

South Eastern Water Conservation and Drainage Board

Financial report
for the year ended
30 June 2020



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**To the Acting Presiding Member
South Eastern Water Conservation and Drainage Board**

Opinion

I have audited the financial report of the South Eastern Water Conservation and Drainage Board for the financial year ended 30 June 2020.

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the South Eastern Water Conservation and Drainage Board as at 30 June 2020, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2020
- a Statement of Financial Position as at 30 June 2020
- a Statement of Changes in Equity for the year ended 30 June 2020
- a Statement of Cash Flows for the year ended 30 June 2020
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Acting Presiding Member, Manager Drainage Operations and the Finance and Governance Officer.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of the South Eastern Water Conservation and Drainage Board. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants* (including Independence Standards) have been met.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Manager, Drainage Operations and the Board for the financial report

The Manager, Drainage Operations is responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and that is free from material misstatement, whether due to fraud or error.

The members of the Board are responsible for overseeing the entity's financial reporting process.

Auditor's responsibilities for the audit of the financial report

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 23(2) of the *South Eastern Water Conservation and Drainage Act 1992*, I have audited the financial report of the South Eastern Water Conservation and Drainage Board for the financial year ended 30 June 2020.

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

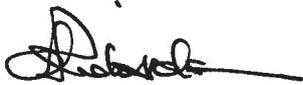
As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the South Eastern Water Conservation and Drainage Board's internal control

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager, Drainage Operations
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Manager, Drainage Operations and the Board about, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.



Andrew Richardson

Auditor-General

6 October 2020

SOUTH EASTERN WATER CONSERVATION AND DRAINAGE BOARD

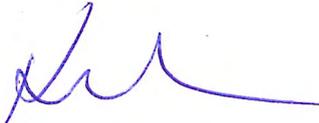
CERTIFICATION OF THE FINANCIAL STATEMENTS

We certify that the attached general purpose financial statements for the South Eastern Water Conservation and Drainage Board:

- comply with relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian Accounting Standards;
- are in accordance with the accounts and records of the South Eastern Water Conservation and Drainage Board; and
- present a true and fair view of the financial position of the South Eastern Water Conservation and Drainage Board as at 30 June 2020 and the results of its operation and cash flows for the financial year.

We certify that the internal controls employed by the South Eastern Water Conservation and Drainage Board for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.


Lee Morgan
Manager, Drainage Operations
30 / 09 / 2020


Kylie Grosser
Finance and Governance Officer
30 / 9 / 2020


Brett McLaren
Acting Presiding Member
30 / 09 / 2020

SOUTH EASTERN WATER CONSERVATION AND DRAINAGE BOARD

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 \$'000	2019 \$'000
<u>Income</u>			
Intra-government transfers	4.1	2,470	2,500
Fees and charges	4.2	30	265
Assets received free of charge	4.3	-	42,278
Total income		2,500	45,043
<u>Expenses</u>			
Board member expenses	2.3	14	18
Supplies and services	3.1	1,800	1,874
Depreciation	3.2	4,113	3,409
Borrowing costs	3.3	3	-
Other expenses	3.4	18	5,593
Total expenses		5,948	10,894
Net result		(3,448)	34,149
<u>Other Comprehensive Income</u>			
Changes in property, plant equipment and infrastructure asset revaluation surplus	5.2	7,073	-
Total other comprehensive income		7,073	-
Total comprehensive result		3,625	34,149

The net result and total comprehensive result are attributable to the SA Government as owner.

The accompanying notes form part of these financial statements.

SOUTH EASTERN WATER CONSERVATION AND DRAINAGE BOARD

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	Note	2020 \$'000	2019 \$'000
<u>Current assets</u>			
Cash and cash equivalents	6.1	600	487
Receivables	6.2	54	40
Inventories	5.4	37	39
Total current assets		691	566
<u>Non-current assets</u>			
Property, plant, equipment and infrastructure	5.1	129,829	126,092
Total non-current assets		129,829	126,092
Total assets		130,520	126,658
<u>Current liabilities</u>			
Payables	7.1	177	80
Financial liabilities	7.2	65	-
Total current liabilities		242	80
<u>Non-current liabilities</u>			
Financial liabilities	7.2	75	-
Total current liabilities		75	-
Total liabilities		317	80
Net assets		130,203	126,578
<u>Equity</u>			
Retained earnings		85,550	88,998
Asset revaluation reserve	8.1	44,653	37,580
Total equity		130,203	126,578

The total equity is attributable to the SA Government as owner.

The accompanying notes form part of these financial statements.

SOUTH EASTERN WATER CONSERVATION AND DRAINAGE BOARD

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

	Note	Asset Revaluation Surplus	Retained Earnings	Total
		\$'000	\$'000	\$'000
Balance at 30 June 2018		37,580	54,849	92,429
Net result for 2018-19		-	34,149	34,149
Total comprehensive result for 2018-19		-	34,149	34,149
Balance at 30 June 2019		37,580	88,998	126,578
Net result for 2019-20		-	(3,448)	(3,448)
Gain on revaluation of Fences and Gates	5.2	3,121	-	3,121
Loss on revaluation of Drainage Channels	5.2	(23,237)	-	(23,237)
Gain on revaluation of Drainage Structures	5.2	27,189	-	27,189
Total comprehensive result for 2019-20		7,073	(3,448)	3,625
Balance at 30 June 2020		44,653	85,550	130,203

All changes in equity are attributable to the SA Government as owner.

