

Financial statements

STATEMENT OF COMPREHENSIVE INCOME For the year ended 30 June 2019

	Notes	2018–19 \$'000	2017–18 \$'000
COST OF SERVICES			
Expenses			
Employee benefits expense	3.1.1	3,864,805	3,834,394
Supplies and services	3.3	901,290	864,037
Depreciation and amortisation expense	5.1.1, 5.2.1	188,060	187,748
Grants and subsidies	3.2	33,177	42,235
Finance costs	7.4	30,881	25,293
Other expenses	3.3	476,272	397,513
Total cost of services		5,494,485	5,351,220
Income			
Revenue			
User contributions, charges and fees	4.2	135,423	134,547
Interest revenue	4.4	19,291	22,442
Other revenue	4.5	114,467	124,988
Australian Government grants and contributions	4.3	813,495	736,284
Total revenue		1,082,676	1,018,261
Total income other than income from State Government		1,082,676	1,018,261
NET COST OF SERVICES			
Income from State Government	4.1		
Service appropriation		4,064,460	4,053,674
Grants from State Government Agencies		13,020	11,618
Services received free of charge		14,170	14,946
Royalties for Regions Fund		19,070	14,677
Total income from State Government		4,110,720	4,094,915
SURPLUS/(DEFICIT) FOR THE PERIOD		(301,089)	(238,044)
OTHER COMPREHENSIVE INCOME			
Items not reclassified subsequently to profit or loss			
Changes in asset revaluation surplus	9.11	-	-
Total other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		(301,089)	(238,044)

See also the 'Schedule of Income and Expenses by Service'.
The Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION
As at 30 June 2019

	Notes	2018-19 \$'000	2017-18 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	7.5.1	599,313	586,873
Restricted cash and cash equivalents	7.5.2	43,037	28,825
Amounts receivable for services	6.2	19,673	19,673
Inventories	6.4	6,936	6,084
Receivables	6.1	73,305	83,846
Other current assets	6.3	19,578	9,584
Non-current assets held for distribution to owner	9.10	3,547	4,219
Total Current Assets		765,389	739,104
Non-Current Assets			
Restricted cash and cash equivalents	7.5.2	41,188	26,910
Receivables	6.1	279,418	268,145
Amounts receivable for services	6.2	2,921,922	2,701,398
Property, plant and equipment	5.1	11,090,687	11,265,106
Intangible assets	5.2	16,366	10,313
Total Non-Current Assets		14,349,581	14,271,872
TOTAL ASSETS		15,114,970	15,010,976
LIABILITIES			
Current Liabilities			
Payables	6.5	88,377	98,728
Borrowings	7.1	50,259	47,316
Provisions	3.1.2	569,568	588,515
Other current liabilities	6.6	12,253	11,442
Total Current Liabilities		720,457	746,001
Non-Current Liabilities			
Payables	6.5	173	242
Borrowings	7.1	540,159	465,864
Provisions	3.1.2	206,003	185,849
Total Non-Current Liabilities		746,335	651,955
TOTAL LIABILITIES		1,466,792	1,397,956
NET ASSETS		13,648,178	13,613,020
EQUITY			
Contributed equity	9.11	14,196,703	13,851,064
Reserves		-	-
Accumulated surplus/(deficit)		(548,525)	(238,044)
TOTAL EQUITY		13,648,178	13,613,020

See also the 'Schedule of Assets and Liabilities by Service'.
The Statement of Financial Position should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2019

	Notes	Contributed equity \$'000	Accumulated surplus/(deficit) \$'000	Total equity \$'000
Balance at 1 July 2017	9.11	-	-	-
Changes in accounting policy		-	-	-
Restated balance at 1 July 2017		-	-	-
Surplus/(deficit)		-	(238,044)	(238,044)
Other comprehensive income		-	-	-
Total comprehensive income for the period		-	(238,044)	(238,044)
<u>Transactions with owners in their capacity as owners:</u>				
Capital appropriations		262,626	-	262,626
Transfer of net assets from other agencies		13,541,789	-	13,541,789
Other contributions by owners		46,660	-	46,660
Distribution to owners		(11)	-	(11)
Total		13,851,064	-	13,851,064
Balance at 30 June 2018		13,851,064	(238,044)	13,613,020

	Notes	Contributed equity \$'000	Accumulated surplus/(deficit) \$'000	Total equity \$'000
Balance at 1 July 2018	9.11	13,851,064	(238,044)	13,613,020
Changes in accounting policy ^(a)		-	(9,392)	(9,392)
Restated balance at 1 July 2018		13,851,064	(247,436)	13,603,628
Surplus/(deficit)		-	(301,089)	(301,089)
Other comprehensive income		-	-	-
Total comprehensive income for the period		-	(301,089)	(301,089)
<u>Transactions with owners in their capacity as owners:</u>				
Capital appropriations		275,880	-	275,880
Transfer of net assets from other agencies		-	-	-
Other contributions by owners		84,487	-	84,487
Distribution to owners		(14,728)	-	(14,728)
Total		345,639	-	345,639
Balance at 30 June 2019		14,196,703	(548,525)	13,648,178

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

(a) Initial application of AASB 9 *Financial Instruments*.

STATEMENT OF CASH FLOWS

For the year ended 30 June 2019

	Notes	2018-19 \$'000	2017-18 \$'000
CASH FLOWS FROM STATE GOVERNMENT			
Service Appropriation		3,824,094	3,838,110
Capital Contribution		275,880	262,626
Holding Account Draw Downs		19,842	34,606
Cash balance transferred in from the old Department of Education		-	585,008
Cash balance transferred in from other agencies - MOG changes		-	17,728
Royalties for Regions		103,557	61,337
Grants and Subsidies Income		12,909	8,585
Net cash provided by State Government		4,236,282	4,808,000
Utilised as follows:			
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee benefits expense		(3,842,592)	(3,809,406)
Supplies and services		(910,629)	(844,882)
Grants and subsidies		(32,276)	(51,298)
Finance costs		(27,484)	(17,650)
GST payments on purchases		(132,130)	(122,365)
Loans advanced to non-government schools		(42,382)	(52,698)
Other payments		(592)	(860)
Receipts			
User contributions, charges and fees		125,249	122,508
Australian Government grants and contributions		813,495	736,284
Interest received		16,452	14,738
GST receipts on revenue		5,790	3,246
GST receipts from taxation authority		122,135	119,650
Repayments of loans by non-government schools		31,324	32,910
Other receipts		98,904	94,089
Net cash used in operating activities	7.5.3	(3,774,736)	(3,775,734)
CASH FLOW FROM INVESTING ACTIVITIES			
Payments			
Purchases of non-current physical assets		(416,991)	(378,163)
Receipts			
Receipts from sale of non-current physical assets		517	453
Net cash provided by/(used in) investing activities		(416,474)	(377,710)
CASH FLOW FROM FINANCING ACTIVITIES			
Payments			
Payment Finance Lease Liabilities		(18,986)	(17,805)
Repayment of borrowings		(31,420)	(46,700)
Receipts			
Proceeds from borrowings		46,264	52,557
Net cash used in financing activities		(4,142)	(11,948)
Net increase/(decrease) in cash and cash equivalents		40,930	642,608
Cash and cash equivalents at the beginning of the period		642,608	-
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	7.5.3	683,538	642,608

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



SUMMARY OF CONSOLIDATED ACCOUNT APPROPRIATIONS AND INCOME ESTIMATES

For the year ended 30 June 2019

	2018-19 Budget Estimate \$'000	2018-19 Actual \$'000	Variance \$'000	2018-19 Actual \$'000	2017-18 Actual * \$'000	Variance \$'000
DELIVERY OF SERVICES						
Item 54 Net amount appropriated to deliver services	4,041,976	4,063,017	21,041	4,063,017	4,051,999	11,018
Amount authorised by other statutes						
<i>Salaries and Allowances Act 1975</i>	1,538	1,443	(95)	1,443	1,675	(232)
Total appropriations provided to deliver services	4,043,514	4,064,460	20,946	4,064,460	4,053,674	10,786
ADMINISTERED TRANSACTIONS						
Item 55 Amount provided for Administered Grants, Subsidies and Other						
Transfer Payments	451,223	454,256	3,033	454,256	449,980	4,276
CAPITAL						
Item 112 Capital Contribution	251,781	275,880	24,099	275,880	262,626	13,254
GRAND TOTAL	4,746,518	4,794,596	48,078	4,794,596	4,766,280	28,316
DETAILS OF EXPENSES BY SERVICES						
Public Primary Education	2,940,323	3,129,339	189,016	3,129,339	3,137,856	(8,517)
Public Secondary Education	2,033,295	2,242,441	209,146	2,242,441	2,095,809	146,632
Regulation and Non-Government Sector Assistance	84,148	88,705	4,557	88,705	84,205	4,500
Support to the School Curriculum and Standards Authority	33,195	34,000	805	34,000	33,350	650
Total cost of services	5,090,961	5,494,485	403,524	5,494,485	5,351,220	143,265
Less total income	1,045,419	1,082,676	37,257	1,082,676	1,018,261	64,415
Net cost of services	4,045,542	4,411,809	366,267	4,411,809	4,332,959	78,850
Adjustments	(2,028)	(347,349)	(345,321)	(347,349)	(279,285)	(68,064)
Total appropriations provided to deliver services	4,043,514	4,064,460	20,946	4,064,460	4,053,674	10,786

SUMMARY OF CONSOLIDATED ACCOUNT APPROPRIATIONS AND INCOME ESTIMATES (CONTINUED)

For the year ended 30 June 2019

	2018-19	2018-19	Variance	2018-19	2017-18	Variance
	Budget Estimate	Actual		Actual	Actual *	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
CAPITAL EXPENDITURE						
Purchase of non-current assets	468,700	499,448	30,219	499,448	581,382	(81,934)
Repayment of borrowings and leases	33,637	50,406	16,769	50,406	64,505	(14,099)
Adjustments for other funding sources	(250,556)	(273,974)	(23,418)	(273,974)	(383,261)	109,287
Capital appropriations	251,781	275,880	24,099	275,880	262,626	13,254
DETAILS OF INCOME ESTIMATES						
Income disclosed as Administered Income	451,223	454,256	3,033	454,256	449,980	4,276
	451,223	454,256	3,033	454,256	449,980	4,276

* Comparatives have been restated to reflect the decrease in the number of services within the Department's Outcome Based Management (OBM) reporting structure. Adjustments comprise movements in cash balances and other accrual items such as receivables, payables and superannuation. Note 9.13 'Explanatory Statement' provides details of any significant variations between estimates and actual results for 2018-19.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

NOTE 1. BASIS OF PREPARATION

The Department is a WA Government entity and is controlled by the State of Western Australia, which is the ultimate parent. The entity is a not-for-profit entity (as profit is not its principal objective).

A description of the nature of its operations and its principal activities have been included in the 'Overview' which does not form part of these financial statements.

These annual financial statements were authorised for issue by the Accountable Authority of the Department on 20 September 2019.

Statement of compliance

These general purpose financial statements have been prepared in accordance with:

1. *The Financial Management Act 2006* (FMA)
2. The Treasurer's Instructions (the Instructions or TI)
3. Australian Accounting Standards (AAS) including applicable interpretations
4. Where appropriate, those AAS paragraphs applicable for not-for-profit entities have been applied.

The *Financial Management Act 2006* and the Treasurer's Instructions (the Instructions) take precedence over AAS. Several AAS are modified by the Instructions to vary application, disclosure format and wording. Where modification is required and has had a material or significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in the notes to the financial statements.

Reporting entity

The reporting entity comprises the Department of Education including public schools and residential colleges across the State, central and regional offices, and the Business and Customer Services Centre.

In 2016–17 the Western Australian Government announced major changes to State Government agencies to increase collaboration across departments, deliver services more efficiently and focus on whole of Government objectives. As a result, a newly formed Department of Education commenced 1 July 2017, with responsibility for government and non-government education services. This brought together the operations of the Department of Education, Department of Education Services and the School Curriculum and Standards Authority.

While the School Curriculum and Standards Authority continues as a statutory authority under the *School Curriculum and Standards Authority Act 1997*, all staff of the three agencies became employees of the Department of Education. The Teacher Registration Board of Western Australia and Training Accreditation Council continued as statutory entities.

Amalgamation of accounts

Financial information from 816 educational sites including 795 schools are amalgamated into the financial statements. The information provided by schools is generally drawn from accounts prepared on a cash basis with appropriate accrual information provided for the financial statements. All intra-entity transactions and balances between the Department and educational sites are eliminated.

Basis of preparation

These financial statements are presented in Australian dollars applying the accrual basis of accounting and using the historical cost convention. Certain balances will apply a different measurement basis (such as the fair value basis). Where this is the case the different measurement basis is disclosed in the associated note. All values are rounded to the nearest thousand dollars (\$'000).

Judgements and estimates

Judgements, estimates and assumptions are required to be made about financial information being presented. The significant judgements and estimates made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements and/or estimates are disclosed. Estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances.

Contributed equity

AASB Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* requires transfers in the nature of equity contributions, other than as a result of a restructure of administrative arrangements, to be designated by the Government (the owner) as contributions by owners (at the time of, or prior, to transfer) before such transfers can be recognised as equity contributions. Capital appropriations have been designated as contributions by owners by TI 955 *Contributions by Owners made to Wholly Owned Public Sector Entities* and have been credited directly to Contributed Equity.

The transfers of net assets to/from other agencies, other than as a result of a restructure of administrative arrangements, are designated as contributions by owners where the transfers are non-discretionary and non-reciprocal.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

NOTE 2. DEPARTMENT OUTPUTS

This section includes information regarding the nature of funding the Department receives and how this funding is utilised to achieve the Department's objectives. This note also provides the distinction between controlled funding and administered funding:

	Note
Department objectives	2.1
Schedule of Income and Expenses by Service	2.2
Schedule of Assets and Liabilities by Service	2.3

2.1 Department objectives

Mission

The Department's mission is to ensure school students across Western Australia have access to high quality education.

Services

The Department has revised its Outcome Based Management (OBM) structure to reflect its current operations. The Services for the 2017–18 Actuals have been restated where possible for comparability purposes.

The Department provides the following services:

Service 1: Public Primary Education

This service provides access to education in public schools for persons aged generally from four years and six months to 11 years and six months.

Service 2: Public Secondary Education

This service provides access to education in public schools for persons aged generally from 11 years and six months. It includes the provision of accommodation, care and services for students from rural and remote areas who have to board away from home to attend a public school.

Service 3: Regulation and Non-Government Sector Assistance

This service provides regulatory and assistance services, as required by legislation or government policy, to support provision of quality services by non-government schools, universities and teachers across Western Australia schools. It also includes the provision of accommodation, care and services for students from rural and remote areas who have to board away from home to attend a non-government school.

Service 4: Support to the School Curriculum and Standards Authority

This service provides resources to the School Curriculum and Standards Authority to assist it to perform its statutory functions under the *School Curriculum and Standards Authority Act 1997*.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

2.2 Schedule of Income and Expenses by Service

	Primary Education		Secondary Education		Regulation and Non-Government Sector Assistance		Support to the School Curriculum and Standards Authority		Total	
	2018-19 \$'000	2017-18 \$'000	2018-19 \$'000	2017-18 \$'000	2018-19 \$'000	2017-18 \$'000	2018-19 \$'000	2017-18 \$'000	2018-19 \$'000	2017-18 \$'000
COST OF SERVICES										
Expenses										
Employee benefits expense	2,310,996	2,294,214	1,513,443	1,497,939	22,722	23,476	17,644	18,765	3,864,805	3,834,394
Supplies and services	478,653	460,065	385,027	375,364	21,573	14,240	16,037	14,368	901,290	864,037
Depreciation and amortisation expense	106,587	109,651	80,625	77,257	848	840	-	-	188,060	187,748
Grants and subsidies	3,799	4,778	5,936	7,850	23,125	29,391	317	216	33,177	42,235
Finance costs	7,875	4,979	5,048	4,339	17,957	15,974	1	1	30,881	25,293
Other expenses	221,429	264,169	252,362	133,060	2,480	284	1	-	476,272	397,513
Total cost of services	3,129,339	3,137,856	2,242,441	2,095,809	88,705	84,205	34,000	33,350	5,494,485	5,351,220
Income										
User contributions, charges and fees	37,682	37,006	89,656	87,943	8,042	9,592	43	6	135,423	134,547
Interest revenue	2,724	2,633	3,338	3,245	13,227	16,563	2	1	19,291	22,442
Other revenue	68,063	74,321	46,046	50,246	227	280	131	141	114,467	124,988
Australian Government grants and contributions	522,347	470,410	277,667	248,919	13,481	16,955	-	-	813,495	736,284
Total income other than income from State Government	630,816	584,370	416,707	390,353	34,977	43,390	176	148	1,082,676	1,018,261
NET COST OF SERVICES	2,498,523	2,553,486	1,825,734	1,705,456	53,728	40,815	33,824	33,202	4,411,809	4,332,959
Income from State Government										
Service appropriation	2,301,768	2,388,827	1,681,958	1,595,234	49,496	38,212	31,238	31,401	4,064,460	4,053,674
Grants from State Government Agencies	6,915	4,587	5,649	6,789	456	242	-	-	13,020	11,618
Services received free of charge	8,665	9,111	5,381	5,698	74	88	50	49	14,170	14,946
Royalties for Regions Fund	10,710	7,760	6,850	4,890	1,510	2,027	-	-	19,070	14,677
Total income from State Government	2,328,058	2,410,285	1,699,838	1,612,611	51,536	40,569	31,288	31,450	4,110,720	4,094,915
SURPLUS/(DEFICIT) FOR THE PERIOD	(170,465)	(143,201)	(125,896)	(92,845)	(2,192)	(246)	(2,536)	(1,752)	(301,089)	(238,044)

The Schedule of Income and Expenses by Service should be read in conjunction with the accompanying notes.

