

Outback Communities Authority

Financial report
for the year ended
30 June 2019



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To the Presiding Member Outback Communities Authority

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, I have audited the financial report of the Outback Communities Authority (OCA) for the financial year ended 30 June 2019.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Outback Communities Authority as at 30 June 2019, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2019
- a Statement of Financial Position as at 30 June 2019
- a Statement of Changes in Equity for the year ended 30 June 2019
- a Statement of Cash Flows for the year ended 30 June 2019
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Presiding Member and the Director, Outback Communities Authority.

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 Outback Communities Authority. 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 Director and the members of the Outback Communities Authority for the financial report

The Director 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 the 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 is free from material misstatement, whether due to fraud or error.

The members of the Outback Communities Authority are responsible for overseeing the entity's financial reporting process.

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.

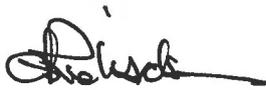
As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- 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, but not for the purpose of expressing an opinion on the effectiveness of the Outback Communities Authority's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Director

- 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 Director and members of the Outback Communities Authority about, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.



Andrew Richardson

Auditor-General

27 September 2019

Certification of the financial statements

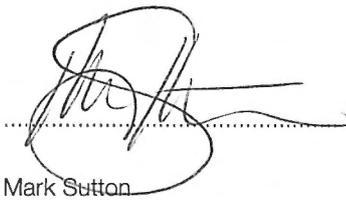
We certify that the:

- financial statements of the Outback Communities Authority:
 - are in accordance with the accounts and records of the Outback Communities Authority; and
 - comply with relevant Treasurer's instructions; and
 - comply with relevant accounting standards; and
 - present a true and fair view of the financial position of the Outback Communities Authority at the end of the financial year and the result of its operations and cash flows for the financial year.
- internal controls employed by the Outback Communities Authority over its financial reporting and its preparation of the financial statements have been effective throughout the financial year.



William McIntosh AM
PRESIDING MEMBER
OUTBACK COMMUNITIES AUTHORITY

25 September 2019



Mark Sutton
DIRECTOR
OUTBACK COMMUNITIES AUTHORITY

25 September 2019

Outback Communities Authority
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2019

	Note No	2019 \$'000	2018 \$'000
Expenses			
Employee benefit expenses	2.3	875	1 042
Supplies and services	3.1	1 862	1 923
Depreciation expense	3.2	742	712
Grants and subsidies	3.3	322	221
Other expenses	3.4	38	50
Total expenses		3 839	3 948
Income			
Advances and grants	4.2	1 807	1 830
Interest revenue		19	13
Resources received free of charge	4.3	-	362
Net gain from the disposal of non-current assets	4.4	-	83
Other income	4.5	492	532
Total income		2 318	2 820
Net cost of providing services		(1 521)	(1 128)
Revenues from SA Government			
Revenues from SA Government	4.1	2 464	1 402
Net revenues from SA Government		2 464	1 402
Net result		943	274
Other comprehensive income			
<i>Items that will not be reclassified to net result</i>			
Changes in property, plant and equipment asset revaluation surplus		-	(1 430)
Total other comprehensive income		-	(1 430)
Total comprehensive result		943	(1 156)

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

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

Outback Communities Authority
STATEMENT OF FINANCIAL POSITION
as at 30 June 2019

	Note	2019	2018
	No	\$'000	\$'000
Current assets			
Cash	6.1	2 972	1 359
Receivables	6.2	592	558
Total current assets		3 564	1 917
Non-current assets			
Property, plant and equipment	5.1	12 501	13 183
Total non-current assets		12 501	13 183
Total assets		16 065	15 100
Current liabilities			
Payables	7.1	71	92
Employee benefits	2.4	151	152
Total current liabilities		222	244
Non-current liabilities			
Payables	7.1	36	32
Employee benefits	2.4	384	344
Provisions		-	1
Total non-current liabilities		420	377
Total liabilities		642	621
Net assets		15 423	14 479
Equity			
Retained earnings		13 007	12 063
Asset revaluation surplus		2 416	2 416
Total equity		15 423	14 479

