, redundancies and other on-costs associated with leave entitlements. Payroll tax (a State tax) is eliminated on consolidation. Some employee related expenses are included in maintenance costs or capitalised as part of the construction costs of certain non-current physical assets.

Other Operating Expenses

These expenses generally represent the day-to-day running costs incurred in the normal operation of agencies. They exclude payments such as grants and subsidies to community groups, which are shown separately.

Depreciation

Depreciation across the State Public Sector is generally calculated at rates determined on a straight-line basis to allocate the cost or valuation of an asset, less any estimated residual value, over its estimated useful life to the entity.

Useful lives for asset subclasses are as follows:

Buildings

Public Housing	50 years
Schools and colleges	80 years
Hospitals	40 years
Other	various

Plant and Equipment

Rail rolling stock (leased)	18-35 years
Rail rolling stock (non leased)	15-56 years
Other	various

Infrastructure

Power stations	20-90 years
Electricity and water system assets	15-200 years
Roads (pavements)	15-50 years
Roads (earthworks)	100 years
Other	various

Refer Note 1 Changes in Accounting Policies for information on the Roads and Traffic Authority's discontinuance of condition-based depreciation and adoption of straight-line depreciation during 1999-2000. The road assets are considered to consist of two components, pavement and earthworks, each with a corresponding useful service life.

Year 2000 Software Modification Costs

Costs relating to the modification of computer software for year 2000 compatibility have been charged as expenses when incurred.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

ASSETS

Investments

Investments are valued at cost or market valuation.

Receivables

Receivables are recorded at the amounts expected to be ultimately collected in cash and therefore net of any provision for bad and doubtful debts.

Inventories

Inventories are valued at the lower of cost or net realisable value. Cost is calculated using the average cost or the "first in first out" method.

Forestry Stock

State Forests revalues the Softwood Plantations growing stock annually, using a market valuation model for commercial plantations which calculates the net change resulting from price and volume movements. The valuation of growing stock is derived by estimating the volume of merchantable timber and applying schedule prices. Where schedule prices were not adequately supported by actual sales, current sale prices at the time of valuation were used. Volume increments are determined both by periodic re-measurement of samples and by modelling growth from the date of most recent measurement to the valuation date. The net change in market value is recognised in the Operating Statement and as an adjustment to Inventory Assets in the Statement of Financial Position. Costs are capitalised where incurred for major improvements to plantation quality. However, non-commercial plantations (those less than 15 years of age) are valued at historical cost.

Native Forests and Hardwood Plantations have been valued using the Valuer General's Office valuation of the 'total forest asset' which includes land, roads and bridges and the available timber resources. The valuation is based on current market buying price representing value in use. The valuation is based on area and other data provided by State Forests. The financial impact of the revaluation increment is included in the Asset Revaluation Reserve, with no impact on the operating result. State Forests manages the available native forest resource on a sustained yield basis. Sustained yield means the volume harvested will approximate, over time, annual forest growth of the harvestable native forest areas. As a result, costs are expensed as incurred.

Non-Current Physical Assets

Capitalisation and Initial Recognition

In general, non-current physical assets with a value greater than \$5,000 are capitalised except for computer equipment which is normally capitalised irrespective of the \$5,000 threshold where it is considered to be part of a network of assets.

Assets are initially recognised at their acquisition cost. Cost is determined as the fair value of the assets given as consideration plus other costs incidental to the acquisition.

Assets acquired at no cost or for nominal consideration are initially recognised as assets and revenues at their fair value at the date of acquisition. Fair value means the amount for which an asset could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

The cost of non-current physical assets constructed for own use includes the cost of materials, direct labour, attributable interest, other financing costs and foreign exchange gains and losses arising during construction as well as an appropriate proportion of variable and fixed overhead costs that can be reliably attributed to the assets.

Valuation of Land

Land held for continued use that would be replaced because of government policy is valued at the greater of current market buying price for that land in its existing use and current market selling price based on feasible alternative use. However, for most public sector land assets, there is no prospect of alternative use because there are natural, legal or socio-political restrictions on their use and disposal. Such land is valued at "value in use".

Land held for continued use but not to be replaced given the existing government policy is valued at the greater of the present value of future net cash flows and current market selling price based on feasible alternative use.

Surplus land is valued at market selling price.

Undeveloped Crown land is currently not recognised pending the completion of an extensive valuation program.

Land under roads and within road reserves, which has been recognised in the financial report of the Roads and Traffic Authority at \$20.7 billion (1999 \$18.9 billion), has not been recognised in the State's Consolidated Financial Statements as there is currently no generally accepted methodology available to reliably determine the value.

Valuation of Plant and Equipment, Infrastructure Systems and Buildings

Plant and equipment, infrastructure systems and specialised buildings that are held for continued use and would be replaced because of government policy are valued at depreciated current cost. Current cost is the minimum cost of replacing the remaining service potential of an asset with a modern equivalent asset (eg current market buying price, current reproduction cost or current replacement cost).

Non-specialised buildings are valued at market selling price.

Assets held for continued use that would not necessarily be replaced because of government policy are valued at the greater of the net present value of the cash flows and the current market selling price.

Surplus assets are valued at market selling value.

Infrastructure systems include assets such as roads, bridges, sewerage systems, water supply and reservoirs, power generation plants and transmission lines.

Revaluation Policies

All physical non-current assets are revalued at least every five years to current value. Revaluation increments are credited directly to the asset revaluation reserve unless they reverse any previous decrements, which have been charged to the Operating Statement.

Assets acquired or constructed since the last valuation are valued at cost.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Non-current assets used by profit-seeking agencies are revalued downward when their carrying amount is greater than their recoverable amount. The recoverable amount test is not applied to non-current assets of not-for-profit agencies whose service potential is not related to the generation of net cash inflows.

Collection Assets

In respect of the Australian Museum and the State Records Authority, no valuation of collection assets has been provided in the Consolidated Financial Statements as required by Australian Accounting Standard AAS29 "Financial Reporting by Government Departments". The Royal Botanic Gardens and Domain Trust has not recognised a value for its preserved collections. Efforts have been made during the two years ended 30 June 2000 to identify and value these assets, including the development of a valuation methodology and the conduct of an initial valuation exercise.

Other collection assets including library, works of art and archival collections have been recorded at acquisition cost and revalued in accordance with the deprived value methodology.

Private Sector Financed Infrastructure Assets

There is currently no Australian Accounting Standard, which specifically addresses the accounting for private sector financed infrastructure assets. Treasury has adopted the following policies pending the development of an accounting standard.

Agreements Equally Proportionately Unperformed arising from private sector financed infrastructure arrangements are generally not recognised as assets or liabilities because there is significant uncertainty as to whether the definitions and recognition criteria in SAC4 Statement of Accounting Concepts "Definition and Recognition of Elements of Financial Statements" would be satisfied. Instead, the payments under these agreements are expensed systematically over the term of the agreements. Further, the commitments for future payments under these agreements are disclosed as "Commitments" in the notes to the financial statements.

However, certain private sector financed infrastructure arrangements provide for a private sector entity to design, construct, operate and maintain certain infrastructure for a specified concession period, after which the infrastructure is transferred back to the agency.

The interest of the agency in such arrangements is recognised as an asset, being the emerging interest in the remaining service potential to be transferred to the agency. The emerging interest is valued by reference to the agency's emerging share in the current cost of the asset at the date of transfer. The emerging interest is progressively recognised from the date of completion of construction over the period of the concession agreement.

Sydney Harbour Tunnel

The Road and Traffic Authority's interest in the Sydney Harbour Tunnel has been valued based on the Authority's right to the time share of the ownership and total service potential as well as to the remaining useful life at the date of transfer to the Authority in the year 2022. At the date of transfer, it is expected that the value will equate to the then current written down replacement cost of the Tunnel.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

The cost of constructing the Tunnel was \$683 million. The current written down replacement cost of the Tunnel is \$517 million (1999 \$514 million). The construction of the Tunnel was financed by 30 year inflation linked bonds issued by the Sydney Harbour Tunnel Company to the private sector of \$487 million, Sydney Harbour Tunnel Company shareholders' loans (repaid in 1992) of \$40 million, and an interest free, subordinated loan (the Net Bridge Revenue Loan) provided by the RTA of \$223 million, based on the projected net toll revenue from the Sydney Harbour Bridge during the construction period.

Under the Ensured Revenue Stream Agreement (ERS), the Government has agreed to make ERS payments (net of tolls collected from the Tunnel) to enable the Sydney Harbour Tunnel Company to meet financial obligations arising from the operation and maintenance of the Tunnel and the repayment of principal and interest on funds borrowed by it for the design, construction and operation of the Tunnel.

The capital (principal repayment) portion of the obligation arising under the Ensured Revenue Stream Agreement is recognised as a liability. This is measured by reference to the principal outstanding on the bonds issued to private sector bondholders to finance the Harbour Tunnel of \$417 million (1999 \$426 million).

M4, M5 and M2 Motorways and Eastern Distributor

The Roads and Traffic Authority has recognised as an asset its emerging right to receive the M4, M5 and M2 Motorways and the Eastern Distributor. This interest is valued by reference to the Authority's emerging share of the written down replacement cost of the asset at the respective date of transfer to the RTA apportioned over the period of the concession agreement.

LIABILITIES

Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received whether or not billed to the consolidated agency.

Borrowings

The State's borrowings represent funds raised from the following sources:

- Loans raised by the Commonwealth on behalf of the State under the previous Financial Agreement;
- Advances by the Commonwealth for housing and other specific purposes;
- Domestic and overseas borrowings raised by the NSW Treasury Corporation; and
- Private and public domestic borrowings by Non Budget dependent agencies.

Borrowings are recognised at Current Capital Value. Current Capital Value is the face value of the debt less unamortised discount or plus unamortised premiums. The discount or premiums are treated as finance charges and amortised over the term of the debt.

Overseas borrowings are translated at exchange rates prevailing at balance date unless they are subject to forward exchange contracts in which case the contract rate is used.

Gains or losses arising from foreign exchange and debt restructuring transactions are included in the Operating Statement in the period in which they arise.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Leases

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incident to ownership of the leased assets and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are recognised as assets and liabilities at the present value of the minimum lease payments. The lease asset is amortised on a straight line basis over the term of the lease or, where it is likely that the entity will obtain ownership of the asset, the useful life of the asset to the entity. Lease payments are allocated between the principal component of the lease liability and the interest expense.

The economic substance of a long term lease of land and other property is that it is a sale of land or property. Any difference between the current carrying value and the upfront lease payments is recognised in the Operating Statement in the period that the lease is entered into.

However, the lessor retains the economic benefits embodied in the reversionary right to the property beyond the lease term. The reversionary right has no value at the inception of the lease. It is recognised as a non-current asset when it has value, which emerges towards the end of the lease. Revaluation of the reversionary right is accounted for in accordance with Australian Accounting Standards on the revaluation of non-current assets.

Operating lease payments are charged to the Operating Statement systematically over the term of the lease.

The cost of leasehold improvements is capitalised as an asset and amortised over the remaining term of the lease or the estimated useful life of the improvements, whichever is the shorter.

Employee Entitlements

Wages and Salaries, Annual Leave and Sick Leave

Liabilities for wages and salaries, annual leave and vested sick leave are recognised and are measured as the amount unpaid at balance date at current pay rates in respect of employees' services up to that date.

Non-vested sick leave is generally not recognised as future sick leave taken is not expected to exceed future entitlements accruing.

Long Service Leave

A liability for long service leave is recognised. It is measured at either the present value of expected future payments to be made in respect of services provided by employees up to the balance date or by applying the 'nominal method'. The 'nominal method' is an estimation technique, which is considered to be adequate in reliably measuring the liability in certain circumstances. It is calculated by applying the current pay rates to the entitlements at year-end for all employees with five or more years of service.

Major Non Budget dependent agencies and Area Health Services have applied the present value basis. In doing so, consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Estimated future payments are discounted to present values. All other agencies have continued to apply the 'nominal method'.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Superannuation

An unfunded superannuation liability is recognised in respect of the defined benefit schemes. It is measured as the difference between the present value of forecast employees' accrued benefits at balance date and the estimated net market value of the superannuation schemes' assets at that date. The liability is assessed annually by actuaries based on data maintained by the Superannuation Administration Corporation. It is calculated based on the latest actuarial economic assumptions.