Comparatives have been restated to reflect the decrease in the number of services within the Department's Outcome Based Management (OBM) reporting structure.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

2.3 Schedule of Assets and Liabilities by Service

	Primary Education		Secondary Education		Regulation and Non-Government Sector Assistance		Support to the School Curriculum and Standards Authority		Total	
	2018-19 \$'000	2017-18 \$'000	2018-19 \$'000	2017-18 \$'000	2018-19 \$'000	2017-18 \$'000	2018-19 \$'000	2017-18 \$'000	2018-19 \$'000	2017-18 \$'000
ASSETS										
Current assets	386,176	368,384	333,894	325,688	45,081	44,833	238	199	765,389	739,104
Non-current assets	7,544,717	7,631,044	6,484,710	6,330,905	318,257	309,597	1,897	326	14,349,581	14,271,872
Total assets	7,930,893	7,999,428	6,818,604	6,656,593	363,338	354,430	2,135	525	15,114,970	15,010,976
LIABILITIES										
Current liabilities	413,849	429,060	262,791	273,659	41,719	41,251	2,098	2,031	720,457	746,001
Non-current liabilities	264,988	209,677	161,775	137,028	318,818	304,618	754	632	746,335	651,955
Total liabilities	678,837	638,737	424,566	410,687	360,537	345,869	2,852	2,663	1,466,792	1,397,956
NET ASSETS	7,252,056	7,360,691	6,394,038	6,245,906	2,801	8,561	(717)	(2,138)	13,648,178	13,613,020

The Schedule of Assets and Liabilities by Service should be read in conjunction with the accompanying notes.

Comparatives have been restated to reflect the decrease in the number of services within the Department's Outcome Based Management (OBM) reporting structure.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

NOTE 3. USE OF OUR FUNDING

Expenses incurred in the delivery of services

This section provides additional information about how the Department's funding is applied and the accounting policies that are relevant for an understanding of the items recognised in the financial statements. The primary expenses incurred by the Department in achieving its objectives and the relevant notes are:

	Notes	2018-19 \$'000	2017-18 \$'000
Employee benefits expenses	3.1.1	3,864,805	3,834,394
Employee benefits provisions	3.1.2	775,571	774,364
Grants and subsidies	3.2	33,177	42,235
Other expenses	3.3	1,377,562	1,261,550

3.1.1 Employee benefits expense

	2018-19 \$'000	2017-18 \$'000
Salaries and allowances ^(a)	3,460,062	3,412,403
Termination benefits	6,683	28,900
Superannuation ^(b)	344,010	338,710
Other employee-related expense ^(c)	54,050	54,381
Total employee benefits expense	3,864,805	3,834,394

- (a) Includes the value of leave entitlements movement.
 (b) Defined contribution plans include GESB West State \$279.754 million, GESB Gold State \$35.647 million and other superannuation funds (contributions paid) and includes the superannuation contribution component relating to leave movement.
 (c) Includes furniture (staff relocation costs), Department net GROH contributions and fringe benefits tax.

Employment on-costs expenses, such as workers' compensation insurance are included in Note 3.3 'Other Expenses'.

Salaries and allowances

Employee expenses include all costs related to employment including wages and salaries, fringe benefits tax and leave entitlements.

Termination benefits

Payable when employment is terminated before normal retirement date, or when an employee accepts an offer of benefits in exchange for the termination of employment. Termination benefits are recognised when the Department is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

Superannuation

The amount recognised in profit or loss of the Statement of Comprehensive Income comprises employer contributions paid to the GSS (concurrent contributions), the WSS, the GESBs, or other superannuation funds. The employer contribution paid to the Government Employees Superannuation Board (GESB) in respect of the GSS is paid back into the Consolidated Account by the GESB.

GSS (concurrent contributions) is a defined benefit scheme for the purposes of employees and whole-of-government reporting. It is however a defined contribution plan for Department purposes because the concurrent contributions (defined contributions) made by the Department to GESB extinguishes the Department's obligations to the related superannuation liability.

The Department does not recognise any defined benefit liabilities because it has no legal or constructive obligation to pay future benefits relating to its employees. The Liabilities for the unfunded Pension Scheme and the unfunded GSS transfer benefits attributable to members who transferred from the Pension Scheme, are assumed by the Treasurer. All other GSS obligations are funded by concurrent contributions made by the Department to the GESB.

The GESB and other fund providers administer public sector superannuation arrangements in Western Australia in accordance with legislative requirements. Eligibility criteria for membership in particular schemes for public sector employees vary according to commencement and implementation dates.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

3.1.2 Employee benefits provisions

	2018-19 \$'000	2017-18 \$'000
Current		
<i>Employee benefits provision</i>		
Annual leave ^(a)	27,297	27,223
Entitlement to payment during student vacation ^(b)	227,786	266,085
Long service leave ^(c)	280,974	263,157
Deferred salary scheme ^(d)	26,107	24,786
Remote teaching service ^(e)	7,404	7,264
	569,568	588,515
Non-current		
<i>Employee benefits provision</i>		
Long service leave ^(c)	205,111	184,956
Remote teaching service ^(e)	892	893
	206,003	185,849
Total employee benefits provisions	775,571	774,364

(a) Annual leave liabilities

	2018-19 \$'000	2017-18 \$'000
Within 12 months of the end of the reporting period	20,219	19,641
More than 12 months after the end of the reporting period	7,078	7,582
	27,297	27,223

Annual leave that is not expected to be settled wholly within 12 months after the end of the reporting period is considered to be 'other long-term employee benefits'. The annual leave liability is recognised and measured at the present value of amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

When assessing expected future payments consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions, as well as the experience of employee departures and periods of service. The expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

The provision for annual leave is classified as a current liability as the Department does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(b) Entitlement to payment during student vacation

	2018-19 \$'000	2017-18 \$'000
Within 12 months of the end of the reporting period	227,786	266,085
	227,786	266,085

Entitlement to payment during student vacation is paid during the student vacation period for most school based staff employed under the Teachers Award, Teachers' Aides' Award and Education Department Ministerial Officer's Salaries and Allowances and Conditions Award, subject to meeting relevant conditions of the Award (including teachers, education assistants and some administration and school support staff).

The entitlement to payment during student vacation is used during the school vacations, leaving no balance at the end of the summer holidays (i.e. zero balance when school resumes at the start of each calendar year).

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

3.1.2 Employee benefits provisions (continued)

As at financial year end, the Department recognises a liability for the entitlement to payment during student vacation accrued during the current calendar school year (accrued daily) and not yet taken as at 30 June.

(c) Long service liabilities

	2018-19 \$'000	2017-18 \$'000
Within 12 months of the end of the reporting period	102,078	98,585
More than 12 months after the end of the reporting period	384,007	349,528
	486,085	448,113

A liability for long service leave is recognised across all employees using a short-hand approach which allows for the likelihood of payment, salary increases and a discount rate based on remuneration rates and bond yields current as at the end of the reporting period.

The short-hand approach was developed by PricewaterhouseCoopers actuaries on the basis that the liability measured using the short-hand approach was not materially different from the liability determined using the present value of expected future payments. This calculation is consistent with the Department's experience of employee retention and leave utilisation.

All long service leave provisions which are unconditional or expected to become unconditional within 12 months of the reporting date, plus all conditional long service leave provisions which are vested (i.e. the employee has met the age (55) or other criteria which allows early access) or will become vested within 12 months of the reporting date are classified as current liabilities. The remaining long service leave provisions are classified as non-current liabilities because the Department has an unconditional right to defer the settlement of the liability until the employee has completed the requisite criteria (e.g. age or years of service).

(d) Deferred salary scheme liabilities

	2018-19 \$'000	2017-18 \$'000
Within 12 months of the end of the reporting period	7,310	7,188
More than 12 months after the end of the reporting period	18,797	17,598
	26,107	24,786

The provision for deferred leave relates to Public Service employees who have entered into an agreement to self-fund up to an additional 12 months leave in the fifth year of the agreement. The provision recognises the value of salary set aside for employees to be used in the fifth year. This liability is measured on the same basis as annual leave. Deferred leave is reported as a current provision as employees can leave the scheme at their discretion at any time.

(e) Remote teaching service

	2018-19 \$'000	2017-18 \$'000
Within 12 months of the end of the reporting period	3,567	3,344
More than 12 months after the end of the reporting period	4,729	4,813
	8,296	8,157

The provision for Remote Teaching Service leave relates to teaching staff who are working in remote and isolated communities within Western Australia. Employees who stay in the same remote location continuously for three years are entitled to an additional 10 weeks paid leave and those who remain in the same remote location continuously for four years are entitled to an additional 22 weeks paid leave. The provision recognises the value of salary set aside for employees. This liability is measured on the same basis as long service leave.

Employment on-costs

The settlement of annual and long service leave liabilities gives rise to the payment of employment on-costs including workers' compensation insurance. The provision is the present value of expected future payments.

Employment on-costs, including workers' compensation insurance, are not employee benefits and are recognised separately as liabilities and expenses when the employment to which they relate has occurred. Employment on-costs are included as part of 'Other expenses, Note 3.3 (apart from the unwinding of the discount (finance cost))' and are not included as part of the Department's 'employee benefits expense'.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

3.1.2 Employee benefits provisions (continued)

Key sources of estimation uncertainty – long service leave

Key estimates and assumptions concerning the future are based on historical experience and various other factors that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Several estimates and assumptions are used in calculating the Department's long service leave provision. These include:

- Expected future salary rates
- Discount rates
- Employee retention rates; and
- Expected future payments

Changes in these estimations and assumptions may impact on the carrying amount of the long service leave provision.

Any gain or loss following revaluation of the present value of long service leave liabilities is recognised as employee benefits expense.

3.2 Grants and subsidies

	2018-19	2017-18
	\$'000	\$'000
<u>Recurrent</u>		
Parents from Government schools	2,426	2,396
Non-government schools and other organisations	30,751	39,839
Total grants and subsidies	33,177	42,235

Transactions in which the Department provides goods, services, assets (or extinguishes a liability) or labour to another party without receiving approximately equal value in return are categorised as 'Grant expenses'. Grants can either be operating or capital in nature.

Grants can be paid as general purpose grants which refer to grants that are not subject to conditions regarding their use. Alternatively, they may be paid as specific purpose grants which are paid for a particular purpose and/or have conditions attached regarding their use.

Grants and other transfers to third parties (other than contribution to owners) are recognised as an expense in the reporting period in which they are paid or payable. They include transactions such as: grants, subsidies, personal benefit payments made in cash to individuals, other transfer payments made to public sector agencies, local government, non-government schools, and community groups.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

3.3 Other expenses

	2018-19 \$'000	2017-18 \$'000
Supplies and services		
Communication services	27,776	27,261
Consumables	3,005	3,175
Consumables - utilities	76,425	74,177
Equipment purchases (\$4,999 and below)	5,141	6,121
Insurance	68,835	75,987
Minor works	69,885	45,002
PPP - School maintenance costs	4,315	4,680
Repairs and maintenance	116,068	106,079
Service and contracts	148,022	140,491
Service and contracts - property	34,805	36,928
Staff-related expense	4,052	3,211
Travel	6,504	5,728
Other - schools	331,983	330,806
Other	4,474	4,391
Total supplies and services expenses	901,290	864,037

Supplies and services

Supplies and services are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any materials held for distribution are expensed when the materials are distributed.

Operating lease payments

Operating lease payments are recognised on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset. [AASB 117.33]

Repairs and maintenance

Repairs, maintenance and cleaning costs are recognised as expenses as incurred, except where they relate to the replacement of a significant component of an asset. In that case, the costs are capitalised and depreciated.

Employee on-cost

Employee on-cost includes workers' compensation insurance and other employment on-costs. Employee benefit provision. Superannuation contributions accrued as part of the provision for leave are employee benefits and are not included in employment on-costs.

Doubtful debts expense/Expected credit losses expense

Doubtful debts expense was recognised as the movement in the allowance for doubtful debts. From 2018-19, expected credit losses expense is recognised as the movement in the allowance for expected credit losses. The allowance for expected credit losses of trade receivables is measured at the lifetime expected credit losses at each reporting date. The Department has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Refer to note 6.1.1 Movement in the allowance for impairment of receivables.

Other

Other operating expenses generally represent the day-to-day running costs incurred in normal operations.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

3.3 Other expenses (continued)

	2018-19 \$'000	2017-18 \$'000
Other expenditures		
Loss on disposal of non-current assets ^(a)	3,419	3,461
Refund of prior period revenue	553	677
Asset revaluation decrement	468,447	390,425
Expected credit losses expense ^(b)	3,822	-
Other expenditures ^(c)	31	2,950
Total other expenditures	476,272	397,513
Total other expenses	1,377,562	1,261,550

- (a) Refer to Note 3.4 'Net loss on disposal on non-current assets' for detailed breakdown.
 (b) Expected credit losses expense is a new disclosure requirement for 2018-19 and supersedes the bad and doubtful debts expenditure item.
 (c) Other expenditures included bad and doubtful debts expenditure of \$2.773 million in 2017-18 (Refer to Note 6.1.1).

3.4 Net loss on disposal of non-current assets

	2018-19 \$'000	2017-18 \$'000
<u>Costs of disposal of non-current assets</u>		
Land	220	270
Buildings	1,189	1,443
Plant and equipment	986	760
Motor vehicles	422	42
Buses	105	130
Computers	289	404
Communication equipment	125	85
Office equipment	343	290
Library collections	75	184
Miscellaneous assets	183	307
	3,937	3,915
<u>Proceeds from disposal of non-current assets</u>		
Land	220	265
Plant and equipment	112	48
Motor Vehicles	48	3
Buses	24	27
Computers	33	26
Communication equipment	14	6
Office equipment	35	16
Library collections	9	12
Miscellaneous assets	23	51
	518	454
Net loss	3,419	3,461

Refer to note 3.3 'Other Expenses'

Gains or losses

Realised and unrealised gains or losses are usually recognised on a net basis. These include gains or losses arising on the disposal of non-current assets and some revaluations of non-current assets.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

NOTE 4. OUR FUNDING SOURCES

How we obtain our funding

This section provides additional information about how the department obtains its funding and the relevant accounting policy notes that govern the recognition and measurement of this funding. The primary income received by the Department and the relevant notes are:

	Notes	2018-19 \$'000	2017-18 \$'000
Income from State Government	4.1	4,110,720	4,094,915
User contributions, charges and fees	4.2	135,423	134,547
Commonwealth grants and contributions	4.3	813,495	736,284
Interest revenue	4.4	19,291	22,442
Other revenue	4.5	114,467	124,988

4.1 Income from State Government

	2018-19 \$'000	2017-18 \$'000
<u>Appropriation received during the period:</u>		
Service appropriation ^(a)	4,064,460	4,053,674
	4,064,460	4,053,674
<u>Grants and subsidies received during the period:^(b)</u>		
State grants - capital	-	3,032
State grants - recurrent	13,020	8,586
	13,020	11,618
<u>Services received free of charge from other State government agencies during the period:</u>		
Department of Communities - Family centre operating costs	15	38
Department of Justice - Legal services	1,100	721
Department of Planning, Lands and Heritage - Data analysis	7	18
Department of Finance - Government accommodation	196	202
Department of Training and Workforce Development	-	13
Department of Health - Policy development and Software license, support and maintenance	159	243
Landgate - Valuation services	183	-
WA Child and Adolescent Health Service - School health services	12,510	13,711
	14,170	14,946
<u>Royalties for Regions Fund:</u>		
Regional infrastructure and headworks account ^(c)	19,070	14,677
	19,070	14,677
	4,110,720	4,094,915

(a) **Service appropriations:** Service appropriations are recognised as revenues at fair value in the period in which the Department gains control of the appropriated funds. The Department gains control of appropriated funds at the time those funds are deposited to the bank account or credited to the 'Amounts receivable for services' (holding account) held at Treasury.

Service appropriations fund the net costs of services delivered (as set out in note 2.2). Appropriations revenue comprise a cash component and a receivable (asset). The receivable (holding account - note 6.2) comprises the depreciation expense for the year and any agreed increase in leave liability during the year.

(b) **Transfer of assets:** Discretionary transfers of assets (including grants) and liabilities between State Government agencies are reported under Income from State Government. Transfers of assets and liabilities in relation to a restructure of administrative arrangements are recognised as distribution to owners by the transferor and contribution by owners by the transferee under AASB 1004 in respect of net assets transferred. Other non-discretionary non-reciprocal transfers of assets and liabilities designated as contributions by owners under TI 955 are also recognised directly to equity.