The total equity is attributable to the SA Government as owner

Unrecognised contractual commitments	9.1
Contingent assets and liabilities	9.2

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

Outback Communities Authority
STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2019

	Asset revaluation surplus \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 30 June 2017	3 846	11 673	15 519
Prior Period - error corrections	-	116	116
Restated Balance at 30 June 2017	3 846	11 789	15 635
Net result for 2017-18	-	274	274
Gain (loss) on Revaluation of Property during 2017-18	(1 430)	-	(1 430)
Total comprehensive result for 2017-18	(1 430)	274	(1 156)
Balance at 30 June 2018	2 416	12 063	14 479
Adjustments on initial adoption of AASB 9	-	(2)	(2)
Adjusted balance at 1 July 2018	2 416	12 061	14 477
Net result for 2018-19	-	943	943
Total comprehensive result for 2018-19	-	943	943
Other	-	3	3
Balance at 30 June 2019	2 416	13 007	15 423

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

Outback Communities Authority
STATEMENT OF CASH FLOWS
for the year ended 30 June 2019

	2019 \$'000	2018 \$'000
	Inflows (Outflows)	Inflows (Outflows)
Cash flows from operating activities		
Cash outflows		
Employee benefit payments	(837)	(1 020)
Supplies and services	(1 882)	(2 036)
Grants and subsidies	(322)	(221)
Other payments	(38)	(39)
Cash used in operations	(3 079)	(3 316)
Cash inflows		
Advances and Grants	1 807	1 830
Interest received	18	14
Other receipts	462	523
Cash generated from operations	2 287	2 367
Cash flows from (payments to) SA Government		
Receipts from SA Government	2 464	1 402
Cash generated from SA Government	2 464	1 402
Net Cash provided by (used in) operating activities	1 672	453
Cash flows from investing activities		
Cash outflows		
Purchase of property, plant and equipment	(59)	(307)
Cash Used in investing activities	(59)	(307)
Cash inflows		
Proceeds from sale of property, plant and equipment	-	100
Cash generated from investing activities	-	100
Net Cash provided by (used in) investing activities	(59)	(207)
Net increase / (decrease) in cash	1 613	246
Cash at 1 July	1 359	1 113
Cash at 30 June	2 972	1 359

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

Outback Communities Authority

Notes to and forming part of the financial statements

for the year ended 30 June 2019

1. About the Outback Communities Authority

Defined in the *Outback Communities (Administration and Management) Act 2009*, the functions of the Outback Communities Authority ("the Authority") are:

- to manage the provision of public services and facilities to outback communities;
- to promote improvements in the provision of public services and facilities to outback communities; and
- to articulate the views, interests and aspirations of outback communities.

In performing its functions the Authority is to:

- foster and support the provision of public services and facilities to outback communities by community organisations, including by making grants and loans to such organisations;
- consider long-term requirements for maintenance, replacement and development of infrastructure for public services and facilities for outback communities;
- consider State and national objectives and strategies that are relevant to outback communities;
- seek ongoing collaboration with local, State and national governments in the planning and delivery of public services and facilities to outback communities;
- ensure that there are systems in place to further its understanding of the views, interests and aspirations of outback communities;
- facilitate decision making by others on a basis that is well informed in relation to the views, interests and aspirations of outback communities, including by participating in appropriate local, State and national forums; and
- provide services with a high level of efficiency and effectiveness, manage resources effectively, prudently and in a fully accountable manner, and maintain and enhance the value of public assets.

1.1. Basis of Preparation

The Authority has prepared these general purpose financial statements in compliance with:

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

For the 2018-19 financial statements the Authority adopted *AASB 9 - Financial Instruments* and is required to comply with the new Treasurer's Instructions (Accounting Policy Statements) issued on 22 March 2019.

The Authority has applied Australian Accounting Standards that are applicable to not-for-profit entities, as the Authority 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 Authority for the period ending 30 June 2019.