The present value of accrued benefits is based on expected future payments which arise from membership of the fund to balance date in respect of the contributory service of current and past government employees.

Consideration is given to expected future wage and salary levels, expected future investment earning rates, growth rate in the Consumer Price Index, experience of employee departures and periods of service.

Other Liabilities

All other liabilities are recorded at the estimates of obligation to pay. These include for example, the Government's obligations arising from the previous workers' compensation and third party insurance schemes. These amounts are determined by independent actuarial assessment.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

2. REVENUE

	State Sector		General Government Sector	
	99-00	98-99	99-00	98-99
	\$m	\$m	\$m	\$m
STATE REVENUES				
State Taxation				
Payroll Tax	3,603	3,440	3,769	3,605
Stamp Duties	4,679	3,939	4,682	3,942
Petroleum, Tobacco and Liquor Licences ^(a)	2,019	1,977	2,019	1,977
Gambling and Betting	1,291	1,142	1,570	1,419
Land Tax	868	912	900	948
Other	2,080	2,142	2,245	2,246
	14,540	13,552	15,185	14,137
^(a) includes Commonwealth Safety Net revenue offset by subsidy payments	2,202 (186)	2,147 (172)	2,202 (186)	2,147 (172)
Commonwealth Grants				
General Purpose - Recurrent	5,183	4,704	5,183	4,704
Specific Purpose - Recurrent	3,484	3,376	3,484	3,376
- Capital	793	831	793	831
	9,460	8,911	9,460	8,911
Financial Distributions from Non-General Government Sectors				
Dividends	...	...	908	942
Income Tax Equivalentents	...	...	298	428
Sales Tax Equivalentents	...	...	71	69
Proceeds from asset sales and equity restructure	...	...	22	5
	...	...	1,299	1,444
The General Government Sector's income tax equivalent revenue represents the tax expense of agencies in the Tax Equivalent Regime (TER)				
Prima facie tax of agencies in the TER (calculated @ 36%)				
	...	...	758	385
Adjustment due to change in tax rates	...	...	(156)	...
Tax effect of other permanent differences	...	...	(304)	43
Tax expense of agencies in the TER	...	...	298	428
Fines, Regulatory Fees and Other State Revenues include:				
Royalties	215	202	215	202



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	State Sector		General Government Sector	
	99-00	98-99	99-00	98-99
	\$m	\$m	\$m	\$m
OPERATING REVENUES				
Sale of Goods and Services comprise revenue from:				
Sale of goods	6,136	5,403	438	389
Rentals	1,216	1,222	158	158
Rendering of services ^(b)	4,435	4,252	1,987	1,901
	11,787	10,877	2,583	2,448
^(b) includes net revenues of lotteries activities				
The net revenue comprises:				
Gross Revenue	1,002	1,021	...	...
Prizes and other statutory payments ^(c)	(641)	(654)	...	...
Net Revenue	361	367	...	...
^(c) refer Note 1 Changes in Accounting Policies - Recognition of Lotteries Statutory Payments				
Other Revenues include:				
Borrowings assumed from the Crown Transactions Entity by LandCom	...	...	...	50
Gain on Disposal of Non-Current Assets				
Proceeds from disposal of physical assets	689	815	307	498
Less written down value of disposed assets	(632)	(652)	(339)	(367)
	57	163	(32)	131
Proceeds from disposal of investments ^(d)	1,819	1,021	636	482
Less written down value and costs of investments disposed ^(d)	(1,830)	(1,063)	(647)	(529)
	(11)	(42)	(11)	(47)
Gain/(loss) on disposal of non-current assets	46	121	(43)	84

^(d) These amounts include Treasury Corporation deposits which have not been eliminated on consolidation due to lack of auditable data. This does not impact on the net gain/(loss).



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

3. EXPENSES

	State Sector		General Government Sector	
	99-00	98-99	99-00	98-99
	\$m	\$m	\$m	\$m
Employee Related Expenses comprise:				
Salaries and Wages (including Recreation Leave)	13,525	12,965	11,258	10,763
Fringe Benefits Tax	31	36	17	19
Superannuation Entitlements ^(a)	(1,548)	1,127	(1,184)	849
Long Service Leave	493	562	404	469
Other	1,029	867	354	291
	13,530	15,557	10,849	12,391

^(a) includes abnormal revenue of \$3,176 million in 1999-2000 (1999 - \$704 million). Refer Notes 4 and 12.

Other Operating Expenses include:

Bad and Doubtful Debts	153	154	99	120
Operating Lease Rentals	474	417	349	300
Consultancy fees	123	108	77	76
Net Asset Valuation Decrements, (Reversals) and Write-Inventory Write-Downs	781	591	(46)	257
Audit fees ^(b)	5	42	1	7
- for audit	...	...	...	...
- for other services	...	...	...	...

^(b) Auditor's remuneration of \$20 million for audit and \$2 million for other services (1999 - \$19 million for audit and \$2 million for other services) has not been recognised as expenses because it has been eliminated in consolidation of the NSW Public Sector

Depreciation and Amortisation expense comprise:

Depreciation on				
- Buildings	774	767	559	554
- Plant and Equipment	757	690	366	329
- Infrastructure ^(c)	1,226	888	477	145
Amortisation	53	64	9	9
	2,810	2,409	1,411	1,037

^(c) Refer note 1 changes in Accounting Policies - depreciation of Roads and Traffic Authority Infrastructure

Grants and Subsidies include the following significant payments by the:

Department of Transport	406	393	1,791	1,825
Department of Education and Training	653	602	659	608
Department of Health	513	542	513	542
Department of Community Services	276	273	331	324
Department of Ageing and Disability Services	307	281	310	285

Finance expense includes:

Charges relating to finance leases	39	23	39	19
------------------------------------	----	----	----	----

Capitalised Borrowing Costs are excluded from expenses

	8	8
--	---	---	-----	-----



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

4. ABNORMAL ITEMS Revenues/(Expenses)	State Sector		General Government Sector	
	99-00 \$m	98-99 \$m	99-00 \$m	98-99 \$m
Adjustment of asset values. This includes -				
- RTA - land under roads ^(a)	(97)	(191)	(97)	(191)
- Traffic signals revalued to written down replacement cost	...	(227)	...	(227)
- Other		(50)	...	(50)
Amounts due to annuity investors ^(b)	...	(164)	...	(164)
Writeback in State's share of higher education superannuation costs ^(c)	...	520	...	520
Corporatisation Adjustments - Rail industry ^(d)	(564)	(219)	...	...
Transfer of net assets of Murrumbidgee Irrigation Corporation to irrigators ^(e)	...	(133)	...	...
Water contamination incident expense		(55)	...	...
Decrease in defined benefit unfunded superannuation liability comprises the transfer of unallocated State Superannuation Scheme contributions reserve to employers (refer to Note 12)	200	704	141	704
Decrease in defined benefit unfunded superannuation liability as a result of changes to actuarial economic assumptions (refer to Note 12)	2,976	...	2,572	...
TOTAL ABNORMAL ITEMS	2,515	185	2,616	592



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

General Government

- (a) No valuation has been included in the Consolidated Financial Statements for land under roads and within road reserves. During 1999-2000 the Roads and Traffic Authority identified land under roads of \$97 million (1999 \$191 million) which was reported in previous years as part of Land and Buildings. As it is Treasury's policy to report land under roads in the Consolidated Financial Statements at no valuation, an abnormal adjustment of \$97 million has been made to derecognise the value of these assets which has been included in the accounts of the Roads and Traffic Authority.
- (b) Additional amounts due to annuity investors with NSW Treasury Corporation as a result of a successful challenge by the Australian Taxation Office concerning the deductibility of certain expenses by the annuity investors. This amount relates to the period since the inception of the annuity transaction in 1986.
- (c) The State has no direct financial obligation for the superannuation liabilities of universities. The liability is to the Commonwealth Government. The NSW Government is only obligated to reimburse the Commonwealth for a proportion of the universities' emerging superannuation costs. The annual reimbursement is determined by the Education Minister on or before 31 March each year. Since the State's payment is made before 30 June each year, there is no liability to be recognised at year end.

Public Trading Enterprises & Public Financial Enterprises

- (d) The restructuring of the NSW rail industry, which commenced on 1 July 1996, continued in 1999-2000 with the transfer of most of the State Rail Authority's (SRA) assets relating to the new Airport Line to the Rail Access Corporation (RAC). In the financial statements of the SRA the Airport Line's assets were valued on the basis of written down replacement cost. The RAC was required by accounting standards to apply the recoverable amount test to the valuation of these assets. The recoverable amount is the present value of future cash flows expected to be generated from these assets and is considerably lower than written down replacement cost. Accordingly, in 1999-2000 the rail infrastructure net assets were written down by an abnormal expense of \$564 million.

In 1998-99 the SRA transferred its telecommunications business, Railcom, to the RAC, resulting in a write down by an abnormal expense of \$118 million. Furthermore, the Rail Services Authority adjusted down its net assets by \$101 million upon corporatisation on 1 July 1998.

- (e) On 5 February 1999, Murrumbidgee Irrigation Corporation was converted from a statutory state owned corporation to a company state owned corporation and its assets and liabilities were vested in the new company Murrumbidgee Irrigation Limited. The company was subsequently transferred to private sector irrigators for nil consideration on 12 February 1999.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

5. RECEIVABLES

	State Sector		General Government Sector	
	2000	1999	2000	1999
	\$m	\$m	\$m	\$m
Current Receivables				
Debtors and Accruals				
- Sale of Goods and Services	1,664	1,626	377	354
- Asset Sales	21	31	56	73
- Taxation	237	231	237	231
- Tax Equivalent	...	...	225	148
- Dividends	...	...	742	857
- Interest	186	173	21	25
Advances Receivable	83	39	112	67
Other	1,241	944	764	610
	3,432	3,044	2,534	2,365
Less Provision for Doubtful Debts	(505)	(406)	(382)	(313)
Total Current	2,927	2,638	2,152	2,052
Non-Current Receivables				
Advances Receivable	181	162	1,534	1,542
Provision for deferred income tax	...	...	1,033	1,147
Other ^(a)	211	326	149	262
Less Provision for Doubtful Debts ^(a)	(8)	(109)	(8)	(109)
Total Non-Current	384	379	2,708	2,842

^(a) refer Note 1 Changes in Accounting Policies, Recognition of Victims Compensation Fund Debtors.

6. INVESTMENTS

Current	2,567	4,057	688	1,345
Non-current	4,033	3,169	3,341	2,458
	6,600	7,226	4,029	3,803
Investments comprise:				
Fiduciary investments administered by NSW Treasury Corporation ^(a)	2,486	2,295	2,349	2,180
Securities and placements held by NSW Treasury Corporation	2,031	2,352	...	...
Other	2,083	2,579	1,680	1,623
	6,600	7,226	4,029	3,803

^(a) refer Note 22 Financial Instruments

Balances of \$250 million were held by government schools with the Commonwealth Bank at 30 June 2000 (1999 \$223 million). These funds, which comprise Government grants and other revenue, are not recorded

within the Department of Education and Training's financial statements and therefore are not included in the cash and deposits amount reported in the Total State Sector and Public Accounts.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

7. INVENTORIES

	State Sector		General Government Sector	
	2000	1999	2000	1999
	\$m	\$m	\$m	\$m
Current				
Raw Materials	125	169	13	12
Work in Progress	107	222	16	112
Finished Goods	62	56	23	23
Consumable Stores	248	299	69	66
Land Held for Resale	76	69	24	6
	618	815	145	219
Non-Current				
Forestry	1,533	1,442	...	...
Land Held for Resale	285	298	46	28
Other	32	45	22	40
	1,850	1,785	68	68

8. PROPERTY, PLANT AND EQUIPMENT

Land and Buildings				
At cost	6,569	6,163	6,065	5,273
At valuation	59,958	53,786	35,576	34,087
Accumulated depreciation at cost	(778)	(709)	(730)	(648)
Accumulated depreciation at valuation	(9,965)	(8,989)	(8,965)	(7,983)
	55,784	50,251	31,946	30,729
Plant and Equipment (includes Collections)				
At cost	4,481	5,287	3,144	2,941
At valuation	9,881	8,597	3,088	3,048
Accumulated depreciation at cost	(2,263)	(2,642)	(1,682)	(1,549)
Accumulated depreciation at valuation	(3,843)	(2,917)	(440)	(289)
	8,256	8,325	4,110	4,151
Infrastructure Systems				
At cost	6,989	6,608	2,097	1,507
At valuation ^(a)	62,896	57,035	37,322	32,010
Accumulated depreciation at cost	(745)	(656)	(50)	(16)
Accumulated depreciation at valuation ^(a)	(13,340)	(6,336)	(11,413)	(4,599)
	55,800	56,651	27,956	28,902
Total Property, Plant and Equipment at				
Net Book Value	119,840	115,227	64,012	63,782