The accompanying notes form part of these financial statements.

SOUTH EASTERN WATER CONSERVATION AND DRAINAGE BOARD

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 \$'000	2019 \$'000
<u>Cash flows from operating activities</u>			
<i>Cash Inflows</i>			
Intra-government transfers		2,470	2,500
Fees and charges		32	291
GST recovered from the ATO		233	237
Cash generated from operations		2,735	3,028
<i>Cash Outflows</i>			
Board member payments		(12)	(16)
Payments for supplies and services		(1,952)	(2,125)
Other payments		(18)	(18)
Interest paid		(3)	-
Cash used in operations		(1,985)	(2,159)
 Net cash provided by operating activities	 8.2	 750	 869
<u>Cash flows from investing activities</u>			
Cash Outflows			
Purchase of property, plant, equipment and infrastructure		(561)	(644)
Cash used in investing activities		(561)	(644)
 Net cash used in investing activities		 (561)	 (644)
<u>Cash flows from financing activities</u>			
Cash Outflows			
Repayment of leases		(76)	-
Cash used in financing activities		(76)	-
 Net cash used in financing activities		 (76)	 -
 Net increase/(decrease) in cash and cash equivalents		 113	 225
Cash and cash equivalents at beginning of the period		487	262
 Cash and cash equivalents at the end of the period	 6.1	 600	 487

The accompanying notes form part of these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1 About the South Eastern Water Conservation and Drainage Board

The South Eastern Water Conservation and Drainage Board (the Board) is a body corporate established in 1992 pursuant to the *South Eastern Water Conservation and Drainage Act 1992*.

The Board does not control any other entity and has no interests in unconsolidated structured entities. The financial statements and accompanying notes include all the controlled activities of the Board.

1.1 Basis of preparation

The financial statements are general purpose financial statements prepared in compliance with:

- section 23 of the *Public Finance and Audit Act 1987*;
- Treasurer's Instructions and Accounting Policy Statements issued by the Treasurer under the *Public Finance and Audit Act 1987*; and
- relevant Australian Accounting Standards

For the 2019-20 financial statements the board adopted AASB 15 – *Revenue from Contracts with Customers*, AASB 16 – *Leases* and AASB 1058 – *Income of Not-for-Profit Entities*. Further information is provided in Note 9.

The financial statements are prepared based on a 12 month reporting period and presented in Australian currency. The historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured.

Income, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable; and
- receivables and payables, which are stated with the amount of GST included.

Assets and liabilities that are to be sold, consumed or realised as part of the normal operating cycle have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

Where assets and liability line items combine amounts expected to be realised within 12 months and more than 12 months, the Board has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

1.2 Objective

The objective of the Board is to manage and conserve the quality and flow of water in the South East of South Australia by effectively managing flooding, redirecting water to areas of greatest need and reducing salinity.

1.3 Impact of COVID-19 pandemic on the Board

While the Covid-19 pandemic has impacted the efficiency of Board operations, with some operating costs increasing due to social distancing requirements and cleaning costs, the Board has continued to effectively manage the assets under its control.

1.4 Significant transactions with government related entities

Significant transactions with the SA Government entities are identifiable throughout this financial report. In addition:

- 100% of lease payments relate to cars supplied by South Australian Government Financing Authority, through their agent LeasePlan Australia Limited.
- The Board does not employ any direct staff, but is assigned with staff resources by the Department of Environment and Water through a service level agreement.

2 Board, Committees and Employees

The Board does not have any staff, but is assigned staff resources by the Department for Environment and Water (DEW).

DEW staff are not considered key management personnel of the Board.

2.1 Key management personnel

Key management personnel of the Board comprise the Minister for Environment and Water and Board members.

Total compensation for key management personnel was \$9,000 in 2019-20 and \$11,000 in 2018-19.

The compensation disclosed in this note excludes salaries and other benefits the Minister for Environment and Water receives. The Minister's remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via the Department of Treasury and Finance) under section 6 the *Parliamentary Remuneration Act 1990*.

Compensation	2020 \$'000	2019 \$'000
Salaries and other short term employee benefits	8	10
Post employment benefits	1	1
Total Compensation	9	11

Transactions with key management personnel and other related parties

No related party transactions to disclose.

