

Department for Environment and Water

Financial report
for the year ended
30 June 2018



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To the Chief Executive Department for Environment and Water

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, I have audited the financial report of the Department for Environment and Water for the financial year ended 30 June 2018.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Department for Environment and Water as at 30 June 2018, its financial performance and its cash flows for 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 2018
- a Statement of Financial Position as at 30 June 2018
- a Statement of Changes in Equity for the year ended 30 June 2018
- a Statement of Cash Flows for the year ended 30 June 2018
- notes, comprising significant accounting policies and other explanatory information
- a Statement of Administered Comprehensive Income for the year ended 30 June 2018
- a Statement of Administered Financial Position as at 30 June 2018
- a Statement of Administered Changes in Equity for the year ended 30 June 2018
- a Statement of Administered Cash Flows for the year ended 30 June 2018
- a Schedule of Expenses and Income attributable to administered activities for the year ended 30 June 2018
- notes, comprising significant accounting policies and other explanatory information for administered items
- a Certificate from the Acting Chief Executive and the Chief Financial 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 Department for Environment and Water. 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 have been met.

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

Responsibilities of the Chief Executive for the financial report

The Chief Executive 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.

Auditor's responsibilities for the audit of the financial report

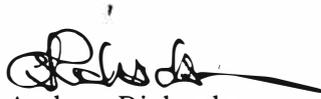
My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an 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
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive
- 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 Chief Executive 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.

A handwritten signature in black ink, appearing to read 'Andrew Richardson', with a long horizontal flourish extending to the right.

Andrew Richardson

Auditor-General

20 September 2018

**Department for Environment and Water
(DEW)**

Financial Statements

For the year ended 30 June 2018

Department for Environment and Water
Certification of the Financial Statements
for the year ended 30 June 2018

We certify that the attached general purpose financial statements for the Department for Environment and Water:

- 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 department
- present a true and fair view of the financial position of the Department for Environment and Water as at 30 June 2018 and the results of its operations and cash flows for the financial year.

We certify that the internal controls employed by the Department for Environment and Water for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.



Sandy Carruthers
Acting Chief Executive
12 September 2018



Shaun O'Brien
Chief Financial Officer
12 September 2018

Department for Environment and Water
Statement of Comprehensive Income
for the year ended 30 June 2018

| | Note | 2018 \$'000 | 2017 \$'000 |
|--|------|----------------|-----------------|
| Expenses | | | |
| Employee benefits | 3 | 158 542 | 155 455 |
| Supplies and services | 5 | 73 351 | 93 433 |
| Grants and subsidies | 6 | 34 373 | 31 954 |
| Depreciation and amortisation | 7 | 23 564 | 25 481 |
| Net loss from disposal of non-current assets | 8 | 35 | - |
| Other expenses | 9 | 6 200 | 12 958 |
| Total expenses | | 296 065 | 319 281 |
| Income | | | |
| Fees and charges | 10 | 102 768 | 97 436 |
| Grants | 11 | 97 069 | 58 769 |
| Interest | 12 | 769 | 672 |
| Resources received free of charge | 13 | 19 760 | - |
| Net gain from disposal of non-current assets | 8 | - | 17 |
| Other income | 14 | 2 071 | 2 215 |
| Total income | | 222 437 | 159 109 |
| Net cost of providing services | | 73 628 | 160 172 |
| Revenues from / (payments to) SA Government | | | |
| Revenues from SA Government | 15 | 156 903 | 148 986 |
| Payments to SA Government | 15 | (94) | (8 273) |
| Total net revenues from SA Government | | 156 809 | 140 713 |
| Net result | | 83 181 | (19 459) |
| Other comprehensive income | | | |
| <i>Items that will not be reclassified to net result</i> | | | |
| Changes in property, plant and equipment asset revaluation surplus | 22 | 32 489 | 49 179 |
| Total other comprehensive income | | 32 489 | 49 179 |
| Total comprehensive result | | 115 670 | 29 720 |

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

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Department for Environment and Water
Statement of Financial Position
as at 30 June 2018

| | Note | 2018 \$'000 | 2017 \$'000 |
|--------------------------------------|------|----------------|----------------|
| Current assets | | | |
| Cash and cash equivalents | 16 | 183 569 | 144 329 |
| Receivables | 17 | 12 471 | 14 345 |
| Inventories | 18 | 2 109 | 2 103 |
| Other assets | 19 | 1 019 | 1 095 |
| Total current assets | | 199 168 | 161 872 |
| Non-current assets | | | |
| Receivables | 17 | 19 | 33 |
| Other financial assets | 20 | 3 | 3 |
| Property, plant and equipment | 22 | 739 880 | 635 654 |
| Intangible assets | 23 | 5 708 | 4 971 |
| Total non-current assets | | 745 610 | 640 661 |
| Total assets | | 944 778 | 802 533 |
| Current liabilities | | | |
| Payables | 25 | 38 137 | 34 263 |
| Employee benefits | 26 | 15 475 | 15 181 |
| Provisions | 27 | 489 | 550 |
| Other liabilities | 28 | 1 955 | 1 728 |
| Total current liabilities | | 56 056 | 51 722 |
| Non-current liabilities | | | |
| Payables | 25 | 3 167 | 3 198 |
| Employee benefits | 26 | 34 572 | 34 439 |
| Provisions | 27 | 725 | 1 260 |
| Other liabilities | 28 | 17 776 | 19 098 |
| Total non-current liabilities | | 56 240 | 57 995 |
| Total liabilities | | 112 296 | 109 717 |
| Net assets | | 832 482 | 692 816 |
| Equity | | | |
| Contributed capital | | 22 612 | 22 612 |
| Retained earnings | | 390 064 | 282 887 |
| Asset revaluation surplus | | 419 806 | 387 317 |
| Total equity | | 832 482 | 692 816 |

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

| | |
|--------------------------------------|----|
| Unrecognised contractual commitments | 32 |
| Contingent assets and liabilities | 33 |

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

Department for Environment and Water
Statement of Changes in Equity
for the year ended 30 June 2018

| | Note | Contributed capital \$'000 | Asset revaluation surplus \$'000 | Retained earnings \$'000 | Total equity \$'000 |
|---|------|----------------------------------|---|--------------------------------|------------------------|
| Balance at 30 June 2016 | | 22 612 | 339 606 | 288 150 | 650 368 |
| Error correction - property, plant and equipment | | - | - | (339) | (339) |
| Restated balance at 30 June 2016 | | 22 612 | 339 606 | 287 811 | 650 029 |
| Opening balance at 1 July 2016 | | 22 612 | 339 606 | 287 811 | 650 029 |
| Error correction - receivables | 17 | - | - | 85 | 85 |
| Error correction - Groundwater monitoring wells | | - | - | 13 363 | 13 363 |
| Error correction - property, plant and equipment | 22 | - | (343) | (46) | (389) |
| Restated opening balance at 1 July 2016 | | 22 612 | 339 263 | 301 213 | 663 088 |
| Net result for 2016-17 | | - | - | (19 459) | (19 459) |
| Equity transfer on asset disposal | | - | (1 125) | 1 125 | - |
| Gain/(loss) on revaluation of property, plant and equipment | | - | 49 179 | - | 49 179 |
| Total comprehensive result for 2016-17 | | - | 48 054 | (18 334) | 29 720 |
| Balance at 30 June 2017 | | 22 612 | 387 317 | 282 879 | 692 808 |
| Error correction - inventories | 18 | - | - | (464) | (464) |
| Error correction - other liabilities | 28 | - | - | 472 | 472 |
| Restated balance at 30 June 2017 | | 22 612 | 387 317 | 282 887 | 692 816 |
| Opening balance at 1 July 2017 | | 22 612 | 387 317 | 282 887 | 692 816 |
| Error correction - property, plant and equipment | 22 | - | - | 23 996 | 23 996 |
| Restated opening balance at 1 July 2017 | | 22 612 | 387 317 | 306 883 | 716 812 |
| Net result for 2017-18 | | - | - | 83 181 | 83 181 |
| Gain/(Loss) on revaluation of property, plant and equipment | | - | 32 489 | - | 32 489 |
| Total comprehensive result for 2017-18 | | - | 32 489 | 83 181 | 115 670 |
| Balance at 30 June 2018 | | 22 612 | 419 806 | 390 064 | 832 482 |

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

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

Department for Environment and Water
Statement of Cash Flows
for the year ended 30 June 2018

| | | 2018 | 2017 |
|---|------|------------------|------------------|
| | | (Outflows) | (Outflows) |
| | | Inflows | Inflows |
| | Note | \$'000 | \$'000 |
| Cash flows from operating activities | | | |
| Cash outflows | | | |
| Employee benefits payments | | (158 794) | (156 156) |
| Payments for supplies and services | | (85 870) | (102 201) |
| Payments of grants and subsidies | | (37 810) | (37 913) |
| Other payments | | (3 907) | (760) |
| Cash used in operations | | (286 381) | (297 030) |
| Cash inflows | | | |
| Fees and charges | | 107 802 | 105 113 |
| Receipts from grants | | 100 232 | 60 972 |
| Interest received | | 747 | 678 |
| GST recovered from the Australian Taxation Office | | 11 998 | 11 646 |
| Other receipts | | 2 278 | 2 429 |
| Cash generated from operations | | 223 057 | 180 838 |
| Cash flows from SA government | | | |
| Receipts from SA government | | 156 903 | 148 986 |
| Payments to SA government | | - | (8 273) |
| Cash generated from SA government | | 156 903 | 140 713 |
| Net cash provided by / (used in) operating activities | 30 | 93 579 | 24 521 |
| Cash flows from investing activities | | | |
| Cash outflows | | | |
| Purchase of property, plant and equipment | | (54 355) | (27 654) |
| Cash used in investing activities | | (54 355) | (27 654) |
| Cash inflows | | | |
| Proceeds from the sale of property, plant and equipment | | 16 | 34 |
| Cash generated from investing activities | | 16 | 34 |
| Net cash provided by / (used in) investing activities | | (54 339) | (27 620) |
| Net increase / (decrease) in cash and cash equivalents | | 39 240 | (3 099) |
| Cash and cash equivalents at the beginning of the reporting period | | 144 329 | 147 428 |
| Cash and cash equivalents at the end of the reporting period | 16 | 183 569 | 144 329 |

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

Department for Environment and Water

Notes to and forming part of the financial statements

for the year ended 30 June 2018

1 Basis of financial statements

1.1 Reporting entity

The Department for Environment and Water (DEW) is a government department of the State of South Australia and operates within the *Public Sector Act 2009*. DEW is an administrative unit acting on behalf of the Crown.

The name Department for Environment and Water came into effect by way of Proclamation (Administrative Unit – Alteration of Titles) under section 26 of the *Public Sector Act 2009* on 17 May 2018. For the period 1 July 2017 to 16 May 2018, the Department was known as the Department of Environment, Water and Natural Resources. The Alteration of Titles proclamation did not impact on the purpose, objectives and structure of the Department. The comparative year information reflects the previously titled Department of Environment, Water and Natural Resources.

The financial statements and accompanying notes include all the controlled activities of DEW (refer to the Disaggregated Schedule for details of the DEW's controlled activities). Transactions and balances relating to administered resources are not recognised as departmental income, expenses, assets and liabilities. As administered items are significant in relation to DEW's overall financial performance and position, they are disclosed in the administered financial statements (schedule of administered items) at the back of the controlled general purpose financial statements. Except as otherwise disclosed, administered items are accounted for on the same basis and using the same accounting policies as for departmental items.

1.2 Statement of compliance

These financial statements have been prepared in compliance with section 23 of the *Public Finance and Audit Act 1987* (PFAA).

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with Australian Accounting Standards and comply with Treasurer's Instructions and Accounting Policy Statements promulgated under the provisions of the *Public Finance and Audit Act 1987*.

DEW has applied Australian Accounting Standards that are applicable to not-for-profit entities, as DEW is a not for profit entity. Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the department for the period ending 30 June 2018.

1.3 Basis of preparation

The financial statements have been prepared based on a 12 month 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 on a different basis.

All amounts in the financial statements and accompanying notes have been rounded to the nearest thousand dollars (\$'000).

Assets and liabilities that are to be sold, consumed or realised as part of the normal operating cycle even when they are not expected to be realised within 12 months after the reporting date have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

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

The asset revaluation surplus is used to record increments and decrements in the fair value of land, buildings and plant and equipment to the extent that they offset one another. Relevant amounts are transferred to retained earnings when an asset is derecognised.

Significant accounting policies are set out in the notes.

Department for Environment and Water
Notes to and forming part of the financial statements
for the year ended 30 June 2018

1 Basis of financial statements (continued)

1.4 Taxation

DEW is not subject to Income Tax. DEW is liable for Payroll Tax, Fringe Benefits Tax (FBT), Goods and Services Tax (GST), Emergency Services Levy (ESL), land tax equivalents and local government rate equivalents.

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

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

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the Statement of Financial Position. 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.

DEW prepares a Business Activity Statement on behalf of its controlled entities, administered items and other clients to which it provides business services under the grouping provisions of the GST legislation. Under the grouping provisions, DEW is liable for the GST payments and entitled to the GST receipts associated with these entities and items.

2 Objectives and activities

2.1 Objectives

DEW plays a significant role in managing the state's unique natural environment for the prosperity and wellbeing of current and future generations of South Australians.

To support this, the department:

- safeguards the state's natural environment through sustainable management, evidence based decision making and service delivery that has the community and stakeholders at the centre
- connects and involves people with nature by opening up parks and places
- unlocks the potential of the state's natural environment to contribute to the economic development and prosperity of South Australia.

2.2 Activities

In achieving its objectives, DEW provides a range of services classified into the following activities:

Sustainability

Ensure the effective management of South Australia's landscapes through statewide policy, planning and frontline service delivery for the benefit of the community, the economy and ecosystems.

Water

Sustainably manage South Australia's water resources including the River Murray, for the benefit of the economy, community and environment.

Parks and public assets

Conserve, sustain and build South Australia's parks and reserves system to enhance visitor experiences, improve management practices and help mitigate against the impacts of bushfire.

The Disaggregated Disclosures schedules presents expenses and income information attributable to each of the activities for the years ended 30 June 2018 and 30 June 2017.

Department for Environment and Water
Notes to and forming part of the financial statements
for the year ended 30 June 2018

2 Objectives and activities

2.2 Activities (continued)

AASB 1052 *Disaggregated Disclosures* requires government departments to disclose the assets deployed and liabilities incurred that are reliably attributable to each of their activities. DEW cannot currently reliably attribute assets and liabilities across activities. Hence this disclosure has not been made.

Disaggregated disclosures - Expenses and income by activity

| | Sustainability | | Water | | Parks and Public Assets | | Total | |
|--|----------------|----------------|-----------------|----------------|-------------------------|-----------------|----------------|-----------------|
| | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| Expenses | | | | | | | | |
| Employee benefits | 54 953 | 54 207 | 34 906 | 38 227 | 68 683 | 63 021 | 158 542 | 155 455 |
| Supplies and services | 19 471 | 24 228 | 17 100 | 32 383 | 36 780 | 36 822 | 73 351 | 93 433 |
| Grants and subsidies | 3 587 | 4 295 | 29 020 | 24 158 | 1 766 | 3 501 | 34 373 | 31 954 |
| Depreciation and amortisation | 4 383 | 4 255 | 6 245 | 6 931 | 12 936 | 14 295 | 23 564 | 25 481 |
| Net loss from disposal of non-current assets | 14 | - | 4 | - | 17 | - | 35 | - |
| Other expenses | 542 | 4 052 | 3 429 | 1 666 | 2 229 | 7 240 | 6 200 | 12 958 |
| Total expenses | 82 950 | 91 037 | 90 704 | 103 365 | 122 411 | 124 879 | 296 065 | 319 281 |
| Income | | | | | | | | |
| Fees and charges | 42 763 | 40 013 | 34 430 | 32 856 | 25 575 | 24 567 | 102 768 | 97 436 |
| Grants | 7 295 | 8 397 | 83 081 | 45 017 | 6 693 | 5 355 | 97 069 | 58 769 |
| Interest | 5 | 6 | 749 | 644 | 15 | 22 | 769 | 672 |
| Resources received free of charge | 8 022 | - | 2 174 | - | 9 564 | - | 19 760 | - |
| Net gain from disposal of non-current assets | - | 7 | - | 2 | - | 8 | - | 17 |
| Other income | 840 | 535 | 630 | 1 588 | 601 | 92 | 2 071 | 2 215 |
| Total income | 58 925 | 48 958 | 121 064 | 80 107 | 42 448 | 30 044 | 222 437 | 159 109 |
| Net cost of providing services | 24 025 | 42 079 | (30 360) | 23 258 | 79 963 | 94 835 | 73 628 | 160 172 |
| Revenues from / (payments) to SA Government | | | | | | | | |
| Revenues from SA Government | 61 861 | 59 739 | 21 297 | 18 031 | 73 745 | 71 216 | 156 903 | 148 986 |
| Payments to SA Government | - | (3 359) | (94) | (910) | - | (4 004) | (94) | (8 273) |
| Total net revenues from SA Government | 61 861 | 56 380 | 21 203 | 17 121 | 73 745 | 67 212 | 156 809 | 140 713 |
| Net result | 37 836 | 14 301 | 51 563 | (6 137) | (6 218) | (27 623) | 83 181 | (19 459) |

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

Department for Environment and Water
Notes to and forming part of the financial statements
for the year ended 30 June 2018

3 Employee benefits expenses

| | 2018 | 2017 |
|--|----------------|----------------|
| | \$'000 | \$'000 |
| Salaries and wages | 121 041 | 119 835 |
| Employment on-costs - superannuation * | 13 515 | 13 416 |
| Annual leave | 10 899 | 11 150 |
| Employment on-costs - other | 7 656 | 7 403 |
| Long service leave (LSL) | 3 744 | 2 337 |
| Targeted Voluntary Separation Packages (refer below) | 455 | 131 |
| Skills and experience retention leave (SERL) | 661 | 608 |
| Board and committees fees | 329 | 234 |
| Other employee related expenses | 242 | 341 |
| Total employee benefits expenses | 158 542 | 155 455 |

* The superannuation employment on-cost charge represents DEW's contributions to superannuation plans in respect of current services of current employees.