^(a) refer Note 1 Changes in Accounting Policies - Depreciation of Roads and Traffic Authority Infrastructure, regarding adjustments during 1999-2000 to infrastructure assets at valuation.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

9. OTHER ASSETS

	State Sector		General Government Sector	
	2000 \$m	1999 \$m	2000 \$m	1999 \$m
Current	600	287	94	77
Non current	1,190	830	760	664
	1,790	1,117	854	741
Other Assets include:				
Emerging interest in the Sydney Harbour Tunnel	517	514	517	514
Right to receive M2/M4/M5 Motorways and the Eastern Distributor	151	112	151	112
Prepayments	373	191	96	70
Prepaid superannuation contributions ^(a)	295	145	...	...
Other	454	155	90	45
	1,790	1,117	854	741

^(a) refer note 12 Energy Industries Superannuation Scheme

10. PAYABLES

Interest on borrowings and advances	385	553	274	276
Other	3,131	2,558	1,269	1,392
	3,516	3,111	1,543	1,668

11. BORROWINGS

Current	2,166	8,732	4,165	4,708
Non current	25,837	22,236	12,938	14,323
	28,003	30,968	17,103	19,031
Borrowings comprise:				
Liability to Commonwealth Government ^(b)	1,940	2,051	1,940	2,051
Domestic and foreign borrowings	25,244	28,004	14,852	16,601
Bank overdraft	315	356	33	45
Finance leases ^(a)	504	557	278	334
	28,003	30,968	17,103	19,031

^(a) Finance lease liabilities are payable as follows:

Not later than one year	47	59	46	61
Between one and five years	175	212	148	182
Later than five years	415	629	215	430
Minimum lease payments	637	900	409	673
Less: Future finance charges	(133)	(343)	(131)	(339)
Finance lease liability	504	557	278	334



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	<i>Loan 99-00 \$m</i>	<i>Annual Interest 99-00 \$m</i>	<i>Loan 98-99 \$m</i>	<i>Annual Interest 98-99 \$m</i>
^(b) <i>Loan Liability under the Financial Agreement</i>				
<i>Liability at 1 July 1999</i>	281	22	289	23
<i>Debt Retirement Revenue Trust Account - repurchases and redemptions of loans outstanding in respect of the State</i>	75	10	8	1
<i>Liability at 30 June 2000</i>	206	12	281	22
 <i>Commonwealth Specific Purpose Advances</i>				
<i>Liability at 30 June 2000</i>	1,734	80	1,770	82
 <i>Total Liability to the Commonwealth at 30 June 2000</i>	1,940	92	2,051	104

INDEBTEDNESS OF THE STATE OUTSIDE THE FINANCIAL AGREEMENT

	<i>Balance at 30-Jun-99 Capital Value \$m</i>	<i>Advances/ (Repayments) 99-00 Capital Value \$m</i>	<i>Amortisation 99-00 \$m</i>	<i>Balance at 30-Jun-2000 Capital Value \$m</i>
<i>Commonwealth Specific Purpose Advances</i>				
<i>Housing</i>	1,679	(33)	...	1,646
<i>Backlog Sewerage Scheme</i>	68	(2)	...	66
<i>Rural Assistance Schemes</i>	10	(2)	...	8
<i>Other</i>	13	...	...	13
	1,770	(37)	...	1,733
 <i>Crown Entity Loan with TCorp</i>	15,302	(1,894)	91	13,499
<i>Roads and Traffic Authority</i>	952	89	4	1,045
<i>Others</i>	139	(5)	...	134
Total Debt Outside the Financial Agreement	18,163	(1,847)	95	16,411



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

12. EMPLOYEE ENTITLEMENTS

	State Sector		General Government Sector	
	2000 \$m	1999 \$m	2000 \$m	1999 \$m
Current	1,648	1,625	1,503	1,149
Non current	9,211	11,715	8,129	10,466
	10,859	13,340	9,632	11,615
Employee Entitlements comprise:				
Unfunded superannuation	5,579	8,334	5,686	7,959
Long service leave and other leave entitlements	4,439	4,226	3,473	3,287
Salary accruals and other	841	780	473	369
	10,859	13,340	9,632	11,615

UNFUNDED SUPERANNUATION LIABILITY

State public sector superannuation liabilities are predominantly comprised of the four defined benefit schemes that make up the Pooled Fund and the Energy Industries Superannuation Scheme (EISS), the assets and liabilities of which were separated from the Pooled Fund in 1997. The SAS Trustee Corporation's actuary, W M Mercer, calculated the unfunded liabilities of NSW state public sector superannuation schemes for the year ended 30 June 2000.

Actuarial calculations were generally based on membership data captured as at 29 February 2000 extrapolated to 30 June 2000 for the Pooled Fund schemes, and membership data captured as at 1 July 1999 projected forward to 30 June 2000 for the EISS.

Forecast demographic assumptions are as per the 1997 Triennial Valuation of the Pooled Fund schemes and forecast economic assumptions are as per the following tables.

	2000-2001	Thereafter
Pooled Fund Schemes		
Investment return rate	7.0%pa	7.0%pa
Salary growth rate	4.0% pa	4.0% pa
CPI growth rate	2.5%pa	2.5%pa
EISS		
Investment return rate	7.5%pa	7.5%pa
Salary growth rate	4.0%pa	4.0%pa
CPI growth rate	2.5%pa	2.5%pa

The unfunded superannuation liabilities shown below are for employers and are the difference between gross liabilities and the market value of assets to meet accrued liabilities. The substantial reduction in unfunded liabilities over the 12 months to 30 June 2000 is largely explained by several factors:

- A change in actuarial economic assumptions which lowered previous salary growth assumptions from 5% to 4% and the forecast consumer price index growth rate from 3.25% to 2.5%. (refer Note 4 Abnormal Items)



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

- A distribution from the unallocated funds in the State Superannuation Scheme (SSS) Contributors' Reserves was made to the SSS employer accounts of employers that are eligible to receive a distribution. The unallocated amount largely arose from inappropriately designed benefit funding arrangements between contributors' reserves and employer reserves in the 3 years to 30 June 1992. This has now been rectified. The total distribution was \$904 million, however \$704 of this amount was previously recognised in the 1998-99 Consolidated Financial Statements through the Crown Transactions Entity. (refer Note 4 Abnormal Items)
- The actual investment performance of the Pooled Fund was 15.2% in 1999-2000, which exceeded the long term actuarially applied rate of 7% per annum.

	State Sector		General Government Sector	
	2000 \$m	1999 \$m	2000 \$m	1999 \$m
The unfunded superannuation liability is composed of:				
Pooled Fund				
- State Authorities Superannuation Scheme	1,881	2,078	1,513	1,570
- State Authorities Non Contributory Superannuation Scheme	756	953	727	871
- State Superannuation Scheme	1,029	3,337	1,533	3,553
- Police Superannuation Scheme	1,688	1,709	1,688	1,709
Judges' Pension Scheme	221	221	221	221
Parliamentary Contributory Superannuation Scheme	4	35	4	35
Other	...	1	...	...
Unfunded Superannuation Liability	5,579	8,334	5,686	7,959
Less: Prepaid superannuation contributions of the Energy Industries Superannuation Scheme ^(a)	(295)	(145)	...	...
Net Superannuation Liabilities	5,284	8,189	5,686	7,959

^(a) Refer Note 9 Other Assets.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

13. OTHER LIABILITIES

	State Sector		General Government Sector	
	2000	1999	2000	1999
	\$m	\$m	\$m	\$m
Current	1,686	1,455	1,014	1,039
Non-current	4,106	4,285	3,890	3,950
	5,792	5,740	4,904	4,989

Other Liabilities comprise:

Obligations of the Insurance Ministerial Corporation for closed insurance schemes	2,595	2,689	2,595	2,604
Outstanding claims:				
- WorkCover Authority	203	229	203	229
- Workers' Compensation (Dust Diseases) Board	344	295	344	295
The Sydney Harbour Tunnel Agreement obligations	417	426	417	426
Building and Construction Industry Long Service Payment Scheme	297	284	297	284
Coal Compensation Board claims	12	25	12	25
Provision for future HomeFund restructure costs	10	12	10	12
Future income tax benefit	...	...	341	408
Crown's assumption of SRA Workers' Compensation	...	...	147	174
Other ^(a)	1,914	1,780	538	532
	5,792	5,740	4,904	4,989

^(a) The State Sector balance includes net deferred income and expenditure incurred by the Sydney Organising Committee for the Olympic Games and the Sydney Paralympic Organising Committee which has been deferred until the year ending 30 June 2001 being the financial year in which the event took place.

14. ASSET REVALUATION RESERVE

	State Sector		General Government Sector	
	2000	1999	2000	1999
	\$m	\$m	\$m	\$m
Opening Balance	32,641	30,790	10,987	9,560
Net transfer from/(to) accumulated funds	15	(563)	(92)	(393)
Net valuation increment ^(a)	8,182	2,414	4,087	1,820
Closing Balance	40,838	32,641	14,982	10,987

^(a) In 2000, the net valuation increment includes \$3,636 million of valuation increments of the Department of Housing's residential properties and \$3,567 million of valuation increments for the Roads and Traffic Authority's infrastructure and property assets. In 1999, the net valuation increment included \$1,462 million of valuation increments to property, roads, bridge and tunnel infrastructure of the Roads and Traffic Authority, \$972 million of valuation increments to State Rail Authority infrastructure, and \$973 million of valuation decrements for water infrastructure to be transferred to the Sydney Catchment Authority.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

15. ACCUMULATED FUNDS	State Sector		General Government Sector	
	2000 \$m	1999 \$m	2000 \$m	1999 \$m
Opening balance	45,829	41,414	26,177	21,728
Adjustments due to changes in accounting policy ^(a)	(4,604)	2,259	(4,533)	2,183
Net assets transferred in due to administrative restructures	17	...	15	(141)
Net transfer from (to) Asset Revaluation Reserve	(15)	563	92	393
Other net adjustments	(5)	(27)	...	7
Add: Surplus for the year	5,496	1,620	4,471	2,007
Closing Balance	46,718	45,829	26,222	26,177

^(a) Adjustments by agencies due to amendments to accounting standards which require adjustments to accumulated funds:

- Adjustment arising from the revaluation and initial recognition of library, museum and archival collections	(192)	2,108	(192)	2,108
- Adjustment arising from the initial recognition of other assets	...	96	...	96
- Corrections to the valuation of property, plant and infrastructure of the Roads and Traffic Authority	...	(36)	...	(36)
- Adoption by the Roads and Traffic Authority of Urgent Issues Group Abstract 30 regarding depreciation methodologies	(4,341)	...	(4,341)	...
- Adjustment to derecognise provisions for major cyclical maintenance	...	91	...	2
- Adjustment by the State Rail Authority to the book value of inventories and spares	(71)	...	...	...
- Other	...	...	...	13
	(4,604)	2,259	(4,533)	2,183



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

16. CASH FLOW INFORMATION

	State Sector		General Government Sector	
	99-00 \$m	98-99 \$m	99-00 \$m	98-99 \$m
RECONCILIATION OF OPERATING RESULT TO NET CASH FLOWS FROM OPERATING ACTIVITIES EXCLUDING FINANCIAL INSTITUTIONS				
Surplus for the year	5,496	1,620	4,471	2,007
Add back:				
- Deficit /(Surplus) of financial institutions	(438)	58	...	...
- Operating cash flow of financial institutions	1,836	1,888	...	...
Non-cash items added back:				
- Depreciation and amortisation	2,809	2,409	1,411	1,037
- Loss/(Gain) on asset disposals	(46)	(121)	43	(84)
- Other	373	604	(186)	255
Change in operating assets and liabilities	(2,183)	(3,542)	(2,026)	(4,063)
Net cash flows from operating activities	7,847	2,916	3,713	(848)

CLOSING CASH AND CASH EQUIVALENT BALANCES:

For purposes of the cash flow statement, deposits in the Treasury Corporations Hour-Glass cash facilities and other Treasury Corporation deposits (less than 90 days) are reported as cash and deposits at call.