2.2 Board and committee members

Members during the 2019-20 financial year were:

South Eastern Water Conservation and Drainage Board

FN Brennan (Presiding Member) - retired December 2019

BN McLaren (Acting Presiding Member)

AE Hooper

JJ Mullins

K Rasheed - retired September 2019

M Hanneman

M Bleby - appointed September 2019

LA Rasenberg - appointed September 2019

J Fetherstonhaugh - appointed November 2019

South Eastern Water Conservation and Drainage Board

Governance and Finance Sub-Committee

FN Brennan - retired December 2019

BN McLaren (Chair person)

AE Hooper

JJ Mullins

J Fetherstonhaugh - appointed November 2019

Board and committee remuneration

The number of members whose remuneration received or receivable falls within the following bands:

	2020 No. of members	2019 No. of members
\$0 – \$19 999	9	8
Total number of members	<u>9</u>	<u>8</u>

The total remuneration received or receivable by members was \$9,000. (2019: \$11,000). Remuneration of members includes sitting fees, superannuation contributions, salary sacrifice benefits and fringe benefits and related fringe benefits tax.

2.3 Board member expenses	2020 \$'000	2019 \$'000
Board and committee fees	8	10
Board member on costs - superannuation	1	1
Board member on costs - payroll tax	1	1
Board member costs - reimbursement of costs	4	6
Total Board member expenses	<u>14</u>	<u>18</u>

3 Expenses

3.1 Supplies and Services	2020 \$'000	2019 \$'000
Fee for service - DEW ⁽ⁱ⁾	1,066	1,080
Information technology and communications	41	40
Contractors	242	237
Operating lease payments	-	76
Operation and maintenance works	143	155
General administration and consumables	195	206
Other expenses	113	80
Total supplies and services	<u>1,800</u>	<u>1,874</u>

(i) DEW provides financial support services, staffing, human resources and work health, safety and injury management services to the Board pursuant to a service level agreement.

3.2 Depreciation	2020 \$'000	2019 \$'000
Buildings	19	18
Plant and equipment	105	127
Fences and gates	358	264
Drainage channels	1,558	1,370
Drainage structures	2,000	1,630
Right-of-use vehicles	73	-
Total depreciation expense	<u>4,113</u>	<u>3,409</u>

All non-current assets with a limited useful life are systematically depreciated over their useful lives in a manner that reflects the consumption of their service potential.
Land is not depreciated.

Useful life

Depreciation is calculated on a straight-line basis. Property, plant and equipment depreciation is calculated over the estimated useful life as follows:

Class of Asset	Useful life (years)
Plant and equipment	5-10
Buildings	10-40
Drainage channels/access roads and tracks	50-80
Drainage structures	5-80
Fences and gates	30-40
Right-of-use plant and equipment	3-5

The Board revalued its Fences & Gates upwards, Drainage Structures upwards and Drainage Channels downward at 30 June 2020. Future depreciation expense will reduce by \$542,000 as a result.

Review of accounting estimates

Assets' residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, on an annual basis. Changes in the expected life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or method, as appropriate.

3.3 Borrowing Costs	2020	2019
	\$'000	\$'000
Interest expense on lease liabilities	<u>3</u>	<u>-</u>
Total borrowing costs	<u><u>3</u></u>	<u><u>-</u></u>

The Board does not capitalise borrowing costs.

3.4 Other Expenses	2020	2019
	\$'000	\$'000
Property, plant, equipment and infrastructure write-off ⁽ⁱ⁾	-	5,575
Audit fees ⁽ⁱⁱ⁾	<u>18</u>	<u>18</u>
Total other expenses	<u><u>18</u></u>	<u><u>5,593</u></u>

(i) As per the capital replacement program various structures are being upgraded or replaced. The written down value of the structures replaced are written-off.

(ii) Audit fees paid/payable to the Auditor-General's Department relating to work performed under the *Public Finance and Audit Act 1987*. No other services were provided by the Auditor-General's Department.

4 Income

4.1 Intra-government transfers	2020 \$'000	2019 \$'000
Intra-government transfers	2,470	2,500
Total intra-government transfers	2,470	2,500

Intra-government transfers are recognised on receipt.

The total funding of \$1.986m (2019: \$1.938m) for operational activities and \$0.484m (2019: \$0.562m) for capital projects were received from DEW.

4.2 Fees & charges	2020 \$'000	2019 \$'000
Licence revenues	18	14
Other fees and charges	12	251
Total fees and charges	30	265

The South Eastern Water Conservation and Drainage Board is responsible for the issuing and maintaining operational licences under the *South Eastern Water Conservation and Drainage Act 1992*. The Act sets out the basis for the regulatory fees associated with these functions. The regulatory fees are intended to recover costs fully and are recognised when services are performed.

4.3 Resources received free of charge	2020 \$'000	2019 \$'000
Assets received free of charge	-	42,278
Total resources received free of charge	-	42,278

Resources received free of charge

On 28 June 2019 the South East Flows Restoration Project (SEFRP) transferred \$42.278 million of infrastructure to the Board. This included drainage structures, drainage channels and fences and gates transferred to the Board free of charge.

5 Non-financial assets

Assets and infrastructure are maintained by the Board enable it to provide an effective and efficient system for managing the surface water of the non-urban lands in the South East, by conserving, draining, altering the flow of or utilising that water in any manner.

5.1 Property, plant, equipment and infrastructure by asset class

Property, plant, equipment and infrastructure comprises owned and right-of-use (leased) tangible assets that do not meet the definition of investment property.