Targeted Voluntary Separation Packages (TVSPs)

| | 2018 | 2017 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Amounts paid during the reporting period to separated employees: | | |
| TVSPs | 455 | 131 |
| Annual leave, LSL and SERL paid to those employees | 72 | 88 |
| Net cost to the department | 527 | 219 |

The number of employees who received a TVSP during the reporting period was: 5 2

Key management personnel

Key management personnel of DEW include the Minister, the Chief Executive and the 7 members of the Executive Team who have responsibility for the strategic direction and management of the department. There were 3 key management personnel that left DEW during the 2017-18 financial year. The compensation detailed below excludes salaries and other benefits paid or payable to the Minister for Environment and Water. 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*.

| | 2018 | 2017 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Compensation | | |
| Salaries and other short term employee benefits | 1 742 | 1 621 |
| Post-employment benefits | 183 | 182 |
| Other long-term employment benefits | 93 | - |
| Termination benefits | 310 | - |
| Total compensation | 2 328 | 1 803 |

Department for Environment and Water
Notes to and forming part of the financial statements
for the year ended 30 June 2018

3 Employee benefits expenses (continued)

Remuneration of employees

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

| | 2018 | 2017 |
|----------------------|---------------|---------------|
| | Number | Number |
| \$147 000 – 149 000* | - | 2 |
| \$149 001 – 159 000 | 3 | 5 |
| \$159 001 – 169 000 | 6 | 3 |
| \$169 001 – 179 000 | 2 | 3 |
| \$179 001 – 189 000 | 5 | 5 |
| \$189 001 – 199 000 | 2 | 1 |
| \$199 001 – 209 000 | 2 | 2 |
| \$209 001 – 219 000 | - | 3 |
| \$219 001 – 229 000 | 2 | 1 |
| \$229 001 – 239 000 | - | 2 |
| \$249 001 – 259 000 | 1 | - |
| \$279 001 – 289 000 | 2 | - |
| \$299 001 – 309 000 | - | 1 |
| \$309 001 – 319 000 | 1 | - |
| \$349 001 – 359 000 | - | 1 |
| \$379 001 – 389 000 | 1 | - |
| \$469 001 – 479 000 | - | 1 |
| \$689 001 – 699 000 | 1 | - |
| Total | 28 | 30 |

* This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2016-17.

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits, fringe benefits and any fringe benefits tax paid or payable in respect of those benefits. The total remuneration received by these employees for the year was \$6.170 million (2017: \$6.062 million).

4 Remuneration of board and committee members

Members during 2017-18 financial year were:

Animal Welfare Advisory Committee

M S Doroudi* (Chair)
R F Eysers
M J Greenslade

S J Hazel
S A Joppich
R I Mussell
D E Noonan (retired 17 May 2018)
M D Peters* (Observer)
P S Warren

Flinders Ranges National Park Co-Management Board

J E Schutz* (Chair, retired 31 December 2017)
G M Coulthard* (Deputy Chair, retired 31 December 2017)
M Barker* (retired 31 December 2017)
T C Coulthard (retired 31 December 2017)
L M Loan* (retired 31 December 2017)
S A M Paul* (retired 31 December 2017)
C I Waye (retired 31 December 2017)
A L Wilton (retired 31 December 2017)
B M Patterson (deputy member, retired 31 December 2017)

Department for Environment and Water
Notes to and forming part of the financial statements
for the year ended 30 June 2018

4 Remuneration of board and committee members (continued)

Arabana Parks Advisory Committee

F J Gill* (Chair)
F J Singer (Deputy Chair)
K J Blaylock*
E J Bravington*
K Buzzacott
R Dodd (deputy member)
T B Gotch*
D A Leek*

Witjira National Park Board of Management

G A Pelton* (Chair)
M R Ah Chee (Deputy Chair)
A Ah Chee
V T N Fuschtei
A B Magor*
R Tjami
K A Villiers*

Ngaut Ngaut Conservation Park Co-Management Board

I M Campbell (Chair)
P G Gillen* (Deputy Chair)
I L Campbell
S T Dominelli*
A B Hunter (deputy member)
C M Hutchinson
J Tesoriero*

Vulkathunha-Gammon Ranges National Park Cooperative Management Committee

P J McKenzie (Chair, retired 6 November 2017)
S A M Paul* (Deputy Chair, retired 6 November 2017)
M F G Anderson (retired 6 November 2017)
J M Coulthard (retired 6 November 2017)
K Johnson (retired 6 November 2017)
L M Loan* (retired 6 November 2017)
T L Naismith* (retired 6 November 2017)
M Toscano* (retired 6 November 2017)

YYP A Committee Coongie Lakes National Park

R Singleton* (Chair, retired 14 June 2018)
C R Allen (retired 14 June 2018)
E S Dahl* (retired 14 June 2018)
T J Elliott (retired 14 June 2018)
T J Gallo (retired 9 December 2017)
J A Gates* (retired 14 June 2018)
J L Gregg-Smith* (retired 14 June 2018)
V M Linton* (retired 14 June 2018)
L J Nicholls (deputy member, retired 14 June 2018)

Premier's Climate Change Council

B J Carter (Chair, appointed 18 July 2017)
A S Ferguson (appointed 18 July 2017)
N M Halsey (appointed 18 July 2017)
J K O'Brien (appointed 18 July 2017, retired 27 April 2018)
J A Paradiso (appointed 18 July 2017)
J B Scales (appointed 18 July 2017, retired 27 April 2018)
A M Stock (appointed 18 July 2017)
S M J Verschoor (appointed 18 July 2017)
C N Wilkins (appointed 18 July 2017)
C Woolford (appointed 18 July 2017)

South Australian Heritage Council

J M Carr (Chair, retired 1 April 2018)
K A Conlon (Chair, appointed 2 April 2018)
S L Beazley (retired 1 April 2018)
M J H Constantine (appointed 16 April 2018)
R T Donaldson (retired 24 October 2017)
J D Ferguson (appointed 2 April 2018)
G W M Hobbs (retired 1 April 2018)
G J Leydon (retired 1 April 2018)
D M Lindsay (retired 1 April 2018)
A G Mackinnon
K McDougall (appointed 2 April 2018)
M J Rolfe (appointed 16 April 2018)
J Schulz
D J Stevenson (appointed 16 April 2018)
R J Taylor (appointed 2 April 2018)
C A Wigg (retired 1 April 2018)
A Ben Kahn (Acting Member)

Kangaroo Management Reference Group

Q L B Agius
T Ackland (deputy member)
R Borda
N D De Preu
A Freebairn*
A G Lewis
J H Neal
G W Tansell
R M Warwick (deputy member)
S L Williams
M L Winen (deputy member)

Department for Environment and Water
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4 Remuneration of board and committee members (continued)

Nullarbor Wilderness Protection Area Co-Management

Advisory Committee

C Lawrie (Chair)
M J Ward* (Deputy Chair)
M J Anderson*
M Clements (deputy member)
S F Keen* (retired 3 August 2017)
K Kerdel*
V Lawrie (deputy member)
D Miller
N Miller (deputy member)
J Peel (retired 30 November 2017)
P J Richter*

Yumbarra Conservation Park Co-management Board

M J Ward* (Chair)
L G Miller (Deputy Chair)
M J Anderson*
S R Haseldine
S F Keen* (retired 03 August 2017)
W Miller
W Newchurch (deputy member)
P J Richter*
E Roberts

DEW Risk Management and Audit Committee

J C Grant* (Chair)
A D Copus*
P Martin
R Parker-Benton* (retired 4 August 2017)
S Spadavecchia
A Swanson*
M Swart*

Parks and Wilderness Council

A McEwen (Presiding Member)
M I Bossley
G M Coulthard*
C B Daniels
E J Forster
K James
W R McIntosh
W D F MacKenzie

Pastoral Board

G D Mills (Presiding member)
A L Barclay*
K J Bellette (retired 31 March 2018)
M A Fennell
G R Johnston (deputy member, retired 20 February 2018)
K L Slade
A K Tschirner
J Treloar (deputy member)

* In accordance with the Premier and Cabinet's Circular Number 16, government employees did not receive any remuneration for board/committee duties during the financial year. Unless otherwise disclosed, transactions between members and DEW are on conditions no more favourable than those that it is reasonable to expect DEW would have adopted if dealing with the related party at arm's length in the same circumstances.

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

| | 2018 | 2017 |
|--------------------------------|-------------|-------------|
| \$0 - \$9 999 | 120 | 130 |
| \$10 000 - \$19 999 | 11 | 8 |
| \$30 000 - \$39 999 | 1 | - |
| Total number of members | 132 | 138 |

Individuals may be members of more than one Board, Committee or Group associated with DEW.

Department for Environment and Water
Notes to and forming part of the financial statements
for the year ended 30 June 2018

4 Remuneration of board and committee members (continued)

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees and super contributions, salary sacrifice benefits and fringe benefits tax paid or payable in respect of those benefits. The total remuneration received or receivable by members was \$267 000 (2017: \$194 000).

For the purposes of this table, travel allowances and other out-of-pocket expenses paid to members have not been included as remuneration as it is considered to be reimbursement of direct out-of-pocket expenses incurred by relevant members.

5 Supplies and services

| | 2018 | 2017 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Fee for service | 12 985 | 19 765 |
| Accommodation and property management | 12 480 | 14 011 |
| General administration | 10 355 | 12 341 |
| Information technology & communication | 9 730 | 9 758 |
| Minor works, maintenance & equipment | 4 780 | 10 285 |
| Vehicle and aircraft | 4 707 | 4 710 |
| Sand replenishment | 4 705 | 6 087 |
| Bore drilling services | 2 158 | 4 299 |
| Contractors | 1 843 | 1 789 |
| Travel and accommodation | 1 629 | 1 961 |
| Cost of goods sold | 1 466 | 1 553 |
| Staff development | 1 304 | 1 482 |
| Scientific and technical services | 576 | 307 |
| Transportation | 382 | 459 |
| Monitoring fees | 205 | 245 |
| Consultants | 175 | 282 |
| Other | 3 871 | 4 099 |
| Total supplies and services | 73 351 | 93 433 |

Operating leases

Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. The straight-line basis is representative of the pattern of benefits derived from the leased assets.

Consultants

The number and dollar amount of consultancies paid/payable (included in supplies and services expenses) fell within the following bands:

| | 2018 | 2018 | 2017 | 2017 |
|--|---------------|---------------|---------------|---------------|
| | Number | \$'000 | Number | \$'000 |
| Below \$10 000 | 4 | 13 | 8 | 41 |
| \$10 000 or above | 3 | 162 | 8 | 241 |
| Total paid / payable to the consultants engaged | 7 | 175 | 16 | 282 |

Department for Environment and Water
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6 Grants and subsidies

| | 2018 | 2017 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Murray Darling Basin Authority | 22 784 | 19 444 |
| Goyder Institute | 2 000 | 2 000 |
| South East Confined Aquifer Well Rehabilitation | 1 109 | - |
| Administration of the <i>Animal Welfare Act 1985</i> | 1 104 | 1 077 |
| Marine parks | 641 | 780 |
| Coorong, Lower Lakes and Murray Mouth - Long Term Plan | 344 | 1 219 |
| Building upgrade finance | 275 | 885 |
| Nilpena Station Ediacaran Fossil site | - | 1 730 |
| Other | 6 116 | 4 819 |
| Total grants and subsidies | 34 373 | 31 954 |

Grants and subsidies paid / payable to entities within the SA Government

| | 2018 | 2017 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Marine parks | - | 300 |
| Other | 1 194 | 410 |
| Total grants and subsidies - SA Government entities | 1 194 | 710 |

7 Depreciation and amortisation

| | 2018 | 2017 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Depreciation | | |
| Buildings and improvements | 3 341 | 4 935 |
| Park infrastructure | 2 379 | 3 896 |
| Roads, tracks and trails | 4 368 | 5 636 |
| Groundwater monitoring wells | 4 288 | 2 271 |
| Salinity disposal schemes | 440 | 445 |
| Patawalonga seawater circulation and Barcoo outlet | 590 | 610 |
| Sand pumping infrastructure | 1 006 | 1 006 |
| Surface water monitoring network | 170 | 157 |
| Waste disposal stations | 170 | 168 |
| Regulators and embankments | 1 431 | 1 272 |
| Plant and equipment | 2 827 | 2 442 |
| Leasehold improvements | 1 788 | 1 788 |
| Other | 18 | 18 |
| Total depreciation | 22 816 | 24 644 |
| Amortisation | | |
| Application software - internally generated | 580 | 555 |
| Application software - externally purchased | 146 | 260 |
| Other - war services leases | 22 | 22 |
| Total amortisation | 748 | 837 |
| Total depreciation and amortisation | 23 564 | 25 481 |

Department for Environment and Water
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7 Depreciation and amortisation (continued)

All non-current assets, having a limited useful life, are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential. Amortisation is used in relation to intangible assets such as computer software, while depreciation is applied to tangible assets such as property, plant and equipment.

Land is not depreciated.

Useful life

Depreciation/amortisation is calculated on a straight line basis over the estimated useful life of the following classes of assets as follows:

| Class of asset | Useful life (years) |
|--|----------------------------|
| <i>Property, plant and equipment</i> | |
| Buildings and improvements | 5-150 |
| Groundwater monitoring wells | 48 |
| Regulators and embankments | 10-200 |
| Park infrastructure | 3-120 |
| Patawalonga seawater circulation and Barcoo Outlet | 6-99 |
| Plant and equipment | 3-40 |
| Roads, tracks and trails | 4-50 |
| Salinity disposal schemes | 15-99 |
| Surface water monitoring network | 40-80 |
| Waste disposal stations | 50 |
| Sand pumping infrastructure | 10-50 |
| Leasehold improvements | 12 |
| Other | 45-60 |
| <i>Intangible assets</i> | |
| Externally acquired | 3-10 |
| Internally acquired | 3-12 |
| War services leases | 44 |

Revision of accounting estimates

Assets' residual values, useful lives and amortisation methods are reviewed and adjusted if appropriate, on an annual basis. Changes in the expected useful 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, which is a change in accounting estimate.

DEW altered the useful lives of various assets in accordance with normal periodic assessment procedures. In accordance with AASB108 *Accounting Policies, Changes in Accounting Estimates and Errors*, the resulting adjustments have been applied prospectively in the current year.

DEW assessed the impacts of the revised useful lives and deemed that whilst the expected pattern of consumption of the future economic benefits embodied in relevant depreciable assets will impact on the depreciation expense for the current period and for each future period during the asset's remaining useful life, the revised lives had no material impact on the financial statements.

Department for Environment and Water
Notes to and forming part of the financial statements
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8 Net gain / (loss) from disposal of non-current assets

| | 2018 \$'000 | 2017 \$'000 |
|--|----------------|----------------|
| Plant and equipment | | |
| Proceeds from disposal | 16 | 34 |
| Less net book value of assets disposed | (51) | (17) |
| Net (loss) / gain from disposal of plant and equipment | (35) | 17 |
| | | |
| Total assets | | |
| Proceeds from disposal | 16 | 34 |
| Less net book value of assets disposed | (51) | (17) |
| Total net (loss) / gain from disposal of non-current assets | (35) | 17 |

Gains/losses on disposal are recognised at the date control of the asset is passed to the buyer and are determined after deducting the cost of the asset from the proceeds at that time. When revalued assets are sold, the revaluation surplus is transferred to retained earnings.

9 Other expenses

| | 2018 \$'000 | 2017 \$'000 |
|--|----------------|----------------|
| Settlement of legal claims | 3 100 | - |
| Capital project costs not capitalised | 1 313 | 1 325 |
| Assets transferred for nil consideration *** | 1 306 | 7 692 |
| Audit fees * | 506 | 489 |
| Property, plant and equipment write-offs | 215 | 2 130 |
| Intangible asset write-offs | 88 | - |
| Bad and doubtful debts | 72 | 592 |
| Impairment loss | - | 862 |
| Movement in Inventory | (72) | (133) |
| Reversal of impairment loss ** | (329) | - |
| Other | 1 | 1 |
| Total other expenses | 6 200 | 12 958 |

* Audit fees paid/payable to the Auditor-General's Department relating to work performed under the *Public Finance and Audit Act 1987* were \$0.425 million (2017: \$0.415 million). No other services were provided by the Auditor-General's Department

** DEW recognised the reversal of prior-year asset impairments in the current reporting period. A reversal of \$0.282 million reinstated the value of an Intangible asset (water licence) to the asset's initial cost. Refer to note 23 for further details of this item. A reversal of \$0.047 million reinstated the value of a Buildings and improvement asset to the asset's fair value. Refer to note 22 for further details of this item.

Department for Environment and Water
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9 Other expenses (continued)

***** Assets transferred free of charge**

During the current year, assets to the value of \$0.588 million (2017: \$1.379 million) were transferred to the Board of the Botanic Gardens and State Herbarium, assets to the value of \$0.600 million (2017: \$0.706 million) were transferred to DEW Administered items (Crown Lands), and assets to the value of \$0.118 million were transferred to the District Council of Loxton Waikerie. The prior year included assets to the value of \$3.014 million transferred to the Renmark Paringa Council and assets to the value of \$2.593 million transferred to Pastoralists in the Great Artesian Basin region free of charge.

| | 2018 | 2017 |
|--|--------------|--------------|
| | \$'000 | \$'000 |
| Land | 600 | 706 |
| Buildings and improvements | 145 | 1 346 |
| Park infrastructure | 368 | - |
| Regulators and embankments | 118 | - |
| Roads, tracks and trails | - | 3 014 |
| Plant and equipment | 75 | 33 |
| Groundwater monitoring wells | - | 2 593 |
| Total assets transferred free of charge | 1 306 | 7 692 |

10 Revenues from fees and charges

| | 2018 | 2017 |
|---|----------------|---------------|
| | \$'000 | \$'000 |
| NRM Board salary recovery | 31 238 | 30 040 |
| Sale of support services | 20 182 | 18 804 |
| Service recoveries | 18 444 | 17 995 |
| Admissions and guided tours | 9 682 | 9 283 |
| Sale of professional services | 8 095 | 5 725 |
| Property rental and related income | 6 013 | 5 857 |
| Sale of goods | 4 041 | 3 991 |
| Fees, levies and licences | 2 472 | 2 622 |
| Other salary recoveries | 1 558 | 1 828 |
| Sale of spatial information | 915 | 783 |
| Sale of freehold titles | 83 | 222 |
| Taxation revenue - River Murray rehabilitation Levy | 45 | 286 |
| Total revenues from fees and charges | 102 768 | 97 436 |

Revenues from fees and charges are derived from the provision of goods and services to other SA Government agencies and to the public. This revenue is recognised upon delivery of the service to the clients or by reference to the stage of completion.

NRM board salary recovery relates to salary recoups for DEW employees providing services to the NRM Boards. Sale of support services predominantly includes revenue received for work undertaken by DEW on behalf of other entities as well as the recovery of costs previously expensed. Service recoveries relate to water planning management cost recoveries from SA Water and the sale of professional services includes professional advice as well as fees received from providing camping and accommodation facilities. Property rental and related income includes revenue from pastoral leases, irrigation licences, reimbursement of property related expenses and income from shack rentals.

Department for Environment and Water
Notes to and forming part of the financial statements
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11 Grant revenues

| | 2018 | 2017 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Grant revenues from the Commonwealth | | |
| SA Riverland Floodplain Infrastructure Program | 36 500 | 15 000 |
| Coorong, Lower Lakes and Murray Mouth - Long Term Plan | 18 823 | 14 413 |
| Murray Futures - Riverine Recovery | 15 303 | 584 |
| Flows for the future | 6 700 | 1 800 |
| Implementing the Murray Darling Basin reform | 1 486 | 1 486 |
| The Living Murray - Chowilla | 1 015 | 1 002 |
| The Living Murray - Lower Lakes, Coorong and Murray Mouth | 834 | 828 |
| Tourism Demand Driver Infrastructure | 539 | 739 |
| Great Artesian Basin Sustainability Initiative | - | 4 281 |
| SA State Priority Project Design Funding | - | 713 |
| National Bushfire Mitigation Program | - | 449 |
| Nature Links | - | 364 |
| Other | 378 | 115 |
| Total grant revenues from the Commonwealth | 81 578 | 41 774 |
| | | |
| Grant revenues from SA Government | | |
| Community Emergency Services Funding | 2 908 | 3 194 |
| Adelaide Living Beaches strategy | 2 721 | 2 655 |
| Carbon Neutral Adelaide | 1 042 | 518 |
| Compliance and Monitoring | 742 | 781 |
| Botanic Gardens - Aquifer Storage and Recovery | 655 | 655 |
| Water Industry Act | 170 | 165 |
| Highbury Aqueduct fire prevention | - | 375 |
| Other | 4 639 | 5 110 |
| Total grant revenues from SA Government | 12 877 | 13 453 |
| | | |
| Grant revenues from private industry and local government | | |
| Implementing the Limestone Coast and Coorong Coastal Action Plan | - | 486 |
| Other | 2 614 | 3 056 |
| Total grant revenues from private industry and local government | 2 614 | 3 542 |
| | | |
| Total grant revenues | 97 069 | 58 769 |

Contributions are recognised as an asset and income when DEW obtains control of the contributions or obtains the right to receive the contributions and the income recognition criteria are met (that is the amount can be reliably measured and the flow of resources is probable).