Cash and deposits at call	1,717	2,442	418	960
Bank overdraft	(315)	(356)	(33)	(45)
	1,402	2,086	385	915

DISPOSAL OF ENTITIES

On 12 February 1999 the Government placed into local ownership Murrumbidgee Irrigation Limited (MIL) for nil consideration.

The amount of cash held at the date of placement was \$36 million. The MIL also held other assets of \$112 million and liabilities of \$15 million at the date of placement.

On 9 June 2000 the Government placed into local ownership Coleambally Irrigation Limited (CIL) for nil consideration.

The amount of cash held at the date of placement was \$20 million. The CIL also held other assets of \$35 million and liabilities of \$6 million at the date of placement.

On 25 November 1999 the NSW Financial Institutions Commission (FINCOM) was dissolved and residual cash of \$1 million was transferred to Commonwealth authorities which assumed the responsibilities of the former FINCOM.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Pacific Power's former subsidiary companies Eraring Holdings Pty Limited and Eraring Power Company of NSW Ltd were wound up during the year. In addition Pacific Power's three other subsidiaries – Powercoal-Everest Pty Ltd, Everest Coal Management Pty Ltd and Everest Coal Sales Pty Ltd – were sold as shelf companies during the year.

ACQUISITION OF ENTITIES

On 13 December 1999 the State Transit Authority (STA) acquired 100% of the shares of North and Western Coaches Pty Ltd for a cash consideration of \$14 million. The STA further acquired on 29 February 2000 100% of the shares of Riverside Bus and Coach Services Unit Trust for a cash consideration of \$5 million.

NON CASH FINANCING AND INVESTING ACTIVITIES

General Government

During 1999-2000 the Roads and Traffic Authority recognised an emerging interest in private sector provided infrastructure of \$39 million (1999 \$25 million).

During 1999-2000 the Department of Transport received shares in the National Rail Corporation for nil consideration and recorded them at a book value of \$15 million.

It is impracticable to report on the numerous assets donated to NSW public sector agencies particularly dedicated for health, education

and cultural purposes. They are generally recognised in individual agency financial statements. Two property leases relating to McKell Building, Rawson Place, Sydney and Noel Park House, Tamworth, previously classified as operating leases by the Crown Transactions Entity, were reclassified as finance leases as at 1 July 1998. The McKell Building is being written off over the life of the building (40 years) and the Tamworth property is being written off over the life of the lease.

Public Trading Enterprises & Public Financial Enterprises

In respect of Sydney Water Corporation Limited and its entities, assets which are acquired by the economic entity and the Corporation under finance leases, Build Own Operate scheme financing arrangements or assets handed over at no cost by subdividers/developers are not included in the Statements of Cash Flows as these are regarded as non-cash.

During the financial year no assets were acquired under finance leases (1999 \$2 million). The amount capitalised during the financial year in respect of assets handed over at no cost by subdividers/developers to both the economic entity and the Corporation was \$80 million (1999 \$44 million).

This includes assets from the Rouse Hill Development for which a provision of \$14 million (1999 \$9 million) has been recognised in the statement of financial position.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NET CASH OF FINANCIAL INSTITUTIONS	99-00 \$m Gross	State Sector		98-99 \$m Gross	98-99 \$m (^a) Net of Eliminations
		99-00 \$m (^a) Net of Eliminations	98-99 \$m Gross		
CASH INFLOWS (OUTFLOWS) FROM OPERATING ACTIVITIES					
Receipts					
Finance	2,089	...	2,124	...	...
Other	11	197	20	169	169
Total Receipts	2,100	197	2,144	169	169
Payments					
Employee Related	(7)	(7)	(7)	(7)	(7)
Finance	(1,880)	(1,832)	(1,808)	(1,751)	(1,751)
Other	(30)	(11)	(52)	(22)	(22)
Total Payments	(1,917)	(1,850)	(1,867)	(1,780)	(1,780)
NET CASH FLOW FROM OPERATING ACTIVITIES	183	(1,653)	277	(1,611)	(1,611)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from Sale of Investments	485	485	75	75	75
Purchase of Property, Plant & Equipment	(2)	(2)	(1)	(1)	(1)
Purchase of Investments & Loans to Authorities Made	(7,329)	...	(6,025)	(131)	(131)
Loans to Authorities Repaid & Other Investing	9,192	...	3,235	...	...
Net Cash Flows From Investing Activities	2,346	483	(2,716)	(57)	(57)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from Borrowings	18,121	18,121	25,087	25,087	25,087
Repayments of Borrowings	(21,060)	(21,023)	(22,443)	(22,399)	(22,399)
Other	(184)	...	(26)	...	...
NET CASH FROM FINANCING ACTIVITIES	(3,123)	(2,902)	2,618	2,688	2,688
NET CASH FLOWS FROM FINANCIAL INSTITUTIONS	(594)	(4,072)	179	1,020	1,020

^(a) The cash flows from financial institutions have been reported separately within the Consolidated Cash Flow Statement net of eliminations with other consolidated entities.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

17. TRUST FUNDS

	State Sector		General Government Sector	
	99-00	98-99	99-00	98-99
	\$m	\$m	\$m	\$m
General Government Sector	2,596	2,370	2,596	2,370
Public Trading Enterprises & Public Financial Enterprises	315	230	...	...
	2,911	2,600	2,596	2,370

Trust monies are held by the trustee on behalf of beneficiaries. Therefore, these monies are not included in the consolidated financial statements assets.

General Government trust monies mainly comprise various forms of estates under management, unclaimed monies and Supreme Court trust funds held in statutory accounts by the:

- Health Department	117	105	117	105
- Office of the Public Trustee	846	776	846	776
- Protective Commissioner	1,087	975	1,087	975
- Workers' Compensation (Dust Diseases) Board	43	41	43	41
- Rental Bond Board	446	411	446	411
- Others	57	62	57	62
	2,596	2,370	2,596	2,370

Trust monies held by Non General Government agencies include: -

NSW Treasury Corporation	290	211	...	...
Others	25	19	...	...
	315	230	...	...



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

18. EXPENDITURE COMMITMENTS

	State Sector		General Government Sector	
	99-00	98-99	99-00	98-99
	\$m	\$m	\$m	\$m
Capital Expenditure				
General Government	3,023	3,212	3,035	3,324
Public Trading Enterprises & Public Financial Enterprises	2,600	2,357	...	...
	5,623	5,569	3,035	3,324

The above represents capital expenditure contracted for at balance date, including private sector financed infrastructure assets, but not recognised in the financial statements.

General Government

Health Department	1,696	1,753	1,696	1,753
Roads and Traffic Authority	907	883	907	883
Olympic Coordination Authority	218	255	218	255
Other agencies	202	321	214	433
	3,023	3,212	3,035	3,324

Public Trading Enterprises & Public Financial Enterprises

State Rail Authority	630	431	...	...
State Transit Authority	93	78	...	...
Sydney Water Corporation	1,606	1,373	...	...
Transgrid	61	96	...	...
NSW Land and Housing Corporation	20	64	...	...
Landcom	64	87	...	...
Other agencies	126	228	...	...
	2,600	2,357	...	...

Capital expenditure commitments payable:

not later than one year	2,419	2,313	1,451	1,437
later than one year and not later than five years	2,439	2,709	1,496	1,862
later than five years	765	547	88	25
	5,623	5,569	3,035	3,324

Operating Lease Expenditure

Amounts payable:

not later than one year	640	497	459	364
later than one year and not later than five years	1,240	1,129	1,017	918
later than five years	1,283	1,214	1,120	1,165
	3,163	2,840	2,596	2,447

The above expenditure commitments include, where appropriate, a component for goods and services tax, which is generally recoverable from the Australian Taxation Office.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

19. CONTINGENT LIABILITIES	State Sector		General Government Sector	
	99-00 \$m	98-99 \$m	99-00 \$m	98-99 \$m
(A) QUANTIFIABLE CONTINGENT LIABILITIES <i>comprise:</i>				
General Government				
Attorney General's Department (Victims Compensation and other claims)	211	151	211	151
Olympic Co-ordination Authority (possible future claims from contractual)	27	58	27	58
Home Purchase Assistance Fund (potential income and cash shortfalls in FANMAC Trust system and excess rate caps)	16	16	16	16
Coal Compensation Board (claims for compensation under the Coal Acquisition (Compensation) Arrangements Act 1985)	283	39	283	39
NSW Police Service (claims including legal proceedings)	54	28	54	28
Roads & Traffic Authority (claims involving legal proceedings)	44	51	44	51
Department of Land & Water Conservation (claims involving legal proceedings)	24	23	24	23
Department of Public Works & Services (claims involving legal proceedings)	...	14	...	14
NSW Insurance Ministerial Corporation (primarily from possible changes to Taxation Rulings that may impact Transport Accident Compensation Fund claims)	72	2	72	2
Other agencies	23	33	23	33
Total – General Government	754	415	754	415
Public Trading Enterprises and Public Financial Enterprises				
Sydney Water (claims in respect of compensation and litigation)	198	185	...	...
State Rail Authority (commercial disputes, employee disputes,	20	45	...	...
NSW Treasury Corporation (bonds on loan)	1,108	338	...	...
Less securities held	...	(94)	...	...
Other agencies	34	29	...	...
Total - Public Trading Enterprises and Public Financial Enterprises	1,360	503	...	...
GRAND TOTAL	2,114	918	754	415



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

(B) GUARANTEES provided to facilitate the provision of certain services and the construction of several infrastructure assets may give rise to contingent liabilities.

The major guarantees are:

General Government

- State guarantees are given to various organisations under statute. They mainly relate to certain co-operative housing societies \$127 million (1999 \$155 million).
- The NSW Government has agreed to indemnify TAB Ltd for shareholder related costs incurred by TAB Ltd in Financial Years 2000 and 2001 to the extent that such costs exceed \$4 million and \$5 million respectively.

The NSW Government has also agreed to indemnify TAB Ltd against any decrease in revenue which it suffers as a result of a reduction of the monitoring fee determined by the Minister for Gaming and Racing and which is payable to TAB Ltd by hoteliers and registered clubs in respect of gaming devices connected to the Centralised Monitoring System (CMS) during the first five years of its operation.

The NSW Government will also indemnify TAB Ltd against losses it may suffer during the term of TAB Ltd's CMS licence as a direct consequence of any redetermination of the monitoring fee which is made other than in accordance with the methodology and assumptions as to the rate of return employed by the Independent Pricing and Regulatory Tribunal in recommending the monitoring fee to the Minister.

The NSW Government will also indemnify TAB Ltd against any additional cost and expense it may incur as a result of any amendment to TAB Ltd's CMS licence which imposes additional requirements on TAB Ltd but only to the extent that TAB Ltd is not adequately compensated for the additional cost and expense by an increase in the monitoring fee.

- Issued securities, borrowings and derivative liabilities of the NSW Treasury Corporation with a market value of \$26.4 billion (1999 \$29.5 billion) have been guaranteed by the NSW Government under the Public Authorities (Financial Arrangements) Act 1987.
- The International Olympic Committee awarded Sydney the right to host the Olympic Games, which were held during September and October 2000. The Government has underwrote the Olympic budget. The Sydney Organising Committee for the Olympic Games (SOCOG) expects to return the unused portion of the \$140 million grant to the NSW Government and that the government guarantee will not be called upon.
- The Olympic Co-ordination Authority (OCA) has a liability for the Olympic stadium only in the event of a natural disaster or a breach of the contract by OCA. In the event of a natural disaster OCA would be responsible for the full cost of replacing the stadium. The possibility of either of these events occurring is considered remote.
- Pursuant to the State Bank (Privatisation) 1994 Act, the State guaranteed all existing and future liabilities of the Bank until 31 December 1997. Thereafter while existing liabilities continue to be guaranteed until maturity, any new



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

liabilities incurred after that date will no longer be guaranteed by the State. As at 30 June 2000 the total guaranteed liabilities of the Bank amounted to \$4.8 billion (1999 \$6.0 billion).

In addition to the above, the State has certain other contingent liabilities arising from the sale of the Bank through indemnities given in respect of any losses incurred by the Bank as a result of matters existing in the books of the Bank as at 31 December 1994. While it is not possible to accurately quantify these contingent liabilities, they are currently estimated at \$103 million (1999 \$139 million).