The financial statements have been prepared based on a 12 month period and presented in Australian currency. The historical cost convention is used unless another measurement basis is specifically disclosed in the notes.

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

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

The net amount of the GST receivable/payable to the ATO is not recognised as a receivable/payable in the Statement of Financial Position as the Authority is a member of an approved GST group of which the Department of Planning, Transport and Infrastructure is responsible for the remittance and collection of GST.

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

Significant accounting policies are set out within the Notes.

Outback Communities Authority

Notes to and forming part of the financial statements

for the year ended 30 June 2019

1.2. Objectives and programs

The Authority is established and empowered by the *Outback Communities (Administration and Management) Act 2009* ("The Act") which is within the portfolio responsibilities of the Minister for Transport, Infrastructure and for Local Government. The Act also defines the areas of the State to which its provisions apply, sets out the Authority's powers and functions and makes provision for the support staff. It also enables specific provisions of the *Local Government Act 1999* to be applied by regulation to part, or all, of the Authority's area.

The Act further requires the yearly statement of accounts of the Authority to be audited by the Auditor-General and that the Authority provides an annual report to the State Parliament.

The Authority does not control any other entity and has no interests in unconsolidated structured entities. The Authority has not entered into any contractual arrangements which involve the sharing of control or significant influence over another entity.

2. Board, committees and employees

2.1. Key Management Personnel

Key management personnel of the Authority include the Minister for Transport, Infrastructure and Local Government, the seven board members and the Director who have responsibility for the strategic direction and management of the Authority.

The total compensation for the Authority's key management personnel was \$258 392 (\$275 468). Salaries and other benefits the Minister for Transport, Infrastructure and Local Government receives are excluded from this total. 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*.

Other than transactions described in the Notes, there were no transactions with key management personnel and other related parties during the year.

2.2. Board and Committee Members

Members that received remuneration for membership during the year were:

Outback Communities Authority

BOOTH J M (appointment expiry 30/06/2019)
FENNELL M A (appointment expiry 30/06/2019)
FORT J
MARSLAND M P
MICHELMORE C P
ROACH, T S
WOOLFORD C (appointment expiry 30/06/2019)

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

	2019	2018
	Number	Number
\$1 - \$9 999	6	7
\$20 000 - \$29 999	1	1
Total Number of Members	7	8

Outback Communities Authority
Notes to and forming part of the financial statements
for the year ended 30 June 2019

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, fringe benefits tax and any other salary sacrifice arrangements. The total remuneration received or receivable by members was \$72 000 (\$74 000). Mileage allowance paid to board members has not been included in the remuneration.

Unless otherwise disclosed, transactions between members are on conditions no more favourable than those that it is reasonable to expect the entity would have adopted if dealing with the related party at arm's length in the same circumstances.

2.3. Employee benefits expenses

	2019	2018
	\$'000	\$'000
Salaries and wages	559	719
Board fees	68	68
Employment on-costs	134	139
Annual leave	73	73
Long service leave	35	32
Skills and experience retention leave	1	4
Other employee related expenses	5	7
Total employee benefit expenses	875	1 042

Targeted Voluntary Separation Packages (TVSPs)

No employees were paid TVSPs during the period from 1 July 2018 to 30 June 2019.

Remuneration of employees

	2019	2018
	Number	Number
The number of employees whose remuneration received or receivable falls within the following bands:		
\$151 001 - \$171 000	1	-
\$171 001 - \$191 000	-	1
Total Number of Employees	1	1

Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits.

Outback Communities Authority
Notes to and forming part of the financial statements
for the year ended 30 June 2019

2.4. Employee benefits liability

	2019 \$'000	2018 \$'000
Current		
Annual leave	86	90
Skills and experience retention leave	5	7
Long service leave	47	40
Accrued salaries and wages	13	15
Total current employee benefits	151	152
Non-current		
Long service leave	384	344
Total non-current employee benefits	384	344
Total employee benefits	535	496

Employee benefits accrue to employees 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 leave 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 liability for annual leave and the skills and experience retention leave is expected to be payable within 12 months and is measured at the undiscounted amounts 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 for 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 reporting period using the projected unit credit method. Details about the measurement of long service leave is provided as note 9.1.