Generally, DEW has obtained control or the right to receive:

- contributions with unconditional stipulations – this will be when the agreement becomes enforceable; that is the earlier of when the receiving entity has formally been advised that the contribution (for example, grant application) has been approved; agreement/contract is executed; and/or the contribution is received
- contributions with conditional stipulations – that is when the enforceable stipulations specified in the agreement occur or are satisfied; that is income would be recognised for contributions received or receivable under the agreement.

Department for Environment and Water
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11 Grant revenues (continued)

Contributions with conditions of expenditure

DEW received grants from various funding sources, expressly for the purposes of undertaking specific projects. As at 30 June 2018 \$86.351 million (2017: \$76.509 million) of grants, which have been recognised as revenues in the Statement of Comprehensive Income, are yet to be spent in the manner specified by the contributors.

12 Interest revenues

| | 2018 | 2017 |
|--------------------------------|------------|------------|
| | \$'000 | \$'000 |
| Interest | 769 | 672 |
| Total interest revenues | 769 | 672 |

13 Resources received free of charge

| | 2018 | 2017 |
|---|---------------|----------|
| | \$'000 | \$'000 |
| Assets received free of charge | 15 379 | - |
| Services received free of charge - Shared Services SA | 4 381 | - |
| Total resources received free of charge | 19 760 | - |

Assets received free of charge in 2017-18 comprised \$12.490 million transferred from DEW Administered Items (Crown lands) following the proclamation of new parks and additions to existing parks and reserves; land valued at \$2.680 million was transferred from Forestry SA; other \$0.209 million.

On the 21 November 2016, approval was given by Cabinet to cease the intra-government charging model for services provided by Shared Services SA (SSSA) to general government sector agencies. As a result of this change, effective from 2017-18, SSSA is directly appropriation funded for the services provided by SSSA to general government agencies.

Under AASB 1004 *Contributions*, the contribution of services provided by SSSA to government agencies are disclosed in the financial statements as income because the fair value of the services can be reliably measured and the services would have been purchased if they had not been donated. A corresponding expense is recognised in the financial statements.

14 Other income

| | 2018 | 2017 |
|---|--------------|--------------|
| | \$'000 | \$'000 |
| Water sales | 573 | 1 540 |
| Sponsorships, donations, commissions and bequests | 570 | 117 |
| Salaries and wages recoveries | 64 | 88 |
| Insurance recoveries | 689 | 34 |
| Other sundry revenue | 175 | 436 |
| Total other income | 2 071 | 2 215 |

Other Income is recognised when earned or recovered and is measured at the fair value of the consideration received or receivable.

Department for Environment and Water
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15 Revenue from / (payments to) SA Government

| | 2018 | 2017 |
|--|----------------|----------------|
| | \$'000 | \$'000 |
| Revenues from SA Government | | |
| Appropriations from Consolidated Account pursuant to the Appropriation Act | 153 699 | 144 698 |
| Appropriations from contingency funds | 3 204 | 4 288 |
| Total revenues from SA Government | 156 903 | 148 986 |
| | | |
| Payments to SA Government | | |
| Return to consolidated account | (94) | (701) |
| Return of surplus cash | - | (7 572) |
| Total payments to SA Government | (94) | (8 273) |
| | | |
| Net revenues from SA Government | 156 809 | 140 713 |

Appropriations are recognised as revenues when DEW obtains control over the funding. Control over appropriations is normally obtained upon receipt.

Where money has been appropriated in the form of an equity contribution, the Treasurer has acquired a financial interest in the net assets of DEW and the appropriation is recorded as contributed capital.

Total revenues from government consist of \$146.628 million (2017: \$138.526 million) for operational funding and \$10.275 million (2017: \$10.460 million) for capital projects.

16 Cash and cash equivalents

| | 2018 | 2017 |
|--|----------------|----------------|
| | \$'000 | \$'000 |
| Deposits with the Treasurer | 183 397 | 144 150 |
| Cash on hand/imprest account | 172 | 179 |
| Total cash and cash equivalents | 183 569 | 144 329 |

Cash is measured at nominal amounts.

Deposits with the Treasurer

DEW has two deposit accounts with the Treasurer, a General Operating Account and an Accrual Appropriation Excess Funds Account. Although DEW controls the money in the Accrual Appropriation Excess Funds Account its use must be approved by the Treasurer.

Department for Environment and Water
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17 Receivables

| | 2018 | 2017 |
|--------------------------------------|-----------------------------|-----------------------------|
| | \$'000 | \$'000 |
| Current | | |
| Receivables | 8 604 | 10 282 |
| Less allowance for doubtful debts | (785) | (738) |
| | <u>7 819</u> | <u>9 544</u> |
| Accrued revenues | 77 | 55 |
| GST input tax recoverable | 4 557 | 4 741 |
| Workers' compensation recoveries | 18 | 5 |
| Total current receivables | <u>12 471</u> | <u>14 345</u> |
| Non-current | | |
| Workers' compensation recoveries | 19 | 33 |
| Total non-current receivables | <u>19</u> | <u>33</u> |
| Total receivables | <u><u>12 490</u></u> | <u><u>14 378</u></u> |

Error correction

An error correction of \$85 000 has been disclosed in the Statement of Changes in Equity in respect of the 2016-17 financial year. The error correction has been retrospectively restated in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, and comprises a net increase to receivables held as at 1 July 2016. The impact of the correction was an increase of \$85 000 in retained earnings and \$85 000 increase in receivables.

Movement in the allowance for doubtful debts

The allowance for doubtful debts (allowance for impairment loss) is recognised when there is objective evidence (that is, calculated on past experience and current and expected changes in client credit rating) that a receivable is impaired.

An allowance for impairment loss has been recognised in other expenses for specific debtors and debtors assessed on a collective basis for which such evidence exists.

| | 2018 | 2017 |
|---|-------------------|-------------------|
| | \$'000 | \$'000 |
| Carrying amount at the beginning of the period | 738 | 489 |
| Increase/(decrease) in the allowance | 47 | 249 |
| Carrying amount at the end of the period | <u>785</u> | <u>738</u> |

Interest rate and credit risk

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. Receivables and accrued revenues are non-interest bearing.

Collectability of receivables is reviewed on an ongoing basis. An allowance for doubtful debts is raised when there is objective evidence that DEW will not be able to collect the debt. Other than as recognised in the allowance for doubtful debts, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

Refer to note 34 for further information on risk management.

Department for Environment and Water
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18 Inventories

| | 2018 \$'000 | 2017 \$'000 |
|--|----------------|----------------|
| Inventories held for distribution at no or nominal amount | | |
| Inventories held for distribution - at cost | 665 | 632 |
| Total inventories held for distribution at no or nominal amount | 665 | 632 |
| Inventories held for resale - at cost | | |
| Finished goods held for resale - at cost | 1 444 | 1 471 |
| Total inventories held for resale - at cost | 1 444 | 1 471 |
| Total inventories | 2 109 | 2 103 |

Inventories include goods held either for sale or distribution at no or nominal cost in the ordinary course of business.

Inventories held for distribution at no or nominal consideration, are measured at cost and adjusted when applicable for any loss of service potential. Inventories held for sale are measured at the lower of cost or their net realisable value.

Bases used in assessing loss of service potential for inventory held for distribution at no or minimal cost include current replacement cost and technological or functional obsolescence.

Cost for all other inventory is measured on the basis of the first-in, first-out method. Net realisable value is determined using the estimated sales proceeds less costs incurred in marketing, selling and distribution to customers.

The amount of any inventory write-down to net realisable value/replacement cost or inventory losses are recognised in the Statement of Comprehensive Income as an expense in the period the write-down or loss occurred.

Error correction

An error correction of \$0.464 million has been disclosed in the Statement of Changes in Equity in respect of the 2016-17 financial year. The error correction has been retrospectively restated in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, and comprises a net decrease to inventories held as at 30 June 2017, and a decrease of \$0.464 million to total equity. The error correction related to an overstatement to the finished goods held for resale at 30 June 2017.

19 Other assets

| | 2018 \$'000 | 2017 \$'000 |
|-----------------------------------|----------------|----------------|
| Current | | |
| Prepaid supplies and services | 1 018 | 1 094 |
| Other | 1 | 1 |
| Total current other assets | 1 019 | 1 095 |
| Total other assets | 1 019 | 1 095 |

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20 Other financial assets

| | 2018 \$'000 | 2017 \$'000 |
|---|----------------|----------------|
| Non-current | | |
| Equity in unlisted entities | 3 | 3 |
| Total non-current other financial assets | <u>3</u> | <u>3</u> |
| Total other financial assets | <u>3</u> | <u>3</u> |

21 Non-current assets

Revaluation

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 million and estimated useful life is greater than three years.

DEW revalues its land, buildings and improvements, and other infrastructure assets via a Certified Practising Valuer or internal estimates based on indices or recent transactions. A valuation appraisal by a Certified Practising Valuer is performed at least every six years.

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.

Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation, when they are revalued to fair value.

For all property, plant and equipment assets that have been subject to an independent revaluation both the replacement cost and the associated accumulated depreciation have been presented on a gross basis.

Upon disposal or derecognition, any revaluation surplus relating to that asset is transferred to retained earnings.

Department for Environment and Water
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22 Property, plant and equipment

| | 2018 \$'000 | 2017 \$'000 |
|---|----------------|----------------|
| Land | | |
| Land at fair value ⁽ⁱ⁾ | 301 414 | 267 195 |
| Total land | 301 414 | 267 195 |
| Buildings and improvements | | |
| Buildings and improvements at fair value ⁽ⁱ⁾ | 195 677 | 194 181 |
| Buildings and improvements at cost (deemed fair value) ⁽ⁱⁱ⁾ | 4 004 | 2 542 |
| Accumulated depreciation | (134 855) | (131 809) |
| Total buildings and improvements | 64 826 | 64 914 |
| Park infrastructure | | |
| Park infrastructure at fair value ⁽ⁱ⁾ | 211 600 | 208 226 |
| Park infrastructure at cost (deemed fair value) ⁽ⁱⁱ⁾ | 5 906 | 8 704 |
| Accumulated depreciation | (193 334) | (191 202) |
| Total park infrastructure | 24 172 | 25 728 |
| Roads, tracks and trails | | |
| Roads, tracks and trails at fair value ⁽ⁱ⁾ | 230 238 | 228 014 |
| Roads, tracks and trails at cost (deemed fair value) ⁽ⁱⁱ⁾ | 21 497 | 10 545 |
| Accumulated depreciation | (220 062) | (215 236) |
| Total roads, tracks and trails | 31 673 | 23 323 |
| Groundwater monitoring wells | | |
| Ground monitoring wells at fair value ⁽ⁱ⁾ | 223 231 | 223 231 |
| Accumulated depreciation | (151 406) | (147 118) |
| Total groundwater monitoring wells | 71 825 | 76 113 |
| Salinity disposal schemes | | |
| Salinity disposal schemes at fair value ⁽ⁱ⁾ | 43 068 | 43 067 |
| Accumulated depreciation | (13 943) | (13 502) |
| Total salinity disposal schemes | 29 125 | 29 565 |
| Patawalonga seawater circulation and Barcoo outlet | | |
| Patawalonga seawater circulation and Barcoo outlet at fair value ⁽ⁱ⁾ | 45 451 | 45 452 |
| Accumulated depreciation | (15 882) | (15 293) |
| Total Patawalonga seawater circulation and Barcoo outlet | 29 569 | 30 159 |
| Sand pumping infrastructure | | |
| Sand pumping infrastructure at fair value ⁽ⁱ⁾ | 23 116 | - |
| Sand pumping infrastructure at cost (deemed fair value) ⁽ⁱⁱ⁾ | - | 20 544 |
| Accumulated depreciation | (5 050) | (4 443) |
| Total sand pumping infrastructure | 18 066 | 16 101 |

Department for Environment and Water
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22 Property, plant and equipment (continued)

| | 2018 | 2017 |
|--|----------------|----------------|
| | \$'000 | \$'000 |
| Surface water monitoring network | | |
| Surface water monitoring network at fair value ⁽ⁱ⁾ | 12 747 | 12 622 |
| Accumulated depreciation | (5 660) | (5 490) |
| Total surface water monitoring network | 7 087 | 7 132 |
| Waste disposal stations | | |
| Waste disposal stations at fair value ⁽ⁱ⁾ | 14 767 | 6 839 |
| Waste disposal stations at cost ⁽ⁱⁱ⁾ | - | 1 532 |
| Accumulated depreciation | (5 119) | (2 205) |
| Total waste disposal stations | 9 648 | 6 166 |
| Regulators and embankments | | |
| Regulators and embankments at fair value ⁽ⁱ⁾ | 83 787 | 20 559 |
| Regulators and embankments at cost (deemed fair value) ⁽ⁱⁱ⁾ | - | 17 469 |
| Accumulated depreciation | (31 352) | (16 782) |
| Total regulators and embankments | 52 435 | 21 246 |
| Plant and equipment | | |
| Plant and equipment at cost (deemed fair value) ⁽ⁱⁱⁱ⁾ | 38 971 | 35 335 |
| Accumulated depreciation | (23 403) | (21 092) |
| Total plant and equipment | 15 568 | 14 243 |
| Leasehold improvements | | |
| Leasehold improvements at cost (deemed fair value) ⁽ⁱⁱⁱ⁾ | 21 459 | 21 459 |
| Accumulated depreciation | (3 874) | (2 086) |
| Total leasehold improvements | 17 585 | 19 373 |
| Other | | |
| Other at cost (deemed fair value) ⁽ⁱⁱⁱ⁾ | 1 867 | 1 867 |
| Accumulated depreciation | (704) | (686) |
| Total other | 1 163 | 1 181 |
| Capital works in progress | | |
| Capital works in progress | 65 724 | 33 215 |
| Total capital works in progress | 65 724 | 33 215 |
| Total property, plant and equipment | 739 880 | 635 654 |

Carrying amounts of property, plant and equipment

Department for Environment and Water
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22 Property, plant and equipment (continued)

Acquisition and recognition

Non-current assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental cost involved with the acquisition. Non-current assets are subsequently measured at fair value after allowing for accumulated depreciation.

Where assets are acquired at no value, or minimal value, they are recorded at fair value in the Statement of Financial Position. However, if the assets are acquired at no or nominal value as part of a restructure of administrative arrangements then the assets are recognised at book value; that is the amount recorded by the transferor public authority immediately prior to the restructure.

All non-current tangible assets with a value of \$10 000 or greater are capitalised.

Minor assets with an individual value of less than \$10 000 are expensed in the Statement of Comprehensive Income at the time of acquisition, with the exception of Groundwater Monitoring Wells due to the significant number and long useful lives of the assets contained within this class. All assets for this class have been recognised in the Statement of Financial Position regardless of their initial cost of acquisition.

Componentisation of complex assets is only performed when the complex asset's fair value at the time of acquisition is equal to or in excess of \$5 million for infrastructure assets and \$1 million for other assets.

Classes of property, plant and equipment are valued as follows:

(i) Independent valuation

Generic assets are valued using the Data Dictionary model. Unique assets are items which cannot be categorised within the standard Data Dictionary groups. These assets are valued separately by independent professional valuers. Refer to 'Asset revaluations' section below for further details.

(ii) At cost (acquisition cost)

This class includes one or more items that have an acquisition cost exceeding \$1 million. All assets within this class are temporarily held at cost pending revaluation.

(iii) At cost (deemed fair value)

These assets have an acquisition cost below \$1 million or have an estimated useful life of less than three years, and have not been revalued in accordance with APF III and are deemed to approximate fair value. These assets are classified in level 3 as there has been no subsequent adjustments to their value, except for management assumptions about the assets condition and remaining useful life.

Asset revaluations

Independent valuations were performed of the following asset classes during the reporting period:

- sand pumping infrastructure
- waste disposal stations
- regulators and embankments

Specific details relating to the revalued asset classes follow:

DEW's Sand pumping infrastructure assets were revalued as at 30 June 2018. The independent valuation also included a review of the asset's useful lives. Whilst some changes to useful lives were adopted per the valuer's recommendations, the impacts to the financial statements were not considered material. The Chief Valuer was Mr S O'Leary of Jones Lang LaSalle IP Inc (JLL).

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22 Property, plant and equipment

Asset revaluations (continued)

As there is no active market for sand pumping infrastructure networks, the asset's fair value was determined by using the cost approach to establish the current gross replacement cost to construct a modern equivalent asset. Current replacement costs were sourced from the department's costings, market related evidence, construction costing publications and internal rates developed by JLL in house quantity surveyors. All replacement costs were based on modern equivalent assets and included all costs directly attributable to bringing the asset to working condition for its intended use including survey and design, materials, labour rates, project overheads, site establishment and professional fees. In determining the modern equivalent asset, consideration was given to contemporary design, materials and construction techniques and the required utility from the asset (excluding betterment). The application of the valuation undertaken resulted in the classification of this asset into level 3 as the measurements/ outputs were deemed unobservable.

DEW's Waste disposal station assets were revalued as at 30 June 2018. The independent valuation also included a review of the asset's useful lives, although these warranted no adjustments. The revaluation was undertaken by Certified Practising Valuer, Mr F Taormina, B.App.Sc (Val), AAPI, of Valcorp Australia Pty Ltd.

As there is no active market for Waste disposal station assets, the asset's fair value was determined by assessing the optimised replacement cost, and gathering and applying market evidence of material supply and construction costs for the major component relevant to each asset (for example, pontoons, land-based control structures, instrument housing and instrumentation), tender and contract administration, supervision and inspection. Significant assumptions underpinning the valuation are:

- the valuation was based on available asset information, underpinned by a high degree of familiarity from previous physical inspections of a sample of assets
- valuation estimates based on current practices in design and construction; future asset replacements may vary in their application of design and construction techniques
- valuation estimates treat replacement of each asset as a distinct exercise
- all assets are adequately maintained as per relevant operation and maintenance standards.

The application of the valuations resulted in the classification of these assets into level 3 as the measurements/outputs were deemed unobservable.

DEW's Regulators and embankments assets were revalued as at 30 June 2018. The independent valuation also included a review of the asset's useful lives. Whilst some changes to useful lives were adopted per the valuer's recommendations, the impacts to the financial statements were not considered material. The Chief Valuers were Ms A Carolan, FAPI and Mr L Mapanzure, AAPI of Public Private Property Pty Ltd.