- Under the Government Insurance Act 1927 the State guarantees the liabilities of the GIO in respect of General, Life and reinsurance policies issued by it up until 15 July 1992. Actuarial assessment of these liabilities are:

	31 Dec	30 June
	1999	1999
	\$m	\$m
General insurance	164	185
Life insurance	267	358
Inward reinsurance	203	237
	634	780

In addition, the Government may incur a liability to provide capital guarantees to any unit-linked life insurance policies covered by the guarantee where investment units are converted to capital guaranteed status at some time in the future. The maximum potential liability was estimated at \$1,104 million at 31 December 1999 (30 June 1999 \$1,244 million).

Public Trading Enterprises & Public Financial Enterprises

- The NSW Treasury Corporation has issued unconditional payment undertakings on behalf of some New South Wales government authorities participating in the wholesale electricity markets to pay to the system administrators on demand in writing any amount up to an aggregate maximum agreed with individual participants.

Amounts paid under these undertakings are recoverable from the New South Wales government authority participants. This financial accommodation is government guaranteed.

At year-end the agreed aggregate amounts totalled \$309 million (1999 \$203 million).

- EnergyAustralia has fully indemnified issuing financial institutions to the amount of \$151 million (1999 \$113 million). This relates to guarantees issued in respect of retention and security deposits, and guarantees provided to regulatory and statutory authorities.
- Rail Services Australia has provided secured guarantees and letters of credit to customers and insurers amounting to \$40 million (1999 \$37 million).



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

(C) OTHER CONTINGENT LIABILITIES exist, for example from pending litigation, which cannot be quantified. Included in these are:

- Land claims lodged since the introduction of the Aboriginal Land Rights Act 1983. Of the claims lodged, a total of 1,877 have been granted either wholly or partly, over lands totalling 68,686 hectares and valued at approximately \$415 million. As at 30 June 2000, there were 998 claims under investigation (1999 942 claims). The liability under these claims is yet to be determined.
- Since the decision in Mabo and the commencement of the Commonwealth Native Titles Act 1993 on 1 January 1994, there have been some 170 applications including 15 claims for compensation in New South Wales under its provisions. As a result of claims being either settled, discontinued, or of amalgamations with other claims, 110 claims are ongoing. 79 non-claimant applications have been lodged by the NSW Government. Any future liability associated with these claims is subject to determination by the Federal Court and cannot be estimated.
- Based on the definition of control in Australian Accounting Standard AAS24, Affiliated Health Organisations listed in the Third Schedule of the Health Services Act 1999 are only recognised in the Department's consolidated Financial Statements to the extent of cash payments made.

However, it is accepted that a contingent liability exists which may be realised in the event of cessation of health service activities by any Affiliated Health Organisation. In this event the determination of assets and liabilities would be dependent on any contractual relationship which may

exist or be formulated between the administering bodies of the organisation and the Department.

- In respect of the Roads and Traffic Authority, an additional liability could arise under Clause 4.1(c) of the Ensured Revenue Stream Agreement (ERS) if a taxation deduction for a claim for depreciation for the immersed tube section of the tunnel is disallowed to the Sydney Harbour Tunnel Company. Under such circumstance the ERS provides for a renegotiation of the method by which ERS payments are calculated which could result in an increased liability to the RTA of between \$31 million and \$75 million over the period of the agreement to 2022.
- Litigation by various HomeFund borrowers has been launched and is being defended on behalf of the Government. These legal actions include Class Actions by members of the United Borrowers Association and by the Public Interest Advocacy Centre joining all HomeFund borrowers.

The High Court has handed down its decision that the State is not subject to the provisions of the Trade Practices Act under which the action is primarily based; other parties to the defence are, however, not immune from prosecution under the Trade Practices Act.

As the State continues to have an indirect liability, the actions are being defended and the Authority is actively involved in managing the defence of the claims. It is not possible to predict the Government's (or any other defendant party's) potential liability arising from these or any other similar actions. The potential liability could, however, be large.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

- Through the New South Wales Structured Finance Activities, the State entered into several cross border leases in respect of electricity and rolling stock assets. There are two categories of contingent liabilities with respect to these transactions:
 - (i) The first type of contingency arises by virtue of the NSW Government indemnity provided pursuant to each transaction. The exposure relates in the main to the change of law risk and administration risk in relation to the covenants given under the lease transactions; and
 - (ii) The second type of contingency arises where the NSW Government has a third party risk in terms of monies being placed on deposit with a counterparty. The total of this contingent liability is estimated at \$838 million. This figure represents a \$200 million increase on the 1998-99 amount, reflecting the term nature of the deposits and the devaluation of the Australian dollar against the US dollar and the yen. NSW Treasury Corporation on behalf of the NSW Government regularly monitors this risk.

During the 1999-2000 financial year there have been only minor changes in the credit standing of the deposit counterparties which range from BBB⁺ to AAA.
- The State supports the borrowing of the FANMAC Trusts via the Home Purchase Assistance Fund to facilitate the provision of housing loans to low income earners. The total capital value of borrowings of the FANMAC Trusts not consolidated into these financial statements was \$338 million at 30 June 2000 (1999 \$401 million).
- During the year, the NSW Treasury Corporation made available a short term liquidity facility to approved client authorities. This facility is offered on a revolving basis with a commitment period of up to three years. At year end the undrawn commitments under the facility were \$764 million (1999 \$1,659 million) and undrawn commitments were \$628 million (1999 \$1,652 million).
- In July 1997, a landslide occurred at the Thredbo Alpine Resort within Kosciuszko National Park resulting in the loss of life and property. As a result of the Coroner's findings in relation to the Thredbo landslide the National Parks and Wildlife Service has received claims for compensation, the quantum of which has yet to be determined.
- In June 2000, a fire occurred in the Ku-ring-gai National Park resulting in the loss of life. A Coronial Inquest will be undertaken into the events surrounding this incident. The Service has no basis for knowing whether the cause of the incident may result in future liabilities.
- In March 1994, the Commonwealth and States agreed that from that date all Public Trading Enterprises (PTEs) would be exempted from both Commonwealth sales and income taxes. In consideration the States would apply tax equivalent regimes to their PTEs and compensate the Commonwealth for any revenue they may lose in consequence of the enactment of the exemption.

A 1996 decision of the Federal Court created some uncertainty as to the agencies which were previously considered exempt from



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Commonwealth wholesale sales tax, and therefore the extent of the compensation payments. The matter is still the subject of discussions with the Commonwealth.

- The State Rail Authority has entered into an agreement with a private sector company requiring the company to operate four stations on the Airport Line until 2030. If the agreement is terminated early due to default by either party, State Rail has an obligation, depending on the cause of the termination, to pay the company either (i) the value of the future income expected to be earned by the station business or (ii) compensation for its shareholders and to meet its debt obligations. The liability would be assessed by an independent appraiser.
- The station operating company has recently encountered financial difficulties and a receiver has been appointed to manage its affairs. However, the agreement with State Rail has not been terminated. The receiver is operating the station business and assessing future options.
- The Department of Transport may be liable for payment of compensation as a result of the Government's decision to discontinue the awarding of rail maintenance contracts in NSW to the private sector. At the time this decision was taken, the Rail Access Corporation, which controls NSW rail track, was in the process of finalising tenders. The amount of compensation cannot be quantified.

20. EVENTS OCCURRING AFTER REPORTING DATE

During July 2000 a debt restructuring occurred within the electricity distribution sector. In order for distributors to have a more commercial level of gearing, they were required to borrow funds and make a capital repatriation to the Consolidated Fund. During 10 to 24 July 2000 \$2.1 billion of Crown

borrowings were repaid utilising the proceeds from the restructure. The transaction will impact the General Government and Public Trading Enterprise sectors' Statements of Financial Position and finance charges, however it should not significantly impact the Total State Sector.

21. COMPLIANCE WITH APPROPRIATIONS

Details of compliance with parliamentary appropriations are contained in the annual reports of Budget dependent agencies. The "Summary of Compliance with Financial Directives" in each agency's annual report

includes a summary of recurrent and capital appropriations disclosing separately the original and revised amounts appropriated, and relevant expenditure for the reporting period.

22. FINANCIAL INSTRUMENTS

INTEREST RATE RISK EXPOSURES

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The State's exposure to interest rate risks and the effective

weighted average interest rate for each major class of financial assets and financial liabilities are set out in the following tables:



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	Notes	Floating interest rate 2000 \$m	Fixed interest rate maturing in:			Non- interest bearing 2000 \$m	TOTAL 2000 \$m	Weighted average effective interest rate 2000 %
			1 year or less 2000 \$m	1 to 5 years 2000 \$m	Over 5 years 2000 \$m			
STATE SECTOR								
Financial Assets								
Cash ^(a)	16	1,717	...	...	...	...	1,717	
Investments								
- Administered by TCorp ^(b)	6	1,728	5	154	599	...	2,486	6.3
- TCorp Placements	6	...	1,572	15	444	...	2,031	7.1
- Other	6	817	549	519	41	157	2,083	6.9
Receivables	5	...	...	...	...	3,311	3,311	
Total Financial Assets		4,262	2,126	688	1,084	3,468	11,628	
Financial Liabilities								
Bank Overdraft	11	315	...	...	...	...	315	
Payables	10	...	...	...	...	3,516	3,516	
Domestic and Foreign								
Borrowings	11	...	1,630	14,609	9,005	...	25,244	6.7
Liability to Commonwealth								
Government	11	...	89	230	1,621	...	1,940	4.8
Finance Leases	11	...	35	141	328	...	504	
Total Financial Liabilities		315	1,754	14,980	10,954	3,516	31,519	
GENERAL GOVERNMENT SECTOR								
Financial Assets								
Cash ^(a)	16	418	...	...	...	...	418	
Investments								
- Administered by TCorp ^(b)	6	1,591	5	154	599	...	2,349	6.3
- Other	6	657	308	535	38	142	1,680	6.9
Advances Receivable	6	...	44	145	1,357	100	1,646	4.8
Other Receivables	5	...	...	...	...	3,214	3,214	
Total Financial Assets		2,666	357	834	1,994	3,456	9,307	
Financial Liabilities								
Bank Overdraft	11	33	...	...	...	...	33	
Payables	10	...	...	...	...	1,543	1,543	
Domestic and Foreign								
Borrowings	11	435	3,349	6,422	4,580	66	14,852	7.4
Liability to Commonwealth								
Government	11	...	89	230	1,621	...	1,940	4.8
Finance Leases	11	...	31	100	147	...	278	
Total Financial Liabilities		468	3,469	6,752	6,348	1,609	18,646	



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	Notes	Floating interest rate 1999 \$m	Fixed interest rate maturing in:			Non-Interest bearing 1999 \$m	TOTAL 1999 \$m	Weighted average effective interest rate 1999 %
			1 year or less 1999 \$m	1 to 5 years 1999 \$m	Over 5 years 1999 \$m			
STATE SECTOR								
Financial Assets								
Cash ^(a)	16	2,442	...	...	...	...	2,442	
Investments							...	
- Administered by TCorp ^(b)	6	1,335	521	320	119	...	2,295	7.2
- TCorp Placements	6	...	2,026	185	78	63	2,352	6.0
- Other	6	971	427	643	122	416	2,579	6.4
Receivables	5	...	...	...	...	3,017	3,017	
Total Financial Assets		4,748	2,974	1,148	319	3,496	12,685	
Financial Liabilities								
Bank Overdraft	11	356	...	...	...	...	356	
Payables	10	...	...	...	...	3,111	3,111	
Domestic and Foreign Borrowings	11	...	8,053	12,947	7,004	...	28,004	6.5
Liability to Commonwealth Government	11	...	116	271	1,664	...	2,051	5.1
Finance Leases	11	...	33	134	390	...	557	
Total Financial Liabilities		356	8,202	13,352	9,058	3,111	34,079	
GENERAL GOVERNMENT SECTOR								
Financial Assets								
Cash ^(a)	16	960	...	...	...	...	960	
Investments								
- Administered by TCorp ^(b)	6	1,220	521	320	119	...	2,180	7.2
- Other	6	569	373	497	56	128	1,623	7.5
Advances Receivable	6	...	31	137	1,298	143	1,609	4.8
Other Receivables	5	...	...	...	...	1,990	1,990	
Total Financial Assets		2,749	925	954	1,473	2,261	8,362	
Financial Liabilities								
Bank Overdraft	11	45	...	...	...	...	45	
Payables	10	...	...	...	...	1,668	1,668	
Domestic and Foreign Borrowings	11	1,096	3,215	8,411	3,879	...	16,601	7.9
Liability to Commonwealth Government	11	...	116	271	1,664	...	2,051	5.1
Finance Leases	11	...	30	90	214	...	334	
Total Financial Liabilities		1,141	3,361	8,772	5,757	1,668	20,699	



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

ASSETS ADMINISTERED BY NEW SOUTH WALES TREASURY CORPORATION (TCORP)

TCorp acts as a manager of funds or actively manages asset portfolios on behalf of state government entities. Management of these funds is primarily through Hour Glass facilities and Special Client Mandates. TCorp appoints external fund managers to manage the bulk of these monies and monitors their performance against appropriate investment guidelines. These administered assets are reported as fiduciary activities in TCorp's financial statements.