(c) **Regional infrastructure and headworks account:** This is a sub-fund within the overarching 'Royalties for Regions Fund'. The recurrent funds are committed to projects and programs in WA regional areas and are recognised as revenue when the Department gains control on receipt of the funds.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

4.1 Income from State Government (continued)

Assets and services received free of charge or for nominal value

Assets or services received free of charge or for nominal cost, that the Department would otherwise purchase if not donated, are recognised as income at the fair value of the assets or services where they can be reliably measured. A corresponding expense is recognised for services received. Receipts of assets are recognised in the Statement of Financial Position. Assets or services received from other State Government agencies are separately disclosed under Income from State Government in the Statement of Comprehensive Income.

	2018-19 \$'000	2017-18 \$'000
Undischarged Royalties for Regions funds		
The Department of Education receives Royalties for Regions funds on the condition that the money shall be expended in a particular manner. Funds which are yet to be fully spent as at the end of the reporting period do not constitute a liability. Royalties for Regions funds yet to be fully spent at 30 June 2019 total \$12.54 million (-\$0.24 million at 30 June 2018) comprise the following:		
<u>Recurrent</u>		
Aboriginal and Islander Education Officers	1,418	454
Boarding Away from Home	-	289
Clontarf	-	691
Independent Learning Coordinators	346	156
Pilbara Partnerships for Student Success	126	20
Regional Learning Specialists	261	635
Pilbara Cities	-	(2)
Science Programs in Selected Primary Schools	(313)	-
Kimberley School Project	(97)	(247)
	1,741	1,996
<u>Capital</u>		
Albany Secondary Education Support Centre	(123)	-
Broome Residential College	115	-
Broome Senior High School New Facilities	226	-
Bunbury Senior High School Upgrades	2,611	47
Cape Naturaliste College	(502)	(2,421)
Carnarvon Community College – Completion of Amalgamation	2,000	(5,153)
Carnarvon Community College – Stage 2	784	2,929
Collie Senior High School New Facilities	1,958	662
Eaton Community College New facilities	66	-
Eaton Primary School	667	-
Flinders Park Primary School Early Childhood	67	-
Geraldton Senior College	-	(111)
Glen Huon Primary School	266	68
John Willcock College	-	(241)
Kalgoorlie-Boulder Community High School Redevelopment Stage 1	-	(2,652)
Margaret River Senior High School	789	4,673
Newton Moore Senior High School STEM Centre	215	-
Regional Ember Screens	1,050	-
South Bunbury Primary School Upgrades	614	(35)
	10,803	(2,234)
	12,544	(238)

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

4.2 User contributions, charges and fees

	2018-19 \$'000	2017-18 \$'000
<u>Schools</u>		
Contributions, charges and fees	114,509	108,068
	114,509	108,068
<u>Central Office</u>		
Agricultural schools fees	3,344	3,092
Other charges and fees	17,570	23,387
	20,914	26,479
Total user contributions, charges and fees	135,423	134,547

Revenue is recognised and measured at the fair value of consideration received or receivable. Revenue is recognised for the major business activities as follows:

Sale of goods

Revenue is recognised from the sale of goods and disposal of other assets when the significant risks and rewards of ownership control transfer to the purchaser and can be measured reliably.

Provision of services

Revenue is recognised by reference to the stage of completion of the transaction.

Student fees and charges

Voluntary contributions are recognised when contributions are received. Fees and charges are also recognised when received, however bi-annually outstanding debts are reported in aggregate.

Interest

Revenue is recognised as the interest accrues.

Net Appropriation Determination

The Treasurer may make a determination providing for prescribed receipts to be retained for services under the control of the Department. In accordance with the determination specified in the 2018-19 Budget Statements, the Department retained \$1,213.3 million in 2018-19 (\$1,123.4 million in 2017-18) from the following:

- User contributions, charges and fees (excluding user contributions, and fees and charges in respect of schools);
- Australian government specific purpose grants and contributions; and
- Other departmental revenue.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

4.3 Australian Government grants and contributions

	2018-19 \$'000	2017-18 \$'000
<u>Central office</u>		
Australian Government grants - recurrent	806,460	728,099
Australian Government grants - capital	5,500	7,000
	811,960	735,099
<u>Schools</u>		
Australian Government grants - recurrent	1,535	1,185
Australian Government grants - capital	-	-
	1,535	1,185
Total Australian Government grants and contributions	813,495	736,284

Undischarged grants

The Department of Education receives Australian Government grants on the condition that the money shall be expended in a particular manner. Grants which are yet to be fully spent as at the end of the reporting period do not constitute a liability but do require disclosure. Australian Government grants yet to be fully spent at 30 June 2019 total \$14.515 million (\$13.956 million at 30 June 2018) comprising the following:

Recurrent

- COAG National Partnership Program	2,699	4,253
- Indigenous Advance Strategy	-	586
- Special Project Grants	1,542	812
- Indian Ocean Territories	(68)	(553)
	4,173	5,098

Capital

- Trade Training Centres in Schools	-	1,036
- Students with disabilities	-	44
- Universal Access	10,342	7,778
	10,342	8,858

Total undischarged grants

	14,515	13,956
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Grants, donations, gifts and other non-reciprocal contributions

Grant income arises from transactions described as:

- Non-reciprocal (where the Department does not provide approximate equal value in return to a party providing goods or assets (or extinguishes a liability); or
- Reciprocal (where the Department provides equal value to the recipient of the grant provider).

For non-reciprocal grants, the Department recognises revenue when the grant is receivable at its fair value as and when its fair value can be reliably measured. Contributions of services are only recognised when a fair value can be reliably determined and the services would have been purchased if not donated. For reciprocal grants, the Department recognises income when it has satisfied its performance obligations under the terms of the grant.

Grants can further be split between general purpose grants and specific purpose grants. General purpose grants refers to grants which are not subject to conditions regarding their use. Specific purpose grants are received for a particular purpose and/or have conditions attached regarding their use.

Royalties for Regions funds are recognised as revenue at fair value in the period in which the Department obtains control over the funds. The Department obtains control of the funds at the time the funds are deposited into the Department's bank account.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

4.4 Interest revenue

	2018-19 \$'000	2017-18 \$'000
Interest revenue	6,066	5,881
Loan interest revenue	13,225	16,561
	19,291	22,442

Loan interest revenue amount reflects the interest charged and receivable from low interest loans to non-government schools and University of Notre Dame Australia (UNDA). In 2018-19 loans to the value of \$46.264 million were advanced to non-government schools and UNDA. Interest has been calculated using the effective interest rate method in compliance with AASB 9. Participating institutions repay financial costs applicable to their loans, with the balance of the interest rate charged (see Note 7.4 Finance Costs) being met by a government appropriation.

4.5 Other revenue

	2018-19 \$'000	2017-18 \$'000
<u>Schools</u>		
Bookshops and canteens	4,381	4,771
Donations to schools	21,129	21,823
Hire of facilities	9,500	8,855
Other revenue	20,112	21,056
Total other revenue - Schools	55,122	56,505
<u>Central office</u>		
<u>Capital contributions and recoveries</u>		
Developer contributions	7,161	18,369
Other revenue - Insurance recoveries	-	963
	7,161	19,332
<u>Other</u>		
Recoveries and refunds	26,482	23,888
Sale of goods and services	15,427	15,670
Other miscellaneous revenue	10,275	9,593
	52,184	49,151
Total other revenue - Central office	59,345	68,483
	114,467	124,988

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

NOTE 5. KEY ASSETS

Assets the Department utilises for economic benefit or service potential

This section includes information regarding the key assets the Department utilises to gain economic benefits or provide service potential. The section sets out both the key accounting policies and financial information about the performance of these assets:

	Notes	2018-19 \$'000	2017-18 \$'000
Property, plant and equipment	5.1	11,090,687	11,265,106
Intangibles	5.2	16,366	10,313
Total key assets		11,107,053	11,275,419

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

5.1 Property, plant and equipment

	Carrying amount at start of the period	Transferred from the old Department of Education	Additions	Disposals	Transferred to land & buildings held for distribution to owner ^(a)	Transferred from land & buildings held for distribution to owner	Transferred to/from works in progress	Depreciation	Transfers/ Adjustments/ Write-offs/ Revaluation tfr to Income Stat't	Carrying amount at the end of the period
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2017-18										
Land	-	3,923,746	20,205	(270)	(3,720)	270	41,948	-	(231,542)	3,750,637
Buildings	-	6,955,725	140,359	(1,443)	-	-	322,525	(146,119)	(129,143)	7,141,904
Leased buildings PPP	-	82,898	65,397	-	-	-	71	(1,574)	(29,740)	117,052
Plant and equipment	-	15,725	3,454	(760)	-	-	-	(5,094)	(4)	13,321
Leased plant and equipment	-	7	95	-	-	-	-	(17)	-	85
Motor vehicles	-	932	1,206	(42)	-	-	-	(866)	-	1,230
Leased motor vehicles	-	213	-	-	-	-	-	(84)	54	183
Buses	-	5,813	662	(130)	-	-	-	(1,707)	-	4,638
Leased buses	-	28	-	-	-	-	-	(129)	160	59
Computers	-	6,023	2,403	(404)	-	-	-	(2,835)	(2)	5,185
Communication equipment	-	580	443	(85)	-	-	-	(506)	3	435
Office equipment	-	7,506	2,996	(290)	-	-	-	(2,997)	2	7,217
Leased office equipment	-	21,101	24,785	-	-	-	-	(15,353)	703	31,236
Library collections	-	36,110	7,868	(184)	-	-	-	(8,639)	-	35,155
Miscellaneous assets	-	3,925	1,102	(307)	-	-	-	(630)	-	4,090
Capital works in progress	-	206,818	310,407	-	-	-	(364,544)	-	(2)	152,679
Total	-	11,267,150	581,382	(3,915)	(3,720)	270	-	(186,550)	(389,511)	11,265,106

(a) The Department of Planning, Lands and Heritage (DPLH) is the only Department with the power to sell Crown land. The land is transferred to DPLH for sale and the Department accounts for the transfer as a distribution to owner.

Information on fair value measurements is provided in Note 8.3

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

5.1 Property, plant and equipment (continued)

	Carrying amount at start of the period	Additions	Disposals	Transferred to land & buildings held for distribution to owner ^(a)	Transferred to/from works in progress	Depreciation	Transfers/ Adjustments/ Write-offs/ Revaluation tfr to Income Stat't	Carrying amount at the end of the period
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2018-19								
Land	3,750,637	3,975	(220)	(96)	21,132	-	(101,476)	3,673,952
Buildings	7,141,904	46,814	(1,189)	-	251,009	(145,292)	(362,977)	6,930,269
Leased buildings PPP	117,052	64,039	-	-	365	(1,887)	(17,832)	161,737
Plant and equipment	13,321	3,486	(986)	-	-	(4,922)	1	10,900
Leased plant and equipment	85	-	-	-	-	(21)	-	64
Motor vehicles	1,230	148	(422)	-	-	(728)	(29)	199
Leased motor vehicles	183	227	-	-	-	(161)	61	310
Buses	4,638	1,666	(105)	-	-	(1,463)	-	4,736
Leased buses	59	-	-	-	-	-	(59)	-
Computers	5,185	2,686	(289)	-	-	(3,289)	(170)	4,123
Communication equipment	435	339	(125)	-	-	(571)	-	78
Office equipment	7,217	2,414	(343)	-	-	(2,990)	-	6,298
Leased office equipment	31,236	17,686	-	-	-	(15,578)	(558)	32,786
Library collections	35,155	6,642	(75)	-	-	(9,256)	(7)	32,459
Miscellaneous assets	4,090	476	(183)	-	-	(638)	9	3,754
Capital works in progress	152,679	348,850	-	-	(272,506)	-	(1)	229,022
Total	11,265,106	499,448	(3,937)	(96)	-	(186,796)	(483,038)	11,090,687

(a) The Department of Planning, Lands and Heritage (DPLH) is the only Department with the power to sell Crown land. The land is transferred to DPLH for sale and the Department accounts for the transfer as a distribution to owner.

Information on fair value measurements is provided in Note 8.3

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

5.1 Property, plant and equipment (continued)

Initial recognition

Items of property, plant and equipment, costing \$5,000 or more are measured initially at cost. Where an asset is acquired for no or nominal cost, the cost is valued at its fair value at the date of acquisition. Items of property, plant and equipment and infrastructure costing less than \$5,000 are immediately expensed direct to the Statement of Comprehensive Income (other than where they form part of a group of similar items which are significant in total).

Assets transferred as part of a machinery of government change are transferred at their fair value.

The cost of a leasehold improvement is capitalised and depreciated over the shorter of the remaining term of the lease or the estimated useful life of the leasehold improvement.

The initial cost for a non-financial physical asset under a finance lease is measured at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

Subsequent measurement

Subsequent to initial recognition as an asset, the revaluation model is used for the measurement of land and buildings and historical cost for all other property, plant and equipment. Land and buildings are carried at fair value less accumulated depreciation (buildings only) and accumulated impairment loss. All other items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Where market-based evidence is available, the fair value of land and buildings is determined on the basis of current market values determined by reference to recent market transactions. When buildings are revalued by reference to recent market transactions, the accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount.

In the absence of market-based evidence, fair value of land and buildings, including building subclasses (school infrastructure) is determined on the basis of existing use. This normally applies where buildings are specialised or where land use is restricted. Fair value for existing use buildings is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset, i.e. the depreciated replacement cost. Where the fair value of buildings is determined on the depreciated replacement cost basis, the accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount. Fair value for restricted use land is determined by comparison with market evidence for land with similar approximate utility (high restricted use land) or market value of comparable unrestricted land (low restricted use land).

Land and buildings are independently valued annually by Western Australian Land Information Authority (Valuation Services) to ensure that the carrying amount does not differ materially from the asset's fair value at the end of the reporting period. School infrastructure, which consists of; roads, foot paths and paved areas, boundary walls, fences and gates, soft landscaping, and external services is valued annually by the Department's valuer and recognised annually to ensure that the carrying amount does not differ materially from the asset's fair value at the end of the reporting period. From the commencement of the 2015–16 financial year, valuations for the Department's buildings (only) have been provided by Valuation Services. These valuations are supplemented by valuations from the Department's valuer for building subclasses (school infrastructure) consisting of analyses of data to determine costs attributed to school infrastructure, which is added to the building valuations to present the fair value of buildings (including school infrastructure). Information from the quantity surveyor engaged by the Department, previous analysis of school infrastructure, and a cross reference to industry cost guide publication is considered to estimate the building replacement cost for school infrastructure.

The most significant assumptions and judgements in estimating fair value are made in assessing whether to apply the existing use basis to assets and in determining estimated economic life. Professional judgement by the valuer is required where the evidence does not provide a clear distinction between market type assets and existing use assets.

De-recognition

Upon disposal or de-recognition of an item of property, plant and equipment, any revaluation surplus relating to that asset is retained in the asset revaluation surplus.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

5.1 Property, plant and equipment (continued)

Key sources of estimation uncertainty – Valuation of building sub-classes

The Department recognises building sub-classes (school infrastructure) comprising roads, footpaths and paved areas; boundary walls, fencing and gates; soft landscaping and external services from an independent quantity surveyor as determined by the Department's valuer. Currently the value for each sub-class is determined by applying the appropriate disclosed rate per square metre to the gross floor area of the individual school. An appropriate unit rate per square metre is determined by the Department's valuer using, but not limited to such information as building periodicals, Departmental data and analysis of tender results from Department of Finance - Building Management and Works. When determining depreciated replacement cost the effective age for the school buildings is currently used. The carrying amounts of the building sub-classes (school infrastructure) included in the 2018-19 financial statements is \$1.551 billion (2017-18: \$1.516 billion). This is within the total buildings of \$6.930 billion (2017-18: \$7.142 billion).

The interest rate used to estimate the value of assets and liabilities under the PPP arrangement is 6.79%.

5.1.1 Depreciation and impairment

	2018-19	2017-18
	\$'000	\$'000
<u>Depreciation</u>		
Buildings	145,292	146,119
Plant and equipment	4,922	5,094
Motor vehicles	728	866
Buses	1,463	1,707
Computers	3,289	2,835
Communication equipment	571	506
Office equipment	2,990	2,997
Library collections	9,256	8,639
Miscellaneous assets	638	630
Leased buildings PPP	1,887	1,574
Leased plant and equipment	21	17
Leased office equipment	15,578	15,353
Leased buses	-	129
Leased motor vehicles	161	84
Total depreciation	186,796	186,550

As at 30 June 2019 there were no indications of impairment to property, plant and equipment or infrastructure.

All surplus assets at 30 June 2019 have either been classified as assets held for sale or have been written-off.

Please refer to note 5.2 for guidance in relation to the impairment assessment that has been performed for intangible assets.

Finite useful lives

All non-current assets having a limited useful life are systematically depreciated over their estimated useful lives in a manner that reflects the consumption of their future economic benefits.