As there is no active market for regulators and embankments, the asset's fair value was determined by using the cost approach to establish the current gross replacement cost to construct a modern equivalent asset. Current replacement costs were sourced from the department's costings, market related evidence, and current construction costing publications as adopted across the valuation industry. All replacement costs were based on modern equivalent assets and included all costs directly attributable to bringing the asset to working condition for its intended use including survey and design, materials, labour rates, project overheads, site establishment and professional fees. The application of the valuation undertaken resulted in the classification of this asset into level 3 as the measurements/ outputs were deemed unobservable.

Department for Environment and Water
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22 Property, plant and equipment (continued)

The following table lists details of asset classes subject to independent revaluations:

| Class of asset | Date of last independent revaluation | Name of Valuer | Fair Value Input level | Fair Value Approach |
|--|---|--|-------------------------------|----------------------------|
| Land | 1 July 2015 | State Valuation Office | 3 | Market |
| Buildings and improvements (data dictionary) | 1 July 2016 | Valcorp Aust. Pty Ltd | 3 | Cost |
| Buildings and improvements (unique assets) | 1 July 2016 | Herron Todd White and Maloney Field Services | 3 | Cost |
| Park infrastructure (data dictionary) | 1 July 2016 | Valcorp Aust. Pty Ltd | 3 | Cost |
| Park infrastructure (unique assets) | 1 July 2016 | Herron Todd White and Maloney Field Services | 3 | Cost |
| Roads, tracks and trails | 1 July 2016 | Valcorp Aust. Pty Ltd | 3 | Cost |
| Groundwater monitoring wells | 30 June 2017 | Jacobs Australia Ltd | 3 | Cost |
| Salinity disposal schemes | 1 July 2014 | Valcorp Aust. Pty Ltd | 3 | Cost |
| Patawalonga seawater circulation and Barcoo outlet | 1 July 2014 | Valcorp Aust. Pty Ltd | 3 | Cost |
| Sand pumping infrastructure | 30 June 2018 | Jones Lang LaSalle Inc. | 3 | Cost |
| Surface water monitoring network | 30 June 2017 | Valcorp Aust. Pty Ltd | 3 | Cost |
| Waste disposal stations | 30 June 2018 | Valcorp Aust. Pty Ltd | 3 | Cost |
| Regulators and embankments | 30 June 2018 | Public Private Property Pty Ltd | 3 | Cost |

Heritage assets

In accordance with APF III *Asset Accounting Framework*, heritage assets are recognised in the Statement of Financial Position as part of the aggregate value of classes of assets to which they belong. Certain heritage assets and works of art that are unique due to their historical or cultural interest are not depreciated due to their long and indeterminate useful lives. Heritage assets that provide a functional service are recorded at depreciable fair value.

Land

Land comprising National, Conservation and Recreation Parks and Wilderness Protection Areas and Reserves, generally has restrictions on use imposed by statute or regulation. These restrictions have been taken into account by the independent valuers.

DEW is also custodian of unallotted (unalienated) Crown Land, by virtue of its responsibilities under the *Crown Land Management Act 2009*. This land is considered to be an administered asset. Land dedicated to the Minister and land held by the Minister, either as freehold or reverted land is also recognised as administered land. Administered lands may be subject to third party perpetual leases and other leases and annual licenses.

Impairment

DEW holds its property, plant and equipment and intangible assets for their service potential (value in use).

All non-current tangible assets are valued at fair value. Specialised assets would rarely be sold and typically any costs of disposal would be negligible. Accordingly, the recoverable amount will be close to or greater than fair value.

DEW also expects for all other non-current tangible assets that any costs of disposal would be negligible and the recoverable amount to be close to or greater than fair value.

As at reporting date no impairment losses were recognised in the Statement of Comprehensive Income (2017: \$0.862 million, primarily relating to assets damaged in the September 2016 storms).

For revalued assets, impairment losses are initially offset against the respective revaluation surplus.

Department for Environment and Water
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22 Property, plant and equipment (continued)

Reconciliation of property, plant and equipment

| | Land \$'000 | Buildings & improvements \$'000 | Park infrastructure \$'000 | Roads, tracks & trails \$'000 | Groundwater monitoring wells \$'000 | Salinity disposal schemes \$'000 |
|--|----------------|---------------------------------------|----------------------------------|-------------------------------------|--|---|
| 2018 | | | | | | |
| Carrying amount at the beginning of the period | 267 195 | 64 914 | 25 728 | 23 323 | 76 113 | 29 565 |
| Acquisitions | 600 | - | 15 | - | - | - |
| Initial recognition | 21 729 | 111 | 741 | 1 415 | - | - |
| Transfer between classes | - | (27) | (2 263) | (270) | - | - |
| Assets received for nil consideration | 12 490 | 1 253 | 267 | 1 157 | - | - |
| Assets transferred for nil consideration | (600) | (145) | (368) | - | - | - |
| Disposals | - | - | - | - | - | - |
| Write-offs | - | (43) | (153) | (19) | - | - |
| Transfers to/(from) capital works in progress | - | 2 057 | 2 584 | 10 435 | - | - |
| Capital WIP - expensed in current period | - | - | - | - | - | - |
| Subtotal | 34 219 | 3 206 | 823 | 12 718 | - | - |
| Gains/(losses) for the period recognised in net result: | | | | | | |
| Depreciation | - | (3 341) | (2 379) | (4 368) | (4 288) | (440) |
| Reversal of impairment loss | - | 47 | - | - | - | - |
| Subtotal | - | (3 294) | (2 379) | (4 368) | (4 288) | (440) |
| Gains/(losses) for the period recognised in other comprehensive income: | | | | | | |
| Net revaluation increment/(decrement) | - | - | - | - | - | - |
| Subtotal | - | - | - | - | - | - |
| Carrying amount at the end of period | 301 414 | 64 826 | 24 172 | 31 673 | 71 825 | 29 125 |

| | Patawalonga seawater circulation \$'000 | Sand pumping infrastructure \$'000 | Surface water monitoring network \$'000 | Waste disposal stations \$'000 | Regulators and embankments \$'000 |
|--|--|--|--|---|---|
| 2018 | | | | | |
| Carrying amount at the beginning of the period | 30 159 | 16 101 | 7 132 | 6 166 | 21 246 |
| Acquisitions | - | - | - | - | - |
| Initial recognition | - | - | - | - | - |
| Transfer between classes | - | - | - | - | 2 560 |
| Assets received for nil consideration | - | - | - | - | - |
| Assets transferred for nil consideration | - | - | - | - | (118) |
| Disposals | - | - | - | - | - |
| Write-offs | - | - | - | - | - |
| Transfers to/(from) capital works in progress | - | - | 125 | - | 4 312 |
| Capital WIP - expensed in current period | - | - | - | - | - |
| Subtotal | - | - | 125 | - | 6 754 |
| Gains/(losses) for the period recognised in net result: | | | | | |
| Depreciation | (590) | (1 006) | (170) | (170) | (1 431) |
| Reversal of impairment loss | - | - | - | - | - |
| Subtotal | (590) | (1 006) | (170) | (170) | (1 431) |
| Gains/(losses) for the period recognised in other comprehensive income: | | | | | |
| Net revaluation increment/(decrement) | - | 2 971 | - | 3 652 | 25 866 |
| Subtotal | - | 2 971 | - | 3 652 | 25 866 |
| Carrying amount at the end of period | 29 569 | 18 066 | 7 087 | 9 648 | 52 435 |

Department for Environment and Water
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22 Property, plant and equipment (continued)

| | Plant & equipment \$'000 | Leasehold improvements \$'000 | Other \$'000 | Capital work in progress \$'000 | Total \$'000 |
|--|-----------------------------|----------------------------------|-----------------|------------------------------------|-----------------|
| 2018 | | | | | |
| Carrying amount at the beginning of the period | 14 243 | 19 373 | 1 181 | 33 215 | 635 654 |
| Acquisitions | 575 | - | - | 58 117 | 59 307 |
| Initial recognition | - | - | - | - | 23 996 |
| Transfer between classes | - | - | - | - | - |
| Assets received for nil consideration | 212 | - | - | - | 15 379 |
| Assets transferred for nil consideration | (75) | - | - | - | (1 306) |
| Disposals | (51) | - | - | - | (51) |
| Write-offs | - | - | - | - | (215) |
| Transfers to/(from) capital works in progress | 3 491 | - | - | (24 295) | (1 291) |
| Capital WIP - expensed in current period | - | - | - | (1 313) | (1 313) |
| Subtotal | 4 152 | - | - | 32 509 | 94 506 |
| Gains/(losses) for the period recognised in net result: | | | | | |
| Depreciation | (2 827) | (1 788) | (18) | - | (22 816) |
| Reversal of impairment loss | - | - | - | - | 47 |
| Subtotal | (2 827) | (1 788) | (18) | - | (22 769) |
| Gains/(losses) for the period recognised in other comprehensive income: | | | | | |
| Net revaluation increment/(decrement) | - | - | - | - | 32 489 |
| Subtotal | - | - | - | - | 32 489 |
| Carrying amount at the end of period | 15 568 | 17 585 | 1 163 | 65 724 | 739 880 |

| | Land \$'000 | Buildings & improvements \$'000 | Park infrastructure \$'000 | Roads, tracks & trails \$'000 | Groundwater monitoring wells \$'000 | Salinity disposal schemes \$'000 |
|--|----------------|------------------------------------|-------------------------------|----------------------------------|--|-------------------------------------|
| 2017 | | | | | | |
| Carrying amount at the beginning of the period | 267 135 | 48 404 | 36 547 | 23 367 | 44 387 | 31 262 |
| Acquisitions | 650 | 367 | 14 | 13 | - | - |
| Initial recognition | - | - | - | - | 13 363 | - |
| Transfer between classes | (590) | (143) | (12 771) | 13 | - | - |
| Assets transferred for nil consideration | (706) | (1 346) | - | (3 014) | (2 593) | - |
| Disposals | - | - | - | - | - | - |
| Write-offs | - | (186) | (260) | (10) | (99) | (1 252) |
| Transfers to/(from) capital works in progress | 706 | 3 256 | 1 716 | 6 212 | 2 831 | - |
| Impairment loss | - | (862) | - | - | - | - |
| Capital WIP - expensed in current period | - | - | - | - | - | - |
| Subtotal | 60 | 1 086 | (11 301) | 3 214 | 13 502 | (1 252) |
| Gains/(losses) for the period recognised in net result: | | | | | | |
| Depreciation | - | (4 935) | (3 896) | (5 636) | (2 271) | (445) |
| Subtotal | - | (4 935) | (3 896) | (5 636) | (2 271) | (445) |
| Gains/(losses) for the period recognised in other comprehensive income: | | | | | | |
| Net revaluation increment/(decrement) | - | 20 359 | 4 378 | 2 378 | 20 495 | - |
| Subtotal | - | 20 359 | 4 378 | 2 378 | 20 495 | - |
| Carrying amount at the end of period | 267 195 | 64 914 | 25 728 | 23 323 | 76 113 | 29 565 |

Department for Environment and Water
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22 Property, plant and equipment (continued)

| | Patawalonga seawater circulation | Sand pumping infrastructure | Surface water monitoring network | Waste disposal stations | Regulators and embankments |
|--|--|--------------------------------|--|-------------------------------|-------------------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| 2017 | | | | | |
| Carrying amount at the beginning of the period | 30 769 | 17 107 | 5 496 | 5 561 | 6 880 |
| Acquisitions | - | - | - | - | - |
| Initial recognition | - | - | - | - | - |
| Transfer between classes | - | - | - | - | 13 491 |
| Assets transferred for nil consideration | - | - | - | - | - |
| Disposals | - | - | - | - | - |
| Write-offs | - | - | - | (156) | - |
| Transfers to/(from) capital works in progress | - | - | 224 | 929 | 2 147 |
| Impairment loss | - | - | - | - | - |
| Capital WIP - expensed in current period | - | - | - | - | - |
| Subtotal | - | - | 224 | 773 | 15 638 |
| Gains/(losses) for the period recognised in net result: | | | | | |
| Depreciation | (610) | (1 006) | (157) | (168) | (1 272) |
| Subtotal | (610) | (1 006) | (157) | (168) | (1 272) |
| Gains/(losses) for the period recognised in other comprehensive income: | | | | | |
| Net revaluation increment/(decrement) | - | - | 1 569 | - | - |
| Subtotal | - | - | 1 569 | - | - |
| Carrying amount at the end of period | 30 159 | 16 101 | 7 132 | 6 166 | 21 246 |

| | Plant & equipment | Leasehold improvements | Other | Capital work in progress | Total |
|--|----------------------|---------------------------|--------------|-----------------------------|-----------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| 2017 | | | | | |
| Carrying amount at the beginning of the period | 13 871 | 21 161 | 1 199 | 22 665 | 575 811 |
| Acquisitions | 1 167 | - | - | 32 295 | 34 506 |
| Initial recognition | - | - | - | - | 13 363 |
| Transfer between classes | - | - | - | - | - |
| Assets transferred for nil consideration | (33) | - | - | - | (7 692) |
| Disposals | (17) | - | - | - | (17) |
| Write-offs | (167) | - | - | - | (2 130) |
| Transfers to/(from) capital works in progress | 1 864 | - | - | (20 420) | (535) |
| Impairment loss | - | - | - | - | (862) |
| Capital WIP - expensed in current period | - | - | - | (1 325) | (1 325) |
| Subtotal | 2 814 | - | - | 10 550 | 35 308 |
| Gains/(losses) for the period recognised in net result: | | | | | |
| Depreciation | (2 442) | (1 788) | (18) | - | (24 644) |
| Subtotal | (2 442) | (1 788) | (18) | - | (24 644) |
| Gains/(losses) for the period recognised in other comprehensive income: | | | | | |
| Net revaluation increment/(decrement) | - | - | - | - | 49 179 |
| Subtotal | - | - | - | - | 49 179 |
| Carrying amount at the end of period | 14 243 | 19 373 | 1 181 | 33 215 | 635 654 |

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22 Property, plant and equipment (continued)

Error correction

An error correction of \$0.389 million has been disclosed in the Statement of Changes in Equity in respect of the 2016-17 financial year. The error correction has been retrospectively restated in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, and comprised a net decrease (\$0.389 million) to several asset classes (buildings and improvement, park infrastructure and roads, tracks, and trails assets) as at 1 July 2016. The error correction resulted in a reduction of \$0.343 million to the asset revaluation surplus and a decrease of \$0.046 million to retained earnings. The error correction related to the late processing of an independent asset revaluation undertaken for selective assets in the State's southern geographical regions.

In addition, an error correction of \$23.996 million has been disclosed in the Statement of Changes in Equity and has been retrospectively restated as at 1 July 2017 in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The error correction resulted in a net increase of \$23.996 million to retained earnings and adjustments to the carrying values of several asset classes. The carrying value of land has been increased by \$21.729 million to recognise various land parcels gazetted as conservation parks during 2016-17. Other adjustments to the carrying values of assets related to the first time recognition of assets and other asset revisions. The impact of the adjustments were as follows: buildings and improvements (\$0.111 million increase); park infrastructure (\$0.741 million increase) and roads, tracks, and trails (\$1.415 million increase).

23 Intangible assets

| | 2018 | 2017 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Internally developed intangible assets | | |
| Computer software at cost (deemed fair value) | 13 108 | 12 169 |
| Accumulated amortisation | (11 119) | (11 135) |
| Total internally generated computer software | 1 989 | 1 034 |
| Externally acquired intangible assets | | |
| Computer software | 1 059 | 1 610 |
| Accumulated amortisation | (677) | (750) |
| Total computer software | 382 | 860 |
| Water licences | 2 610 | 2 328 |
| Total externally acquired intangible assets | 2 992 | 3 188 |
| Other | | |
| Revenue stream (War services freehold leases) - at cost (deemed fair value) | 1 000 | 1 000 |
| Accumulated amortisation | (273) | (251) |
| Total other | 727 | 749 |
| Total intangible assets | 5 708 | 4 971 |

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are measured at cost and are tested for indications of impairment at each reporting date. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. The amortisation period and the amortisation method for intangible assets is reviewed on an annual basis.

For the War Services Leases the rate of amortisation has been determined after reference to both the unexpired period of the leases and the rate of extinguishment of the leases.

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23 Intangible assets (continued)

No amortisation is applied to water entitlements (included in acquired intangible assets) as these have been assessed as having an indefinite term of future economic benefits.

The acquisition of or internal development of software is capitalised only when the expenditure meets the definition criteria (identifiability, control and the existence of future economic benefits) and recognition criteria (probability of future economic benefits and cost can be reliably measured) and when the amount of expenditure is greater than or equal to \$10 000.

All research and development costs that do not meet the capitalisation criteria outlined in AASB 138 *Intangible Assets* are expensed.

DEW recognises the following intangible assets:

Computer software

DEW has capitalised the internal development of software for the Tenements and Billing System (TABS), Water Information and Licensing and Management Application system (WILMA) and ARAMIS Solution Software. In addition, certain costs have been capitalised in respect of the Water Connect Portal (Natural Resources Management Information System) and other software specific to DEW's core activities. Some intangibles are currently included in work in progress. Externally acquired computer software relates to ARCGIS software.

Water licenses

An intangible asset for water licences has been recognised. These licences relate to environmental water holdings and are held at cost.

Revenue stream

The revenue stream relates to various property leases that were offered by the Commonwealth Government to ex-service personnel with Australian War Service history. A contract to purchase the right to this revenue stream from the Commonwealth Government by DEW was negotiated during the 2005-06 year, and is being amortised in accordance with the expected life of the revenue stream.

Department for Environment and Water
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23 Intangible assets (continued)

Intangible asset movement reconciliation schedule

| | Internally developed | Externally acquired | Revenue stream | Total |
|---|---------------------------------|--------------------------------|---------------------------|---------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| 2018 | | | | |
| Carrying amount at the beginning of the period | 1 034 | 3 188 | 749 | 4 971 |
| Transfers to/(from) capital works in progress | 1 291 | - | - | 1 291 |
| Transfers between classes | 332 | (332) | - | - |
| Write-offs | (88) | - | - | (88) |
| Amortisation | (580) | (146) | (22) | (748) |
| Reversal of impairment loss | - | 282 | - | 282 |
| Carrying amount at the end of the period | 1 989 | 2 992 | 727 | 5 708 |
| | | | | |
| | Internally developed | Externally acquired | Revenue stream | Total |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| 2017 | | | | |
| Carrying amount at the beginning of the period | 1 122 | 3 380 | 771 | 5 273 |
| Transfers to/(from) capital works in progress | 467 | 68 | - | 535 |
| Amortisation | (555) | (260) | (22) | (837) |
| Carrying amount at the end of the period | 1 034 | 3 188 | 749 | 4 971 |

Assets not recognised

Acquisition of Water Licences for Environmental Flows

While DEW recognises certain water licences controlled by the Minister for Environment and Water as intangible assets, the acquisition and/or transfer of water licences for environmental purposes linked to the provisions of Intergovernmental Agreements to which South Australia is party to is generally expensed when such expenditure is incurred.

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24 Fair value measurement

Fair value measurement

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.