A typical Hour Glass investment is represented by a number of units of a managed investment

Pool, with each particular pool having different investment horizons and being comprised of a mix of asset classes appropriate to that horizon. Special Client Mandates occur when TCorp undertakes management of cash and asset portfolios on behalf of clients who do not wish to participate in the pooled arrangements of the Hour Glass facilities.

The value of Hour Glass facilities and Special Client Mandates can vary depending upon market conditions. The value that best represents the maximum credit risk exposure is the net fair value.

(a) Cash

The State's interest in Hour Glass Cash and Cash Plus facilities are brought to account as cash because they enable deposits and withdrawals to be made on a daily basis and are not subject to significant risk of a change in value. TCorp also manages the Special Client Mandate cash portfolio of the Crown Entity (1999 \$656 million, 2000 \$109 million) and New South Wales Lotteries (1999 \$87 million, 2000 \$79 million).

	State Sector		General Government Sector	
	2000	1999	2000	1999
	\$m	\$m	\$m	\$m
Hour Glass Cash	490	507	150	197
Hour Glass Cash Plus	435	468	150	181
Special Client Mandate	187	743	109	656
Cash administered by Tcorp	1,112	1,718	409	1,034
Other ^(#)	605	724	9	(74)
Total Cash	1,717	2,442	418	960

^(#) Other includes cash bank balances adjusted for unpresented cheques and outstanding deposits.

(b) Investments - Hour Glass Facilities and Special Client Mandates

TCorp manages investment portfolios on behalf of state entities through Hour Glass facilities which are reported at market value. TCorp also manages the Special Client Mandate investment portfolio of the New South Wales Insurance Ministerial Corporation.

Fixed Interest	127	130	58	71
Medium to Long Term	1,459	1,166	1,391	1,110
Special Client Mandate	900	999	900	999
Total Investments Administered by TCorp	2,486	2,295	2,349	2,180



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

NET FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Financial instruments are carried at cost or market value.

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the State approximates their carrying value.

The net fair value of other monetary financial assets and financial liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

STATE SECTOR	Total carrying amount as per the balance sheet	Aggregate net fair value	Total carrying amount as per the balance sheet	Aggregate net fair value
	2000 \$m	2000 \$m	1999 \$m	1999 \$m
Financial Assets				
Cash	1,717	1,717	2,442	2,442
Investments				
- Administered by Tcorp	2,486	2,486	2,295	2,295
- TCorp Placements	2,031	2,045	2,352	2,373
- Other	2,083	2,151	2,579	2,663
Receivables	3,311	3,311	3,017	3,017
Total	11,628	11,710	12,685	12,790
Financial Liabilities				
Bank Overdraft	315	315	356	356
Payables	3,516	3,516	3,111	3,111
Domestic and foreign borrowings	25,244	25,630	28,004	28,536
Liability to Commonwealth Government	1,940	1,519	2,051	1,694
Finance Leases	504	504	557	557
Total Financial Liabilities	31,519	31,484	34,079	34,254
GENERAL GOVERNMENT SECTOR				
Financial Assets				
Cash	418	418	960	960
Investments				
- Administered by Tcorp	2,349	2,349	2,180	2,180
- Other	1,680	1,680	1,623	1,623
Advances Receivable	1,646	1,325	1,609	1,295
Other Receivables	3,214	3,214	1,990	1,990
Total	9,307	8,986	8,362	8,048
Financial Liabilities				
Bank Overdraft	33	33	45	45
Payables	1,543	1,543	1,668	1,668
Domestic and Foreign Borrowings	14,852	15,839	16,601	17,705
Liability to Commonwealth Government	1,940	1,519	2,051	1,694
Finance Leases	278	278	334	334
Total Financial Liabilities	18,646	19,212	20,699	21,446



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

CREDIT RISK

Credit risk is the risk of financial loss arising from another party to a contract/financial position failing to discharge a financial obligation. The State's maximum exposure to credit risk is best represented by the carrying amounts of the financial assets included in the consolidated balance sheet.

The State is not materially exposed to concentrations of credit risk to a single debtor or to a group of debtors. The entities comprising the NSW State Sector are required to exercise prudential controls over the investment of financial assets.

OFF-BALANCE SHEET DERIVATIVE FINANCIAL INSTRUMENTS

The State is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates.

Interest Rate Derivatives

New South Wales Treasury Corporation manages the debt portfolio of the Crown, the Roads and Traffic Authority and a number of the State's commercial entities. A number of other commercial entities engage private sector financial institutions to manage, or advise on the management, of their debt portfolios.

The Treasury's Debt Management Policy requires that entities with significant debt portfolios manage the portfolio against a benchmark portfolio. This benchmark portfolio reflects the risk and return preferences of the individual entities. The debt manager must ensure that the average maturity of the actual debt portfolio is within an agreed range of the benchmark portfolio.

In order to achieve this, NSW Treasury Corporation and/or individual agencies use swaps, forward rate agreements and futures.

Foreign Exchange Derivatives

In order to achieve the most cost effective funding of the State's debt, NSW Treasury Corporation conducts a number of debt issues in foreign currencies in foreign capital markets. All such exposures are fully hedged through the use of cross currency swaps and forward foreign exchange contracts.

A number of entities in the NSW Public Sector enter into forward foreign exchange contracts to hedge certain purchase and sale commitments entered into in the normal course of business.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

DERIVATIVE FINANCIAL INSTRUMENTS ^(c)

	Floating interest rate 2000 \$m	Fixed interest rate maturing in:			Non-interest bearing 2000 \$m	TOTAL 2000 \$m	Aggregate net fair value 2000 \$m
		1 year or less 2000 \$m	1 to 5 years 2000 \$m	Over 5 years 2000 \$m			
STATE SECTOR							
Receivable							
Swaps	...	286	1,400	634	...	2,320	3
Forward Rate Agreements	534	30	435	209	...	1,208	7
Futures	...	1,160	307	19	...	1,486	...
Payable							
Swaps	(1,920)	(25)	(425)	...	...	(2,370)	(73)
Forward Rate Agreements	...	(399)	(135)	...	...	(534)	...
Futures	...	(6)	(14)	(27)	...	(47)	...
GENERAL GOVERNMENT SECTOR							
Receivable							
Futures	...	399	144	10	...	553	...
Payable							
Futures	...	...	(6)	(25)	...	(31)	...

DERIVATIVE FINANCIAL INSTRUMENTS ^(c)

	Floating interest rate 1999 \$m	Fixed interest rate maturing in:			Non-interest bearing 1999 \$m	TOTAL 1999 \$m	Aggregate net fair value 1999 \$m
		1 year or less 1999 \$m	1 to 5 years 1999 \$m	Over 5 years 1999 \$m			
STATE SECTOR							
Receivable							
Swaps	...	2,163	835	613	...	3,611	13
Forward Rate Agreements	...	1,093	850	...	...	1,943	29
Futures	...	1,581	43	10	...	1,634	...
Payable							
Swaps	(2,956)	(280)	(475)	...	...	(3,711)	(348)
Forward Rate Agreements	(1,943)	...	...	...	...	(1,943)	...
Futures	...	(1,258)	(432)	(349)	...	(2,039)	...
GENERAL GOVERNMENT SECTOR							
Receivable							
Futures	...	1,290	...	...	...	1,290	...
Payable							
Futures	...	(1,217)	(400)	(157)	...	(1,774)	...

(c) *Notional Principal Amounts. Brackets indicate a net liability. Net fair value amounts are only available on a net receivable/payable basis.*



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

23. CONSOLIDATED FUND TRANSACTIONS	2000	1999
	\$m	\$m
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts		
State Taxation, Fines and Regulatory Fees	13,954	12,708
Commonwealth Grants	11,662	11,177
Financial Distributions	1,432	1,382
Other Operating Revenue	603	635
Total Receipts	27,651	25,902
Payments		
Recurrent Appropriations paid to other agencies	(20,745)	(19,905)
Recurrent Appropriations paid to the Crown Transactions Entity (CTE)	(3,345)	(6,734)
Capital Appropriations paid to other agencies	(2,049)	(2,304)
Capital Appropriations paid to CTE	(2,293)	(612)
Total Payments	(28,432)	(29,555)
NET CASH FLOW FROM OPERATING ACTIVITIES	(781)	(3,653)
NET CASH FLOW FROM INVESTING ACTIVITIES	...	...
CASH FLOWS FROM THE CROWN TRANSACTION ENTITY		
Proceeds from Borrowings	102	3,429
Crown Property Surplus	16	15
Interest Receipts	108	140
Asset Proceeds	...	15
Advance Repayments	117	126
Other Receipts	27	24
NET CASH FLOW FROM CROWN TRANSACTION ENTITY	370	3,749
NET INCREASE/(DECREASE) IN CASH	(411)	96
OPENING CASH AND CASH EQUIVALENTS	(823)	(919)
CLOSING CASH BALANCES	(1,234)	(823)
CONSOLIDATED FUND CASH AND CASH EQUIVALENTS		
Deposit at Call	108	656
Bank Overdraft	(1,342)	(1,479)
	(1,234)	(823)



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

24. DISAGGREGATED FINANCIAL STATEMENTS

Assets, liabilities, revenues and expenses that are reliably attributable to each broad sector of activities of the Government are set out below. The broad sectors have been determined in accordance with the standards set out in the Government Financial Statistics Standards of the Australian Bureau of Statistics.

For the purpose of this disclosure, effects of transactions and balances between sectors have not been eliminated, but those between entities within each sector have been eliminated.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

THE NSW TOTAL STATE SECTOR ACCOUNTS
DISAGGREGATED OPERATING STATEMENT
FOR THE YEAR ENDED 30 JUNE 2000

	General Government		Public Trading Enterprises	
	99-00 \$m	98-99 \$m	99-00 \$m	98-99 \$m
State Revenues				
Taxation	15,185	14,137	...	...
Commonwealth Grants	9,460	8,911	...	...
Financial Distribution	1,299	1,444	...	...
Fines, Regulatory Fees and Other	876	876	...	...
Total State Revenues	26,820	25,368	...	...
Operating Revenues				
Sale of Goods and Services	2,583	2,448	9,027	8,250
Investment Income	492	420	77	110
Grants and Contributions	422	485	2,378	2,514
Other	342	822	882	694
Total Operating Revenues	3,839	4,175	12,364	11,568
Expenses				
Employee Related	10,849	12,391	2,791	3,326
Other Operating	6,235	6,683	4,955	4,151
Maintenance	1,144	1,249	691	574
Depreciation and Amortisation	1,411	1,037	1,398	1,371
Grants and Subsidies	5,056	4,863	123	236
Finance	1,450	1,397	738	904
Total Expenses	26,145	27,620	10,696	10,562
Gain/(Loss) on Disposal of Non-Current Assets	(43)	84	95	44
NET COST OF SERVICES	(22,349)	(23,361)	1,763	1,050
SURPLUS/(DEFICIT) FOR THE YEAR BEFORE FINANCIAL DISTRIBUTIONS	4,471	2,007	1,763	1,050
Income Tax Equivalent Expense	...	...	278	416
Dividend and Equity Restructure Provisions	...	...	887	785
SURPLUS/(DEFICIT) FOR THE YEAR AFTER FINANCIAL DISTRIBUTIONS	4,471	2,007	598	(151)