	2020	2019
	\$'000	\$'000
Land and buildings		
Land at cost (deemed fair value)	5	5
Buildings at cost (deemed fair value)	611	594
Accumulated depreciation	(145)	(125)
Total land and buildings	<u>471</u>	<u>474</u>
Plant and equipment		
Plant and equipment at cost (deemed fair value)	2,139	2,103
Accumulated depreciation	(1,882)	(1,777)
Total plant and equipment	<u>257</u>	<u>326</u>
Fences and gates		
Fences and gates at Independent valuation	8,312	3,483
Fences and gates at Board valuation	-	5,786
Fences and gates at cost (deemed fair value)	-	2,938
Accumulated depreciation	-	(6,682)
Total fences and gates	<u>8,312</u>	<u>5,525</u>
Drainage channels		
Drainage channels at independent valuation	37,708	111,523
Drainage channels at cost (deemed fair value)	-	15,849
Accumulated depreciation	-	(64,883)
Total drainage channels	<u>37,708</u>	<u>62,489</u>
Drainage structures		
Drainage structures at independent valuation	82,896	160,776
Drainage structures at cost (deemed fair value)	-	25,657
Accumulated depreciation	-	(129,256)
Total drainage structures	<u>82,896</u>	<u>57,177</u>
Capital works in progress		
Capital works in progress	46	101
Total capital works in progress	<u>46</u>	<u>101</u>
Right-of-use vehicles		
Right-of-use vehicles at cost	199	-
Accumulated depreciation	(60)	-
Total right-of-use vehicles	<u>139</u>	<u>-</u>
Total property, plant, equipment and infrastructure	<u><u>129,829</u></u>	<u><u>126,092</u></u>

5.2 Property, plant, equipment and infrastructure owned by the board

Property, plant and equipment owned by the board with a value equal to or in excess of \$2,000 is capitalised, otherwise it is expensed. Property, plant and equipment owned by the board is recorded at fair value. Detail about the board's approach to fair value is set out in note 11.1.

Reconciliation 2019-20

	Land and Buildings	Plant and Equipment	Fences and Gates	Drainage Channels	Drainage Structures	Capital works in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July 2019	474	326	5,525	62,489	57,177	101	126,092
Acquisitions	16	36	24	14	272	203	565
Disposals / Write offs	-	-	-	-	-	-	-
Transfers between asset classes	-	-	-	-	258	(258)	-
Revaluation	-	-	3,121	(23,237)	27,189	-	7,073
Depreciation expense	(19)	(105)	(358)	(1,558)	(2,000)	-	(4,040)
Carrying amount at 30 June 2020	471	257	8,312	37,708	82,896	46	129,690

Reconciliation 2018-19

	Land and Buildings	Plant and Equipment	Fences and Gates	Drainage Channels	Drainage Structures	Capital works in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July 2018	492	428	3,044	51,640	36,459	91	92,154
Acquisitions	-	26	4	24	489	101	644
Assets received free of charge	-	-	2,853	15,558	23,867	-	42,278
Disposals / Write offs	-	(1)	(112)	(3,363)	(2,099)	-	(5,575)
Transfers between asset classes	-	-	-	-	91	(91)	-
Depreciation expense	(18)	(127)	(264)	(1,370)	(1,630)	-	(3,409)
Carrying amount at 30 June 2019	474	326	5,525	62,489	57,177	101	126,092

5.3 Property, plant and equipment leased by the board

Property, plant and equipment leased by the board is recorded at cost. Additions to leased property, plant and equipment during 2019-20 were \$139,000.

As per AASB 16, short-term leases of 12 months or less and low value leases where the underlying asset value is less than \$15,000 are not recognised as right-of-use assets. The Treasurer has granted exemption from this requirement to all public authorities holding vehicle leases with the South Australian Government Financing Authority (SAFA).

The board has a limited number of leases:

- 10 motor vehicle leases with the South Australian Government Financing Authority (SAFA). Motor vehicle leases are non-cancellable, with rental payments monthly in arrears. Motor vehicle lease terms can range from 3 years (60,000km) up to 5 years (100,000km). No contingent rental provisions exist within the lease agreements and no options exist to renew the leases at the end of their term.

The lease liabilities related to the right-of-use assets are disclosed in note 7.2. The board's maturity analysis of its lease liabilities is disclosed in note 11.2. Expenses related to leases, including depreciation and interest expenses, are disclosed in note 3.2 and 3.3 respectively. Cash outflows related to leases are disclosed in note 8.2

Impairment

Property, plant and equipment leased by the board has been assessed for impairment. There was no indication of impairment. No impairment loss or reversal of impairment loss was recognised.

5.4 Inventories	2020 \$'000	2019 \$'000
Current - held for distribution at no or nominal amount		
Material at cost	37	39
Total current inventories held for distribution at no or nominal amount	<u>37</u>	<u>39</u>
Total inventories	<u>37</u>	<u>39</u>

Inventories held for distribution at no or nominal consideration are measured at cost and adjusted when applicable for any loss of service potential.