DEW 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.

In determining fair value, DEW has taken into account the characteristic of the asset (for example, condition and location of the asset and any restrictions on the sale or use of the asset) and the asset's highest and best use (that is, physically possible, legally permissible, financially feasible).

DEW's current use is the highest and best use of the asset unless other factors suggest an alternative use is feasible. As DEW did not identify any factors to suggest an alternative use, fair value measurement was based on current use.

The carrying amount of non-financial assets with a fair value at the time of acquisition that was less than \$1 million or an estimated useful life that was less than three years are deemed to approximate fair value.

Refer to note 22 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

Fair value hierarchy

The fair value of non-financial assets must be estimated for recognition and measurement or for disclosure purposes. DEW categorises non-financial assets measured at fair value into hierarchy based on the level of inputs used in measurement as follows:

Fair value measurement at 30 June 2018

| | Level 3 |
|--|----------------|
| | \$'000 |
| Recurring fair value measurements | |
| Land | 301 414 |
| Buildings and improvements | 64 826 |
| Park infrastructure | 24 172 |
| Roads, tracks and trails | 31 673 |
| Groundwater monitoring wells | 71 825 |
| Salinity disposal schemes | 29 125 |
| Patawalonga seawater circulation and Barcoo outlet | 29 569 |
| Surface water monitoring network | 7 087 |
| Waste disposal stations | 9 648 |
| Regulators and embankments | 52 435 |
| Sand pumping infrastructure | 18 066 |
| Plant and equipment | 15 568 |
| Leasehold improvements | 17 585 |
| Other | 1 163 |
| Total recurring fair value measurements | 674 156 |
| Total fair value measurements | 674 156 |

Department for Environment and Water
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24 Fair value measurement (continued)

Fair value measurement at 30 June 2017

| | Level 3 |
|--|----------------|
| | \$'000 |
| Recurring fair value measurements | |
| Land | 267 195 |
| Buildings and improvements | 64 914 |
| Park infrastructure | 25 728 |
| Roads, tracks and trails | 23 323 |
| Groundwater monitoring wells | 76 113 |
| Salinity disposal schemes | 29 565 |
| Patawalonga seawater circulation and Barcoo outlet | 30 159 |
| Surface water monitoring network | 7 132 |
| Waste disposal stations | 6 166 |
| Regulators and embankments | 21 246 |
| Sand pumping infrastructure | 16 101 |
| Plant and equipment | 14 243 |
| Leasehold improvements | 19 373 |
| Other | 1 181 |
| Total recurring fair value measurements | 602 439 |
| Total fair value measurements | 602 439 |

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

DEW had no valuations categorised into level 1 or level 2 during 2017 and 2018.

Valuation techniques and inputs

Valuation techniques used to derive level 3 fair values together with the reconciliation of level 3 fair value measurements are detailed at note 22. There were no changes in valuation techniques during 2018.

Department for Environment and Water
Notes to and forming part of the financial statements
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25 Payables

| | 2018 | 2017 |
|------------------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Current | | |
| Creditors | 34 071 | 30 057 |
| Employment on-costs [^] | 3 076 | 3 135 |
| Accrued expenses | 943 | 1 030 |
| Paid Parental Leave Scheme payable | 47 | 41 |
| Total current payables | 38 137 | 34 263 |
| Non-current | | |
| Employment on-costs | 3 167 | 3 198 |
| Total non-current payables | 3 167 | 3 198 |
| Total payables | 41 304 | 37 461 |

[^] Employment on-costs include Payroll Tax, workers' compensation levies and superannuation contributions. DEW makes contributions to several State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at reporting date relates to any contributions due but not yet paid to the South Australian Superannuation Board and externally managed superannuation schemes.

As a result of an actuarial assessment performed by the Department of Treasury and Finance (DTF), the percentage of the proportion of long service leave taken as leave has changed from the 2017 rate of 40% to 41%. This rate is used in the employment on-cost calculation.

The Paid Parental Leave Scheme payable represents amounts which DEW has received from the Commonwealth Government to forward onto eligible employees via DEW's standard payroll processes. That is, DEW is acting as a conduit through which the payment to eligible employees is made on behalf of the Family Assistance Office.

Interest rate and credit risk

Payables are measured at nominal amounts. Creditors and accruals are raised for all amounts owing but unpaid. Sundry creditors are normally settled within 30 days from the date the invoice is first received. Employment on-costs are settled when the respective employee benefit that they relate to is discharged. All payables are non-interest bearing. The carrying amount of payables represents fair value due to the amounts being payable on demand.

For further information on risk management refer to note 34.

Department for Environment and Water
Notes to and forming part of the financial statements
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26 Employee benefits liability

| | 2018 | 2017 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Current | | |
| Annual leave | 9 458 | 9 712 |
| Long service leave | 3 221 | 2 530 |
| Accrued salaries and wages | 1 998 | 2 054 |
| Skills and experience retention leave | 798 | 885 |
| Total current employee benefits | 15 475 | 15 181 |
| Non-current | | |
| Long service leave | 34 572 | 34 439 |
| Total non-current employee benefits | 34 572 | 34 439 |
| Total employee benefits | 50 047 | 49 620 |

Employee benefits accrue as a result of services provided up to the reporting date that remain unpaid. Long-term employee benefits are measured at present value and short-term employee benefits are measured at nominal amounts.

Salaries and wages, annual leave, skills and experience retention and sick leave

The liability for salaries and wages is measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

The annual leave liability and the skills and experience retention and sick leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees is estimated to be less than the annual entitlement of sick leave.

Long service leave

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

AASB 119 *Employee Benefits* contains the calculation methodology for long service leave liability.

The actuarial assessment performed by the Department of Treasury and Finance (DTF) has provided a basis for the measurement of long service leave and is based on actuarial assumptions on expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities.

AASB 119 *Employee Benefits* requires the use of yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long term Commonwealth Government bonds has remained unchanged from 2017 (2.50%).

The net financial effect of the changes to actuarial assumptions in the current financial year is immaterial. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of demographical and financial assumptions - including the long-term discount rate.

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26 Employee benefits liability (continued)

The actuarial assessment performed by DTF left the salary inflation rate at 4% for long service leave liability and 3% for annual leave and skills, experience and retention leave liability. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

The unconditional portion of the long service leave provision is classified as current as DEW does not have an unconditional right to defer settlement of the liability for at least 12 months after reporting date. The unconditional portion of the long service leave relates to an unconditional legal entitlement to payment arising after 10 years of service.

27 Provisions

| | 2018 | 2017 |
|---|---------------------|---------------------|
| | \$'000 | \$'000 |
| Current | | |
| Provision for workers' compensation | 489 | 550 |
| Total current provisions | <u>489</u> | <u>550</u> |
| Non-current | | |
| Provision for workers' compensation | 725 | 1 260 |
| Total non-current provisions | <u>725</u> | <u>1 260</u> |
| Total provisions | <u><u>1 214</u></u> | <u><u>1 810</u></u> |
| Provision movement | | |
| Carrying amount at the beginning of the period | 1 810 | 2 849 |
| Reductions resulting from re-measurement or settlement without cost | (596) | (1 039) |
| Carrying amount at the end of the period | <u>1 214</u> | <u>1 810</u> |

A liability has been reported to reflect unsettled workers' compensation claims. The workers' compensation provision is based on an actuarial assessment of the outstanding liability as at 30 June 2018 provided by a consulting actuary engaged through the Office for the Public Sector (a division of the Department of the Premier and Cabinet). The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

DEW is responsible for the payment of workers' compensation claims.

28 Other liabilities

| | 2018 | 2017 |
|--|----------------------|----------------------|
| | \$'000 | \$'000 |
| Current | | |
| Lease incentive | 1 403 | 1 402 |
| Unearned revenue | 350 | 204 |
| Other | 202 | 122 |
| Total current other liabilities | <u>1 955</u> | <u>1 728</u> |
| Non-current | | |
| Lease incentive | 17 311 | 18 633 |
| Deposits held | 465 | 465 |
| Total non-current other liabilities | <u>17 776</u> | <u>19 098</u> |
| Total other liabilities | <u><u>19 731</u></u> | <u><u>20 826</u></u> |

Department for Environment and Water
Notes to and forming part of the financial statements
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28 Other liabilities (continued)

Error correction

An error correction of \$0.472 million has been disclosed in the Statement of Changes in Equity in respect of the 2016-17 financial year. The error correction has been retrospectively restated in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors, and comprises a net decrease to the lease incentive recorded as other liabilities, and an increase of \$0.472 million to total equity. The error correction related to an overstatement to the leasehold incentive liability in respect to DEW's CBD accommodation.

29 Related party transactions

Compensation of Key Management Personnel is disclosed as note 3

The Department for Environment and Water is a government administrative unit and is wholly owned and controlled by the Crown.

Related parties of DEW include all key management personnel and their close family members; all Cabinet Ministers and their close family members; and all public authorities that are controlled and consolidated into the whole of government financial statements and other interests of the Government.

Collectively, but not individually significant transactions with government related entities.

Quantitative information about transactions and balances between DEW and other SA Government controlled entities are disclosed at note 39.

Department for Environment and Water
Notes to and forming part of the financial statements
for the year ended 30 June 2018

30 Cash flow reconciliation

| | 2018 | 2017 |
|--|-----------------|------------------|
| | \$'000 | \$'000 |
| Reconciliation of cash and cash equivalents at the end of the reporting period | | |
| Cash and cash equivalents disclosed in the Statement of Financial Position | 183 569 | 144 329 |
| Balance as per the Statement of Cash Flows | 183 569 | 144 329 |
| Reconciliation of net cash provided by / (used in) operating activities to net cost of providing services | | |
| Net cash provided by/(used in) operating activities | 93 579 | 24 521 |
| Add payments to SA Government | 94 | 8 273 |
| Less revenues from SA Government | (156 903) | (148 986) |
| Add / (less) non-cash items | | |
| Depreciation and amortisation | (23 564) | (25 481) |
| Capital work-in-progress and asset write-offs | (1 616) | (3 455) |
| Impairment of non-current assets | 329 | (862) |
| Gain/(loss) on disposal of non-current assets | (35) | 17 |
| Assets transferred for nil consideration | (1 306) | (7 692) |
| Supplies and services not requiring cash | (4 381) | - |
| Resources received free of charge | 19 760 | - |
| Movement in assets and liabilities | | |
| (Decrease) in receivables | (1 888) | (3 484) |
| Increase in inventories | 6 | 144 |
| (Decrease) in other assets | (76) | (156) |
| Decrease/(increase) in payables | 1 109 | (5 429) |
| (Increase) in employee benefits | (427) | (99) |
| Decrease in provisions | 596 | 1 039 |
| Decrease in other liabilities | 1 095 | 1 478 |
| Net cost of providing services | (73 628) | (160 172) |

Department for Environment and Water
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31 Budgetary reporting and explanations of major variances between budget and actual amounts

Budget information refers to the amounts presented to Parliament in the original budgeted financial statements in respect of the reporting period (2017-18 Budget Paper 4). Budget information has been included for the Statement of Comprehensive Income and for Investment Expenditure. Budget information has not been included for the Statement of Financial Position or Statement of Cash Flows as the information in these statements are not budgeted for on the same basis and/or determined in a different manner to financial statement information. These original budgeted amounts have been presented and classified on a basis that is consistent with line items in the financial statements. However, these amounts have not been adjusted to reflect revised budgets or administrative restructures/machinery of government changes. The budget process is not subject to audit.

| | | Original budget 2018 \$'000 | Actual 2018 \$'000 | Variance \$'000 |
|--|-------------|--------------------------------------|--------------------------|--------------------|
| Statement of Comprehensive Income | Note | | | |
| Expenses | | | | |
| Employee benefits | | 156 964 | 158 542 | 1 578 |
| Supplies and services | | 78 060 | 73 351 | (4 709) |
| Grants and subsidies | | 35 536 | 34 373 | (1 163) |
| Depreciation and amortisation | | 21 457 | 23 564 | 2 107 |
| Net loss from disposal of non-current assets | | - | 35 | 35 |
| Other expenses | | 2 667 | 6 200 | 3 533 |
| Total expenses | | 294 684 | 296 065 | 1 381 |
| Income | | | | |
| Fees and charges | | 94 557 | 102 768 | 8 211 |
| Grants | | 106 107 | 97 069 | (9 038) |
| Interest | | 124 | 769 | 645 |
| Resources received free of charge | a | - | 19 760 | 19 760 |
| Other income | | 3 026 | 2 071 | (955) |
| Total income | | 203 814 | 222 437 | 18 623 |
| Net cost of providing services | | 90 870 | 73 628 | (17 242) |
| Revenues from / payments to SA government | | | | |
| Revenues from SA government | | 153 209 | 156 903 | 3 694 |
| Payments to SA government | | - | (94) | (94) |
| Total net revenues from SA Government | | 153 209 | 156 809 | 3 600 |
| Net result | | 62 339 | 83 181 | 20 842 |

The following are brief explanations of variances between original budget and actual amounts. Explanations are provided for variances where the variance exceeds the greater of 10 per cent of the original budgeted amount and 5 per cent of original budgeted total expenses.

- a. Assets received free of charge from external entities was not included in the original budget.

Department for Environment and Water
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31 Budgetary reporting and explanations of major variances between budget and actual amounts (continued)

| | Original budget 2018 \$'000 | Actual 2018 \$'000 | Variance \$'000 |
|--------------------------------------|--------------------------------------|--------------------------|--------------------|
| Investing expenditure summary | | | |
| Total new projects | 200 | 184 | (16) |
| Total existing projects | 107 361 | 48 980 | (58 381) |
| Total annual program | 7 679 | 10 089 | 2 410 |
| Total investing expenditure | 115 240 | 59 253 | (55 987) |

- b. Total expenditure on existing projects was lower than the original budget largely due to issues experienced with the supply of materials delaying works for one project and delays in signing a construction contract for another project.

32 Unrecognised contractual commitments

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

Unrecognised contractual commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO). If GST is not payable to, or recoverable from, the ATO, the commitments and contingencies are disclosed on a gross basis.

Operating lease commitments

Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:

| | 2018 \$'000 | 2017 \$'000 |
|--|----------------|----------------|
| Within one year | 7 233 | 6 882 |
| Later than one year but not longer than five years | 26 048 | 25 801 |
| Later than five years | 31 121 | 37 098 |
| Total operating lease commitments | 64 402 | 69 781 |

The operating leases held by DEW are related to property leases with penalty clauses equal to the amount of the residual payments remaining for the lease terms. The leases are payable one month in advance and DEW has the right of renewal. There are no existing or contingent rental provisions.

Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is payable as follows:

| | 2018 \$'000 | 2017 \$'000 |
|--|----------------|----------------|
| Within one year | 2 042 | 352 |
| Later than one year but not longer than five years | 113 | - |
| Total capital commitments | 2 155 | 352 |

Department for Environment and Water
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32 Unrecognised contractual commitments (continued)

DEW's capital commitments comprised construction works for the Waterfall Gully/Mt Lofty summit trail (\$1.462 million), Riverine Recovery (\$0.257 million) and South Australian Riverland Flood Plains Integrated Infrastructure Program, SARFIIP (\$0.436 million). In 2016-17 capital commitments comprised the Coorong, Lower Lakes and Murray Mouth (CLMM) project (\$0.260 million) and the Tennyson Dunes Coast Park Discovery Trail project (\$0.092 million).

Expenditure commitments

Expenditure contracted for at the reporting date but not recognised as liabilities are payable as follows:

| | 2018 | 2017 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Within one year | 24 684 | 22 784 |
| Later than one year but not longer than five years | 69 395 | 66 731 |
| Total expenditure commitments | 94 079 | 89 515 |

DEW's expenditure commitments are for contributions to the Murray-Darling Basin Authority.

33 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.

DEW is not aware of the existence of any contingent assets.

At the time of this report the outcomes of any pending legal cases are not known and the effects are not quantifiable.

The Minister has a statutory obligation under the *Upper South East Dryland Salinity and Flood Management Act 2002* (USE Act) to consider landholders' requests for compensation and pay landholders, if it is deemed that they are entitled to compensation. As at the reporting date the outcomes of compensation claims that have been lodged by eligible landholders have been quantified and are being submitted to the Minister for consideration.

Department for Environment and Water
Notes to and forming part of the financial statements
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34 Financial risk management / financial instruments

Financial risk management

Risk management is managed by DEW's corporate services section and departmental 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*.

DEW'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

DEW is funded principally from appropriations by the SA Government. DEW works with DTF 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 the expected cash flows.

Refer to note 25 for further information.

Credit and market risk

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

DEW does not trade in foreign currency, enter into transactions for speculative purposes, nor for hedging. DEW 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*.

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

Refer notes 16, 17 and 19 for further information.

Exposure to interest rate risk may arise through its interest bearing liabilities. DEW's interest bearing liabilities are managed through the South Australian Government Financing Authority (SAFA) and any movement in interest rates are monitored on a daily basis. There is no exposure to foreign currency or other price risks.

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.

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34 Financial risk management / financial instruments (continued)

The carrying amounts of each of the following categories of financial assets and liabilities: held-to-maturity investments; receivables; and financial liabilities measured at cost are detailed below:

DEW does not recognise any financial assets or financial liabilities at fair value, but does disclose fair value in the notes. All of the resulting fair value estimates are included in level 2 as all significant inputs required are observable.

- The carrying value less impairment provisions of receivables and payables is a reasonable approximation of their fair values due to the short-term nature of these (refer notes 17 and 25).
- Held-to-maturity investments are initially recognised at fair value, then subsequently held at amortised cost. This is the most representative of fair value in the circumstances (refer note 20).

| Category of financial asset and financial liability | Note | 2018 Carrying amount / fair value \$'000 | 2018 Contractual maturities | | |
|---|----------|--|-----------------------------|---------------------|--------------------------------|
| | | | Within 1 year \$'000 | 1-5 years \$'000 | More than 5 years \$'000 |
| Financial assets | | | | | |
| Cash and cash equivalents | | | | | |
| Cash and cash equivalents | | 183 569 | 183 569 | - | - |
| Loans and receivables | | | | | |
| Receivables | (1), (2) | 7 896 | 7 896 | - | - |
| Held-to-maturity investments | | | | | |
| Financial assets | | 3 | 3 | - | - |
| Total financial assets | | 191 468 | 191 468 | - | - |
| Financial liabilities | | | | | |
| Financial liabilities at cost | | | | | |
| Payables | (1) | 34 569 | 34 569 | - | - |
| Total financial liabilities | | 34 569 | 34 569 | - | - |

| Category of financial asset and financial liability | Note | 2017 Carrying amount / fair value \$'000 | 2017 Contractual maturities | | |
|---|----------|--|-----------------------------|---------------------|--------------------------------|
| | | | Within 1 year \$'000 | 1-5 years \$'000 | More than 5 years \$'000 |
| Financial assets | | | | | |
| Cash and cash equivalents | | | | | |
| Cash and cash equivalents | | 144 329 | 144 329 | - | - |
| Loans and receivables | | | | | |
| Receivables | (1), (2) | 9 599 | 9 599 | - | - |
| Held-to-maturity investments | | | | | |
| Financial assets | | 3 | 3 | - | - |
| Total financial assets | | 153 931 | 153 931 | - | - |
| Financial liabilities | | | | | |
| Financial liabilities at cost | | | | | |
| Payables | (1) | 30 677 | 30 677 | - | - |
| Total financial liabilities | | 30 677 | 30 677 | - | - |

(1) Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables (for example, Commonwealth, State and Local Government taxes, fees and charges; Auditor-General 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, etc. they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at cost (not materially different from amortised cost).