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

THE NSW TOTAL STATE SECTOR ACCOUNTS
DISAGGREGATED OPERATING STATEMENT
FOR THE YEAR ENDED 30 JUNE 2000

Public Financial Enterprises		Eliminations		TOTAL	
99-00	98-99	99-00	98-99	99-00	98-99
\$m	\$m	\$m	\$m	\$m	\$m
...	...	(645)	(585)	14,540	13,552
...	...	...	...	9,460	8,911
...	...	(1,299)	(1,444)	...	...
...	...	19	(22)	895	854
...	...	(1,925)	(2,051)	24,895	23,317
9	12	168	167	11,787	10,877
2,075	2,132	(1,978)	(2,120)	666	542
...	...	(2,072)	(2,263)	728	736
...	164	(105)	(217)	1,119	1,463
2,084	2,308	(3,987)	(4,433)	14,300	13,618
7	8	(117)	(168)	13,530	15,557
...	194	(401)	(496)	10,789	10,532
...	...	...	...	1,835	1,823
1	1	...	...	2,810	2,409
...	...	(2,136)	(2,233)	3,043	2,866
1,628	2,152	(2,078)	(2,204)	1,738	2,249
1,636	2,355	(4,732)	(5,101)	33,745	35,436
...	...	(6)	(7)	46	121
448	(47)	739	661	(19,399)	(21,697)
448	(47)	(1,186)	(1,390)	5,496	1,620
10	12	(288)	(428)	...	...
22	184	(909)	(969)	...	...
416	(243)	11	7	5,496	1,620



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

THE NSW TOTAL STATE SECTOR ACCOUNTS
DISAGGREGATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE

	General Government		Public Trading Enterprises	
	2000	1999	2000	1999
	\$m	\$m	\$m	\$m
Current Assets				
Cash	418	960	1,324	1,026
Investments	688	1,345	602	1,151
Receivables	2,152	2,052	1,813	1,638
Inventories	145	219	473	596
Other	94	77	515	250
Total Current Assets	3,497	4,653	4,727	4,661
Non-Current Assets				
Land and Buildings	31,946	30,729	23,838	19,522
Plant and Equipment	4,110	4,151	4,143	4,171
Infrastructure Systems	27,956	28,902	27,844	27,749
Investments	3,341	2,458	312	414
Receivables	2,708	2,842	184	212
Inventories	68	68	1,782	1,717
Other	760	664	755	552
Total Non-Current Assets	70,889	69,814	58,858	54,337
TOTAL ASSETS	74,386	74,467	63,585	58,998
Current Liabilities				
Payables	1,543	1,668	1,990	1,533
Borrowings	4,165	4,708	1,234	2,347
Employee Entitlements	1,503	1,149	143	474
Other	1,014	1,039	1,745	1,314
Total Current Liabilities	8,225	8,564	5,112	5,668
Non-Current Liabilities				
Borrowings	12,938	14,323	8,599	7,620
Employee Entitlements	8,129	10,466	1,082	1,249
Other	3,890	3,950	1,682	1,981
Total Non-Current Liabilities	24,957	28,739	11,363	10,850
TOTAL LIABILITIES	33,182	37,303	16,475	16,518
NET ASSETS	41,204	37,164	47,110	42,480
Equity				
Asset Revaluation Reserves	14,982	10,987	25,856	21,654
Accumulated Funds	26,222	26,177	21,254	20,826
TOTAL EQUITY	41,204	37,164	47,110	42,480



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

THE NSW TOTAL STATE SECTOR ACCOUNTS
DISAGGREGATED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 30 JUNE

Public Financial Enterprises		Eliminations		TOTAL	
2000	1999	2000	1999	2000	1999
\$m	\$m	\$m	\$m	\$m	\$m
61	683	(86)	(227)	1,717	2,442
3,606	8,064	(2,329)	(6,503)	2,567	4,057
541	725	(1,579)	(1,777)	2,927	2,638
...	...	...	...	618	815
1	...	(10)	(40)	600	287
4,209	9,472	(4,004)	(8,547)	8,429	10,239
...	...	...	...	55,784	50,251
3	3	...	...	8,256	8,325
...	...	...	...	55,800	56,651
21,267	19,043	(20,887)	(18,746)	4,033	3,169
1	...	(2,509)	(2,675)	384	379
...	...	...	...	1,850	1,785
...	...	(325)	(386)	1,190	830
21,271	19,046	(23,721)	(21,807)	127,297	121,390
25,480	28,518	(27,725)	(30,354)	135,726	131,629
390	543	(407)	(633)	3,516	3,111
2,122	9,008	(5,355)	(7,331)	2,166	8,732
2	2	...	...	1,648	1,625
44	211	(1,117)	(1,109)	1,686	1,455
2,558	9,764	(6,879)	(9,073)	9,016	14,923
23,625	19,843	(19,325)	(19,550)	25,837	22,236
...	...	...	...	9,211	11,715
55	85	(1,521)	(1,731)	4,106	4,285
23,680	19,928	(20,846)	(21,281)	39,154	38,236
26,238	29,692	(27,725)	(30,354)	48,170	53,159
(758)	(1,174)	...	...	87,556	78,470
...	...	...	...	40,838	32,641
(758)	(1,174)	...	...	46,718	45,829
(758)	(1,174)	...	...	87,556	78,470



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

25. DETAILS OF CONSOLIDATED ENTITIES

The consolidated financial statements comprise the following entities:

**General Government
Sector Agencies**

Aboriginal Housing Office

Ageing and Disability Department
Air Transport Council
ANZAC Memorial Building Trustees
Art Gallery of NSW Foundation
Art Gallery of New South Wales
Attorney General's Department
Audit Office of New South Wales
Aus Health International Pty Ltd
Australia Day Council
Australian Museum

Bicentennial Park Trust
Building and Construction Industry Long Service Leave Payments
Corporation

Casino Control Authority
CB Alexander Foundation
Chipping Norton Authority
Centennial Park and Moore Park Trust
Coal Compensation Board
Commission for Children and Young People
Community Services Commission
Consolidated Fund
Crown Solicitor's Office
Crown Transactions Entity
Crown Leaseholds
Crown Entity - Commercial Activities

Dams Safety Committee
Department of Aboriginal Affairs
Department of Agriculture
Department of Community Services
Department of Corrective Services
Department of Education and Training
Department of Fair Trading
Department of Gaming and Racing
Department of Health
Department of Industrial Relations
Department of Information Technology and Management
Department of Juvenile Justice
Department of Land and Water Conservation



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

General Government Sector Agencies (continued)

Department of Local Government
Department of Mineral Resources
Department of Public Works and Services
Department of Rural Fire Service
Department of Sport and Recreation
Department of State and Regional Development
Department of Transport
Department of Urban Affairs and Planning
Department for Women
Drug Offensive Foundation

Eastern Creek Raceway
Environmental Trust
Environment Planning and Assessment Act (incorporating Sydney
Region Development Fund and Land Development Contribution
Fund)
Environment Protection Authority
Ethnic Affairs Commission

Festival Development Corporation
Farrer Memorial Research Scholarship Fund

Greyhound Racing Authority

Harness Racing Authority
Hawkesbury Nepean Catchment Management Trust
Health Care Complaints Commission
Health Foundation of NSW
Heritage Office
Historic Houses Trust
Home Care Service
Home Purchase Assistance Authority
Home Purchase Assistance Fund
Honeysuckle Development Corporation
Hunter Catchment Management Trust

Independent Commission Against Corruption
Independent Pricing and Regulatory Tribunal
Institute of Sport (NSW)
Internal Audit Bureau

Judicial Commission

Lake Illawarra Authority
Land Titles Office
Legal Aid Commission
Lord Howe Island Board
Luna Park Trust



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

General Government Sector Agencies (continued)

Marine Ministerial Holding Corporation ^(a)
Mines Rescue Board
Mines Subsidence Board
Ministerial Development Corporation
Ministry of Energy and Utilities
Ministry for Police
Ministry for the Arts
Motor Accident Authority
Motor Vehicle Industry Repair Council
Museum of Applied Arts and Sciences

National Parks and Wildlife Service
New South Wales Adult Migrant English Service
New South Wales Cancer Council
New South Wales Crime Commission
New South Wales Film and Television Office
New South Wales Financial Institutions Commission ^(b)
New South Wales Fire Brigades
New South Wales Fisheries
New South Wales Insurance Ministerial Corporation
New South Wales Meat Industry Authority
New South Wales Medical Board
New South Wales Police Service

Office of the Board of Studies
Office of the Director of Public Prosecutions
Office of the Minister for Public Works and Services
Olympic Coordination Authority
Olympic Roads and Transport Authority
Ombudsman's Office

Parliamentary Counsel's Office
Police Integrity Commission
Premier's Department
Protective Commissioner
Psychiatry Institute of NSW
Public Trust Office

Registry of Births, Deaths and Marriages
Rental Bond Board
Roads and Traffic Authority
Royal Botanic Gardens and Domain Trust
Rural Assistance Authority



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

General Government Sector Agencies (continued)

Safe Food Production New South Wales
Somersby Park Limited
South Sydney Development Corporation
Sporting Injuries Committee
State Electoral Office
State Emergency Service
State Library
State Records Authority
State Sports Centre Trust
State Valuation Office ^(c)
Stormwater Trust
Superannuation Administration Corporation
Sustainable Energy Development Authority
Sydney Harbour Foreshore Authority

Technical Education Trust Fund
Telco
The Cabinet Office
The Legislature
Tourism New South Wales
Tow Truck Industry Council
Treasury
Upper Parramatta River Catchment Trust

Vocational Education and Training Accreditation Board

Waste Planning and Management Fund
Waterways Authority
WorkCover Authority
Workers Compensation (Dust Diseases) Board

Public Trading Enterprises

Advance Energy
Australian Inland Energy

Broken Hill Water Board

City West Housing Pty Ltd
Cobar Water Board
Colleambally Irrigation Corporation ^(d)
Crown Entity - Trading Activities



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Public Trading Enterprises (continued)

Darling Harbour Authority
Delta Electricity
Department of Housing – Land and Housing Corporation

EnergyAustralia

Fish River Water Supply Authority
Freight Rail Corporation

Great Southern Energy

Integral Energy

Hunter Water Corporation

Jenolan Caves Reserves Trust

Landcom

Macquarie Generation
Murrumbidgee Irrigation Corporation ^(e)

Newcastle International Sports Centre
Newcastle Port Corporation
Newcastle Showground
New South Wales State Lotteries
NorthPower

Pacific Power
Parramatta Stadium Trust
Port Kembla Port Corporation

Rail Access Corporation
Rail Services Authority

State Forests of New South Wales
State Rail Authority
State Transit Authority
Sydney Catchment Authority
Sydney Cricket Ground and Sports Ground Trust
Sydney Opera House
Sydney Organising Committee for the Olympic Games
Sydney Paralympic Organising Committee Ltd
Sydney Ports Corporation
Sydney Water Corporation



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

Public Trading Enterprises (continued)

Teacher Housing Authority
TransGrid

Waste Services of NSW
Wollongong Sports Ground Trust

Zoological Parks Board

Public Financial Enterprises

Fair Trading Administration Corporation
FANMAC Trusts

New South Wales Treasury Corporation

^(a) Dissolved on 29 June 2000

^(b) Dissolved on 1 July 1999

^(c) Transferred to the Department of Public Works and Services on 4 April 1999

^(d) Placed into local ownership on 9 June 2000

^(e) Placed into local ownership on 12 February 1999

END OF AUDITED FINANCIAL STATEMENTS

THIS PAGE LEFT BLANK INTENTIONALLY.



UNAUDITED INFORMATION



UNAUDITED INFORMATION

STATEMENT OF COMPLIANCE

In our opinion, the Statement of the Budget Result for the NSW Budget Sector for the year ended 30 June 2000 complies with the Australian Bureau of Statistics Government Finance Statistics principles except where otherwise stated.

John Aquilina MP
Acting Treasurer

John Pierce
Secretary
NSW Treasury

Ian Neale
Executive Director
Financial Management
NSW Treasury

13 December 2000



BOX 12 GPO
SYDNEY NSW 2001

INDEPENDENT AUDIT REPORT

STATEMENT OF THE BUDGET RESULT

To Members of the New South Wales Parliament

Scope

I have audited the Statement of the Budget Result (the Statement) for the year ended 30 June 2000. The Treasurer is responsible for the Statement and he has determined that the policies used are appropriate for reporting the Government's budget result in accordance with the principles identified in Note 2. No opinion is expressed as to whether the accounting policies used are appropriate to the needs of the Members of Parliament. There are no statutory requirements as to the form, content or audit of the Statement.