Cost is measured on the basis of the first-in, first-out method.

6 Financial assets

6.1 Cash and cash equivalents	2020 \$'000	2019 \$'000
Deposits with the Treasurer (Special deposit accounts)	600	487
Total cash and cash equivalents	<u>600</u>	<u>487</u>

Deposits with the Treasurer

Special deposit accounts are established under section 8 of the *Public Finance and Audit Act 1987*. Special deposit accounts must be used in accordance with their approved purpose.

The Board does not earn interest on its deposits with the Treasurer.

6.2 Receivables	2020	2019
	\$'000	\$'000
Current		
GST input tax recoverable	<u>54</u>	<u>40</u>
Total current receivables	<u><u>54</u></u>	<u><u>40</u></u>

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

Refer to note 11.2 for further information on risk management

Receivables, prepayments and accrued revenues are non-interest bearing. Receivables are held with the objective of collecting the contractual cash flows and they are measured at amortised cost.

The net amount of GST payable to the ATO is included as part of receivables.

7 Liabilities

7.1 Payables	2020	2019
	\$'000	\$'000
Current		
Accrued expenses	<u>177</u>	<u>80</u>
Total current payables	<u><u>177</u></u>	<u><u>80</u></u>
Total Payables	<u><u>177</u></u>	<u><u>80</u></u>

Payables and accruals are raised for all amounts owing but unpaid. Sundry payables are normally settled within 30 days from date the invoice is first received. All payables are non-interest bearing. The carrying amount of payables represents fair value due to their short-term nature.

7.2 Financial liabilities	2020	2019
	\$'000	\$'000
Current		
Lease liabilities	<u>65</u>	<u>-</u>
Total current financial liabilities	<u><u>65</u></u>	<u><u>-</u></u>
Non-current		
Lease liabilities	<u>75</u>	<u>-</u>
Total non-current financial liabilities	<u><u>75</u></u>	<u><u>-</u></u>
Total financial liabilities	<u><u>140</u></u>	<u><u>-</u></u>

The board measures financial liabilities at amortised cost.

All material cash outflows are reflected in the lease liabilities disclosed above. For 2018-19 the lease liabilities reflect only finance leases recognised in accordance with AASB 117.

8 Other Disclosures

8.1 Equity

The asset revaluation surplus is used to record increments and decrements in the fair value of fences and gates, drainage channels and drainage structures to the extent that they offset one another. Relevant amounts are transferred to retained earnings when an asset is derecognised.

8.2 Cash flow

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the ATO is classified as part of operating cash flows.

	2020 \$'000	2019 \$'000
Leases		
Vehicles	113	-
Total cash outflow for leases	<u>113</u>	<u>-</u>
	2020 \$'000	2019 \$'000
Reconciliation of net result to cash flows from operating activities		
Reconciliation of cash and cash equivalents at the end of the reporting period:		
Cash and cash equivalents disclosed in the Statement of Financial Position	600	487
Balance as per Statement of Cash Flows	<u>600</u>	<u>487</u>
Reconciliation of net cash provided by operating activities to net result:		
Net cash provided by (used in) operating activities	750	869
Add/less non-cash items:		
Depreciation expense of non-current assets	(4,113)	(3,409)
Non-current assets received free of charge	-	42,278
Property, plant, equipment and Infrastructure write-off	-	(5,575)
Movement in assets and liabilities:		
Increase (decrease) in receivables	14	(10)
Increase (decrease) in inventories	(2)	14
(Increase) decrease in payables	(97)	(18)
Net result	<u>(3,448)</u>	<u>34,149</u>

9 Changes in accounting policy

9.1 AASB 16 Leases

AASB 16 sets out a comprehensive model for lessee accounting that addresses recognition, measurement, presentation and disclosure of leases. Lessor accounting is largely unchanged. AASB 16 *Leases* replaces AASB 117 *Leases* and related interpretations.

The adoption of AASB 16 *Leases* from 1 July 2019 resulted adjustments to the amounts recognised from a lessee perspective in the financial statements:

- AASB 117 *Leases* only required the recognition of an asset and lease liability in relation to finance leases. AASB 16 *Leases* applies a comprehensive model to all leases. Applying AASB 16 will result in leases previously classified as operating leases having right-of-use assets and related lease liabilities being recognised in the Statement of Financial Position.
- AASB 117 *Leases* resulted in operating lease payments being recognised as an expense under Supplies and Services. AASB 16 *Leases* largely replaces this with depreciation expenses that represents the use of the right-of-use asset and borrowing costs that represent the cost associated with financing the right-of-use asset.

Impact on retained earnings

The total impact on the board's retained earnings as at 1 July 2019 is as follows:

	\$'000
Closing retained earnings 30 June 2019 – AASB 117	88,998
<u>Assets</u>	
Property, plant and equipment	94
<u>Liabilities</u>	
Financial liabilities	94
Opening retained earnings 1 July 2019 – AASB 16	<u>88,998</u>

The board disclosed in its 2018-19 financial report total undiscounted operating lease commitments of \$96,000 under AASB 117.