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34 Financial risk management / financial instruments (continued)

(2) Receivables amount disclosed here excludes prepayments. Prepayments are presented in note 19 as prepaid supplies and services in accordance with paragraph 78(b) of AASB 101 *Presentation of Financial Statements*. However, prepayments are not financial assets as defined in AASB 132 *Financial Instruments: Presentation* as the future economic benefit of these assets is the receipt of goods and services rather than the right to receive cash or another financial asset.

35 South Australian Heritage Fund

The South Australian Heritage Fund (formerly the "State Heritage Fund") was established under the *Heritage Places Act 1993* to conserve places of heritage value. The revenues, expenses, assets, liabilities, changes in equity and cash flows of the Fund are disclosed below. It is noted that these amounts also form part of and are incorporated within DEW's financial statements. When incorporating these amounts into DEW's financial statements all transactions between the Fund and DEW have been eliminated.

Statement of Comprehensive Income

for the year ended 30 June 2018

| | 2018 | 2017 |
|---|--------|--------|
| | \$'000 | \$'000 |
| Expenses | | |
| Supplies and services | - | - |
| Total expenses | - | - |
| Net cost of providing services | - | - |
| Revenues from/(payments to) SA Government | - | - |
| Net result | - | - |

Statement of Financial Position

as at 30 June 2018

| | 2018 | 2017 |
|-----------------------------|--------|--------|
| | \$'000 | \$'000 |
| Current assets | | |
| Cash and cash equivalents | 349 | 349 |
| Total current assets | 349 | 349 |
| Total assets | 349 | 349 |
| Net assets | 349 | 349 |
| Equity | | |
| Retained earnings | 349 | 349 |
| Total equity | 349 | 349 |

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35 South Australian Heritage Fund (continued)

| Statement of Changes in Equity for the year ended 30 June 2018 | Retained earnings \$'000 | Total equity \$'000 |
|--|---|--------------------------------|
| Balance at 1 July 2016 | 349 | 349 |
| Net result for 2016-17 | - | - |
| Balance at 30 June 2017 | <u>349</u> | <u>349</u> |
| Net result for 2017-18 | - | - |
| Balance at 30 June 2018 | <u><u>349</u></u> | <u><u>349</u></u> |

| Statement of Cash Flows for the year ended 30 June 2018 | 2018 \$'000 | 2017 \$'000 |
|---|------------------------|------------------------|
| Cash flows from operating activities | | |
| Cash outflows | | |
| Payments for supplies and services | - | - |
| Cash used in operations | <u>-</u> | <u>-</u> |
| Net cash provided by / (used in) operating activities | <u>-</u> | <u>-</u> |
| Net increase / (decrease) in cash and cash equivalents | <u>-</u> | <u>-</u> |
| Cash and cash equivalents at the beginning of the reporting period | <u>349</u> | <u>349</u> |
| Cash and cash equivalents at the end of the reporting period | <u><u>349</u></u> | <u><u>349</u></u> |

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36 General Reserves Fund

The General Reserves Fund (the Fund) was established under section 45 of the *National Parks and Wildlife Act 1972* (the Act) to perform duties in relation to the development and management of reserves. Reserves include any national park, conservation park, game reserve, recreation park or regional reserve constituted under the Act. The functions of the Fund are to undertake programs that are directed to achieving the objectives prescribed in section 37 of the Act, through the operation of a Fund account. The Fund provisions are used as the mechanism to provide expanded visitor facilities and services to the park. The revenues, expenses, assets, liabilities, changes in equity and cash flows of the Fund are disclosed below. It is noted that these amounts also form part of and are incorporated within DEW's financial statements. When incorporating these amounts into DEW's financial statements all transactions between the Fund and DEW have been eliminated.

Statement of Comprehensive Income

for the year ended 30 June 2018

| | 2018 | 2017 |
|---------------------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Expenses | | |
| Supplies and services | 13 | 8 |
| Grants and subsidies | 15 726 | 14 366 |
| Total expenses | 15 739 | 14 374 |
| Income | | |
| Fees and charges | 15 158 | 14 339 |
| Interest | 15 | 21 |
| Other income | 566 | 14 |
| Total income | 15 739 | 14 374 |
| Net cost of providing services | - | - |
| Net result | - | - |

Statement of Financial Position

as at 30 June 2018

| | 2018 | 2017 |
|---------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Current assets | | |
| Cash and cash equivalents | 568 | 1 526 |
| Receivables | 1 697 | 739 |
| Total assets | 2 265 | 2 265 |
| Net assets | 2 265 | 2 265 |
| Equity | | |
| Retained earnings | 2 265 | 2 265 |
| Total equity | 2 265 | 2 265 |

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36 General Reserves Fund (continued)

| Statement of Changes in Equity for the year ended 30 June 2018 | Retained earnings \$'000 | Total equity \$'000 |
|---|--------------------------------|------------------------|
| Balance at 1 July 2016 | 2 265 | 2 265 |
| Net result for 2016-17 | - | - |
| Balance at 30 June 2017 | 2 265 | 2 265 |
| Net result for 2017-18 | - | - |
| Balance at 30 June 2018 | 2 265 | 2 265 |

| Statement of Cash Flows for the year ended 30 June 2018 | 2018 \$'000 | 2017 \$'000 |
|---|-----------------|-----------------|
| Cash flows from operating activities | | |
| Cash inflows | | |
| Fees and charges | 14 200 | 14 514 |
| Interest received | 16 | 21 |
| Other receipts | 565 | 14 |
| Cash generated from operations | 14 781 | 14 549 |
| Cash outflows | | |
| Payments for supplies and services | (13) | (17) |
| Payments of grants and subsidies | (15 726) | (14 366) |
| Cash used in operations | (15 739) | (14 383) |
| Net cash provided by / (used in) operating activities | (958) | 166 |
| Net increase / (decrease) in cash and cash equivalents | (958) | 166 |
| Cash and cash equivalents at the beginning of the reporting period | 1 526 | 1 360 |
| Cash and cash equivalents at the end of the reporting period | 568 | 1 526 |

Department for Environment and Water
Notes to and forming part of the financial statements
for the year ended 30 June 2018

37 Impact of standards and policies not yet implemented

DEW did not voluntarily change any of its accounting policies during 2017-18.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by DEW for the period ending 30 June 2018.

AASB 9 Financial Instruments

The revision to AASB 9 Financial Instruments applies to reporting periods beginning on or after 1 January 2018, i.e. to financial statements as 30 June 2019. AASB 9 Financial Instruments provides the principles for the classification, measurement, recognition, de-recognition and disclosure associated with financial assets and liabilities. The key changes include simplified requirements for classification and measurement of financial assets and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognised impairment only when incurred.

Trade receivables and loan receivables will be classified and measured at amortised cost, similar to the current classification of loans and receivables. However, new impairment requirements will result in a provision being applied to all receivables rather than only on those receivables that are credit impaired. DEW will be adopting the simplified approach under AASB 9 Financial Instruments and measure lifetime expected credit losses on all trade receivables and contract assets using a provision matrix approach as a practical expedient to measure the impairment provision.

DEW has not yet quantified the impact of applying AASB 9 Financial Instruments on the classification and measurement of its financial assets, and the resulting impact on the statement of comprehensive income.

The unlisted private company shares are currently recognised at cost refer note 20. On adoption of AASB 9 Financial Instruments, these instruments will be measured at fair value. These investments are held for strategic rather than financial purposes and the Department intends to make an irrevocable election on adoption of AASB 9 Financial Instruments, that each individual investment will be categorised as Fair Value through Other Comprehensive Income (FVOCI). As such, while their fair value will be represented in the statement of Financial Position, changes in value will be recognised in Other Comprehensive Income rather than profit. The amount will not be recycled through profit when the investments are disposed of. The fair value as at 1 July 2018 is being determined.

AASB 16 Leases

This standard will apply for the first time to reporting periods beginning on or after 1 January 2019, i.e. to financial statements as 30 June 2020. The standard supersedes AASB 117 Leases and unlike AASB 117 Leases, AASB 16 Leases introduces a single lease accounting model for lessees, eliminating the distinction between operating and finance leases. Lessees will be required to recognise a right-of-use asset (representing rights to use the underlying leased asset) and a liability (representing the obligation to make lease payments) for all leases with a term of more than 12 months, unless the underlying assets are of low value.

The right-of-use asset will be initially recognised at cost, consisting of the initial amount of the associated lease liability, plus any lease payments made to the lessor at or before the effective date, less any lease incentive received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. The right-of-use asset will give rise to a depreciation expense.

The lease liability will be initially recognised at an amount equal to the present value of the lease payments during the lease term that are not yet paid. Current operating lease rental payments will no longer be expensed in the Statement of Comprehensive Income. They will be apportioned between a reduction in the recognised lease liability and the implicit finance charge (the effective rate of interest) in the lease. The finance cost will also be recognised as an expense.

AASB 16 Leases allows a 'cumulative approach' rather than full retrospective application to recognising existing operating leases. The Department will apply the 'cumulative approach', and will not need to restate comparative information. Instead, the cumulative effect of applying the standard is recognised as an adjustment to the opening balance of accumulated surplus (or other component of equity, as appropriate) at the date of initial application.

Department for Environment and Water
Notes to and forming part of the financial statements
for the year ended 30 June 2018

37 Impact of standards and policies not yet implemented

AASB 16 Leases (continued)

The Department has not yet quantified the exact impact on the Statement of Comprehensive Income or the Statement of Financial Position of applying AASB 16 Leases to its current operating leases, including the extent of additional disclosures required. The exact impact will not be known until the year of transition.

It is anticipated that there will be a marginal impact each year on net result due to recognition of depreciation and interest on lease liabilities as expenses. There will be no impact on the total net result over the life of the lease.

The classification of cash flows will be affected as operating lease payments will be split into a principal and interest portion which will be presented as financing and operating cash flows respectively. Currently, operating lease payments are presented as operating cash flows and recorded as commitments, which are not captured in the Statement of Financial Position.

The Department's current operating lease commitments note (see note 32) provides an indication of the amounts to be recognised 'on-balance sheet' at transition (an expected increase in lease liabilities with a corresponding right-of-use asset). The reclassification between supplies and services expense and depreciation/interest has not yet been estimated.

AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities

These standards will apply for the first time to reporting periods beginning on or after 1 January 2019, i.e. to financial statements as 30 June 2020. The Department has commenced analysing the new revenue recognition requirements under these standards and is yet to form conclusions about significant impacts.

38 Events after the reporting period

Adjustments are made to amounts recognised in the financial statements, where an event occurs after 30 June 2018 and before the date the financial statements are authorised for issue, where those events provide information about conditions that existed at 30 June 2018.

Note disclosure is made about events between 30 June 2018 and the date the financial statements are authorised for issue where the events relate to a condition which arose after 30 June 2018 and which may have a material impact on the results of subsequent years.

DEW is not aware of any event occurring after balance date that would materially affect the financial statements.

Department for Environment and Water
Notes to and forming part of the financial statements
for the year ended 30 June 2018

39 Transactions with SA Government

The following table discloses revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at the reporting date, classified according to their nature. Transactions with SA Government entities below the threshold of \$100 000 have been included with the non-government transactions, classified according to their nature.

| | Note | SA Government | | Non-SA Government | | Total | |
|--|------|----------------|----------------|-------------------|----------------|----------------|----------------|
| | | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| Expenses | | | | | | | |
| Employee benefits | 3 | - | - | 158 542 | 155 455 | 158 542 | 155 455 |
| Supplies and services | 5 | | | | | | |
| Fee for service | | 4 615 | 6 077 | 8 370 | 13 688 | 12 985 | 19 765 |
| Accommodation and property management | | 9 367 | 12 475 | 3 113 | 1 536 | 12 480 | 14 011 |
| General administration | | 7 355 | 8 242 | 3 000 | 4 099 | 10 355 | 12 341 |
| Information technology & communication | | 2 215 | 2 062 | 7 515 | 7 696 | 9 730 | 9 758 |
| Minor works, maintenance & equipment | | 441 | 2 853 | 4 339 | 7 432 | 4 780 | 10 285 |
| Vehicle and aircraft | | 2 922 | 3 030 | 1 785 | 1 680 | 4 707 | 4 710 |
| Sand replenishment | | - | - | 4 705 | 6 087 | 4 705 | 6 087 |
| Bore drilling services | | - | - | 2 158 | 4 299 | 2 158 | 4 299 |
| Contractors | | - | - | 1 843 | 1 789 | 1 843 | 1 789 |
| Travel and accommodation | | - | - | 1 629 | 1 961 | 1 629 | 1 961 |
| Cost of goods sold | | - | - | 1 466 | 1 553 | 1 466 | 1 553 |
| Staff development | | 186 | 562 | 1 118 | 920 | 1 304 | 1 482 |
| Scientific and technical services | | 373 | - | 203 | 307 | 576 | 307 |
| Transportation | | - | - | 382 | 459 | 382 | 459 |
| Monitoring fees | | 106 | - | 99 | 245 | 205 | 245 |
| Consultants | | - | - | 175 | 282 | 175 | 282 |
| Other | | 374 | 492 | 3 497 | 3 607 | 3 871 | 4 099 |
| Grants and subsidies | 6 | 1 194 | 710 | 33 179 | 31 244 | 34 373 | 31 954 |
| Depreciation and amortisation | 7 | - | - | 23 564 | 25 481 | 23 564 | 25 481 |
| Net loss from the disposal of non-current assets | 8 | - | - | 35 | - | 35 | - |
| Other expenses | 9 | | | | | | |
| Settlement of legal claims | | - | - | 3 100 | - | 3 100 | - |
| Capital project costs not capitalised | | - | 277 | 1 313 | 1 048 | 1 313 | 1 325 |
| Assets transferred for nil consideration | | 1 188 | 2 085 | 118 | 5 607 | 1 306 | 7 692 |
| Audit fees | | 425 | 415 | 81 | 74 | 506 | 489 |
| Property, plant and equipment write-offs | | - | - | 215 | 2 130 | 215 | 2 130 |
| Intangible asset write-offs | | - | - | 88 | - | 88 | - |
| Bad and doubtful debts | | - | 199 | 72 | 393 | 72 | 592 |
| Impairment loss | | - | - | - | 862 | - | 862 |
| Movement in Inventory | | - | - | (72) | (133) | (72) | (133) |
| Reversal of impairment loss | | - | - | (329) | - | (329) | - |
| Other | | - | - | 1 | 1 | 1 | 1 |
| Total expenses | | 30 761 | 39 479 | 265 304 | 279 802 | 296 065 | 319 281 |

Department for Environment and Water
Notes to and forming part of the financial statements
for the year ended 30 June 2018

39 Transactions with SA Government (continued)

| | Note | SA Government | | Non-SA Government | | Total | |
|---|------|----------------|----------------|-------------------|----------------|----------------|----------------|
| | | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| Income | | | | | | | |
| Fees and charges | 10 | | | | | | |
| NRM Board salary recovery | | 31 021 | 30 040 | 217 | - | 31 238 | 30 040 |
| Sale of support services | | 16 916 | 16 410 | 3 266 | 2 394 | 20 182 | 18 804 |
| Service recoveries | | 18 444 | 17 995 | - | - | 18 444 | 17 995 |
| Admissions and guided tours | | - | - | 9 682 | 9 283 | 9 682 | 9 283 |
| Sale of professional services | | 4 054 | 2 432 | 4 041 | 3 293 | 8 095 | 5 725 |
| Property rental and related income | | - | 210 | 6 013 | 5 647 | 6 013 | 5 857 |
| Sale of goods | | - | - | 4 041 | 3 991 | 4 041 | 3 991 |
| Fees, Levies and licences | | - | - | 2 472 | 2 622 | 2 472 | 2 622 |
| Other salary recoveries | | 1 465 | 1 378 | 93 | 450 | 1 558 | 1 828 |
| Sale of spatial information | | 181 | 109 | 734 | 674 | 915 | 783 |
| Sale of freehold titles | | - | - | 83 | 222 | 83 | 222 |
| Taxation revenue - River Murray rehabilitation Levy | | - | 286 | 45 | - | 45 | 286 |
| Grants | 11 | 12 877 | 13 453 | 84 192 | 45 316 | 97 069 | 58 769 |
| Interest | 12 | 769 | 672 | - | - | 769 | 672 |
| Resources received free of charge | 13 | | | | | | |
| Donated assets | | 15 332 | - | 47 | - | 15 379 | - |
| Services received free of charge - Shared Services SA | | 4 381 | - | - | - | 4 381 | - |
| Net gain from the disposal of non-current assets | 8 | - | - | - | 17 | - | 17 |
| Other income | 14 | | | | | | |
| Water sales | | - | - | 573 | 1 540 | 573 | 1 540 |
| Sponsorships, donations, commissions and bequests | | - | - | 570 | 117 | 570 | 117 |
| Salaries and wages recoveries | | - | - | 64 | 88 | 64 | 88 |
| Insurance recoveries | | 504 | - | 185 | 34 | 689 | 34 |
| Other sundry revenue | | - | - | 175 | 436 | 175 | 436 |
| Net revenues from SA Government | 15 | 156 809 | 140 713 | - | - | 156 809 | 140 713 |
| Total income | | 262 753 | 223 698 | 116 493 | 76 124 | 379 246 | 299 822 |

Department for Environment and Water
Notes to and forming part of the financial statements
for the year ended 30 June 2018

39 Transactions with SA Government (continued)

| | Note | SA Government | | Non-SA Government | | Total | |
|------------------------------------|------|----------------|----------------|-------------------|----------------|----------------|----------------|
| | | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| Financial assets | | | | | | | |
| Receivables | 17 | | | | | | |
| Receivables | | 5 104 | 5 166 | 2 715 | 4 378 | 7 819 | 9 544 |
| Accrued revenues | | - | - | 77 | 55 | 77 | 55 |
| GST input tax recoverable | | - | - | 4 557 | 4 741 | 4 557 | 4 741 |
| Workers' compensation recoveries | | - | - | 37 | 38 | 37 | 38 |
| Other financial assets | 19 | | | | | | |
| Prepaid supplies and services | | - | - | 1 018 | 1 094 | 1 018 | 1 094 |
| Other | | - | - | 1 | 1 | 1 | 1 |
| Equity in unlisted entities | 20 | - | - | 3 | 3 | 3 | 3 |
| Total financial assets | | 5 104 | 5 166 | 8 408 | 10 310 | 13 512 | 15 476 |
| Financial liabilities | | | | | | | |
| Payables | 25 | | | | | | |
| Creditors | | 21 558 | 14 943 | 12 513 | 15 114 | 34 071 | 30 057 |
| Employment on-costs | | 3 070 | 3 051 | 3 173 | 3 282 | 6 243 | 6 333 |
| Accrued expenses | | 445 | 410 | 498 | 620 | 943 | 1 030 |
| Paid Parental Leave Scheme payable | | - | - | 47 | 41 | 47 | 41 |
| Other liabilities | 28 | | | | | | |
| Lease incentive | | 18 714 | 20 035 | - | - | 18 714 | 20 035 |
| Unearned revenue | | - | - | 350 | 204 | 350 | 204 |
| Deposits held | | - | - | 465 | 465 | 465 | 465 |
| Other | | - | - | 202 | 122 | 202 | 122 |
| Total financial liabilities | | 43 787 | 38 439 | 17 248 | 19 848 | 61 035 | 58 287 |