Outback Communities Authority
Notes to and forming part of the financial statements
for the year ended 30 June 2019

3. Expenses

3.1. Supplies and services

	2019	2018
	\$'000	\$'000
Administrative costs	14	13
Utilities	218	164
Property expenses	262	361
Information technology	36	42
Legal services	4	-
Materials and other purchases	18	26
Auditor's remuneration	34	34
Insurance	166	164
Plant, equipment and vehicle expenses	132	146
Operating leases	67	52
Other service contracts	777	799
Other	134	122
Total supplies and services	1 862	1 923

3.2. Depreciation and amortisation

	2019	2018
	\$'000	\$'000
Depreciation		
Buildings and infrastructure	612	624
Water, sewerage and drainage	79	45
Plant and equipment	51	43
Total depreciation expense	742	712

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

Assets' residual values, useful lives and depreciation 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.

Land is not depreciated.

Useful Life

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

<u>Class of asset</u>	<u>Useful life (years)</u>
Buildings and infrastructure	4 to 100
Water, sewerage and drainage	25 to 87
Plant and equipment	2 to 48

Outback Communities Authority
Notes to and forming part of the financial statements
for the year ended 30 June 2019

3.3. Grant and subsidies

	2019	2018
	\$'000	\$'000
Community Affairs Resourcing Management Grants	248	155
Regional Development Initiatives	68	66
Sports and Youth Grants	6	-
Total grants and subsidies	322	221

3.4. Other expenses

	2019	2018
	\$'000	\$'000
Bad and doubtful debts expense	-	3
Community Levy	38	30
Asset write offs	-	11
Other	-	6
Total other expenses	38	50

Outback Communities Authority
Notes to and forming part of the financial statements
for the year ended 30 June 2019

4. Income

4.1. Net revenues from SA Government

	2019	2018
	\$'000	\$'000
Revenues from SA Government	2 464	1 402
Total revenues from SA Government	2 464	1 402

Revenues from SA Government for program funding are recognised as revenues where the Authority obtains control over the funding. Control over revenues from SA government is normally obtained upon receipt.

The original amount appropriated to the Authority under the annual *Appropriation Act* was not varied however an additional amount of \$1.1 million was received from the Treasurer for working capital.

4.2. Advances and grants

	2019	2018
	\$'000	\$'000
Commonwealth Grants	1 555	1 502
Intra-government Transfers	252	328
Total advances and grants	1 807	1 830

The above advances and grants were allocated to the following programs / projects:

Financial Assistance Grants	1 543	1 495
Outback Community Parks	-	76
Andamooka Town Services	64	62
Dunjiba Municipal Services	110	107
Other	90	90
Total advances and grants	1 807	1 830

Advances and grants are recognised as an asset and income when the Authority obtains control of the advances and grants or obtains the right to receive the advances and grants and the income recognition criteria are met (i.e. the amount can be reliably measured and the flow of resources is probable). For grants relating to agreements with conditional stipulations, income is recognised when the stipulations are met. When agreements have unconditional stipulations, income is recognised on execution of an enforceable agreement.

Outback Communities Authority
Notes to and forming part of the financial statements
for the year ended 30 June 2019

4.3. Resources received free of charge

	2019	2018
	\$'000	\$'000
Plant and equipment *	-	362
Total resources received free of charge	-	362

*In 2017-18, the Authority received free of charge assets for plant and equipment of the township of Leigh Creek from Generation Lessor Corporation. In 2018-19, no further assets were received.

4.4. Net Gain (Loss) from the Disposal of Non-Current Assets

	2019	2018
	\$'000	\$'000
Net gain (loss) from the disposal of non-current assets received / receivable:		
Plant and Equipment:		
Proceeds from disposal	-	100
Net book value of assets disposed	-	(17)
Net gain (loss) from disposal of plant and equipment	-	83

4.5. Other Income

	2019	2018
	\$'000	\$'000
Recoveries/reimbursements	136	177
Community Contribution Scheme	298	303
Other	14	5
Airstrip landing fees	44	47
Total other income	492	532

Other income consists of recoveries, reimbursements and community contributions which is derived in accordance with section 21 of the Act. Other income is recognised as revenue when the Authority obtains control of the funds or right to receive the funds and the income recognition criteria are met.