In calculating depreciation for buildings, (including the infrastructure sub-class), the Department deems the economic life of the asset (as assessed by the valuer) to be the useful life of the asset. The asset is then depreciated on a straight line basis over its economic life.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

5.1.1 Depreciation and impairment (continued)

Depreciation is calculated using the straight line method, using rates which are reviewed annually. Estimated useful lives for each class of depreciable assets are:

Buildings	40 to 80	Years
Communication equipment	5	Years
Computers	4	Years
Furniture and fittings	10	Years
Motor vehicles	5	Years
Buses	10	Years
Musical instruments	8 to 12	Years
Office equipment	5 to 8	Years
Plant and equipment	8	Years
Transportables	16	Years
Software	4	Years
Library collections	Four to five years with 100% depreciation at the end of the fifth year, or in the sixth year respectively after acquisition.	

Works of art controlled by the Department are classified as property, plant and equipment. These are anticipated to have indefinite useful lives. Their service potential has not, in any material sense, been consumed during the reporting period and consequently no depreciation has been recognised.

Land is not depreciated.

Transportables are included in buildings in Note 5.1

Furniture and fittings, and musical instruments are included within miscellaneous assets in Note 5.1.

Impairment

Property, plant and equipment and intangible assets are tested for any indication of impairment at the end of each reporting period. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is considered to be impaired and is written down to the recoverable amount and the impairment loss is recognised. Where an asset measured at cost is written down to recoverable amount, an impairment loss is recognised in profit or loss. Where a previously revalued asset is written down to recoverable amount, the loss is recognised as a revaluation decrement in other comprehensive income. As the Department is a not-for-profit entity, unless a specialised asset has been identified as a surplus asset, the recoverable amount is the higher of an asset's fair value less costs to sell and depreciated replacement cost.

The risk of impairment is generally limited to circumstances where an asset's depreciation is materially understated, where the replacement cost is falling, or where there is significant change in useful life. Each relevant class of asset is reviewed annually to verify that the accumulated depreciation/amortisation reflects the level of consumption or expiration of the asset's future economic benefits and to evaluate any impairment risk from falling replacement costs.

The Department's central office and regional offices test intangible assets with an indefinite useful life and intangible assets not yet available for use for impairment at the end of each reporting period irrespective of whether there is any indication of impairment. Schools test intangible assets each year for indication of impairment.

The recoverable amount of assets identified as surplus assets is the higher of fair value less costs to sell and the present value of future cash flows expected to be derived from the asset. Surplus assets carried at fair value have no risk of material impairment where fair value is determined by reference to market-based evidence. Where fair value is determined by reference to depreciated replacement cost, surplus assets are at risk of impairment and the recoverable amount is measured. Surplus assets at cost are tested for indications of impairment at the end of each reporting period.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

5.2 Intangible assets

	2018-19 \$'000	2017-18 \$'000
<u>Computer software</u>		
At cost - central office	10,800	10,627
At cost - schools	173	156
Accumulated amortisation	(8,744)	(7,493)
	2,229	3,290
Work in progress - Intangible internally generated	14,137	7,023
	16,366	10,313
Reconciliations:		
<u>Computer software</u>		
Carrying amount at start of period	3,290	-
Transfer from the old Department of Education	-	712
Additions	203	3,776
Amortisation expense	(1,264)	(1,198)
Carrying amount at end of period	2,229	3,290
Work in progress - Intangible internally generated	14,137	7,023
	16,366	10,313

Initial recognition

Acquisitions of intangible assets costing \$50,000 or more and internally generated intangible assets costing \$50,000 or more are capitalised. The cost of utilising the assets is expensed (amortised) over their useful lives. Costs incurred below these thresholds are immediately expensed directly to the Statement of Comprehensive Income.

Intangible assets are initially recognised at cost. For assets acquired at no cost or for nominal cost, the cost is their fair value at the date of acquisition.

Amortisation for intangible assets with finite useful lives is calculated for the period of the expected benefit (estimated useful life which is reviewed annually) on the straight-line basis. All intangible assets controlled by the Department have a useful life of four years and zero residual value.

Software that is an integral part of the related hardware is recognised as property, plant and equipment. Software that is not an integral part of the related hardware is recognised as an intangible asset. Software costing less than \$50,000 is expensed in the year of acquisition.

Subsequent measurement

The cost model is applied for subsequent measurement requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

5.2.1 Amortisation and impairment

	2018-19 \$'000	2017-18 \$'000
<u>Amortisation</u>		
Intangible assets	1,264	1,198
Total amortisation	1,264	1,198

As at 30 June 2019 there were no indications of impairment to intangible assets.

The Department held no goodwill or intangible assets with an indefinite useful life during the reporting period. At the end of the reporting period there were no intangible assets not yet available for use.

Amortisation of finite life intangible assets is calculated on a straight line basis at rates that allocate the asset's value over its estimated useful life. All intangible assets controlled by the Department have a finite useful life and zero residual value. Estimated useful lives are reviewed annually.

The estimated useful lives for each class of intangible asset are:

Software	4	Years
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Impairment

Intangible assets with finite useful lives are tested for impairment annually or when an indication of impairment is identified.

The policy in connection with testing for impairment is outlined in note 5.1.1.

Key sources of estimation uncertainty – Impairment of intangible assets

Central office, regional offices and schools assess impairment of intangible assets at the end of each reporting period. The impact of impairment of intangible assets in schools is minimal. Where there is an indication of impairment (such as falling replacement costs), the recoverable amount (depreciated replacement cost) of the intangible asset is estimated. Calculations performed in assessing recoverable amounts incorporate a number of key estimates.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

This section sets out those assets and liabilities that arose from the Department's controlled operations and includes other assets utilised for economic benefits and liabilities incurred during normal operations:

NOTE 6. OTHER ASSETS AND LIABILITIES

	Notes	2018-19 \$'000	2017-18 \$'000
Receivables	6.1	352,723	351,991
Amounts receivable for services	6.2	2,941,595	2,721,071
Other current assets	6.3	19,578	9,584
Inventory	6.4	6,936	6,084
Payables	6.5	88,550	98,970
Other liabilities	6.6	12,253	11,442

6.1 Receivables

	2018-19 \$'000	2017-18 \$'000
<u>Current</u>		
Trade receivables	33,732	38,502
Loans to non-government schools and UNDA ^(a)	31,980	31,329
Allowance for impairment of receivables	(10,362)	(919)
GST receivable	17,955	14,934
	73,305	83,846
<u>Non-current</u>		
Loans to non-government schools and UNDA ^(a)	279,418	268,145
	279,418	268,145

(a) Loans to non-government schools and UNDA

The Department is required to report the value of subsidised loans it provides to non-government schools and the UNDA, in accordance with AASB 9. The loans are measured at amortised cost and have a maturity term not exceeding 15 years, as per the Low Interest Loan Scheme (LILS) guidelines. These loans are not held for trading purposes. See Note 8.1 Financial Instruments.

The loans are at a reduced average interest rate of 2.59% per annum, as the Department meets the subsidised interest (refer Note 4.4, Interest Revenue) on behalf of borrowers through a government appropriation.

Trade receivables are recognised and carried at original invoice amount less any allowance for uncollectible amounts (i.e. impairment). The carrying amount is equivalent to fair value as it is due for settlement within 30 days.

6.1.1 Movement in the allowance for impairment of trade receivables

	2018-19 \$'000	2017-18 \$'000
<u>Reconciliation of changes in the allowance for impairment of trade receivables:</u>		
Balance at start of period	919	-
Remeasurement under AASB 9	9,392	-
Restated balance at start of period	10,311	-
Doubtful debts expense	-	2,773
Expected credit losses expense	3,822	-
Amounts written off during the period	(3,771)	(2,867)
Transfer from the old Department of Education	-	892
Transfer from previous Country High School Hostels Authority	-	120
Balance at end of period	10,362	919

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

6.1.1 Movement in the allowance for impairment of trade receivables (continued)

The maximum exposure to credit risk at the end of the reporting period for trade receivables is the carrying amount of the asset inclusive of any allowance for impairment as shown in the table at Note 8.1(c) 'Credit risk exposure'.

The Department does not hold any collateral as security or other credit enhancements for trade receivables.

Some of the Low Interest Loan Scheme loans are secured by way of a mortgage over the assets where the Department ranks 1st or 2nd in order of rights.

6.2 Amounts receivable for services (Holding Account)

	2018-19 \$'000	2017-18 \$'000
Current	19,673	19,673
Non-current	2,921,922	2,701,398
	2,941,595	2,721,071

Amounts receivable for services represents the non-cash component of service appropriations. It is restricted in that it can only be used for asset replacement or payment of leave liability.

Amounts receivable for services are not considered to be impaired (i.e. there is no expected credit loss of the holding accounts).

6.3 Other assets

	2018-19 \$'000	2017-18 \$'000
Current		
Prepayments	19,578	9,584
	19,578	9,584

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

6.4 Inventories

	2018-19 \$'000	2017-18 \$'000
Current		
Inventories held for resale:		
School canteens, publications and bookshops stocks (at cost)	2,650	2,480
Livestock and farm produce (at cost)	4,286	3,604
	6,936	6,084

Inventories are measured at the lower of cost and net realisable value. Costs are assigned by the method most appropriate to each particular class of inventory, with the majority being valued on a first in first out basis.

Inventories not held for resale are valued at cost unless they are not required, in which case they are valued at net realisable value.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

6.5 Payables

	2018-19 \$'000	2017-18 \$'000
Current		
Trade and other payables - central office	23,031	38,886
Trade and other payables - schools	11,861	12,549
Accrued expenses	36,456	33,810
Accrued salaries	17,029	13,483
	88,377	98,728
Non-current		
Trade and other payables - central office	173	242
	173	242

Payables

Payables are recognised at the amounts payable when the Department becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount is equivalent to fair value, as settlement is generally within 30 days.

Accrued salaries

Accrued salaries represent the amount due to staff but unpaid at the end of the reporting period. Accrued salaries are settled within a fortnight of the reporting period end. The Department considers the carrying amount of accrued salaries to be equivalent to its fair value.

The accrued salaries suspense account consists of amounts paid annually, from Departmental appropriations for salaries expense, into a suspense account to meet the additional cash outflow for employee salary payments in reporting periods with 27 pay days instead of the normal 26. No interest is received on this account.

6.6 Other liabilities

	2018-19 \$'000	2017-18 \$'000
Current		
Income received in advance	3,866	3,740
Amounts held in schools suspense accounts	5,855	5,259
Accrued interest expense	2,370	2,249
Other	162	194
	12,253	11,442

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

NOTE 7. FINANCING

This section sets out the material balances and disclosures associated with the financing and cash flows of the Department.

	Notes
Borrowings	7.1
Finance leases	7.2
Assets pledge as security	7.3
Finance costs	7.4
Cash and cash equivalents	7.5
Reconciliation of cash	7.5.1
Restricted cash and cash equivalents	7.5.2
Reconciliation of operating activities	7.5.3
Commitments	7.6
Non-cancellable operating lease commitments	7.6.1
Capital commitments	7.6.2
Other expenditure commitments	7.6.3

7.1 Borrowings

	2018–19 \$'000	2017–18 \$'000
<u>Current</u>		
WATC loans ^(a)	31,980	31,329
Finance lease liabilities (secured) ^(b)	15,723	14,343
Finance lease liabilities PPP	2,556	1,644
Total current	50,259	47,316
<u>Non-current</u>		
WATC loans ^(a)	317,546	303,259
Other loans	494	-
Finance lease liabilities (secured) ^(b)	18,975	20,164
Finance lease liabilities PPP	203,144	142,441
Total non-current	540,159	465,864
Total borrowings	590,418	513,180

(a) Western Australian Treasury Corporation (WATC) Low Interest Loans

The Department borrows from the WATC to finance loans provided under the LILS (See also Note 6.1 Receivables). Loans are borrowed at an average rate of interest of 3.07% per annum. The carrying amounts are equivalent to their net fair values.

The current WATC Low Interest Loans relates to the portion of the principal repayments payable to WATC within the next 12 months. The amount is derived from estimates provided through the low interest loans system and the repayment schedule provided by WATC.

(b) Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

7.2 Finance Leases

	2018-19 \$'000	2017-18 \$'000
Finance lease commitments^(a)		
<u>Minimum lease payment commitments in relation to finance leases are payable as follows:</u>		
Within 1 year	32,863	26,439
Later than 1 year and not later than 5 years	85,500	66,471
Later than 5 years	387,852	280,018
Minimum finance lease payments	506,215	372,928
Less future finance charges	(265,817)	(194,336)
Present value of finance lease liabilities	240,398	178,592

The present value of finance leases payable is as follows:

Within 1 year	18,279	15,987
Later than 1 year and not later than 5 years	30,960	27,934
Later than 5 years	191,159	134,671
Present value of finance lease liabilities	240,398	178,592

(a) Includes finance lease commitments for motor vehicles leased from State Fleet, Department of Finance \$0.422 million (2017-18: \$0.264 million).

Included in the financial statements as:

Current liabilities (see note 7.1 'Borrowings')	18,279	15,987
Non-current liabilities (see note 7.1 'Borrowings')	222,119	162,605
	240,398	178,592

The Department has the option to purchase leased assets at their agreed fair value on expiry of the lease. These leasing arrangements do not have escalation clauses, other than in the event of payment default. There are no restrictions imposed by these leasing arrangements on other financing transactions. The commitments above are inclusive of GST where relevant.

Finance lease rights and obligations are initially recognised, at the commencement of the lease term, as assets and liabilities equal in amount to the fair value of the leased item or, if lower, the present value of the minimum lease payments, determined at the inception of the lease. The assets are disclosed as plant, equipment and vehicles under lease, and are depreciated over the period during which the Department is expected to benefit from their use. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding lease liability, according to the interest rate implicit in the lease.

Public Private Partnerships

The State Government has partnered with a single Project Company to design, build, finance and maintain four new primary schools and four secondary schools to open progressively from 2017 to 2020, with a subsequent maintenance period ending in December 2047.

Schools are designed, constructed and made available to the Department, upon commercial acceptance (CA). The Project Company is to provide, over the duration of the term, agreed facilities management services, maintenance and refurbishment of the schools. At the end of the term, the Project Company is to hand over the schools to the Department in a well maintained condition, for nil consideration.

These Public Private Partnership (PPP) schools are recognised by the Department as a leased asset with a finance lease liability on achievement of CA of each phase of each school. The Department takes control of the school upon CA and provides school activities, including educational services and administration. The Department makes Quarterly Service Payments (QSP) over the term comprising repayment of design and construction costs and maintenance and service payments. The payment of the QSP will result in a reduction of the finance lease liability over time.

The PPP schools will be depreciated in accordance with the buildings' useful lives and will be subject to annual revaluation consistent with other school buildings.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

7.3 Assets pledged as security

	2018-19 \$'000	2017-18 \$'000
<u>Assets pledged as security</u>		
The carrying amounts of non-current assets pledged as security are:		
Leased buildings PPP	161,737	117,052
Leased plant and equipment	64	85
Leased office equipment	32,786	31,236
Leased motor vehicles	310	183
Leased buses	-	59
	194,897	148,615

The Department has secured the leased assets against the related finance lease liabilities. In the event of default, the rights to the leased assets will revert to the lessor.

7.4 Finance costs

	2018-19 \$'000	2017-18 \$'000
Finance lease charges	785	698
Finance lease charges PPP	12,129	7,937
Loan fair value expense ^(a)	6,772	6,072
Interest expensed ^(b)	11,195	10,586
Total finance costs expensed	30,881	25,293

'Finance cost' includes the interest component of finance leases repayments.

(a) Represents the write down to fair value of low interest loans provided to non-government schools. The amount of loans provided during 2018-19 was \$46.264 million (2017-18: \$52.699 million).

(b) Represents the amounts charged for loans provided to the Department by the WATC for the operation of the LILS and special loan to the UNDA. Refer Note 4.4 Interest Revenue and Note 6.1 Receivables for further details.