Accounting policies on transition

AASB 16 sets out accounting policies on transition in its transitional provisions. The *Treasurer's Instructions (Accounting Policy Statements)* requires certain choices in those transitional provisions to be taken. The board has adopted the following accounting policies:

- to apply AASB 16 retrospectively. The cumulative effect of initially applying the Standard was recognised at 1 July 2019. Comparatives have not been restated.
- at 1 July 2019 AASB 16 was applied only to contracts that were previously identified as containing a lease under AASB 117 and related interpretations.
- the initial measurement of lease liability was the present value of the remaining leases payments discounted using the relevant incremental borrowing published by the Department of Treasury and Finance rate as at 1 July 2019 based on the SA Government's cost of borrowing. The average weighted incremental borrowing rate for this purpose was 2.75%.
- the initial measurement of right-of-use assets has been calculated as an amount equal to the lease liability on transition adjusted for prepaid or accrued lease payments and lease incentive liabilities.
- the initial measurement of lease liabilities and right-of-use assets excludes all leases that ended by 30 June 2020, except for vehicles leased from SAFA.

Ongoing accounting policies

The *Treasurer's Instructions (Accounting Policy Statements)* specify required accounting policies for public authorities in applying AASB 16. These requirements are reflected in the board's accounting policies as follows:

- AASB 16 is not applied to leases of intangible assets.
- right-of-use assets and lease liabilities are not recognised for leases of low value assets, being assets which have a value of \$15 000 or less, nor short-term leases, being those with a lease term of 12 months or less.
- the board, in the capacity of a lessee, does not include non-lease components in lease amounts.
- right-of-use assets are not measured at fair value on initial recognition for leases that have significantly below-market terms and conditions principally to enable the public authority to further its objectives.
- right-of-use assets are subsequently measured applying a cost model.

Significant accounting policies relate to the application of AASB 16 are disclosed under relevant notes and are referenced at note 5.3.

9.2 AASB 15 Revenue from Contracts with Customers

AASB 15 *Revenue from Contracts with Customers* establishes a revenue recognition model for revenue arising from contracts with customers. It requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

AASB 15 supersedes AASB 111 *Construction contracts*, AASB 118 *Revenue* and related Interpretations and applies to all revenue arising from contracts with customers.

Impact on retained earnings

On transition, there was no impact on retained earnings.

9.3 AASB 1058 Income of Not-for-Profit Entities

AASB 1058 *Income of Not-for-Profit Entities* establishes new income recognition requirements for not-for-profit entities. Its requirements apply where the consideration to acquire an asset, including cash, is significantly less than fair value principally to the entity to further its objectives. AASB 1058 also contains requirements for the receipt of volunteer services. AASB 1058 supersedes income recognition requirements in AASB 1004 *Contributions*, AASB 118 *Revenue* and AASB 111 *Construction Contracts*. However, elements of AASB 1004 remain in place, primarily in relation to restructures of administrative arrangements and other contributions and distributions by owners.

Accounting policies on transition

On transition, there was no impact on retained earnings.

9.4 Presentation of Financial Statements

Treasurer's Instructions (Accounting Policy Statements) issued on 1 June 2020 removed the previous requirement for financial statements to be prepared using the net cost of services format. The net cost of services is the total cost of services less any revenue retained by public authorities involved in the provision of services but does not include items classified as revenues from and payments to the South Australian Government.

Presentation of the Statement of Comprehensive Income on an 'income and expense' basis allows information to be presented in such a way that eliminates potential confusion as to the source of funding for the board. As well as changes to the format of the Statement of Comprehensive Income, there are presentational changes to remove the net cost of services format from the Statement of Cash Flows. These statements now show income before expenses, and cash receipts before cash payments. Related disclosures also reflect this changed format.

10 Outlook

10.1 Unrecognised contractual commitments

Commitments include operating, capital and outsourcing arrangements arising from contractual or statutory sources and are disclosed at their nominal value.

<i>Operating lease commitments</i>	2020 \$'000	2019 \$'000
<u>Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:</u>		
Within one year	-	57
Later than one year but not longer than five years	-	39
Total operating lease commitments	-	96
Representing:		
Non-cancellable operating leases	-	96
Total operating lease commitments	-	96

Operating lease commitments is provided for the comparative year only as AASB 16 *Leases* does not distinguish between operating and finance leases for the lessee.

10.2 Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value.

The Board is not aware of the existence of any contingent assets or contingent liabilities.

10.3 Impact of standards not yet effective

The board has assessed the impact of new and changed Australian Accounting Standards Board Standards and Interpretations not yet effective.

AASB 1059 Service Concession Arrangements: Grantors

AASB 1059 prescribes the accounting for certain arrangements in which an operator provides public services on behalf of a public sector grantor involving a service concession arrangement. This standard applies to reporting periods beginning on or after 1 January 2020. The board has assessed its arrangements where operators provide services and has concluded that none of these will be within the scope of AASB 1059.