Outback Communities Authority
Notes to and forming part of the financial statements
for the year ended 30 June 2019

5. Non-financial assets

5.1. Property, plant and equipment

	2019 \$'000	2018 \$'000
Land		
Land at fair value	72	72
Total land	72	72
Buildings and Infrastructure		
Buildings and infrastructure at fair value	25 529	25 491
Accumulated depreciation	(15 079)	(14 467)
Total buildings and infrastructure	10 450	11 024
Water, sewerage and drainage		
Water, sewerage and drainage assets at fair value	2 742	2 516
Accumulated depreciation	(1 278)	(1 199)
Total water, sewerage and drainage	1 464	1 317
Plant and equipment		
Plant and equipment at fair value	1 195	1 142
Accumulated depreciation	(855)	(804)
Total plant and equipment	340	338
Work in progress		
Work in progress	175	432
Total work in progress	175	432
Total property, plant and equipment	12 501	13 183

Valuation of property, plant and equipment

The valuation of property assets including Land, Buildings and Infrastructure and Water and Sewerage assets were valued by Valuer-General as at 1 July 2017. The Valuer-General used depreciated replacement cost due to there not being an active market for such buildings and facilities. The valuation was based on a combination of internal records, specialised knowledge and acquisition/transfer costs. No asset classes were revalued in 2018-19.

Acquisition and Recognition

All non-current tangible assets with a value equal to or in excess of \$10,000 are capitalised.

Property, plant and equipment is recorded at fair value. Detail about the Authority's approach to fair value is set out in note 10.2.

Impairment

All non-current tangible assets are tested for indication of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. The recoverable amount is determined as the higher of the asset's fair value less costs of disposal and depreciated replacement costs. An amount by which the assets carrying amount exceeds the recoverable amount is recorded as an impairment loss.

For revalued assets, an impairment loss is offset against the respective asset revaluation surplus.

Outback Communities Authority
Notes to and forming part of the financial statements
for the year ended 30 June 2019

Reconciliation of property, plant and equipment

The following table shows the movement of property, plant and equipment during 2018-19:

2018-19	Land \$'000	Buildings and Infrastructure \$'000	Water, sewerage and drainage \$'000	Plant and Equipment \$'000	Work in Progress \$'000	Total \$'000
Carrying amount at 1 July	72	11 024	1 317	338	432	13 183
Additions	-	-	-	-	59	59
Transfer from works in progress	-	37	226	52	(315)	-
Depreciation and amortisation	-	(612)	(79)	(51)	-	(742)
Other movements	-	1	-	1	(1)	1
Carrying amount at 30 June	72	10 450	1 464	340	175	12 501

The following table shows the movement of property, plant and equipment during 2017-18:

2017-18	Land \$'000	Buildings and Infrastructure \$'000	Water, sewerage and drainage \$'000	Plant and Equipment \$'000	Work in Progress \$'000	Total \$'000
Carrying amount at 1 July	95	13 061	1 353	24	155	14 688
Additions	-	-	-	-	307	307
Disposals	-	-	-	(17)	-	(17)
Transfer from works in progress	-	30	-	-	(30)	-
Write offs	(11)	-	-	-	-	(11)
Resources received free of charge	-	-	-	362	-	362
Revaluations increment / (decrement)	(12)	(1 440)	8	15	-	(1 429)
Depreciation and amortisation	-	(624)	(45)	(43)	-	(712)
Other movements	-	(3)	1	(3)	-	(5)
Carrying amount at 30 June	72	11 024	1 317	338	432	13 183

Impairment

There were no indications of impairment of property, plant and equipment and infrastructure assets at 30 June 2019.