7.5 Cash and cash equivalents

7.5.1 Reconciliation of cash

	2018-19 \$'000	2017-18 \$'000
<u>Schools</u>		
Bank accounts	361,170	368,627
Cash on hand	159	247
	361,329	368,874
<u>Central office</u>		
Operating bank account	237,984	217,999
	237,984	217,999
Total cash and cash equivalents	599,313	586,873

For the purpose of the Statement of Cash flows, cash and cash equivalent (and restricted cash and cash equivalent) assets comprise cash on hand and short-term deposits with original maturities of three months or less that are readily convertible to a known amount of cash, and which are subject to insignificant risk of changes in value.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

7.5.2 Restricted cash and cash equivalents

	2018-19 \$'000	2017-18 \$'000
<u>Current</u>		
Grants accounts ^(a)	14,514	13,956
Royalties for Regions Fund	12,546	(419)
Paid Parental Leave	363	280
Accrued salaries suspense account (27th pay)	-	41
Special purpose account - TRBWA ^(b)	10,261	9,137
Special purpose account - Student Residential Colleges Fund	5,353	5,830
	43,037	28,825
<u>Non-current</u>		
Accrued salaries suspense account (27th pay) ^(c)	41,188	26,910
	41,188	26,910
Total restricted cash and cash equivalents	84,225	55,735

- (a) Unspent cash balances relating to Australian Government grants and state funding, which can only be used for the purpose stipulated by the grant or funding arrangement.
- (b) The purpose of this account is to hold funds received under section 115(3) of the *Teacher Registration Act 2012* for the payment of costs and expenses incurred in the performance of the functions of the Teacher Registration Board of Western Australia (TRBWA).
- (c) Funds held in the suspense account for the purpose of meeting the 27th pay in a reporting period that occurs every 11th year.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

7.5.3 Reconciliation of net cost of services to net cash flows provided by/(used in) operating activities

	2018-19 \$'000	2017-18 \$'000
Cash and cash equivalents (note 7.5.1)	599,313	586,873
Restricted cash and cash equivalents (note 7.5.2)	84,225	55,735
	683,538	642,608
Reconciliation of net cost of services to net cash flows used in operating activities		
Net cost of services	(4,411,809)	(4,332,959)
<u>Non-cash Items</u>		
Depreciation expense (note 5.1.1)	186,796	186,550
Amortisation expense (note 5.2.1)	1,264	1,198
Resources received free of charge (note 4.1)	14,170	14,946
Doubtful debts expense (note 6.1)	-	2,773
Expected credit losses expense (note 6.1)	3,822	-
Loss on disposal of non-current assets (note 3.3)	3,419	3,461
Asset revaluation decrement (note 3.3)	468,447	390,425
Adjustment for other non-cash items	(6,406)	2,643
<u>(Increase)/decrease in assets</u>		
Current receivables ^(a)	4,119	(43,794)
Current inventories	(852)	563
Other current assets	(9,994)	(777)
Non-current receivables	(11,273)	-
<u>Increase/(decrease) in liabilities</u>		
Provisions	1,207	8,854
Current payables and other liabilities ^(a)	(10,351)	(7,906)
Non-current payables	(69)	-
Net GST receipts/(payments) ^(b)	(4,205)	530
Change in GST in receivables and payables ^(c)	(3,021)	(2,241)
Net cash used in operating activities	(3,774,736)	(3,775,734)
<u>Non-cash investing and financing activities</u>		
Acquisition of property, plant and equipment by means of finance leases	81,952	90,277

(a) Note that the Australian Taxation Office (ATO) receivable/payable in respect of GST and the receivable/payable in respect of the sale/purchase of non-current assets are not included in these items as they do not form part of the reconciling items.

(b) This is the net GST paid/received, i.e. cash transactions.

(c) This reverses out the GST in receivables and payables.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

7.6 Commitments

7.6.1 Non-cancellable operating lease commitments

	2018-19 \$'000	2017-18 \$'000
Non-cancellable operating lease commitments^{(a)(b)}		
<u>Commitments for minimum lease payments at the end of the reporting period but not recognised as liabilities in the financial statements are payable as follows:</u>		
Within 1 year	36,493	34,788
Later than 1 year and not later than 5 years	85,368	71,200
Later than 5 years	25,413	16,481
	147,274	122,469

(a) 2017-18 has been restated (previously \$333.918 million) to remove Government Regional Officer Housing periodic leases (\$211.449 million) as these leases are cancellable.

(b) Includes operating leasing commitments to Leasing Services, State Fleet and the Department of Finance.

Future minimum rental receivables for operating leases at the end of the reporting period but not recognised as assets in the financial statements, are receivable as follows:

Within 1 year	896	705
Later than 1 year and not later than 5 years	1,697	2,117
Later than 5 years	-	-
	2,593	2,822

Operating leases are expensed on a straight line basis over the lease term as this represents the pattern of benefits derived from the leased properties.

The Department has entered into a number of operating lease arrangements for the rent of buildings and other assets where the lessor effectively retains all of the risks and benefits incident to ownership of the items held under the operating leases. Equal instalments of the lease payments are charged to the Statement of Comprehensive Income over the lease term, as this is representative of the pattern of benefits to be derived from the leased property.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

7.6.2 Capital commitments

	2018-19	2017-18
	\$'000	\$'000
Capital expenditure commitments		
<u>Capital expenditure commitments, being contracted capital expenditure additional to the amounts reported in the financial statements, are payable as follows:</u>		
Within 1 year	287,018	316,430
Later than 1 year and not later than 5 years	171,258	212,954
Later than 5 years	-	-
	458,276	529,384
<u>The capital commitments include amounts for:</u>		
Additional stages at secondary schools	6,681	21,667
Additions & improvements to secondary schools	207,650	129,375
Additions and improvements at primary schools	36,108	21,318
Additions and Improvements Residential Colleges	8,012	-
Miscellaneous	6,780	84,230
New secondary schools	51,293	133,511
New primary schools	113,337	111,370
Other school facilities	7,412	5,208
Other works	8,690	17,680
Universal Access Program	7,034	2,193
School funded projects	5,279	2,832
	458,276	529,384

7.6.3 Other expenditure commitments

	2018-19	2017-18
	\$'000	\$'000
Other expenditure commitments		
<u>Other expenditure commitments, being insurance renewal, open purchase orders and PPP schools - service payments, in addition to amounts reported in the financial statements, are payable as follows:</u>		
Payable within 1 year	97,113	96,581
Later than 1 year and not later than 5 years	184,703	212,244
Later than 5 years	1,109,677	1,151,681
	1,391,493	1,460,506

Judgements made by management in applying accounting policies - operating lease commitments

The Department has entered into a number of leases for buildings for branch office accommodation. Some of these leases relate to buildings of a temporary nature and it has been determined that the lessor retains substantially all the risks and rewards incidental to ownership. Accordingly, these leases have been classified as operating leases.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

NOTE 8. RISKS AND CONTINGENCIES

This section sets out the key risk management policies and measurements techniques of the Department.

	Notes
Financial risk management	8.1
Contingent liabilities	8.2.1
Fair value measurements	8.3

8.1 Financial risk management

Financial instruments held by the Department are cash and cash equivalents, restricted cash and cash equivalents, receivables, payables, Western Australian Treasury Corporation (WATC) borrowings and finance leases. The Department has limited exposure to financial risks. The Department's overall risk management program focuses on managing the risks identified below.

(a) Summary of risks and risk management

Credit risk

Credit risk arises when there is a possibility of the Department's receivables defaulting on their contractual obligations resulting in a financial loss to the Department.

Credit risk associated with the Department's financial assets is minimal because the main receivable is the amounts receivable for services (holding account). Policies are in place to minimise exposure to credit risk associated with students and other debtors. In addition, receivable balances are monitored on an ongoing basis with the result that the Department's exposure to bad debts is minimal. Debt will be written-off against the allowance account when it is improbable or uneconomical to recover the debt. At the end of the reporting period there were no significant concentrations of credit risk.

Liquidity risk

Liquidity risk arises when the Department is unable to meet its financial obligations as they fall due.

The Department is exposed to liquidity risk through its trading in the normal course of business. The Department has appropriate procedures to manage cash flows including drawdowns of appropriations by monitoring forecast cash flows to ensure that sufficient funds are available to meet its commitments.

Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Department's income or the value of its holdings of financial instruments. The Department does not trade in foreign currency and is not materially exposed to other price risks. The Agency's exposure to market risk for changes in interest rates relate primarily to the long-term debt obligations.

All borrowings are due to the WATC and are repayable at fixed rates with varying maturities. Other than as detailed in the interest rate sensitivity analysis table at note 8.1, the Department is not exposed to interest rate risk because the majority of cash and cash equivalents and restricted cash are non-interest bearing, and it has no borrowings other than the WATC borrowings and finance leases (fixed interest rate).

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

8.1 Financial risk management (continued)

(b) Categories of financial instruments

The carrying amounts of each of the following categories of financial assets and financial liabilities at the end of the reporting period are as follows:

	2018-19 \$'000	2017-18 \$'000
<u>Financial assets</u>		
Cash and cash equivalents	599,313	586,873
Restricted cash and cash equivalents	84,225	55,735
Loans and receivables ^(a)	-	3,058,128
Financial assets at amortised cost ^(a)	3,276,363	-
Total financial assets	3,959,901	3,700,736
<u>Financial liabilities</u>		
Financial liabilities measured at amortised cost	691,221	623,592
Total financial liability	691,221	623,592

(a) The amount of receivables/Financial assets at amortised cost excludes GST recoverable from the ATO (statutory receivable).

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

8.1 Financial risk management (continued)

(c) Credit risk exposure

The following table details the credit risk exposure on the Department's trade receivables using a provision matrix.

	Total \$000	Days past due			
		Current \$000	<30 Days \$000	31-60 days \$000	>60 days \$000
30 June 2019					
Central Office					
Expected credit loss rate		1.00%	2.00%	5.00%	20.00%
Estimated total gross carrying amount at default	2,826	1,734	102	54	936
Expected credit losses	(209)	(17)	(2)	(3)	(187)
Loans to non-government schools and University ^(a)					
Expected credit loss rate		0.10%			
Estimated total gross carrying amount at default	311,398	311,398			
Expected credit losses	(311)	(311)			
Schools, Residential Colleges and other debtors ^(a)					
Estimated total gross carrying amount at default	30,906				
Expected credit losses	(9,841)				
Total					
Estimated total gross carrying amount at default ^(b)	345,130				
Expected credit losses	(10,362)				
1 July 2018 (Remeasurement)					
Central Office					
Expected credit loss rate		1.00%	2.00%	5.00%	20.00%
Estimated total gross carrying amount at default	2,375	829	443	27	1,076
Expected credit losses	(234)	(8)	(9)	(1)	(216)
Loans to non-government schools and University ^(a)					
Expected credit loss rate		0.10%			
Estimated total gross carrying amount at default	299,474	299,474			
Expected credit losses	(299)	(299)			
Schools, Residential Colleges and other debtors ^(a)					
Estimated total gross carrying amount at default	36,127				
Expected credit losses	(9,778)				
Total					
Estimated total gross carrying amount at default ^(b)	337,976				
Expected credit losses	(10,311)				

(a) The calculation of past due aged analysis is not available for \$25.3 million of this class of debtor (\$25.2 million 2017–18), the residual \$5.6 million (\$10.9 million 2017–18) comprise state government agency debtors and not considered to be impaired. For schools an average provision rate for estimated credit losses is used based on a five-year rolling average of the December balances over the respective June balances as a proxy of the recoverability of receivables.

(b) The estimated total gross amount and expected credit losses includes all debtors except for the GST recoverable from the ATO (statutory receivable).

(c) The provision is based on average loss based on loan disbursements made to date, adjusted for additional provision for future events.



NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

8.1 Financial risk management (continued)

(d) Liquidity risk and interest rate exposure

The following table details the Department's interest rate exposure and the contractual maturity analysis of financial assets and financial liabilities. The maturity analysis section includes interest and principal cash flows. The interest rate exposure section analyses only the carrying amount of each item.

Interest rate exposure and maturity analysis of financial assets and financial liabilities

	Weighted Average Effective Interest Rate	Interest rate exposure				Nominal Amount	Maturity dates				
		Carrying Amount	Fixed Interest rate	Variable Interest rate	Non-Interest bearing		Up to 1 month	1 - 3 months	3 months to 1 year	1 - 5 years	More than 5 years
		\$000	\$000	\$000	\$000		\$000	\$000	\$000	\$000	\$000
2017-18											
<u>Financial Assets</u>											
Schools cash balances	1.03	233,785	-	233,538	247	233,785	233,785	-	-	-	-
Central office cash balances		217,999	-	-	217,999	217,999	217,999	-	-	-	-
Restricted cash - TRBWA	1.93	9,137	-	9,137	-	9,137	9,137	-	-	-	-
Restricted cash - Residential Colleges Fund	1.92	5,830	-	2,197	3,633	5,830	4,307	598	925	-	-
Restricted cash balances - other		40,768	-	-	40,768	40,768	40,768	-	-	-	-
Trade receivables ^(b)		37,583	-	-	37,583	37,583	37,583	-	-	-	-
Term deposits	1.74	135,089	135,089	-	-	135,089	93,540	-	4,875	36,674	-
Loans to non-government schools and UNDA	2.62	299,474	299,474	-	-	299,474	-	7,766	23,563	123,665	144,480
Amounts receivable for services		2,721,071	-	-	2,721,071	2,721,071	2,232	2,976	14,465	78,692	2,622,706
		3,700,736	434,563	244,872	3,021,301	3,700,736	639,351	11,340	43,828	239,031	2,767,186
<u>Financial Liabilities ^(a)</u>											
Payables ^(b)		98,970	-	-	98,970	98,970	98,970	-	-	-	-
Finance lease liabilities	2.33	178,592	178,592	-	-	178,592	1,024	3,354	11,609	30,232	132,373
WATC loans	3.05	334,588	334,588	-	-	334,588	-	7,766	23,563	119,933	183,326
Other loans		-	-	-	-	-	-	-	-	-	-
Other liabilities		11,442	-	-	11,442	11,442	11,442	-	-	-	-
		623,592	513,180	-	110,412	623,592	111,436	11,120	35,172	150,165	315,699

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

8.1 Financial risk management (continued)

(d) Liquidity risk and interest rate exposure (continued)

The following table details the Department's interest rate exposure and the contractual maturity analysis of financial assets and financial liabilities. The maturity analysis section includes interest and principal cash flows. The interest rate exposure section analyses only the carrying amount of each item.

Interest rate exposure and maturity analysis of financial assets and financial liabilities

	Weighted Average Effective Interest Rate	Interest rate exposure				Nominal Amount	Maturity dates				
		Carrying Amount	Fixed Interest rate	Variable Interest rate	Non-Interest bearing		Up to 1 month	1 - 3 months	3 months to 1 year	1 - 5 years	More than 5 years
		\$000	\$000	\$000	\$000		\$000	\$000	\$000	\$000	\$000
2018-19											
<u>Financial Assets</u>											
Schools cash balances	0.91	226,070	-	225,911	159	226,070	226,070	-	-	-	-
Central office cash balances		237,984	-	-	237,984	237,984	237,984	-	-	-	-
Restricted cash - TRBWA	1.93	10,261	-	10,261	-	10,261	10,261	-	-	-	-
Restricted cash - Residential Colleges Fund	1.53	5,353	-	2,244	3,194	5,438	5,438	-	-	-	-
Restricted cash balances - other		68,611	-	-	68,611	68,611	68,611	-	-	-	-
Trade receivables ^(b)		23,370	-	-	23,370	23,370	23,370	-	-	-	-
Term deposits	1.67	135,259	135,259	-	-	135,259	91,637	-	19,055	24,567	-
Loans to non-government schools and UNDA	2.59	311,398	311,398	-	-	311,398	-	7,788	24,192	131,122	148,296
Amounts receivable for services		2,941,595	-	-	2,941,595	2,941,595	2,232	2,976	14,465	78,692	2,843,230
		3,959,901	446,657	238,416	3,274,913	3,959,986	665,603	10,764	57,712	234,381	2,991,526
<u>Financial Liabilities</u> ^(a)											
Payables ^(b)		88,550	-	-	88,550	88,550	88,550	-	-	-	-
Finance lease liabilities	1.78	240,398	240,398	-	-	240,398	1,087	3,498	13,694	30,960	191,159
WATC loans	3.07	349,526	349,526	-	-	349,526	-	7,788	24,192	127,134	190,412
Other loans	0.83	494	494	-	-	494	97	97	300	-	-
Other liabilities		12,253	-	-	12,253	12,253	12,253	-	-	-	-
		691,221	590,418	-	100,803	691,221	101,987	11,383	38,186	158,094	381,571



NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

8.1 Financial risk management (continued)

(d) Liquidity risk and interest rate exposure (continued)

Interest rate exposure and maturity analysis of financial assets and financial liabilities

(a) The amounts disclosed are the calculated undiscounted cash flow of each class of financial liabilities.

(b) The amount of loans and receivables excludes GST recoverable from the ATO (statutory receivable)

(e) Interest rate sensitivity analysis

The following table represents a summary of the interest rate sensitivity of the Department's financial assets and liabilities at the end of the reporting period on the surplus for the period and equity for a 1% change in interest rates. It is assumed that the change in interest rates is held constant throughout the reporting period.

	Carrying amount \$'000	-100 basis points		+100 basis points	
		Surplus	Equity	Surplus	Equity
		\$'000	\$'000	\$'000	\$'000
2017-18					
<u>Financial assets</u>					
Schools cash balances	233,785	(2,338)	(2,338)	2,338	2,338
Special purpose account - TRBWA	9,137	(91)	(91)	91	91
Special purpose account - Residential Colleges Fund	5,830	(58)	(58)	58	58
Total increase/(decrease)		(2,488)	(2,488)	2,488	2,488
2018-19					
<u>Financial assets</u>					
Schools cash balances	226,070	(2,261)	(2,261)	2,261	2,261
Special purpose account - TRBWA	10,261	(103)	(103)	103	103
Special purpose account - Residential Colleges Fund	5,353	(54)	(54)	54	54
Total increase/(decrease)		(2,417)	(2,417)	2,417	2,417

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

8.2 Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the statement of financial position but are disclosed and, if quantifiable, are measured at the best estimate.

Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

The Department had no contingent assets as at 30 June 2019.

8.2.1 Contingent liabilities

The following contingent liabilities are additional to the liabilities included in the financial statements:

Litigation in progress

The Department is involved in a number of litigation proceedings that are either covered by RiskCover or of a nature that will not have a significant impact on the Department's financial position.