10.4 COVID-19 pandemic outlook for the board

The COVID-19 pandemic will continue to impact the operations of the board in 2020-21. Minor delays in delivery of outputs may continue to arise from travel restrictions and changes to working arrangements for DEW staff.

10.5 Events after the reporting period

There are no know events after balance date that affects these general purpose financial statements in a material manner.

11 Measurement and risk

11.1 Fair value

AASB 13 *Fair Value Measurement* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, in the principal or most advantageous market, at the measurement date.

Initial recognition

Non-current tangible assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental costs involved with the acquisition.

Where assets are acquired at no value, or minimal value, they are recorded at fair value in the Statement of Financial Position.

Revaluation

Property, plant and equipment are subsequently measured at fair value after allowing for accumulated depreciation.

An assessment of fair value is reviewed by the Finance and Governance Officer and Finance and Governance committee each year.

All non-current tangible assets are valued at fair value and revaluation of non-current assets or group of assets is only performed when its fair value at the time of acquisition is greater than \$1.5 million and estimated useful life is greater than 3 years.

Revaluation is undertaken on a regular cycle as detailed below. If at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the asset.

Fair value hierarchy

The Board classifies fair value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent revaluation:

- Level 1 - traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.
- Level 2 - not traded in an active market and derived from inputs (inputs other than quoted prices included within level 1) that are observable for the asset, either directly or indirectly.
- Level 3 - not traded in an active market and are derived from unobservable inputs.

The Board's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

During 2020 and 2019, the Board had no valuations categorised into level 1 or level 2; there were no transfers of assets between level 1 and 2 fair value hierarchy levels and there were no changes in valuation technique.

<i>Fair value classification - non-financial assets at 30 June 2020</i>	Level 3
	\$'000
<u>Recurring fair value measurements</u>	
Fences and Gates	8,312
Drainage Channels	37,708
Drainage Structures	82,896
Land and Buildings	471
Plant and Equipment	257
Total recurring fair value measurements	129,644

<i>Fair value classification - non-financial assets at 30 June 2019</i>	Level 3
	\$'000
<u>Recurring fair value measurements</u>	
Fences and Gates	5,525
Drainage Channels	62,489
Drainage Structures	57,177
Land and Buildings	474
Plant and Equipment	326
Total recurring fair value measurements	125,991

Fences and gates

An independent valuation of fences and gates, drainage channels and drainage structure was performed by a Certified Practising Valuer from Tonkins Consulting, as at 30 June 2020.

The valuer used depreciated replacement cost for fences and gates, drainage channels and drainage structures, due to there not being an active market. The depreciated replacement cost considered the need for ongoing provision of government services, specialised nature and restricted use of the assets, their size, condition and location.

Drainage channels & structures

An independent valuation of fences and gates, drainage channels and drainage structure was performed by a Certified Practising Valuer from Tonkins Consulting, as at 30 June 2020.

The valuer used depreciated replacement cost for fences and gates, drainage channels and drainage structures, due to there not being an active market. The depreciated replacement cost considered the need for ongoing provision of government services, specialised nature and restricted use of the assets, their size, condition and location.

Land and buildings

Fair value of land has been determined using the market approach. The valuation was based on recent market transactions for similar land in the area and includes adjustment for factors specific to the land such as size and location. For land classified as restricted in use, adjustments were applied to reflect the restriction.

The fair value of buildings was determined using current replacement cost, due to there not being an active market. The current replacement cost considered the need for ongoing provision of government services, specialised nature and restricted use of the assets, their size, condition and location.

Land under Water and Infrastructure is not recognised in the Statement of Financial Position.

Plant and equipment

All items of plant and equipment owned by the board had a fair value at the time of acquisition less than \$1.5 million or had an estimated useful life that less than ten years. Plant and equipment has not been revalued in accordance with APS 116.D. The carrying value of these items are deemed to approximate fair value.

Reconciliation of level 3 recurring fair value measurements as at 30 June 2020

The following table is a reconciliation of fair value measurements using significant unobservable inputs (level 3).

	Land and Buildings \$'000	Plant and Equipment \$'000	Fences and Gates \$'000	Drainage Channels \$'000	Drainage Structures \$'000	Total \$'000
Opening balance at the beginning of the period	474	326	5,525	62,489	57,177	125,991
Acquisitions	16	36	24	14	272	362
Assets received free of charge	-	-	-	-	-	-
Transfer between asset classes	-	-	-	-	258	258
Disposals / Write offs	-	-	-	-	-	-
Gains/(Losses) for the period recognised in net result						
Depreciation	(19)	(105)	(358)	(1,558)	(2,000)	(4,040)
Total gains/(losses) recognised in net result	(3)	(69)	(334)	(1,544)	(1,470)	(3,420)
Gains/(losses) for the period recognised in other comprehensive income (OCI)						
Revaluation increment / decrement	-	-	3,121	(23,237)	27,189	7,073
Total gains/(losses) recognised in OCI	-	-	3,121	(23,237)	27,189	7,073
Carrying amount at the end of the period	471	257	8,312	37,708	82,896	129,644

Reconciliation of level 3 recurring fair value measurements as at 30 June 2019

The following table is a reconciliation of fair value measurements using significant unobservable inputs (level 3).