Outback Communities Authority
Notes to and forming part of the financial statements
for the year ended 30 June 2019

6. Financial assets

6.1. Cash

	2019	2018
	\$'000	\$'000
Deposits with the Department of Treasury and Finance	2 972	1 359
Total cash	2 972	1 359

Cash is measured at nominal amounts.

6.2. Receivables

	2019	2018
	\$'000	\$'000
Current		
Receivables	20	45
Expected credit loss	(2)	(2)
Accrued revenues	520	464
Prepayments	54	51
Total current receivables	592	558
Total receivables	592	558

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 are held with the objective of collecting contractual cash flows and they are measured at amortised cost.

Collectability of receivables is reviewed on an ongoing basis.

Impairment of Receivables

	2019	2018
	\$'000	\$'000
Balance at 30 June 2018 under AASB 139	2	-
Adjustments on initial adoption of AASB 9	2	-
Carrying amount at the beginning of the period	4	1
Write offs	(2)	-
Increase/(Decrease) in expected credit loss recognised in profit and loss	-	1
Carrying amount at the end of the period	2	2

AASB 9 *Financial Instruments* replaces the provisions of AASB 139 that relate to recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of AASB 9 from 1 July 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in financial statements.

The Authority's receivables balance was remeasured upon adoption of AASB 9 *Financial Instruments*, there was no impact to other Financial Instruments.

In accordance with transitional provisions and the *Treasurer's Instructions (Accounting Policy Statements)*, AASB 9 *Financial Instruments* was adopted without restating comparative information for classification and measurement requirements. All adjustments relating to classification and measurement are recognised in retained earnings at 1 July 2018. The total impact on the Authority's retained earnings as at 1 July 2018 was minor.

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7. Liabilities

7.1. Payables

	2019	2018
	\$'000	\$'000
Creditors	2	26
Accrued expenses	48	46
Employment on-costs	21	20
Total current payables	71	92
Non-current		
Employment on-costs	36	32
Total non-current payables	36	32
Total payables	107	124

All payables are measured at their nominal amount. Accruals are raised for all amounts owing but unpaid and are normally settled within 30 days from the date the invoice is first received.

Employment on-costs include payroll tax and superannuation contributions with respect to outstanding liabilities for salaries and wages and associated leave. The Authority 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 payable outstanding at reporting date relates to any contributions due but not yet paid.

The Authority 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 for beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at reporting date relates to contributions due but not yet paid to the superannuation scheme managers.

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the proportion of long service leave taken as leave remained unchanged from the 2018 rate of 41% and the average factor for the calculation of employer superannuation cost on-cost has changed from the 2018 rate of 9.9% to 9.8%. These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is an increase in the employment on-cost and employee benefits expense. This increase was immaterial and the estimated impact on 2020 is not expected to be material.

8. Prior Period adjustments

8.1. Asset recognition – error correction

	2018	2017	Total
	\$'000	\$'000	\$'000
Land, buildings and facilities	-	116	116
Total adjustments - error correction	-	116	116

The table above represents total adjustments to equity identified. An adjustment of \$0.116 million was identified in the year ended 30 June 2019 which affect the year ended 30 June 2017.

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9. Outlook

9.1. Unrecognised contractual commitments

Commitments include operating, capital and outsourcing arrangements arising from contractual or statutory sources and are disclose at their nominal value (net of GST).

Operating lease commitments	2019	2018
	\$'000	\$'000
Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	53	35
Later than one year but no later than five years	54	71
Later than five years	-	-
Total operating lease commitments	107	106

Operating leases relates to property and accommodation occupied by the Authority. The lease is cancellable, with rent payable monthly in advance for the property and accommodation lease. The remaining term of the lease is 2 years.

Other commitments	2019	2018
	\$'000	\$'000
Commitments for the payment of maintenance and other service contracts at the reporting date but not recognised as payables in the financial statements are payable as follows:		
Within one year	17	78
Total other commitments	17	78

Other commitments relate to commitments arising from other service contracts.