Department for Environment and Water
Statement of Administered Comprehensive Income
for the year ended 30 June 2018

| | Note | 2018 \$'000 | 2017 \$'000 |
|--|------|-----------------|----------------|
| Administered expenses | | | |
| Employee benefits | | 354 | 350 |
| Supplies and services | | 670 | 438 |
| Grants and subsidies | A5 | 54 091 | 49 493 |
| Expenses associated with joint operation | A15 | 10 663 | 11 115 |
| Other expenses | A6 | 17 189 | 1 009 |
| Total administered expenses | | 82 967 | 62 405 |
| Administered income | | | |
| Fees and charges | A7 | 17 279 | 17 129 |
| Grants | A8 | 13 827 | 13 612 |
| Income associated with joint operation | A15 | 5 421 | 7 109 |
| Interest | | 66 | 65 |
| Assets received free of charge | A9 | 11 700 | 706 |
| Net gain from the disposal of non-current assets | A10 | 49 | 4 618 |
| Total administered income | | 48 342 | 43 239 |
| Net cost of providing services | | 34 625 | 19 166 |
| Revenues from / (payments to) SA Government | | | |
| Revenues from SA Government | A11 | 23 271 | 19 056 |
| Payments to SA Government | A11 | (6 735) | (8 361) |
| Total net revenues from SA Government | | 16 536 | 10 695 |
| Net result | | (18 089) | (8 471) |
| Other comprehensive income | | | |
| <i>Items that will not be reclassified to net result:</i> | | | |
| Changes in property, plant and equipment asset revaluation surplus | A14 | 3 265 | 17 988 |
| Total other comprehensive income | | 3 265 | 17 988 |
| Total comprehensive result | | (14 824) | 9 517 |

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

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

Department for Environment and Water
Statement of Administered Financial Position
as at 30 June 2018

| | Note | 2018 \$'000 | 2017 \$'000 |
|---|------|------------------|------------------|
| Administered current assets | | | |
| Cash and cash equivalents | A12 | 12 699 | 10 360 |
| Receivables | A13 | 3 092 | 4 910 |
| Total current assets | | 15 791 | 15 270 |
| Administered non-current assets | | | |
| Property, plant and equipment | A14 | 1 346 193 | 1 369 164 |
| Intangibles | A15 | 154 016 | 151 973 |
| Total non-current assets | | 1 500 209 | 1 521 137 |
| Total assets | | 1 516 000 | 1 536 407 |
| Administered current liabilities | | | |
| Payables | A16 | 6 648 | 4 407 |
| Total current liabilities | | 6 648 | 4 407 |
| Total liabilities | | 6 648 | 4 407 |
| Net assets | | 1 509 352 | 1 532 000 |
| Administered equity | | | |
| Asset revaluation surplus | | 199 057 | 195 792 |
| Retained earnings | | 1 310 295 | 1 336 208 |
| Total equity | | 1 509 352 | 1 532 000 |

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

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

Department for Environment and Water
Statement of Administered Changes in Equity
for the year ended 30 June 2018

| | | Asset revaluation surplus | Retained earnings | Total equity |
|--|-------------|--|------------------------------|-------------------------|
| | Note | \$'000 | \$'000 | \$'000 |
| Balance at 30 June 2016 | | 177 804 | 1 341 093 | 1 518 897 |
| Opening balance at 1 July 2016 | | 177 804 | 1 341 093 | 1 518 897 |
| Error correction - Crown lands | A14 | - | 3 586 | 3 586 |
| Restated opening balance at 1 July 2016 | | 177 804 | 1 344 679 | 1 522 483 |
| Net result for 2016-17 | | - | (8 471) | (8 471) |
| Changes in property, plant and equipment asset revaluation surplus | A14 | 17 988 | - | 17 988 |
| Total comprehensive result for 2016-17 | | 17 988 | (8 471) | 9 517 |
| Balance at 30 June 2017 | | 195 792 | 1 336 208 | 1 532 000 |
| Opening balance at 1 July 2017 | | 195 792 | 1 336 208 | 1 532 000 |
| Error correction - Crown lands | A14 | - | (7 824) | (7 824) |
| Restated opening balance at 1 July 2017 | | 195 792 | 1 328 384 | 1 524 176 |
| Net result for 2017-18 | | - | (18 089) | (18 089) |
| Changes in property, plant and equipment asset revaluation surplus | A14 | 3 265 | - | 3 265 |
| Total comprehensive result for 2017-18 | | 3 265 | (18 089) | (14 824) |
| Balance at 30 June 2018 | | 199 057 | 1 310 295 | 1 509 352 |

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

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

Department for Environment and Water
Statement of Administered Cash Flows
for the year ending 30 June 2018

| | | 2018 (Outflows) Inflows \$'000 | 2017 (Outflows) Inflows \$'000 |
|---|-------------|---|---|
| Cash flows from operating activities | Note | | |
| Cash outflows | | | |
| Employee benefits payments | | (354) | (350) |
| Payments for supplies and services | | (668) | (432) |
| Payments of grants and subsidies | | (53 981) | (50 209) |
| Cash used in operations | | (55 003) | (50 991) |
| Cash inflows | | | |
| Fees and charges | | 17 564 | 17 736 |
| Receipts from grants | | 13 829 | 13 611 |
| Interest received | | 66 | 65 |
| Cash generated from operations | | 31 459 | 31 412 |
| Cash flows from SA government | | | |
| Receipts from SA government | | 23 271 | 19 056 |
| Payments to SA government | | (4 606) | (3 755) |
| Cash generated from SA government | | 18 665 | 15 301 |
| Net cash provided by / (used in) operating activities | A12 | (4 879) | (4 278) |
| Cash flows from investing activities | | | |
| Cash inflows | | | |
| Proceeds from the sale of property, plant and equipment | | 7 218 | 8 204 |
| Cash generated from investing activities | | 7 218 | 8 204 |
| Net cash provided by / (used in) investing activities | | 7 218 | 8 204 |
| Net increase / (decrease) in cash and cash equivalents | | 2 339 | 3 926 |
| Cash and cash equivalents at the beginning of the reporting period | | 10 360 | 6 434 |
| Cash and cash equivalents at the end of the reporting period | A12 | 12 699 | 10 360 |

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

Department for Environment and Water
Schedule of Expenses and Income attributable to Administered Activities
for the year ended 30 June 2018

| Activities - refer note A1 | Crown Lands | | Minister's Other Payments | | Special Acts Allocation | |
|--|-----------------|----------------|---------------------------|----------------|-------------------------|----------------|
| | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| Administered expenses | | | | | | |
| Employee benefits | - | - | - | - | 354 | 350 |
| Supplies and services | 669 | 438 | - | - | - | - |
| Grants and subsidies | - | - | 18 271 | 16 145 | - | - |
| Expenses associated with joint operation | - | - | - | - | - | - |
| Other expenses | 15 657 | - | - | - | - | - |
| Total administered expenses | 16 326 | 438 | 18 271 | 16 145 | 354 | 350 |
| Administered income | | | | | | |
| Fees and charges | - | 8 | - | - | - | - |
| Grants | 107 | - | - | - | - | - |
| Income associated with joint operation | - | - | - | - | - | - |
| Interest | - | - | - | - | - | - |
| Assets received free of charge | 11 700 | 706 | - | - | - | - |
| Net gain from disposal of non-current assets | 49 | 4 618 | - | - | - | - |
| Total administered income | 11 856 | 5 332 | - | - | - | - |
| Net cost of providing services | 4 470 | (4 894) | 18 271 | 16 145 | 354 | 350 |
| Revenues from / (payments to) SA Government | | | | | | |
| Revenues from SA Government | - | - | 18 346 | 16 214 | 353 | 350 |
| Payments to SA Government | (6 735) | (8 361) | - | - | - | - |
| Total net revenues from SA Government | (6 735) | (8 361) | 18 346 | 16 214 | 353 | 350 |
| Net result | (11 205) | (3 467) | 75 | 69 | (1) | - |

Department for Environment and Water
Schedule of Expenses and Income attributable to Administered Activities
for the year ended 30 June 2018

| Activities - refer note A1 | National Landcare | | | | | |
|--|-------------------|----------------|------------------------|----------------|----------------|----------------|
| | Program | | Natural Heritage Trust | | NRM Fund | |
| | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| Administered expenses | | | | | | |
| Employee benefits | - | - | - | - | - | - |
| Supplies and services | - | - | - | - | - | - |
| Grants and subsidies | 13 820 | 13 729 | 14 | 128 | 21 986 | 19 491 |
| Expenses associated with joint operation | - | - | - | - | - | - |
| Other expenses | - | - | - | - | 1 532 | 1 009 |
| Total administered expenses | 13 820 | 13 729 | 14 | 128 | 23 518 | 20 500 |
| Administered income | | | | | | |
| Fees and charges | - | - | - | - | 17 293 | 17 136 |
| Grants | 13 720 | 13 612 | - | - | - | - |
| Income associated with joint operation | - | - | - | - | - | - |
| Interest | 5 | 13 | - | - | 61 | 52 |
| Assets received free of charge | - | - | - | - | - | - |
| Net gain from disposal of non-current assets | - | - | - | - | - | - |
| Total administered income | 13 725 | 13 625 | - | - | 17 354 | 17 188 |
| Net cost of providing services | 95 | 104 | 14 | 128 | 6 164 | 3 312 |
| Revenues from / (payments to) SA Government | | | | | | |
| Revenues from SA Government | - | - | - | - | 4 558 | 2 478 |
| Payments to SA Government | - | - | - | - | - | - |
| Total net revenues from SA Government | - | - | - | - | 4 558 | 2 478 |
| Net result | (95) | (104) | (14) | (128) | (1 606) | (834) |

Department for Environment and Water
Schedule of Expenses and Income attributable to Administered Activities
for the year ended 30 June 2018

Activities - refer note A1

| | Pastoral Board | | Qualco Sunlands | |
|--|----------------|----------------|-----------------|----------------|
| | 2018 \$'000 | 2017 \$'000 | 2018 \$'000 | 2017 \$'000 |
| Administered expenses | | | | |
| Employee benefits | - | - | - | - |
| Supplies and services | - | - | 1 | - |
| Grants and subsidies | - | - | - | - |
| Expenses associated with joint operation | - | - | - | - |
| Other expenses | - | - | - | - |
| Total administered expenses | - | - | 1 | - |
| Administered income | | | | |
| Fees and charges | - | - | - | - |
| Grants | - | - | - | - |
| Income associated with joint operation | - | - | - | - |
| Interest | - | - | - | - |
| Assets received free of charge | - | - | - | - |
| Net gain from disposal of non-current assets | - | - | - | - |
| Total administered income | - | - | - | - |
| Net cost of providing services | - | - | 1 | - |
| Revenues from / (payments to) SA Government | | | | |
| Revenues from SA Government | 14 | 14 | - | - |
| Payments to SA Government | - | - | - | - |
| Total net revenues from SA Government | 14 | 14 | - | - |
| Net result | 14 | 14 | (1) | - |

Department for Environment and Water
Schedule of Expenses and Income attributable to Administered Activities
for the year ended 30 June 2018

| Activities - refer note A1 | DEW Corporate | | Total | |
|--|----------------|----------------|-----------------|----------------|
| | Admin Items | | | |
| | 2018 | 2017 | 2018 | 2017 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Administered expenses | | | | |
| Employee benefits | - | - | 354 | 350 |
| Supplies and services | - | - | 670 | 438 |
| Grants and subsidies | - | - | 54 091 | 49 493 |
| Expenses associated with joint operation | 10 663 | 11 115 | 10 663 | 11 115 |
| Other expenses | - | - | 17 189 | 1 009 |
| Total administered expenses | 10 663 | 11 115 | 82 967 | 62 405 |
| Administered income | | | | |
| Fees and charges | (14) | (15) | 17 279 | 17 129 |
| Grants | - | - | 13 827 | 13 612 |
| Income associated with joint operation | 5 421 | 7 109 | 5 421 | 7 109 |
| Interest | - | - | 66 | 65 |
| Assets received free of charge | - | - | 11 700 | 706 |
| Net gain from disposal of non-current assets | - | - | 49 | 4 618 |
| Total administered income | 5 407 | 7 094 | 48 342 | 43 239 |
| Net cost of providing services | 5 256 | 4 021 | 34 625 | 19 166 |
| Revenues from / (payments to) SA Government | | | | |
| Revenues from SA Government | - | - | 23 271 | 19 056 |
| Payments to SA Government | - | - | (6 735) | (8 361) |
| Total net revenues from SA Government | - | - | 16 536 | 10 695 |
| Net result | (5 256) | (4 021) | (18 089) | (8 471) |

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

Department for Environment and Water
Notes to and forming part of the financial statements
for the year ended 30 June 2018

A1 Reporting entities and strategic context

The activities of the administered items are:

Crown Lands

Crown Lands is comprised of an account established by the Treasurer of South Australia to record receipts and payments associated with the sale of Crown land and other surplus South Australian government land and property. The net revenues from these sales are returned to the Department of Treasury and Finance's (DTF) Consolidated Account.

Minister's Other Payments

Grants and subsidies payments of \$18.271 million (2017: \$16.145 million) approved by the Minister for Environment and Water were made to community organisations, associations and local government. This includes grants made to Zoo SA \$5.707 million (2017: \$5.604 million); Adelaide City Council \$1.540 million (2017: \$1.505 million); Stormwater Management Authority \$5.248 million (2017: \$5.120 million); South Eastern Water Conservation and Drainage Board \$2.261 million (2017: \$2.293 million); Native Vegetation Fund \$1.138 million (2017: \$1.108 million); and Coast Protection Fund \$2.377 million (2017: \$0.515 million).

Special Acts Allocation

This item comprises salary and allowance payments for the Minister for Environment and Water.

National Landcare Program

The National Landcare Program is administered by the Commonwealth and South Australia Governments pursuant to clause 19(2) of the *Natural Heritage Trust of Australia Act 1997* (Commonwealth) and section 5 of the *Natural Resources Management (Financial Assistance) Act 1992* (Commonwealth).

The program is fully Commonwealth funded and disbursed based on Commonwealth approval.

Natural Resources Management Fund

The Natural Resources Management Fund (NRM Fund) was established pursuant to subsection 117(1) of the *Natural Resources Management Act 2004* (NRM Act). The Minister for Environment and Water administers the NRM Fund and may apply any part of the NRM Fund in making payments to the regional NRM Boards; in paying subsidies or making grants or other payments to NRM authorities or other persons or bodies for the purposes of the NRM Act. This may also include making any payment required, or authorised by or under the NRM Act or any other law. The balance of the NRM Fund at 30 June 2018 was \$2.410 million (2017: \$3.475 million).

Natural Resources Management Boards

The Natural Resources Management Boards (NRM Boards) were established pursuant to subsection 23(1) of the NRM Act. DEW administers various revenues and expenses on account of the NRM Boards.

Specific provisions of the NRM Act require that the following revenues be paid into the NRM Fund prior to being applied for the purposes of the NRM Act:

- government appropriations (controlled and administered allocated in respect of the regional NRM Boards)
- water levies
- penalties relating to water levies
- expiation fees and other penalties.

Department for Environment and Water
Notes to and forming part of the financial statements
for the year ended 30 June 2018

A1 Reporting entities and strategic context (continued)

(i) *Government appropriations*

DEW receives recurrent funding, which is administered through the NRM Fund and provided to regional NRM Boards to support business operations and the administration of the NRM Act.

| | 2018 | 2017 |
|---------------------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Regional NRM Board | | |
| Alinyjara Wilurara NRM Board | 1 113 | 1 058 |
| Kangaroo Island NRM Board | 1 113 | 1 058 |
| South Australian Arid Lands NRM Board | 332 | 363 |
| | 2 558 | 2 479 |

(ii) *Water Levies*

Water levies are collected for prescribed water resources under section 101 of the NRM Act. The levies are subsequently paid to the regional NRM Boards pursuant to subsection 116(1)(a)(ii)(A) of the NRM Act.

(iii) *Penalties*

Penalties declared in relation to the unauthorised or unlawful taking or use of water were raised pursuant to section 115 of the NRM Act.

(iv) *Expiation fees and other penalties*

Expiation fees and penalties are recovered in respect of offences against the NRM Act (that is for unlawful possession of animals or plants).

Pastoral Board

The Pastoral Board is responsible for the administration of the *Pastoral Land Management and Conservation Act 1989*. The Board provides advice to the Minister for Environment and Water on the policies that should govern the administration of pastoral land.

National Action Plan for Salinity and Water Quality

The National Action Plan (NAP) is a bilateral agreement between the Commonwealth and SA Governments signed in 2001 providing funds to address issues associated with salinity and water quality in priority regions in South Australia. The Commonwealth and the SA Governments make progressive contributions to a single holding account. Disbursement of funds from the account is by agreement between the parties. Funding for NAP ceased on 30 June 2008 with the majority of projects completed by 31 December 2009.

The Commonwealth requested that the Commonwealth share of unspent funds held be returned and elected to allocate remaining funds held in the NAP holding account to existing State agency and Natural Resources Management Board competitive projects approved under the Caring for our Country Program in accordance with clause 13.2c and 20.4 of the 'Transitional Arrangement and Financial Agreement between the Australian Government and state of South Australia for implementation of Caring for our Country' during 2011-12.

Qualco Sunlands

The Ground Water (Qualco-Sunlands) Control Act 2000 established a scheme managed by a Trust to prevent, and reverse, the salinisation and water logging of horticultural land due to irrigation induced factors. Upon request from the Trust, DEW provides a temporary grant, sourced from the DTF, to carry out the specified works. The Trust facilitates the required work, and recharges irrigators for the work undertaken. Once fully collected, the Trust returns the temporary funds to DEW for on-passing back to the Department of Treasury and Finance.

Department for Environment and Water
Notes to and forming part of the financial statements
for the year ended 30 June 2018

A1 Reporting entities and strategic context (continued)

Natural Heritage Trust

The Natural Heritage Trust (NHT) was established by the *Natural Heritage Trust of Australia Act 1997*. Funding for NHT ceased on 30 June 2008 and all projects were completed by 31 December 2009. Post 31 December 2009, program finalisation continued with the receipt of project final reports and acquittals including the return of unspent funds by project proponents. The Commonwealth requested unspent funds held be returned and elected to allocate remaining funds held in the NHT holding account to existing State agency and Natural Resources Management Board competitive projects approved under the Caring for our Country Program in accordance with clause 13.2c and 20.4 of the 'Transitional Arrangement and Financial Agreement between the Australian Government and State of South Australia for implementation of Caring for our Country' during 2011-12.

A2 Administered item's financial arrangements

The financial activities of the administered items are conducted through a number of deposit accounts with DTF pursuant to the *Public Finance and Audit Act 1987*. The financial activities of Administered Items that do not have their own deposit account are conducted through the DEW's deposit account.