Contaminated sites

The Department currently has 56 sites that are registered under the *Contaminated Sites Act 2003*. Of these, 19 do not require further action and 37 are still subject to investigation or require on-going management. Where a school or school site is identified as possibly contaminated, an investigation is carried out by a qualified environmental health consultant. In addition to a visual inspection, analytical techniques, such as material, water and soil testing are used to confirm the nature and extent of the contamination. Upon completion of their investigation, the consultant submits a report to the Department of Education, which is then forwarded to the Department of Water and Environmental Regulation (DWER) for classification according to the Contaminated Sites Act.

DWER has classified two sites as contaminated and require remediation. These sites are Merredin College and Merredin Residential College. The areas of contamination at both sites are being managed in accordance with the Department of Health Guidelines for the Assessment, Remediation and Management of Asbestos-contaminated Soils, and the areas of concern are fenced off and warning signs have been posted.

Following a fire involving aluminium composite panels, the Building Commission requested agencies assess their facilities. The Department is assessing all projects where aluminium composite panels may have been used since 2000. Where projects are identified as having potentially combustible cladding, fire engineering assessments are being undertaken. At the time of reporting, 3 buildings belonging to the Department have been identified in the Department of Mines, Industry Regulation and Safety (DIMRS) report. The Department as yet is unable to determine the liability arising as a result of the review. This work is underway.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

8.3 Fair value measurements

	Level 1	Level 2	Level 3	Fair value at end of period
	\$'000	\$'000	\$'000	\$'000
Assets measured at fair value				
2018–19				
Non-current assets classified as held for distribution to owner (Note 9.10)				
Land (Note 5.1)	-	-	3,547	3,547
Buildings (Note 5.1)*	-	-	7,092,006	7,092,006
	-	-	10,769,505	10,769,505
Assets measured at fair value				
2017–18				
Non-current assets classified as held for distribution to owner (Note 9.10)				
Land (Note 5.1)	-	-	4,219	4,219
Buildings (Note 5.1)	-	-	7,258,956	7,258,956
	-	-	11,013,812	11,013,812

* Included within buildings is school infrastructure totalling \$1.551 billion (2017–18: \$1.516 billion). There were no transfers between Levels 1, 2 or 3 during the period.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

8.3 Fair value measurements (continued)

Fair value measurements using significant unobservable inputs (Level 3)	Land	Buildings
2018-19	\$'000	\$'000
Fair Value at start of period	3,750,637	7,258,956
Contribution to owner	-	-
Additions	3,975	110,853
Transfer from Work in Progress	21,132	251,374
Transfers to/from held for distribution (within level 3)	(96)	-
Disposals	(220)	(1,189)
Depreciation expense	-	(147,179)
Adjustments/Revaluation transferred to Income Statement	(101,476)	(380,809)
Fair Value at end of period	3,673,952	7,092,006
Net loss on disposal of non-current assets under 'Costs of disposal of non-current assets' in Note 3.4	-	1,189

Fair value measurements using significant unobservable inputs (Level 3)	Land	Buildings
2017-18	\$'000	\$'000
Fair Value at start of period	-	-
Contribution to owner	3,923,746	7,038,623
Additions	20,205	205,756
Transfer from Work in Progress	41,948	322,596
Transfers to/from held for distribution (within level 3)	(3,450)	-
Disposals	(270)	(1,443)
Depreciation expense	-	(147,693)
Adjustments/Revaluation transferred to Income Statement	(231,542)	(158,883)
Fair Value at end of period	3,750,637	7,258,956
Net loss on disposal of non-current assets under 'Costs of disposal of non-current assets' in Note 3.4	-	1,443

Valuation processes

Commencing from 2015-16, the Department has adopted the school building valuations from Western Australian Land Information Authority (Valuation Services).

Transfers in and out of a fair value level are recognised on the date of the event or change in circumstances that caused the transfer. Transfers are generally limited to assets newly classified as non-current assets held for distribution as Treasurer's Instructions require valuations of land, buildings and infrastructure to be categorised within Level 3 where the valuations will utilise significant Level 3 inputs on a recurring basis.

Fair value for existing use specialised buildings including building sub classes

Fair value for existing use specialised buildings is determined by reference to the cost of replacing the remaining future economic benefits embodied in the asset, i.e. the depreciated replacement cost. Depreciated replacement cost is the current replacement cost of an asset less accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired economic benefit, or obsolescence, and optimisation (where applicable) of the asset. Current replacement cost is generally determined by reference to the market-observable replacement cost of a substitute asset of comparable utility and the gross project size specifications.

Fair value for restricted use land

Fair value for restricted use land is based on comparison with market evidence for land with low level utility (high restricted use land). The relevant comparators of land with low level utility is selected by the Western Australian Land Information Authority (Valuation Services) and represents the application of a significant Level 3 input in this valuation methodology. The fair value measurement is sensitive to values of comparator land, with higher values of comparator land correlating with higher estimated fair values of land.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

8.3 Fair value measurements (continued)

Significant Level 3 inputs used by the Department are derived and evaluated as follows:

Effective age

The effective age is determined by the Valuation Services for buildings and by the Department's valuer for the building sub classes, after taking into account factors such as planned routine maintenance, building improvements and upgrades.

Selection of land with restricted utility

Fair value for restricted use land is determined by comparison with market evidence for land with low level utility. Relevant comparators of land with low level utility are selected by Valuation Services.

Percentage rate of add-on cost - buildings and building sub-classes

Valuation Services has determined that the costs relating to contingencies, headworks, demolitions costs, professional and project fees are inherent in the building valuations and therefore should not be added to its valuations. This also applies to the building sub-classes.

Average installation costs - transportables

The cost of transportation and connection of services determined by the Quantity Surveyor.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

NOTE 9. OTHER DISCLOSURES

This section includes additional material disclosures required by accounting standards or other pronouncements for the understanding of this financial report.

	Notes
Events occurring after the end of the reporting period	9.1
Initial application of Australian Accounting Standards	9.2
Future impact of Australian standards issued not yet operative	9.3
Key management personnel	9.4
Related party transactions	9.5
Affiliated and related bodies	9.6
Special purpose accounts	9.7
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Disclosure of administered income and expenses	9.15
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Administered assets and liabilities	9.17

9.1 Events occurring after the end of the reporting period

On the 31 August 2019 the Gingin District High School sustained significant damage by fire. The dollar value of the loss is currently being assessed by the Department's insurer.

There have been no other material events occurring after 30 June 2019.

9.2 Initial application of Australian Accounting Standards

AASB 9 Financial instruments

AASB 9 *Financial instruments* replaces AASB 139 *Financial instruments: Recognition and Measurements* for annual reporting periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Department applied AASB 9 prospectively, with an initial application date of 1 July 2018. The adoption of AASB 9 has resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with AASB 9.7.2.15, the Department has not restated the comparative information which continues to be reported under AASB 139. Differences arising from adoption have been recognised directly in Accumulated surplus/(deficit).

The effect of adopting AASB 9 as at 1 July 2018 was, as follows:

	Adjustments	2017-18 \$'000
Assets		
Trade receivables	(a),(b)	(9,092)
Loans to non-governmental schools and UNDA	(a),(b)	(300)
Total Assets		(9,392)
Total adjustments on Equity		
Accumulated surplus/(deficit)	(a),(b)	(9,392)
		(9,392)

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

9.2 Initial application of Australian Accounting Standards (continued)

The nature of these adjustments are described below:

(a) Classification and measurement

Under AASB 9, financial assets are subsequently measured at amortised cost, fair value through other comprehensive income (fair value through OCI) or fair value through profit or loss (fair value through P/L). The classification is based on two criteria: the Department's business model for managing the assets; and whether the assets' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Department's business model was made as of the date of initial application, 1 July 2018. The assessment of whether contractual cash flows on financial assets are solely comprised of principal and interest was made based on the facts and circumstances at the time of initial recognition of the assets.

The classification and measurement requirements of AASB 9 did not have a material impact on the Department. The following are the changes in the classification of the Department's financial assets:

- Trade receivables and Loans and advances (i.e. Other debtors) classified as Loans and receivables as at 30 June 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as financial assets at amortised cost beginning 1 July 2018.
- The Department did not designate any financial assets at fair value through P/L.

In summary, upon the adoption of AASB 9, the Department had the following reclassifications as at 1 July 2018:

	AASB 9 category		
	Amortised cost	Fair value through OCI	Fair value through P/L
	\$'000	\$'000	\$'000
AASB 139 category			
Trade receivables	37,583	28,491	-
Loans to non-governmental schools and UNDA	299,474	299,174	-
	337,057	327,665	-

*The change in carrying amount is a result of additional impairment allowance. See the discussion on impairment below.

(b) Impairment

The adoption of AASB 9 has fundamentally changed the Department's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires the Department to recognise an allowance for ECLs for all financial assets not held at fair value through P/L.

Upon adoption of AASB 9, the Department recognised an additional impairment on the Department's Trade receivables of \$9.392 million which resulted in a decrease in Accumulated surplus/(deficit) of \$9.392 million as at 1 July 2018.

Set out below is the reconciliation of the ending impairment allowances in accordance with AASB 139 to the opening loss allowances determined in accordance with AASB 9:

	Impairment under AASB 139 as at 30 June 2018	Remeasurement	ECL Under AASB 9 as at 1 July 2018
	\$'000	\$'000	\$'000
Trade receivables under AASB 139 / Financial assets at amortised cost under AASB 9	919	9,092	10,011
Loans under AASB 139 / Financial assets at amortised cost under AASB 9	-	300	300

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

9.3 Future impact of Australian Accounting Standards not yet operative

The Department cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 Application of Australian Accounting Standards and Other Pronouncements or by an exemption from TI 1101. Where applicable, the Department plans to apply the following Australian Accounting Standards from their application date.

		Operative for reporting periods beginning on/after
AASB 15	<i>Revenue from Contracts with Customers</i>	1 Jan 2019
Nature of Change	This Standard establishes the principles that the Department shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The mandatory effective date of this Standard is currently 1 January 2019 after being amended by AASB 2016-7.	
Impact	The Department's income is primarily derived from appropriations which will be measured under AASB 1058, and thus will not be materially affected by this change. Although the recognition of 'user charges and fees' and 'sales' revenues will be deferred until the Department has discharged its performance obligations, these revenues are expected to be largely recognised at year-end and no contract liability will exist.	
Transition	The Department will adopt the modified retrospective approach on transition to AASB 15. No comparative information will be restated under this approach, and the Department will recognise the cumulative effect of initially applying the Standard as an adjustment to the opening balance of accumulated surplus/(deficit) at the date of initial application.	

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

9.3 Future impact of Australian Accounting Standards not yet operative (continued)

		Operative for reporting periods beginning on/after
AASB 16	<i>Leases</i>	1 Jan 2019
Nature of Change	This Standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.	
Impact	<p>The recognition of additional assets and liabilities, mainly from operating leases, will increase the Department's total assets by \$97 million and total liabilities by \$97 million. This will have an equity impact of \$0 on 1 July 2019. In addition, interest and depreciation expenses will increase, offset by a decrease in rental expense for the year ending 30 June 2020 and beyond.</p> <p>The above assessment is based on the following accounting policy positions:</p> <ul style="list-style-type: none"> • Modified retrospective approach on transition; • the 'low value asset' threshold set at AUD \$5,000 (unless Government Regional Office Accommodation (GROH), Government Office Accommodation (GOA) or State Fleet); • For leases classified as 'short term' (12 months or less), these are not recognised under AASB 16 (unless GROH, GOA or State Fleet); • Land, buildings and investment property ROU assets are measured under the fair value model, subsequent to initial recognition; and • Discount rates are sourced from WA Treasury Corporation (WATC). 	
Transition	The Department will adopt the modified retrospective approach on transition to AASB 16. No comparative information will be restated under this approach, and the Department will recognise the cumulative effect of initially applying the Standard as an adjustment to the opening balance of accumulated surplus/(deficit) at the date of initial application.	
AASB 1058	<i>Income of Not-for-Profit Entities</i>	1 Jan 2019
Nature of Change	<p>This Standard clarifies and simplifies the income recognition requirements that apply to not-for-profit (NFP) entities, more closely reflecting the economic reality of NFP entity transactions that are not contracts with customers. Timing of income recognition is dependent on whether such a transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service), or a contribution by owners, related to an asset (such as cash or another asset) received by an agency.</p>	
Impact	AASB 1058 will have no impact on appropriations and recurrent grants received by the Department – they will continue to be recognised as income when funds are deposited in the bank account or credited to the holding account. The Department has determined that a portion of revenue from capital grants will be deferred into future reporting periods.	
Transition	The Department will adopt the modified retrospective approach on transition to AASB 1058. No comparative information will be restated under this approach, and the Department will recognise the cumulative effect of initially applying the Standard as an adjustment to the opening balance of accumulated surplus/(deficit) at the date of initial application.	

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

9.3 Future impact of Australian Accounting Standards not yet operative (continued)

		Operative for reporting periods beginning on/after
AASB 1059	<i>Service Concession Arrangements: Grantors</i>	1 Jan 2020
Nature of Change	<p>This Standard addresses the accounting for a service concession arrangement (a type of public private partnership) by a grantor that is a public sector agency by prescribing the accounting for the arrangement from the grantor's perspective. Timing and measurement for the recognition of a specific asset class occurs on commencement of the arrangement and the accounting for associated liabilities is determined by whether the grantee is paid by the grantor or users of the public service provided.</p> <p>The mandatory effective date of this Standard is currently 1 January 2020 after being amended by AASB 2018-5.</p>	
Impact	The Department is still assessing the potential impact of adopting AASB 1059	
AASB 2016-8	<i>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities</i>	1 Jan 2019
Nature of Change	This Standard inserts Australian requirements and authoritative implementation guidance for not-for-profit entities into AASB 9 and AASB 15. This guidance assists not-for-profit entities in applying those Standards to particular transactions and other events. There is no financial impact.	
AASB 2018-4	<i>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Public Sector Licensors</i>	1 Jan 2019
Nature of Change	This Standard amends AASB 15 to add requirements and authoritative implementation guidance for application by not-for-profit public sector licensors to transactions involving the issue of licences. The Department will adopt the low value threshold exemption to account for annual teacher registration fees on a cash basis currently accounted for on an accrual basis.	
AASB 2018-5	<i>Amendments to Australian Accounting Standards – Deferral of AASB 1059</i>	1 Jan 2019
Nature of Change	This Standard amends the mandatory effective date of AASB 1059 so that AASB 1059 is required to be applied for annual reporting periods beginning on or after 1 January 2020 instead of 1 January 2019. There is no financial impact.	
AASB 2018-7	<i>Amendments to Australian Accounting Standards – Definition of Material</i>	1 Jan 2020
Nature of Change	This Standard clarifies the definition of material and its application by improving the wording and aligning the definition across AASB Standards and other publications. There is no financial impact.	

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

9.3 Future impact of Australian Accounting Standards not yet operative (continued)

		Operative for reporting periods beginning on/after
AASB 2018-8	<i>Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities</i>	1 Jan 2019
Nature of Change	This Standard provides a temporary option for not-for-profit entities to not apply the fair value initial measurement requirements for right-of-use assets arising under leases with significantly below-market terms and conditions principally to enable the entity to further its objectives.	
Impact	The Department will elect to apply the option to measure right-of-use assets under peppercorn leases at cost (which is generally about \$1). As a result, the financial impact of this Standard is not material.	

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

9.4 Key management personnel

The Department has determined that key management personnel include Ministers and senior officers of the Department. However, the Department is not obligated to compensate Ministers and therefore disclosures in relation to Ministers' compensation may be found in the Annual Report on State Finances.

Total compensation (total fees, salaries, superannuation, non-monetary and other benefits) for senior officers of the Department for the reporting period are presented within the following bands:

	2018-19	2017-18 ^(c)
Compensation band (\$)		
\$560,001 - \$570,000	-	1 ^(c)
\$360,001 - \$370,000	1 ^(a)	-
\$340,001 - \$350,000	-	1 ^(c)
\$300,001 - \$310,000	-	1 ^(c)
\$290,001 - \$300,000	1	-
\$280,001 - \$290,000	1	1 ^(c)
\$260,001 - \$270,000	-	1 ^(c)
\$250,001 - \$260,000	-	2 ^(c)
\$240,001 - \$250,000	2	2 ^(c)
\$230,001 - \$240,000	2	4 ^{(a)(c)}
\$220,001 - \$230,000	3 ^(a)	3 ^(c)
\$210,001 - \$220,000	2	-
\$200,001 - \$210,000	2	1 ^(c)
\$190,001 - \$200,000	1 ^(a)	1 ^(c)
\$180,001 - \$190,000	-	-
\$170,001 - \$180,000	2 ^(a)	-
\$150,001 - \$160,000	-	1 ^(a)
\$130,001 - \$140,000	-	1 ^(a)
\$120,001 - \$130,000	1 ^(a)	-
\$110,001 - \$120,000	1 ^(a)	-
\$100,001 - \$110,000	2 ^(a)	-
\$90,001 - \$100,000	-	1 ^(a)
\$80,001 - \$90,000	-	1 ^(a)
\$70,001 - \$80,000	2 ^(a)	-
\$60,001 - \$70,000	1 ^(a)	-
\$0 - \$10,000	2 ^{(a)(b)}	-

	2018-19	2017-18
	\$'000	\$'000
Short term employee benefits	4,368	4,917
Post employment benefits	449	491
Other long term benefits	(339)	(161)
Total compensation of senior officers	4,478	5,247

(a) Includes senior officers were period of service is less than 12 months

(b) Two senior officers left the Department early in 2018-19

(c) 2017-18 has been restated due to revised leave balance calculation (3 senior officers) and salary rates change (1 senior officer). The original total of \$5,197,411 was restated to \$5,246,572, an increase of \$49,161

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

9.5 Related parties

The Department is a wholly owned and controlled entity of the State of Western Australia. In conducting its activities, the Department is required to pay various taxes and levies based on the standard terms and conditions that apply to all tax and levy payers to the State and entities related to State.