9.2. Contingent assets and contingent liabilities

The Authority is not aware of any contingent assets or liabilities as at 30 June 2019.

9.3. Impact of standards and statements not yet effective

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

Treasurer's Instructions (Accounting Policy Statements) 2019 issued by the Treasurer on 22 March 2019 are effective for 2018-19 reporting period and are addressed below in relation to Standards not yet effective and in note 9.1. There are no Accounting Policy Statements that are not yet effective.

The material impacts on the Authority are outlined below.

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AASB 15 – Revenue from Contracts and Customers and AASB1058 – Income of Not for Profit Entities

The Authority will adopt *AASB 15 - Revenue from Contracts with Customers* and *AASB 1058-Income of Not for Profit Entities* from 1 July 2019.

Objective

AASB 15 introduces a 5-step approach to revenue recognition. The objective of *AASB 15* is that recognition of revenue depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. It provides extensive guidance as to how to apply this revenue recognition approach to a range of scenarios. *AASB 15 – Revenue from Contracts* replaces *AASB 111 – Construction Contracts* and *AASB 118 – Revenue*.

AASB 1058 introduces consistent requirements for the accounting of non-reciprocal transactions by not-for-profit entities, in conjunction with *AASB 15*. These requirements closely reflect the economic reality of not-for-profit entity transactions that are not contracts with customers. *AASB 1058* replaces parts of *AASB 1004 – Contributions*.

Impact on 2019-20 financial statements

The Authority has assessed the adoption of *AASB 15* and *AASB 1058* and it is not expected to have a material impact on the timing of recognition of revenue by the Authority.

Related accounting policies

The *Treasurer's Instructions (Accounting Policy Statements) 2019* also sets out requirements for on-going application. These requirements include that Authority will:

- apply, where permitted, the short-term licences recognition exemption.
- adopt \$15,000 as the threshold to determine whether a licence is a licence for which the transaction price is of low value and will apply the low value licence recognition exemption for all low value licences.
- not recognise volunteer services when the services would not have been purchased if they had not been donated.

AASB 16 – Leases

The Authority will adopt *AASB 16 – Leases* from 1 July 2019.

Objective

AASB 16 sets out a comprehensive model for lease accounting that addresses recognition, measurement, presentation and disclosure of leases. The outcome will be that lease information disclosed will give users of financial statements a basis to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. *AASB 16 Leases* replaces *AASB 117 Leases* and *Interpretation 4 Determining whether an Arrangement contains a Lease*, *Interpretation 115 Operating Leases – Incentives and Interpretation*, and *Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

Impact on 2019-20 financial statements

The Authority has assessed the estimated impact on the Statement of Financial Position of adopting *AASB 16* with the transition requirements mandated by the *Treasurer's Instructions (Accounting Policy Statements)*.

AASB 16 requires lessees to recognise assets and liabilities for all leases, not subject to a recognition exemption or scoped out of the application of *AASB 16*. Applying *AASB 16* will result in leases previously classified as operating leases having right-of-use assets and related lease liabilities being recognised in the Statement of Financial Position for the first time. Lease incentive liabilities previously recognised will be written off against the right-of-use assets or retained earnings depending on the nature of the incentive.

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AASB 16 is expected to have a material impact on the Statement of Financial Position. The Authority has estimated the impact of this change and the results as at 1 July 2019.

The estimated impact is based on applying AASB 16's transition approach to those leases identified as leases by the Authority prior to 1 July 2019. The incremental borrowing rates applied to estimate the lease liability was provided by the South Australian Financing Authority forecast interest rate for principal and interest loans to SA Government agencies.

The estimated amounts disclosed are current estimates only. The Authority is continuing to refine its calculations of the lease asset and liabilities for 2019-20 financial reporting purposes and expects these estimated amounts will change. This includes accounting for the non-lease components and clarifying lease terms and the treatment of contractual rent increases.