The Statement has been prepared to disclose the Government's actual budget result. I disclaim any assumption of responsibility for any reliance on this report or on the Statement for any purpose other than that for which it was prepared.

I have conducted an independent audit of the Statement in order to express an opinion on it to Members of the New South Wales Parliament.

My audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the Statement is free of material misstatement. My procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the Statement, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects the Statement presents fairly in accordance with the principles identified in Note 2 .

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In my opinion, the Statement of the Budget Result presents fairly the budget result in accordance with the principles identified in Note 2 to the Statement.

R J Sendt
Auditor-General

SYDNEY
21 December 2000



AUDITED BUDGET INFORMATION

NSW GENERAL GOVERNMENT SECTOR STATEMENT OF THE BUDGET RESULT

(Government Finance Statistics Cash Basis)

	99-00 \$m (Budget)	99-00 \$m (Actual)	98-99 \$m (Actual)
Current Outlays	22,447	23,517	22,222
Less: Current Receipts	25,052	26,673	24,995
Current Result	2,605	3,156	2,773
Capital Outlays	3,326	3,164	3,489
Less: Capital Receipts	935	889	1,304
Capital Result - (Deficit)	(2,391)	(2,275)	(2,185)
TOTAL RESULT - SURPLUS	214	881	588
Superannuation Conversion Funding ^(a)	(979)	(1,005)	3,266
ADJUSTED RESULT - SURPLUS/(DEFICIT)	1,193	1,886	(2,678)
Financed by/(used for):			
Net decrease/(increase) in advances made	(227)	(173)	(66)
Net borrowings/(repayments)	(1,528)	(1,946)	2,756
Net decrease/(increase) in cash balances and investments	562	233	(12)
	(1,193)	(1,886)	2,678

^(a) An amount of \$3,266 million representing a prepayment of \$3,261 million for three years of Crown superannuation contributions into the Pooled Fund schemes was made in June 1999, adjusted by \$5 million for interest differential on borrowings made in order to facilitate the payment. This will be available to provide liquidity for the "pension to lump sum conversion offer" made in 1999-2000 to State Superannuation Scheme and Police Superannuation Scheme contributors.

1. The Government Finance Statistics Framework

Government Finance Statistics (GFS) is a system of classifying the financial transactions of the public sector. It is based on standards developed by the International Monetary Fund and is similar in most (but not all) respects to the system used by the United Nations. In Australia, the system is used by the Australian

Bureau of Statistics in its classification of public sector finances.

Of the two principal types of GFS coding, it is the Economic Transactions Framework which is adopted in the New South Wales GFS presentation.



AUDITED BUDGET INFORMATION

This particular method of coding describes financial transactions in the following ways:

- whether the transaction is an outlay, a receipt or a financing transaction: and
- if an outlay or receipt, whether current or capital.

As from 1991-92, Budget Paper No. 2 has presented data on a GFS basis for the Budget Sector as a whole. The monthly and quarterly financial statements on the Budget result for the year to date have also been prepared and published on the GFS basis. Due to the adoption of accrual based GFS reporting commencing 2000-01, this is the last time the GFS result will be prepared on a receipts/outlays basis.

The source data used in the compilation of the GFS Budget result for the Budget Sector is all payments and all receipts. This is generally known as the "total funds" approach.

Current outlays are principally recurrent payments net of user charge receipts. Capital outlays are mainly made up of payments of a capital nature (eg asset acquisitions, capital grants), less asset sale proceeds. Financing transactions show the source of funds to support the Budget result (which is either a deficit or a surplus). These transactions principally comprise borrowings and advances (net of repayments) and the use of cash balances.

The Budget result each year is not solely dependent on the Consolidated Fund result. It also includes all activities under the control of a Budget Sector agency excluding private trust transactions. While source data is generally required on a gross basis, any transfers (intra-Budget Sector transactions) between agencies of the Budget Sector are eliminated on consolidation.

2. Compliance with Australian Bureau of Statistics Classifications.

The Statement of the Budget Result for the Budget Sector has been prepared based on the principles utilised by the Australian Bureau of Statistics in compiling its Government Finance Statistics data. The only exceptions are in relation to the treatment of premiums on loans issued and Commonwealth payments where the State merely acts as an agent.

Government Finance Statistics (GFS) principles require premiums to be treated as a negative interest payment in the year of issue whereas they have been treated as a negative interest payment in the year of maturity or prepayment. The treatment of premiums in the Statement of the Budget Result is consistent with the Budget presentation.

The Australian Bureau of Statistics requires that selected payments that pass through the state's accounts e.g. transfer payments for non-government schools from the Commonwealth, be included in GFS cash reports. The Statement of the Budget Result excludes these receipts and payments as the NSW Government has no control over them and they have nil impact on the budget result.

Details of these departures from the GFS principles have been tabled in Parliament in accordance with the provisions of the Public Finance and Audit Act, 1983.

3. Budget Coverage

Section 4 of the General Government Debt Elimination Act 1995 was proclaimed prior to the 1998-99 Budget. This section required the Budget to be presented on a basis as determined by the Australian Bureau of Statistics' General Government Sector.



AUDITED BUDGET INFORMATION

The General Government sector consists of those public sector entities, which provide, in the main, goods and services outside the market mechanism, as well as providing for the transfer of income for public policy

purposes. The major form of financing of these goods and services is by taxation, imposed by the State or by the Commonwealth and subsequently on passed to the State.

END OF AUDITED BUDGET INFORMATION



UNAUDITED INFORMATION

RECONCILIATION OF THE STATEMENT OF BUDGET RESULT
WITH THE PUBLIC ACCOUNTS
ACCRUAL BASED OPERATING RESULT

	1999-00 \$m
Budget Result - General Government Surplus	881
Items included in the General Government budget result but not in the accrual based operating result	
Asset sale proceeds	(448)
Gross fixed capital expenditure	2,530
Items included in the accrual based operating surplus but not in the General Government budget result	
Depreciation and amortisation	(1,411)
Upward adjustment of asset values	45
Loss on disposal of assets	(43)
Superannuation adjustments arising from actuarial assessment	2,713
Other non cash items	186
Other deductions	18
Accrual based operating surplus after abnormal items.	4,471



AUDITED BUDGET INFORMATION

THE ACCRUAL GOVERNMENT FINANCE STATISTICS BALANCE SHEET (INCORPORATING INFORMATION ON FINANCIAL ASSETS AND LIABILITIES)

Uniform Presentation of Information on Financial Assets and Liabilities

In May 1991, the Premier's Conference endorsed the recommendations contained in the Report on Uniform Presentation of Government Financial Information. New South Wales has strongly supported the concept of uniformity and consistency in the reporting of Public Sector financial asset and debt positions.

The Australian Bureau of Statistics (ABS) and jurisdictions agreed, in June 1993, that public sector financial asset and liability data would be presented according to the methodology set out in the paper "Uniform Presentation of Information of Financial Assets and Liabilities".

Accrual Government Finance Statistics

In 1997 all jurisdictions agreed to a revised Uniform Presentation Framework which simplified, rationalised and enhanced reporting requirements, while maintaining consistency with the ABS cash-based GFS. The revised framework also previewed a shift from a cash to an accrual reporting framework.

In line with international trends, the ABS has adopted an accrual framework for GFS. Similar to accounting, accrual GFS estimates and outcomes are presented in three primary statements: an operating statement, balance sheet, and a cashflow statement. The revised framework for the presentation of accrual budget and outcomes data was adopted by Commonwealth, State and Territory Governments and agreed to by the Loan Council in March 2000.

The accrual uniform reporting framework has been implemented beginning with most jurisdiction 2000-2001 Budgets. New South Wales prepared its Outcomes Report based on the old cash GFS basis for 1999-2000. The 2000-2001 NSW Outcomes Report will be prepared on the new accrual GFS basis.

For continuity purposes, information on Financial Assets and Liabilities is published in the following table, incorporated within an accrual GFS sector balance sheet (the accrual GFS balance sheet also includes information on non financial assets). In future years such information will be published as part of the NSW Outcomes Report.

GFS versus the "Accounting" Balance Sheet

The GFS balance sheet differs from the standard accounting presentation in that it provides information on financial and non-financial assets, and does not distinguish between current and non-current assets and liabilities. Further, the GFS balance sheet for the General Government Sector discloses an equity investment in the Public Trading Enterprise (PTE) and Public Financial Enterprise (PFE) Sectors as GFS recognises a holding company model for the General Government's ownership of the PTE and PFE Sectors.

Key Financial Indicators

Balance sheet indicators include net debt, net financial worth and net worth.

The concept of net debt is the same under cash and accrual-based financial reporting.



UNAUDITED INFORMATION

Net debt comprises the stock of selected gross financial liabilities less selected financial assets.

The net debt measure is limited in that it does not include employee liabilities such as unfunded superannuation or insurance claim obligations, which can be substantial.

In addition net debt does not provide information on whether this debt has been incurred to finance capital expenditure or operations.

Net financial worth (NFW) measures a government's net holdings of financial assets. It is calculated from the balance sheet as financial assets minus total liabilities. NFW excludes physical assets such as property and infrastructure which can be subject to significant valuation movements. It is a useful indicator for examining the soundness of a government's fiscal position, particularly as a benchmark against itself over the medium-to-long term.

Net worth, also known as net assets, provides a comprehensive picture of a government's financial position, as it is measured by total assets less total liabilities. Net worth shows the impact of asset acquisitions over time, giving an indication of the extent to which borrowings are used to finance asset purchases, rather than only current expenditure.

In addition to the UPF requirement to report net debt and net financial worth, debt after adjusting for the impact of a special prepayment of superannuation is also reported. Net debt is published after adjustment to avoid the distortionary impact of the events, which are basically temporary and reversing. In addition, **Net Financial Liabilities** has been disclosed, reflecting the General Government Sector's Net Financial Worth excluding the impact of its investment in the PTE and PFE sectors.



AUDITED BUDGET INFORMATION

NSW PUBLIC SECTOR BALANCE SHEETS (ABS BASIS) AT 30 JUNE 2000

	General Government	Public Trading Enterprises	Total Non Financial ^(a)	Public Financial Enterprises	Total Public Sector
	\$m	\$m	\$m	\$m	\$m
Assets					
Financial assets					
Cash and deposits	418	1,324	1,742	61	1,717
Advances paid	1,693	(2)	312	...	312
Investments, loans and placements	3,860	877	4,727	29,205	7,089
Other non-equity assets	3,311	2,642	3,305	542	3,446
Equity	46,473	63	(575)	...	184
Total financial assets	55,755	4,904	9,511	29,808	12,748
Non-financial assets					
Land and fixed assets	64,230	58,883	123,113	4	123,117
Other non-financial assets	753	295	1,053	...	1,053
Total non-financial assets	64,983	59,178	124,166	4	124,170
Total assets	120,738	64,082	133,677	29,812	136,918
Liabilities					
Deposits held	64	40	95	4,866	918
Advances received	2,142	1,379	2,142	...	2,142
Borrowing	14,961	8,453	23,405	25,214	25,733
Superannuation liability ^(b)	5,686	(402)	5,284	...	5,284
Other employee entitlements and provisions	3,979	3,990	5,998	30	6,000
Other non-equity liabilities	6,350	3,512	9,197	460	9,285
Total liabilities	33,182	16,972	46,121	30,570	49,362
NET WORTH (ABS Basis)	87,556	47,110	87,556	(758)	87,556
Net Debt ^(c)	11,196	7,673	18,861	814	19,675
Net Debt adjusted for prepayment of superannuation ^(d)	8,946	7,673	16,611	814	17,425
Net Financial Worth ^(e)	22,573	(12,068)	(36,610)	(762)	(36,614)
Net Financial Liabilities ^(f)	23,779	12,068	35,852	762	36,614

^(a) Amounts may not add across due to inter sector eliminations.

^(b) Comprises unfunded obligations.

^(c) Net Debt equals the sum of deposits held, advances received and borrowing, minus the sum of cash and deposits, advances paid, and investments, loans and placements.

^(d) Adjusted for the effect of borrowings to fund a special prepayment of superannuation.

^(e) Net financial worth equals total financial assets minus total liabilities.

^(f) Equals net financial worth excluding equity investments in the Public Financial and Trading Enterprise Sectors.

END OF UNAUDITED INFORMATION