Related parties of the department include:

- all Ministers and their close family members, and their controlled or jointly controlled entities;
- all senior officers and their close family members, and their controlled or jointly controlled entities;
- other departments and public sector entities, including related bodies included in the whole of government consolidated financial statements;
- associates and joint ventures, that are included in the whole of government consolidated financial statements; and
- the Government Employees Superannuation Board (GESB).

Significant transactions with government related entities

In conducting its activities, the Department is required to transact with the State and entities related to the State. These transactions are generally based on the standard terms and conditions that apply to all agencies. Such transactions include:

- income from State Government (note 4.1);
- income from sale of land from LandCorp (note 4.5);
- equity contributions (note 9.11);
- superannuation payments to GESB (note 3.1.1);
- insurance payments to the Insurance Commission and RiskCover fund (note 3.3);
- GROH payments to the Department of Communities (note 3.1.1);
- commitment for GROH future lease payments to the Department of Communities (note 7.6);
- borrowings and repayments from/to Western Australian Treasury Corporation (WATC) (note 7.1);
- operating lease rentals payments to the Department of Finance (note 3.3);
- commitments for future operating lease payments to the Department of Finance (note 7.6);
- land acquisition payments to the Department of Justice and the Western Australian Planning Commission (note 5.1);
- services provided free of charge to other State government agencies (note 9.9);
- services received free of charge from other State government agencies (note 4.1);
- student health services payments to the Department of Health (note 3.1.1);
- student transportation service payments to the Public Transport Authority (note 3.3);
- remuneration for services provided by the Auditor General (note 9.8); and
- other payments to Department of Primary Industries and Regional Development, Department of Fire and Emergency Services and Department of Water and Environmental Regulation (note 3.3).

Material transactions with related parties

Outside of normal citizen type transactions with the Department, there were no other related party transactions that involved key management personnel and/or their close family members and/or their controlled (or jointly controlled) entities

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

9.6 Affiliated and related bodies

The following are affiliated bodies that received operational support from the Department. They are not subject to operational control by the Department.

	2018-19 \$'000	2017-18 \$'000
Community Kindergartens	3,628	3,799
Non-Government Schools Planning Advisory Panel	198	116
Rural and Regional Education Advisory Council	210	124
School Curriculum and Standards Authority	30,463	31,811
Training Accreditation Council	1,053	2,250
Western Australian Higher Education Council	14	18
Total Affiliated bodies	35,566	38,118

The Department had nil related bodies during the financial year.

9.7 Special purpose accounts

Teacher Registration Board of Western Australia Account

The purpose of this account is to hold funds received under section 115(3) of the *Teacher Registration Act 2012* for the payment of costs and expenses incurred in the performance of the functions of the Teacher Registration Board of Western Australia (TRBWA).

The special purpose account was established pursuant to section 16(1)(b) of the *Financial Management Act 2006*.

	2018-19 \$'000	2017-18 \$'000
Balance at start of period	9,137	-
Receipts*	6,115	13,462
Payments	(4,991)	(4,325)
Balance at end of period	10,261	9,137

* Receipts in 2017-18 include \$7.46 million transferred from the previous Department of Education Services (DES) as part of Machinery of Government changes.

Student Residential Colleges Fund

The Student Residential Colleges Fund is an Department special purpose account under the *Financial Management Act 2006* section 16 (1)(b).

	2018-19 \$'000	2017-18 \$'000
Balance at start of period	5,830	-
Receipts*	17,872	35,869
Payments	(18,349)	(30,039)
Balance at end of period	5,353	5,830

* Receipts in 2017-18 include \$4.40 million transferred from the previous Country High School and Hostels Authority (CHSHA).

Student scholarship accounts

The Department manages the following special purpose accounts in a trustee capacity. The funds are restricted in that they can only be used in accordance with the conditions of the accounts. These are not included in the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

9.7 Special purpose accounts (continued)

Special Purpose Account	2018-19				2017-18			
	Balance at start of period	Receipts	Payments	Balance at end of period	Balance at start of period	Receipts	Payments	Balance at end of period
	\$	\$	\$	\$	\$	\$	\$	\$
1 Olive A. Lewis Scholarship	4,736	25,000	25,000	4,736	4,736	20,000	20,000	4,736
2 Scholarship - Council of War Service Land Settlers Association	1,028	23	-	1,051	1,008	20	-	1,028
3 John Henry Kendall	1,143	25	-	1,168	1,121	22	-	1,143
4 Margueretta Wilson Scholarship	3,203	69	-	3,272	3,140	63	-	3,203
5 Perth Girls' Memorial Scholarship	99,219	2,441	10,000	91,660	103,777	2,442	7,000	99,219
6 Sir Thomas Coombe Scholarship	123,205	2,408	-	125,613	121,251	1,954	-	123,205
7 Margery Bennett Prize	1,377	30	-	1,407	1,350	27	-	1,377
8 W.J. Reid Memorial Prize	8,394	183	-	8,577	8,232	162	-	8,394
9 James and Rose Coombe Scholarships	500	28,000	27,250	1,250	1,000	20,000	20,500	500
10 Perth Boys' Memorial Scholarship	20,279	443	5,000	15,722	21,849	430	2,000	20,279
11 Roy Grace English Scholarship	-	-	-	-	-	2,000	2,000	-
12 James A. Heron Memorial Prize	13,879	302	-	14,181	14,591	288	1,000	13,879
13 Ernest Smith Memorial Prize for English	2,753	60	-	2,813	2,700	53	-	2,753
14 Bentley Senior High School Memorial Scholarship	22,628	494	3,000	20,122	23,172	456	1,000	22,628
15 Elaine Nora Walker Scholarships	101,994	2,225	3,000	101,219	103,948	2,046	4,000	101,994
16 William Samuel Bequest	1,856	40	100	1,796	1,919	37	100	1,856
17 Howard Porter Memorial Prize for Good Citizenship	2,560	54	100	2,514	2,609	51	100	2,560
18 Ian Bremner Memorial Scholarship	45,997	982	2,000	44,979	47,090	907	2,000	45,997
19 Catherine and Ernest Bennett Memorial Scholarship	29,661	645	500	29,806	29,579	582	500	29,661
20 Laurence Armstrong Scholarship	323,217	28,095	-	351,312	296,820	26,397	-	323,217
21 Rural Boarding Scholarship	-	23,752	-	23,752	-	-	-	-
Totals	807,629	115,271	75,950	846,950	789,892	77,937	60,200	807,629



NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

9.7 Special purpose accounts (continued)

PURPOSE OF SPECIAL PURPOSE ACCOUNTS

1. Olive A. Lewis Scholarship Trust Account

To hold funds received from the Trustees of the Olive A. Lewis Scholarship Trust pending payment of scholarships to students of ability whose further education might otherwise be restricted by virtue of financial need.

2. Scholarship - Council of War Service Land Settlers Association Trust Account

To hold funds for the purpose of providing an annual prize and runner-up award for the students of residential agricultural schools.

3. John Henry Kendall Trust Account

To hold and invest moneys bequeathed for the purpose of providing funds for the purchase and supply of books to the North Merredin Primary School library.

4. Margueretta Wilson Scholarship Trust Account

To hold the foundation money for the purpose of making available an annual scholarship to a Year 9 student at Collie Senior High School.

5. Perth Girls' Memorial Scholarship Trust Account

To hold moneys for the purpose of awarding scholarships to a girl or girls attending a public secondary school in the metropolitan area.

6. Sir Thomas Coombe Scholarship Trust Account

To hold the money bequeathed for the purpose of awarding scholarships to male students of ability who for financial reasons would otherwise be unable to carry on to the Western Australian Certificate of Secondary Education.

7. Margery Bennett Prize Trust Account

To hold moneys for the purpose of awarding a cash prize on a biennial rotation basis to an Aboriginal tertiary student in a teacher education program or an Aboriginal Education Worker in Western Australia.

8. W. J. Reid Memorial Prize Trust Account

To hold and invest moneys donated for the purpose of awarding an annual prize to a student from Carine Senior High School who displays social maturity, confidence, poise, involvement in student and/or community affairs, and above average scholastic development.

9. James and Rose Coombe Scholarship Trust Account

To hold and invest money bequeathed for the purpose of awarding cash prizes for public country school students who are in need of financial assistance to complete a high school education.

10. Perth Boys' Memorial Scholarship Trust Account

To hold moneys for the purpose of awarding scholarships to a boy or boys attending a public secondary school in the metropolitan area.

11. Roy Grace English Scholarship Trust Account

To hold the foundation money for the purpose of making an annual cash award available to a student at the end of both Years 10 and 11 who is attending a public secondary school and who demonstrates exceptional ability in the area of English.

12. James A. Heron Memorial Prize Trust Account

To hold the foundation money for the purpose of awarding a cash prize to a student residing in the Fremantle district who is proceeding to take a Western Australian Certificate of Secondary Education course at any recognised high school.

13. Ernest Smith Memorial Prize for English Trust Account

To hold and invest moneys donated for the purpose of awarding an annual prize to the best student in English at North Perth Primary School.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

9.7 Special purpose accounts (continued)

14. Bentley Senior High School Memorial Scholarship

To hold and invest moneys for the purpose of awarding scholarships based on academic merit to students of Kent Street Senior High School, Como Secondary College or Cannington Community College.

15. Elaine Nora Walker Scholarship Trust Fund

To hold and invest moneys bequeathed for the purpose of providing annual scholarships to assist one male and one female student to continue their education in an institution governed by the Department of Education.

16. William Samuel Bequest Trust Account

To hold and invest the bequest money for the purpose of awarding a boy from White Gum Valley Primary School a cash prize based on all-round efficiency in sport and school work.

17. Howard Porter Memorial Prize for Good Citizenship Trust Account

To hold the bequest money for the purpose of awarding an annual prize for “good citizenship” to a female student at White Gum Valley Primary School.

18. Ian Bremner Memorial Scholarship Trust Account

To hold moneys for the purpose of providing an annual scholarship to the most successful student at Cowaramup Primary School.

19. Catherine and Ernest Bennett Memorial Scholarship Trust Account

To hold moneys for the purpose of providing an annual scholarship to the successful Year 10 student who is continuing on with Year 11 studies at Lake Grace District High School.

20. Laurence Armstrong Scholarship Trust Account

To hold and manage funds for the purpose of funding scholarships for students of the Northam Senior High School in accordance with terms and conditions of the Laurence Armstrong Will.

21. Rural Boarding Scholarship

To hold security monies deposited by scholarship holders. On completion of a teaching qualification, the funds in the trust account will be refunded to the successful scholarship recipient.

9.8 Remuneration of auditors

Remuneration paid or payable to the Auditor General in respect of the audit for the current financial year is as follows:

	2018-19	2017-18
	\$'000	\$'000

Remuneration payable to the Auditor General in respect of the audit for the current financial year is as follows:

Auditing the accounts, financial statements and key performance indicators	500	561
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These amounts are due and payable in the next financial year.

The expenses for the 2018-19 audit of the financial statements is included in note 3.3 'Other Expenses'.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

9.9 Services provided free of charge

During the period the following services were provided to other agencies free of charge for functions outside the normal operations of the Department:

- Marketing and publications
- Delivery support systems - wide area network
- College management information systems support
- Accounting services
- Asset and building management services
- Industrial relations support
- Lease costs
- Outgoings
- School census information
- Administration support

	2018-19	2017-18
	\$'000	\$'000
Department of Finance	-	13
Department of Health	976	953
Department of Communities	2	3
Mental Health Commission	-	1
Department of Justice	2	1
Department of Training & Workforce Development	-	2
Public Sector Commission	1	-
Commissioner for Children & Young People	2	-
Trustees of the Public Education Endowment	15	-
School Curriculum & Standards Authority	30,463	31,811
	31,461	32,784

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

9.10 Non-current assets classified as held for sale

The following table represents a summary of assets held for sale:

	2018–19 \$'000	2017–18 \$'000
<u>Opening balance</u>		
Land and buildings	4,219	-
Write-down from cost to fair value less selling costs		-
	4,219	
<u>Transfer from the old Department of Education</u>		
Land and buildings	-	769
Write-down from cost to fair value less selling costs	-	-
	-	769
<u>Add: Assets reclassified as held for distribution</u>		
Land and buildings ^(a)	97	3,720
Write-down from cost to fair value less selling costs	-	-
	97	3,720
<u>Total assets classified as held for distribution</u>		
Land and buildings	4,316	4,489
Write-down from cost to fair value less selling costs	-	-
	4,316	4,489
<u>Less: Assets sold or distributed to owner</u>		
Land and buildings	370	270
Write-down from cost to fair value less selling costs	399	-
	769	270
<u>Closing balance</u>		
Land and buildings	3,547	4,219
Write-down from cost to fair value less selling costs		-
	3,547	4,219

- (a) In 2018–19 the following listed land and buildings, surplus to the Department's requirements, and with a fair value of \$0.097 million were transferred to land and buildings held for distribution to owner:
- Mt Barker Pre- Primary School site \$0.042 million
 - Mt Barker Primary School \$0.055 million.

Non-current assets (or disposal groups) held for sale/ distribution to owner are recognised at the lower of carrying amount and fair value less costs to sell, and are disclosed separately from other assets in the Statement of Financial Position. Assets classified as held for distribution are not depreciated or amortised.

Non-current assets held for distribution comprise surplus Crown and freehold land 'held for sale' and buildings to be disposed of by the Department as a distribution to owner. All Crown land holdings are vested in the Department by the Government. The Department of Planning, Lands and Heritage (DPLH) is the only agency with the power to sell Crown land. The Department transfers the Crown land and any attached buildings to DPLH when the land becomes available for sale.

The Department has the power to sell freehold land, however cannot retain revenues derived from the sale unless specifically approved for retention by the Treasurer.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

9.11 Equity

	2018-19 \$'000	2017-18 \$'000
Contributed equity		
Balance at start of period	13,851,064	-
<u>Contributions by owners</u>		
Capital appropriation	275,880	262,626
Transfer of net assets from other agencies	-	13,541,789
<u>Other contributions by owners</u>		
Royalties for Regions Fund - Regional Infrastructure and Headwork Account	84,487	46,660
Total contributions by owners	14,211,431	13,851,075
<u>Distributions to owners</u>		
Transfer of net assets to Government:		
Crown land transferred to DPLH	(14,608)	-
Office equipment transferred to Public Service Commission	(3)	-
Training Accreditation Council debtors transferred to DTWD	(117)	-
Machinery of Government transfer from SCSA	-	(11)
Total distributions to owner	(14,728)	(11)
Balance at end of period	14,196,703	13,851,064
Accumulated surplus		
Balance at start of the year	(238,044)	-
Change in accounting policy ^(a)	(9,392)	-
Result for the period	(301,089)	(238,044)
Balance at the end of the year	(548,525)	(238,044)
Total equity at end of the period	13,648,178	13,613,020

(a) Initial application of AASB 9 *Financial Instruments*.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

9.12 Supplementary financial information

	2018-19 \$'000	2017-18 \$'000
Write-offs		
<u>Accounts Receivable</u>		
During the financial year, \$2,971,484 (2017-18: \$3,670,373) of Accounts Receivable was written off under the authority of:		
Accountable Authority	2,971	3,670
The Minister	-	-
Executive Council	-	-
	2,971	3,670
<u>Asset Register</u>		
During the financial year, \$39,688 (2017-18: \$30,915) was written off the Department's asset register under the authority of:		
The Accountable Authority	40	31
The Minister	-	-
Executive Council	-	-
	40	31
Losses through theft, defaults and other causes		
Losses of public money and other property through theft or default	1	16
Amounts recovered	1	4
	2	20
The dollar amount allocated to "Losses of public money and other property through theft or default" is an estimate as some of the cases are still under investigation and/or the actual loss incurred is not able to be quantified.		
Gifts of public property		
Gifts of public property provided by the Department	-	-
	-	-

During the year no gifts of public property were made.

Act of Grace Payments

During the financial year, nil Act of Grace payment was made.