	Land and Buildings \$'000	Plant and Equipment \$'000	Fences and Gates \$'000	Drainage Channels \$'000	Drainage Structures \$'000	Total \$'000
Opening balance at the beginning of the period	492	428	3,044	51,640	36,459	92,063
Acquisitions	-	26	4	24	489	543
Assets received free of charge	-	-	2,853	15,558	23,867	42,278
Transfer between asset classes	-	-	-	-	91	91
Disposals / Write offs	-	(1)	(112)	(3,363)	(2,099)	(5,575)
Gains/(Losses) for the period recognised in net result						
Depreciation	(18)	(127)	(264)	(1,370)	(1,630)	(3,409)
Total gains/(losses) recognised in net result	(18)	(127)	(264)	(1,370)	(1,630)	(3,409)
Carrying amount at the end of the period	474	326	5,525	62,489	57,177	125,991

11.2 Financial Instruments

Financial risk management

Risk management is managed by the Board's Drainage Operations section. Board risk management policies are in accordance with the Risk Management Policy Statement issued by the Premier and Treasurer and the principles established in the Australian Standard Risk Management Principles and Guidelines.

The Board's exposure to financial risk (liquidity risk, credit risk and market risk) is low due to the nature of the financial instruments held.

Liquidity risk

The Board is funded principally from grants from the SA Government. The Board works with the Department of Treasury and Finance to determine the cash flows associated with its Government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet expected cash flows.

Credit Risk

The Board has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history.

No collateral is held as security and no credit enhancements relate to financial assets held by the Board.

Impairment of financial assets

Loss allowances for receivables are measured at an amount equal to lifetime expected credit loss using the simplified approach in AASB 9. The Board uses an allowance matrix to measure the expected credit loss of receivables from non-government debtors which comprise a large number of small balances.

To measure the expected credit losses, receivables are grouped based on shared risks characteristics and the days past due. When estimating expected credit loss, the Board considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Board's historical experience and informed credit assessment, including forward-looking information.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Board is exposed to credit risk.

The expected credit loss of government debtors is considered to be nil based on the external credit ratings and nature of the counterparties.

Loss rates are calculated based on the probability of a receivable progressing through stages to write off based on the common risk characteristics of the transaction and debtor.

Loss rates are based on actual history of credit loss, these rates have been adjusted to reflect differences between previous economic conditions, current conditions and the Board's view of the forecast economic conditions over the expected life of the receivables.

Impairment losses are presented as net impairment losses within net result, subsequent recoveries of amounts previously written off are credited against the same line item.

Receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the failure of a debtor to enter into a payment plan with the Board and a failure to make contractual payments for a period of greater than 90 days past due.

The Board considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties and therefore the expected credit loss is nil.

All of the Board's debt investments at amortised cost are considered to have low credit risk and the consideration of expected credit loss was limited to 12 months expected losses. The expected credit loss is nil.

Market risk

The Board does not trade in foreign currency, nor enter into transactions for speculative purposes, nor for hedging. The Board does not undertake any hedging in relation to interest or foreign currency risk and manages its risk as per the government's risk management strategy articulated in TI 23 Management of Foreign Currency Exposures.

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

Categorisation of financial instruments

Details of the significant accounting policies and methods adopted including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in the respective financial asset / financial liability note.

Classification of Financial Instruments

The Board measures all financial instruments at amortised cost.

Category of financial asset and financial liabilities	2020 Carrying amount / Fair value \$'000	2020 Contractual maturities		
		Within 1 Year \$'000	1-5 Years \$'000	More than 5 years \$'000
Financial assets				
Cash and equivalent				
Cash and cash equivalents	600	n/a	n/a	n/a
Loans and receivables				
Receivables	-	n/a	n/a	n/a
Total financial assets	<u>600</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities				
Financial liabilities at cost:				
Payables	144	144	-	-
Lease liabilities	140	65	75	-
Total financial liabilities	<u>284</u>	<u>209</u>	<u>75</u>	<u>-</u>

Category of financial asset and financial liabilities	2019 Carrying amount / Fair value \$'000	2019 Contractual maturities		
		Within 1 Year \$'000	1-5 Years \$'000	More than 5 years \$'000
Financial assets				
Cash and equivalent				
Cash and cash equivalents	487	n/a	n/a	n/a
Loans and receivables				
Receivables	-	n/a	n/a	n/a
Total financial assets	487	-	-	-
Financial liabilities				
Financial liabilities at cost:				
Payables	56	56	-	-
Total financial liabilities	56	56	-	-

For 2018-19 the lease liabilities reflect only finance leases recognised in accordance with AASB 117.

Receivables and payables

The receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables (e.g. Commonwealth, State and Local Government taxes, fees and charges; Auditor-General's Department audit fees). In government, certain rights to receive or pay cash may not be contractual and therefore, in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levies, tax and equivalents, they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost.

The receivables amount disclosed here excludes prepayments as they are not financial assets.