The estimated impact is set out below.

	as at 1 July 2019 \$'000
<u>Assets</u>	
Right-of-use assets	164
<u>Liabilities</u>	
Lease liabilities	(164)
Net impact on equity	-

AASB 16 will also impact on the Statement of Comprehensive Income. The operating lease expense previously included in supplies and services will mostly be replaced with:

- a depreciation expense that represents the use of the right-of-use asset; and
- borrowing costs that represent the cost associated with financing the right-of-use asset.

The estimated impact on 2019-20 Statement of Comprehensive Income is set out below.

	2020 \$'000
Supplies and services	(83)
Depreciation and amortisation	83
Interest expense (Borrowing costs)	2
Net impact on net cost of providing services	2

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Related accounting policies

- The Treasurer's Instructions (Accounting Policy Statements) sets out key requirements that the Authority must adopt for the transition to AASB 117 – *Leases* to AASB 16 *Leases*. These requirements include that the Authority will: apply AASB 16 retrospectively. The cumulative effect of initially applying the Standard will be recognised at 1 July 2019. Comparatives will not be restated
- only apply AASB 16 to contracts that were previously identified as containing a lease applying AASB 117 and related interpretations; and
- not transition operating leases for which the lease term ends before 30 June 2020.

The Treasurer's Instructions (Accounting Policy Statements) also sets out requirements for on-going application. These requirements include that Authority will:

- not apply AASB 16 to leases of intangible assets;
- adopt \$15,000 as the threshold to determine whether an underlying asset is a low value asset and must apply the low value asset recognition exemption to all low value assets;
- apply the short-term leases recognition exemption for all classes of underlying asset;
- separate non-lease components from lease components;
- adopt the revaluation model, where permitted;
- where required, apply the relevant lessee's incremental borrowing rate published by the Department of Treasury and Finance; and
- on initial recognition not record at fair-value leases that have significantly below-market terms and conditions principally to enable the Authority to further its objectives, unless they have already been recorded at fair-value prior to 1 July 2019.

9.4. Events after balance date

The Authority is not aware of any events occurring after balance date.

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10. Measurement and Risk

10.1. Long service leave liability – measurement

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

The actuarial assessment performed by the Department of Treasury and Finance 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 the 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 decreased from the 2018 rate of 2.5% to 1.25% in 2019.

This decrease in the bond yield, which is used as the rate to discount future long service leave cash flows, results in an increase in the reported long service leave liability.

The net financial effect of the changes in the current financial year is an increase in the long service leave liability of \$0.031 million. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of assumptions – a key assumption is the long-term discount rate.

The actuarial assessment performed by the Department of Treasury and Finance left the salary inflation rate at 4% for long service leave liability. As a result there is no financial effect resulting from changes in the salary inflation rate.

The long service leave liability has been allocated between current and non-current liabilities using the leave pattern history of previous years.

10.2. Fair value

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

Acquisition and recognition

Non-current tangible 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 i.e. the amount recorded by the transferor public authority immediately prior to the restructure.

Revaluation of non-current assets

All non-current assets are valued at written down current cost (a proxy for 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.

The Authority uses the gross method in accounting for its assets when non-current assets are revalued, with the exception of land. The Authority generally revalues its assets every three years and always within 6 years depending on the nature or purpose for which that asset is held. However, if at any time management considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the last valuation took place.

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Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation where they are revalued to fair value. Revaluation movements are recorded in the Revaluation reserves.

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

Fair Value measurement- Non-financial assets

In determining fair value, the Authority has taken into account the characteristic of the asset (e.g. 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).

The Authority's current use is the highest and best use of the asset unless other factors suggest an alternative use is feasible. As the Authority 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 is less than \$1 million or an estimated useful life that is less than three years, are deemed to approximate fair value

10.3. Financial instruments

Financial risk management

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

Liquidity risk

The Authority is funded mainly from a Federal Government Financial Assistance Grant and Revenues from SA Government. The Authority works with the Department of Treasury and Finance to determine the cash flows associated with its Ministerial approved program of work and to ensure funding is provided through SA Government budgetary processes to meet the expected cash flows.

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

All financial assets and liabilities are carried at cost and are current for 2019 and 2018.