9.13 Explanatory statement

All variances between estimates (original budget) and actual results for 2018-19, and between the actual results for 2018-19 and 2017-18 are shown below. Narratives are provided for key variations selected from observed major variances, which are generally greater than:

- 5% and \$25.0 million for the Statement of Comprehensive income and Cash Flows; and
- 5% and \$25.0 million for Statement of Financial Position.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

9.13 Explanatory statement (continued)

Statement of Comprehensive Income

	Estimate 2018-19	Actual 2018-19	Actual 2017-18	Variance						
				Variance between estimate and actual			Variance between actual results for 2019 and 2018			
				\$'000	%	Note	\$'000	%	Note	
COST OF SERVICES										
Expenses										
Employee benefits expense	3,872,227	3,864,805	3,834,394	(7,422)	(0%)		30,411	1%		
Supplies and services	944,629	901,290	864,037	(43,339)	(5%)	1	37,253	4%		
Depreciation and amortisation expense	203,620	188,060	187,748	(15,560)	(8%)		312	0%		
Grants and subsidies	32,483	33,177	42,235	694	2%		(9,058)	(21%)		
Finance costs	33,990	30,881	25,293	(3,109)	(9%)		5,588	22%		
Other expenses	4,012	476,272	397,513	472,260	11771%	2	78,759	20%		A
Total cost of services	5,090,961	5,494,485	5,351,220	403,524	8%		143,265	3%		
Income										
Revenue										
User contributions, charges and fees	142,259	135,423	134,547	(6,836)	(5%)		876	1%		
Other revenue	88,149	114,467	124,988	26,318	30%	3	(10,521)	(8%)		
Australian Government grants and contributions	792,772	813,495	736,284	20,723	3%		77,211	10%		B
Interest revenue	22,239	19,291	22,442	(2,948)	(13%)		(3,151)	(14%)		
Total Revenue	1,045,419	1,082,676	1,018,261	37,257	4%		64,415	6%		
Total income other than income from State Government	1,045,419	1,082,676	1,018,261	37,257	4%		64,415	6%		
NET COST OF SERVICES	4,045,542	4,411,809	4,332,959	366,267	9%		78,850	2%		
Income from State Government										
Service appropriation	4,043,514	4,064,460	4,053,674	20,946	1%		10,786	0%		
Grants from State Government Agencies	5,692	13,020	11,618	7,328	129%		1,402	12%		
Services received free of charge	14,517	14,170	14,946	(347)	(2%)		(776)	(5%)		
Royalties for Regions Fund	30,384	19,070	14,677	(11,314)	(37%)		4,393	30%		
Total income from State Government	4,094,107	4,110,720	4,094,915	16,613	0%		15,805	0%		
SURPLUS/(DEFICIT) FOR THE PERIOD	48,565	(301,089)	(238,044)	(349,654)	(720%)		(63,045)	26%		
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	48,565	(301,089)	(238,044)	(349,654)	(720%)		(63,045)	26%		

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

9.13 Explanatory statement (continued)

Statement of Financial Position

	Estimate 2018–19	Actual 2018–19	Actual 2017–18	Variance					
				Variance between estimate and actual			Variance between actual results for 2019 and 2018		
	\$'000	\$'000	\$'000	\$'000	%	Note	\$'000	%	Note
ASSETS									
Current Assets									
Cash and cash equivalents	505,746	599,313	586,873	93,567	19%	4	12,440	2%	
Restricted cash and cash equivalents	13,657	43,037	28,825	29,380	215%	5	14,212	49%	
Amounts receivable for services	19,673	19,673	19,673	-	0%		-	0%	
Inventories	-	6,936	6,084	6,936	100%		852	14%	
Receivables	76,295	73,305	83,846	(2,990)	(4%)		(10,541)	(13%)	
Other current assets	16,922	19,578	9,584	2,656	16%		9,994	104%	
Non-current assets held for distribution to owner	-	3,547	4,219	3,547	100%		(672)	(16%)	
Total Current Assets	632,293	765,389	739,104	133,096	21%		26,285	4%	
Non-Current Assets									
Restricted cash and cash equivalents	39,079	41,188	26,910	2,109	5%		14,278	53%	
Receivables	290,992	279,418	268,145	(11,574)	(4%)		11,273	4%	
Amounts receivable for services	2,925,673	2,921,922	2,701,398	(3,751)	(0%)		220,524	8%	
Property, plant and equipment	11,955,474	11,090,687	11,265,106	(864,787)	(7%)	6	(174,419)	(2%)	C
Intangible assets	26,023	16,366	10,313	(9,657)	(37%)		6,053	59%	
Total Non-Current Assets	15,237,241	14,349,581	14,271,872	(887,660)	(6%)		77,709	1%	
TOTAL ASSETS	15,869,534	15 114 970	15,010,976	(754,564)	(5%)		103,994	1%	
LIABILITIES									
Current Liabilities									
Payables	116,883	88,377	98,728	(28,506)	(24%)	7	(10,351)	(10%)	
Borrowings	44,375	50,259	47,316	5,884	13%		2,943	6%	
Provisions	586,671	569,568	588,515	(17,103)	(3%)		(18,947)	(3%)	
Other current liabilities	12,747	12,253	11,442	(494)	(4%)		811	7%	
Total Current Liabilities	760,676	720,457	746,001	(40,219)	(5%)		(25,544)	(3%)	
Non-Current Liabilities									
Payables	98	173	242	75	77%		(69)	(29%)	
Borrowings	552,540	540,159	465,864	(12,381)	(2%)		74,295	16%	
Provisions	212,866	206,003	185,849	(6,863)	(3%)		20,154	11%	
Total Non-Current Liabilities	765,504	746,335	651,955	(19,169)	(3%)		94,380	14%	
TOTAL LIABILITIES	1,526,180	1 466 792	1,397,956	(59,388)	(4%)		68,836	5%	
NET ASSETS	14,343,354	13 648 178	13,613,020	(695,176)	(5%)		35,158	0%	
EQUITY									
Contributed equity	6,625,285	14,196,703	13,851,064	7,571,418	114%	8	345,639	2%	
Reserves	7,623,957	-	-	(7,623,957)	(100%)	8	-	0%	
Accumulated surplus/(deficit)	94,112	(548,525)	(238,044)	(642,637)	(683%)	8	(310,481)	130%	E
TOTAL EQUITY	14,343,354	13,648,178	13,613,020	(695,176)	(5%)		35,158	0%	



NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

9.13 Explanatory statement (continued)

Statement of Cash Flows

	Estimate 2018-19 \$'000	Actual 2018-19 \$'000	Actual 2017-18 \$'000	Variance					
				Variance between estimate and actual			Variance between actual results for 2019 and 2018		
				\$'000	%	Note	\$'000	%	Note
CASH FLOWS FROM STATE GOVERNMENT									
Service appropriation	3,801,270	3,824,094	3,838,110	22,824	1%		(14,016)	(0%)	
Capital contributions	292,181	275,880	262,626	(16,301)	(6%)		13,254	5%	
Holding account drawdown	19,673	19,842	34,606	169	1%		(14,764)	(43%)	
Cash balance transferred in from the old Department of Education	-	-	585,008	-	0%		(585,008)	(100%)	F
Cash balance transferred from other agencies	-	-	17,728	-	0%		(17,728)	(100%)	
Royalties for Regions Fund	127,371	103,557	61,337	(23,814)	(19%)		42,220	69%	G
Grants and subsidies	5,692	12,909	8,585	7,217	127%		4,324	50%	
Net cash provided by State Government	4,246,187	4,236,282	4,808,000	(9,905)	(0%)		(571,718)	(12%)	
Utilised as follows:									
CASH FLOWS FROM OPERATING ACTIVITIES									
Payments									
Employees benefits	(3,833,209)	(3,842,592)	(3,809,406)	(9,383)	0%		(33,186)	1%	
Supplies and services	(930,040)	(910,629)	(844,882)	19,411	(2%)		(65,747)	8%	H
Grants and subsidies	(32,483)	(32,276)	(51,298)	207	(1%)		19,022	(37%)	
Finance costs	(26,412)	(27,484)	(17,650)	(1,072)	4%		(9,834)	56%	
GST payments on purchases	(108,241)	(132,130)	(122,365)	(23,889)	22%		(9,765)	8%	
Loans advanced to non-government schools	(57,100)	(42,382)	(52,698)	14,718	(26%)		10,316	(20%)	
Other payments	-	(592)	(860)	(592)	(100%)		268	(31%)	
Receipts									
User contributions, charges and fees	142,219	125,249	122,508	(16,970)	(12%)		2,741	2%	
Australian Governments grants and contributions	792,772	813,495	736,284	20,723	3%		77,211	10%	I
Interest received	17,349	16,452	14,738	(897)	(5%)		1,714	12%	
GST receipts on revenue	-	5,790	3,246	5,790	100%		2,544	78%	
GST receipts from taxation authority	108,142	122,135	119,650	13,993	13%		2,485	2%	
Repayments of loans by non-government schools	32,685	31,324	32,910	(1,361)	(4%)		(1,586)	(5%)	
Other receipts	88,049	98,904	94,089	10,855	12%		4,815	5%	
Net cash used in operating activities	(3,806,269)	(3,774,736)	(3,775,734)	31,533	(1%)		998	(0%)	
CASH FLOW FROM INVESTING ACTIVITIES									
Payments									
Purchase of non-current assets	(468,700)	(416,991)	(378,163)	51,709	(11%)	9	(38,828)	10%	J
Receipts									
Receipts from sale of non-current physical assets	-	517	453	517	100%		64	14%	
Net cash used in investing activities	(468,700)	(416,474)	(377,710)	52,226	(11%)		(38,764)	10%	
CASH FLOW FROM FINANCING ACTIVITIES									
Payments									
Payment finance lease liabilities	(16,952)	(18,986)	(17,805)	(2,034)	12%		(1,181)	7%	
Repayment of borrowings	(33,637)	(31,420)	(46,700)	2,217	(7%)		15,280	(33%)	
Receipts									
Proceeds from borrowings	57,100	46,264	52,557	(10,836)	(19%)		(6,293)	(12%)	
Net cash used in financing activities	6,511	(4,142)	(11,948)	(10,653)	(164%)		7,806	(65%)	
Net increase/(decrease) in cash and cash equivalents	(22,271)	40,930	642,608	63,201	(284%)	10	(601,678)	(94%)	K
Cash and cash equivalents at the beginning of the period	580,753	642,608	-	61,855	11%	10	642,608	0%	
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	558,482	683,538	642,608	125,056	22%	10	40,930	6%	



NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

9.13 Explanatory statement (continued)

Major Variance Narratives

Variances between estimate and actual

Statement of Comprehensive Income

- 1 Supplies and services was \$43.3 million (5%) lower than the 2018–19 Estimate due mainly to the lower than expected expenditure in direct schools' expenses (\$33.9 million). This underspend was partly due to schools making more capital purchases for assets above \$5 000 than projected (\$16.6 million). The Royalties for Regions funded Kimberley Schools Project expenditure was also \$6.8 million lower than the 2018–19 Estimate due to the re-profiling of the project's service delivery.
- 2 Other Expenses was higher than the 2018–19 estimate by \$472.3 million due to the \$468.4 million decrement to land and buildings in 2018–19.
- 3 Other revenue was higher than the original budget by \$26.3 million (30%) as a result of a higher than anticipated RiskCover Workers Compensation performance adjustment for 2015–16 (\$17.7 million), additional revenue generated by schools (\$11.5 million) and other miscellaneous revenue.

Statement of Financial Position

- 4 Cash and cash equivalents were \$93.6 million (19%) higher than the 2018–19 Estimate reflecting lower than expected expenditure in supplies and services (\$43.3 million) and additional revenue.
- 5 Restricted cash and cash equivalents (current) were \$29.4 million (215%) higher than the 2018–19 Estimate mainly due to Special Purpose Accounts (\$13.9 million) and Royalties for Regions funds (\$12.5 million).
- 6 Due to the timing of the finalisation of the 2018–19 Estimate, the decreases in the 2017–18 actual results relating to this line item are not reflected in the 2018–19 Estimate. This has resulted in significant decreases in the comparison between the 2018–19 Estimate and the 2018–19 Actual. There was also a revaluation decrement in land and buildings of \$390.4 million in 2017–18 and \$468.4 million in 2018–19.
- 7 Payables were \$28.5 million (24%) lower than the 2018–19 Estimate reflecting a reduction to sundry creditors and trade and other payables.
- 8 The overall variance is mainly due to the \$468.4 million decrement to land and buildings in 2018–19.

Statement of Cash Flows

- 9 Purchases of non-current fixed assets are \$51.7 million (11%) lower than the 2018–19 Estimate due to unavoidable delays in capital projects.
- 10 The increase in cash and cash equivalents at the end of the period reflects lower than expected expenditure on supplies and services and additional revenue.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

9.13 Explanatory statement (continued)

Major Variance Narratives

Variances between actual results for 2019 and 2018

Statement of Comprehensive Income

- A** The decrease of \$78.8 million (20%) in Other Expenses mainly reflects the decrement to land and buildings in 2017–18 of \$390.4 million and \$468.4 million in 2018–19.
- B** Australian Government grants and contributions were \$77.2 million (10%) higher than the previous year mainly reflecting additional Quality Schools funding (\$79.3 million) under the National School Reform Agreement.

Statement of Financial Position

- C** The amount receivable for services (non-current) increase of \$220.5 million (8%) reflects the provision for asset replacement.
- D** Borrowings were \$74.3 million (16%) higher mainly due to Public Private Partnerships finance lease liabilities (\$60.7 million) and borrowing under the Low Interest Loan Scheme for non-government schools (\$14.2 million).
- E** The movement in accumulated surplus/(deficit) of \$310.5 million (130%) reflects the operating result for the period (\$301.1 million) and the impact of the application of AASB 9 Financial Instruments which required a prior period adjustment of \$9.4 million (see also note 9.2).

Statement of Cash Flows

- F** The \$585 million variance is due to the transfer of the 30 June 2017 cash balance from the old Department to the new Department under Machinery of Government changes.
- G** Royalties for Regions funding was \$42.2 million (69%) higher than the previous year due to additional approved projects.
- H** Payments for supplies and services were \$65.7 million (8%) higher than the previous year mainly due to additional expenditure on repairs, maintenance and minor works (\$39.1 million) and services and contracts (\$20.3 million).
- I** Australian Government grants and contributions were \$77.2 million (10%) higher than the previous year mainly reflecting additional Quality Schools funding under the National School Reform Agreement (\$79.3 million).
- J** Purchases of non-current fixed assets are \$38.8 million (10%) higher than the previous year due to increased schools spending on non-current assets (\$16.6 million) and the Department's capital works program.
- K** The variance is due to the transfer of the 30 June 2017 cash balance from the old Department to the new Department under Machinery of Government changes.

9.14 Indian Ocean Territories

	2018–19 \$'000	2017–18 \$'000
<u>Reconciliation of Australian Government funds received and expended for the Indian Ocean Territories</u>		
Balance at start of period	(553)	971
Receipts	14,974	14,261
Payments	(14,489)	(15,785)
Balance at end of period	(68)	(553)

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

9.15 Disclosure of administered income and expenses

	2018-19 \$'000	2017-18 \$'000
Income		
Transfer revenue	454,256	449,980
Total administered Income	454,256	449,980
Expenses		
Transfer payments	453,943	464,318
Total administered expenses	453,943	464,318

Notes to the schedule of administered items

(i) Transfer revenues

	2018-19 \$'000	2017-18 \$'000
Financial assistance for non-government schools	444,342	438,273
Other grants and subsidies	6,716	8,259
Subsidies for unfunded superannuation liabilities of higher education institutions	3,198	3,448
Total	454,256	449,980

Notes to the schedule of administered items

(ii) Transfer payments

The Department is responsible for transfers of appropriations to eligible beneficiaries consistent with the requirements of the *School Education Act 1999*, the *School Education Regulations 2000* and the applicable Government Gazettes. The Department does not control amounts for transfer but acts only as an agent. Except for the funding received for the unfunded superannuation liabilities of higher education institutions of \$3.20 million, and \$6.72 million for other miscellaneous grants and subsidiaries, the remaining \$444.03 million relates primarily to per capita funding.

The Department of Treasury provides for per capita grants funding based on student growth, the Education Price Index and the movement in the Average Government School Recurrent Cost (AGSRC) index. The government's policy commitment to the non-government education sector, is that average per capita of total expenditure on non-government students, including payment of direct per capita grants to schools, should be 'no less than 25%' of the adjusted AGSRC.

	2018-19 \$'000	2017-18 \$'000
Financial assistance for non-government schools	444,029	437,611
Other grants and subsidies	6,716	8,259
Return of appropriation	-	15,000
Subsidies for unfunded superannuation liabilities of higher education institutions	3,198	3,448
Total	453,943	464,318

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2019

9.16 Explanatory statement for administered items

All variances between estimates (original budget) and actual results for 2018–19 are shown below. Narratives are provided for key major variances, which are generally greater than 5% and \$9 million.

	Estimate 2018–19 \$'000	Actual 2018–19 \$'000	Actual 2017–18 \$'000	Variance					
				Variance between estimate and actual			Variance between actual results for 2019 and 2018		
				\$'000	%	Note	\$'000	%	Note
Income									
Transfer revenue	451,223	454,256	449,980	3,033	1%		4,276	1%	
Total administered Income	451,223	454,256	449,980	3,033	1%		4,276	1%	
Expenses									
Transfer payments	451,223	453,943	464,318	2,720	1%		(10,375)	(2%)	
Total administered expenses	451,223	453,943	464,318	2,720	1%		(10,375)	(2%)	
Net income from administered items	-	313	(14,338)	313	0%		14,651	(102%)	

9.17 Administered assets and liabilities

	2018–19 \$'000	2017–18 \$'000
Assets		
Cash and restricted cash assets		
Cash and cash equivalents	11,168	10,854
Total administered current assets	11,168	10,854
Net administered assets	11,168	10,854