DEW conducts a large number of activities directed towards meeting the administered items objectives and responsibilities as specified in the legislation and/or other authoritative documentation that establishes the administered items. Many of the administered items, in accordance with the Acts, have delegated certain functions to officers within DEW, who provide technical and administrative support including the use of plant and equipment, office accommodation and various administrative services. The cost of the services provided that can be identified with the activities of the administered items and can be measured reliably are met by the administered items. Other support services that are not identifiable and/or cannot be measured reliably are provided free of charge and have not been recognised in the Administered financial statements.

A3 Basis of preparation and accounting policies

The basis of preparation for the administered financial statements is the same as the basis outlined in note 1.3. DEW applies the same accounting policies to the administered financial statements as set out in the notes to DEW's financial statements. Deviations from these policies are as follows:

Property, plant and equipment

Property, plant and equipment includes land. DEW is the custodian of unallotted (unalienated) Crown Land, by virtue of its responsibilities under the *Crown Land Management Act 2009*. This land is considered to be an administered asset. Land dedicated to the Minister and held by the Minister, either as freehold or reverted land, is also recognised as administered land. Administered lands may be subject to third party perpetual leases and other leases and annual licenses.

Refer to note A14 for further information on the treatment and valuation of land.

Employee benefits

In general, administered items utilise the services of contractors or DEW employees rather than recruiting and appointing employees in their own right. In the majority of cases, the services provided by DEW employees are provided free of charge. If, however, the services provided by DEW employees are directly attributable to the activities of an administered item and can be reliably measured, the services are charged to the administered item on a fee for service (cost recovery) basis. The liability for employee benefits arising from services rendered by DEW employees is not recognised in the administered financial statements as DEW is obligated to pay employees for services provided. Accordingly, employee benefits are recognised in DEW's financial statements.

Department for Environment and Water
Notes to and forming part of the financial statements
for the year ended 30 June 2018

A4 Budgetary reporting and explanations of major variances between budget and actual amounts

Budget information refers to the amounts presented to Parliament in the original budgeted financial statements in respect of the reporting period (2017-18 Budget Paper 4). Budget information has been included for the Administered Statement of Comprehensive Income and for Investment Expenditure. Budget information has not been included for the Administered Statement of Financial Position or Administered Statement of Cash Flows as the information in these statements are not budgeted for on the same basis and/or determined in a different manner to financial statement information. These original budgeted amounts have been presented and classified on a basis that is consistent with line items in the financial statements. However, these amounts have not been adjusted to reflect revised budgets or administrative restructures/machinery of government changes. The budget process is not subject to audit.

| | | Original budget 2018 \$'000 | Actual 2018 \$'000 | Variance \$'000 |
|---|---|--------------------------------------|--------------------------|--------------------|
| Statement of Administered Comprehensive Income | | | | |
| Expenses | | | | |
| Employee benefits | | 360 | 354 | (6) |
| Supplies and services | | 609 | 670 | 61 |
| Grants and subsidies | | 51 236 | 54 091 | 2 855 |
| Expenses associated with joint operation | a | - | 10 663 | 10 663 |
| Other expenses | b | 13 725 | 17 189 | 3 464 |
| Total expenses | | 65 930 | 82 967 | 17 037 |
| Income | | | | |
| Fees and charges | | 16 305 | 17 279 | 974 |
| Grants | | 13 687 | 13 827 | 140 |
| Income associated with joint operation | a | - | 5 421 | 5 421 |
| Interest | | - | 66 | 66 |
| Assets received free of charge | c | - | 11 700 | 11 700 |
| Net gain from the disposal of non-current assets | | - | 49 | 49 |
| Other income | | 250 | - | (250) |
| Total income | | 30 242 | 48 342 | 18 100 |
| Net cost of providing services | | 35 688 | 34 625 | (1 063) |
| Revenues from / (payments to) SA Government | | | | |
| Revenues from SA government | d | 27 911 | 23 271 | (4 640) |
| Payments to SA government | b | - | (6 735) | (6 735) |
| Total net revenues from SA Government | | 27 911 | 16 536 | (11 375) |
| Net result | | (7 777) | (18 089) | (10 312) |

The following are brief explanations of variances between original budget and actual amounts. Explanations are required to be provided for variances where the variance exceeds the greater of 10 per cent of the original budgeted amount and 5 per cent of original budgeted total expenses.

- a. South Australia's share of income and expenses associated with the joint operation was not included in the original budget
- b. The budget amount of \$13.7 million includes receipts to be paid to Consolidated Account. The actual figure paid to Consolidated Account was \$6.7 million and is reported under Payments to SA Government

Department for Environment and Water
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A4 Budgetary reporting and explanations of major variances between budget and actual amounts (continued)

- c. Assets being received free of charge from external entities was not included in the original budget
- d. The budgeted working capital held for the Natural Resources Management Boards was not required in 2017-18

| | Original budget 2018 \$'000 | Actual 2018 \$'000 | Variance \$'000 |
|--------------------------------------|--------------------------------------|--------------------------|--------------------|
| Investing expenditure summary | | | |
| Total new projects e | 293 | - | (293) |
| Total annual program | 4 | - | (4) |
| Total investing expenditure | 297 | - | (297) |

The following are brief explanations of variances between original budget and actual amounts:

- e. The variance was due to a delay in the transfer of Monarto native vegetation land from PIRSA to DEW.

A5 Grants and subsidies

| | 2018 \$'000 | 2017 \$'000 |
|--|----------------|----------------|
| Payments to Natural Resource Management Boards | 21 986 | 19 491 |
| Minister's other payments | 18 271 | 16 145 |
| National Landcare Program | 13 820 | 13 729 |
| Natural Heritage Trust | 14 | 128 |
| Total grants and subsidies | 54 091 | 49 493 |

A6 Other expenses

| | 2018 \$'000 | 2017 \$'000 |
|-----------------------------|----------------|----------------|
| Donated assets | 15 558 | - |
| Other expenses | 1 631 | 1 009 |
| Total other expenses | 17 189 | 1 009 |

Donated assets expense in 2017-18 comprised of Crown land donated free of charge to the DEW Controlled reporting entity for land gazetted to a mix of either National, Conservation and Recreation Parks and Wilderness Protection Areas and Reserves pursuant to the *National Parks and Wildlife Act 1972* (\$12.490 million), land transferred to the National Trust (\$2.961 million) and to other entities (\$0.107 million).

Department for Environment and Water
Notes to and forming part of the financial statements
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A7 Revenues from fees and charges

| | 2018 | 2017 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Water Levies received from licence holders | 16 374 | 16 354 |
| Penalties | 919 | 782 |
| Crown Lands | - | 8 |
| DEW Corporate Administered Items | (14) | (15) |
| Total revenues from fees and charges | 17 279 | 17 129 |

A8 Grants revenues

| | 2018 | 2017 |
|-----------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| National Landcare Program | 13 720 | 13 612 |
| Crown Lands | 107 | - |
| Total grant revenues | 13 827 | 13 612 |

A9 Assets received free of charge

| | 2018 | 2017 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Land | 11 700 | 706 |
| Total Assets received free of charge | 11 700 | 706 |

Assets received free of charge in 2017-18 comprised of land previously dedicated by the Minister for Environment and Water, pursuant to legislative powers vested to the Minister under the *Crown Lands Management Act 2009*, to entities external to the DEW Administered Items. Upon the revocation of dedication, the land has reverted to the Minister, and accounted for in the DEW Administered Items reporting entity.

A10 Net gain / (loss) from the disposal of non-current assets

| | 2018 | 2017 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Crown land | | |
| Proceeds from disposal | 7 218 | 8 204 |
| Less net book value of assets disposed | (7 169) | (3 586) |
| Net gain from disposal of Crown land | 49 | 4 618 |
| Total assets | | |
| Proceeds from disposal | 7 218 | 8 204 |
| Less net book value of assets disposed | (7 169) | (3 586) |
| Total net gain from disposal of non-current assets | 49 | 4 618 |

Department for Environment and Water
Notes to and forming part of the financial statements
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A11 Revenues from / (payments to) SA Government

| | 2018 \$'000 | 2017 \$'000 |
|--|----------------|----------------|
| Recurrent appropriations | 23 271 | 19 056 |
| Payments to Consolidated Account | (6 735) | (8 361) |
| Total revenues from SA Government | 16 536 | 10 695 |
| Net revenues from SA Government | 16 536 | 10 695 |

A12 Administered cash flow reconciliation

| | 2018 \$'000 | 2017 \$'000 |
|--|-----------------|-----------------|
| Reconciliation of cash and cash equivalents at the end of the reporting period | | |
| National Landcare Program | 337 | 431 |
| Crown Lands | 7 489 | 5 140 |
| Natural Heritage Trust | - | 14 |
| Natural Resource Management Fund | 2 410 | 3 475 |
| Pastoral Board | 113 | 99 |
| National Action Plan for Salinity and Water Quality | 37 | 36 |
| Adelaide Dolphin Sanctuary | 1 | 1 |
| The Department's Corporate Administrative Items | 2 312 | 1 164 |
| Cash and cash equivalents disclosed in the Statement of Financial Position | 12 699 | 10 360 |
| Balance as per the Statement of Administered Cash Flows | 12 699 | 10 360 |
| Reconciliation of net cash provided by / (used in) operating activities to net cost of providing services | | |
| Net cash provided by/(used in) operating activities | (4 879) | (4 278) |
| Add payments to SA Government | 6 735 | 8 361 |
| Less revenues from SA Government | (23 271) | (19 056) |
| Add / (less) non-cash items | | |
| Expenses associated with joint operation | (10 663) | (11 115) |
| Income associated with joint operation | 5 421 | 7 109 |
| Assets received free of charge | 11 700 | 706 |
| Donated assets | (15 558) | - |
| Net gain on disposal of non-current assets | 49 | 4 618 |
| Property, plant and equipment - other changes | (99) | - |
| Movement in assets and liabilities | | |
| (Decrease) in receivables | (1 819) | (1 615) |
| (Increase) in payables | (2 241) | (3 896) |
| Net cost of providing services | (34 625) | (19 166) |

Department for Environment and Water
Notes to and forming part of the financial statements
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A13 Receivables

| | 2018 | 2017 |
|-----------------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Current | | |
| Water levies | 941 | 1 230 |
| Penalties | 4 126 | 4 032 |
| Accrued interest | 4 | 5 |
| Other | 149 | 326 |
| Less allowance for doubtful debts | (2 128) | (683) |
| Total current receivables | 3 092 | 4 910 |
| Total receivables | 3 092 | 4 910 |

A14 Property, plant and equipment

| | 2018 | 2017 |
|--|------------------|------------------|
| | \$'000 | \$'000 |
| Crown land | | |
| Crown land at fair value | 571 605 | 590 555 |
| Total Crown land | 571 605 | 590 555 |
| Pastoral land | | |
| Pastoral land at fair value | 54 116 | 54 116 |
| Total Pastoral land | 54 116 | 54 116 |
| Buildings and improvements | | |
| Buildings and improvements at cost (deemed fair value) | 19 | 19 |
| Accumulated depreciation | (19) | (19) |
| Total buildings and improvements | - | - |
| Park infrastructure | | |
| Park infrastructure at cost (deemed fair value) | 88 | 88 |
| Accumulated depreciation | (88) | (88) |
| Total park infrastructure | - | - |
| Roads, tracks and trails | | |
| Roads, tracks and trails at cost (deemed fair value) | 6 | 6 |
| Accumulated depreciation | (6) | (6) |
| Total roads, tracks and trails | - | - |
| Joint operation property, plant and equipment | | |
| Joint operation property, plant and equipment | 720 472 | 724 493 |
| Total joint operation property, plant and equipment | 720 472 | 724 493 |
| Total property, plant and equipment | 1 346 193 | 1 369 164 |

Department for Environment and Water
Notes to and forming part of the financial statements
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A14 Property, plant and equipment (continued)

Movement reconciliation of property, plant and equipment

| 2018 | | | Joint operation | |
|--|-----------------|---------------|-----------------|------------------|
| | Crown land | Pastoral land | PP&E | Total |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Carrying amount at 1 July | 590 555 | 54 116 | 724 493 | 1 369 164 |
| Adjustment for Crown Lands not previously recognised | 13 905 | - | - | 13 905 |
| Adjustment for Crown Lands transferred to DEW Controlled | (21 729) | - | - | (21 729) |
| Restated opening balance at 1 July | 582 731 | 54 116 | 724 493 | 1361 340 |
| Assets received for nil consideration | 11 700 | - | - | 11 700 |
| Donated assets | (15 558) | - | - | (15 558) |
| Disposals | (7 169) | - | - | (7 169) |
| Other changes | (99) | - | - | (99) |
| Joint operations net additions, disposal, other movements | - | - | (7 286) | (7 286) |
| Subtotal | (11 126) | - | (7 286) | (18 412) |
| Gains/(losses) for the period recognised in other comprehensive income: | | | | |
| Revaluation increments/(decrements) | - | - | 3 265 | 3 265 |
| Subtotal | - | - | 3 265 | 3 265 |
| Carrying amount at 30 June | 571 605 | 54 116 | 720 472 | 1 346 193 |

| 2017 | | | Joint operation | |
|--|----------------|---------------|-----------------|------------------|
| | Crown land | Pastoral land | PP&E | Total |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Carrying amount at 1 July | 589 849 | 54 116 | 714 386 | 1 358 351 |
| Adjustment for Crown Lands not previously recognised | 3 586 | - | - | 3 586 |
| Restated opening balance at 1 July | 593 435 | 54 116 | 714 386 | 1 361 937 |
| Assets received for nil consideration | 706 | - | - | 706 |
| Disposals | (3 586) | - | - | (3 586) |
| Joint operations net additions, disposal, other movements | - | - | (7 881) | (7 881) |
| Subtotal | (2 880) | - | (7 881) | (10 761) |
| Gains/(losses) for the period recognised in other comprehensive income: | | | | |
| Revaluation increments/(decrements) | - | - | 17 988 | 17 988 |
| Subtotal | - | - | 17 988 | 17 988 |
| Carrying amount at 30 June | 590 555 | 54 116 | 724 493 | 1 369 164 |

Department for Environment and Water
Notes to and forming part of the financial statements
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A14 Property, plant and equipment (continued)

Error correction

An error correction of (\$7.824 million) adjusted against retained earnings at 1 July 2017 has been disclosed in the Administered Statement of Changes in Equity. The error correction is in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, and resulted in a net decrease in the carrying value of Crown Land assets.

The error correction comprises an increasing adjustment of \$13.905 million to recognise Crown Land that had previously been under the dedication and control of other entities, including other Government agencies and holders of leases, including Pastoral leases. Information was not available to be comprehensively verified nor valued in prior reporting periods, hence DEW determined it was impractical to apply retrospective restatement of prior year Crown Land balances in either the Statement of Administered Financial Position or the Administered Statement of Changes in Equity.

In addition, the error correction comprises a decreasing adjustment of (\$21.729 million) to the carrying value of Crown Land held as at 1 July 2017. The adjustment was required to reflect Crown Land that had transferred to DEW Controlled during 2016-17 following the gazettal of various land parcels as conservation parks during the period.

A15 Interest in joint operation

The Minister, on behalf of the state of South Australia, has an interest in a joint operation, the Murray-Darling Basin Authority (MDBA) represented by the River Murray Operations and the Living Murray Initiative.

On 3 July 2008, the Commonwealth Government and the Government of New South Wales, Victoria, Queensland, South Australia and the Australian Capital Territory (the participants) entered into the Intergovernmental agreement for the *Murray-Darling Basin Reform* (the Reform IGA). The Reform involved the government participants entering into a new *Murray-Darling Basin Agreement* (MDB Agreement) and the Intergovernmental Agreement on *Murray-Darling Basin Reform - referral* (the Referral IGA).

The MDB Agreement essentially dissolved the Murray-Darling Basin Commission (MDBC) and established the Murray-Darling Basin Authority (MDBA), Ministerial Council, Basin Officials Committee and the Basin Community Committee. Under the revised arrangement, the participants have a joint interest in the infrastructure assets and water rights. The state of South Australia's interest in the arrangement is 26.67 percent.

The MDBA was established under the Commonwealth *Water Act 2007* as an independent, expertise based statutory agency and are responsible for developing, implementing and monitoring the Basin Plans. The MDBA undertakes activities that support the sustainable and integrated management of the water resources of the Murray-Darling Basin in a way that meets the social, economic and environmental needs of the Basin and its communities.

Two unincorporated joint arrangements were established under the MDBA to hold assets on behalf of the participants through separate agreements called the "Asset Agreement for River Murray Operations Assets" (RMO) and the "Further Agreement on Addressing Over Allocation and Achieving Environmental Objectives in the Murray-Darling Basin - Control and Management of Living Murray Assets" (LMI). The principal place of the operation is in Australia. The participants are obliged to provide funding to the MDBA for the management of the RMO and LMI assets and operations.

The agreements in relation to the Murray Darling Basin Agreement joint arrangement require unanimous consent from all parties for all relevant activities. The participants own the infrastructure assets and water rights of the joint arrangements, which are being managed through the RMO and LMI and there are no liabilities held for either RMO and LMI. The arrangement is therefore classified as a joint operation and DEW recognises, on behalf of the state, its direct right to the jointly held assets, revenues and expenses based on the percentage interest as described in the table below.

Department for Environment and Water
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A15 Interest in joint operation (continued)

| Name of entity | Principal activity | Country of incorporation | Ownership interest | |
|--------------------------------|---|---------------------------------|---------------------------|-----------------|
| | | | 2018 (%) | 2017 (%) |
| Murray Darling Basin Authority | To undertake activities that support the sustainable and integrated management of water resources of the Murray-Darling Basin | Australia | 26.67% | 26.67% |

Joint operation assets, income and expenses accounted for using the proportionate consolidation method are detailed below:

| Murray Darling Basin Authority | 2018 | 2017 |
|--|----------------|----------------|
| | \$'000 | \$'000 |
| Non-current assets | | |
| <i>Property, plant and equipment</i> | | |
| Infrastructure Assets | 694 817 | 700 858 |
| Work in Progress | 20 232 | 18 224 |
| Other property, plant and equipment assets | 5 424 | 5 411 |
| <i>Intangibles - Water entitlements</i> | 154 016 | 151 973 |
| Total assets | 874 489 | 876 466 |
| Income | 5 421 | 7 109 |
| Expenses | 10 663 | 11 115 |

Refer note 6 of the DEW Controlled financial statements for details of the State's grant payment made to the MDBA.

The 2018 and 2017 figures were based on the audited RMO and LMI financial statements.

Contingencies and commitments

There are no contingencies or commitments arising from DEW's interest in the joint operation.

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A16 Payables

| | 2018 | 2017 |
|-------------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Current | | |
| Creditors | 6 246 | 4 184 |
| Accrued expenses | 11 | 6 |
| Other | 391 | 217 |
| Total current payables | 6 648 | 4 407 |
| | | |
| Total payables | 6 648 | 4 407 |

A17 Contingent assets and liabilities

A contingent asset is acknowledged whereby the Minister for Water and the River Murray has an exclusive right to access 40ML per day from the Langhorne and Currency Creek pipeline. The Minister has not exercised this right. DEW is not aware of the existence of any other contingent liabilities.