

South Eastern Water Conservation and Drainage Board

Financial report
for the year ended
30 June 2018



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To the Presiding Member South Eastern Water Conservation and Drainage Board

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 23(2) of the *South Eastern Water Conservation and Drainage Act 1992*, I have audited the financial report of the South Eastern Water Conservation and Drainage Board for the financial year ended 30 June 2018.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the South Eastern Water Conservation and Drainage Board as at 30 June 2018, 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 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 Certificate from the Presiding Member, the Manager, Drainage Operations and the Finance and Governance Officer.

Basis for opinion

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

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

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

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

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

Auditor's responsibilities for the audit of the financial report

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 Manager, Drainage Operations
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Andrew Richardson

Auditor-General

21 September 2018

SOUTH EASTERN WATER CONSERVATION AND DRAINAGE BOARD

CERTIFICATION OF THE FINANCIAL REPORT

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

- comply with relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian Accounting Standards;
- are in accordance with the accounts and records of the South Eastern Water Conservation and Drainage Board; and
- present a true and fair view of the financial position of the South Eastern Water Conservation and Drainage Board as at 30 June 2018 and the results of its operation and cash flows for the financial year.

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



Lee Morgan
Manager, Drainage Operations

18 / 9 / 2018



Kylie Grosser
Finance and Governance Officer

18 / 9 / 2018



Frank Brennan
Presiding Member

18 / 09 / 18

SOUTH EASTERN WATER CONSERVATION AND DRAINAGE BOARD

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 \$'000	2017 \$'000
EXPENSES			
Board member expenses	3	26	21
Supplies and services	5	1,767	1,925
Depreciation expense	6	3,541	3,676
Other expenses	7	28	24
Total expenses		<u>5,362</u>	<u>5,646</u>
INCOME			
Fees and charges	8	64	30
Other income	9	116	-
Total income		<u>180</u>	<u>30</u>
NET COST OF PROVIDING SERVICES		<u>5,182</u>	<u>5,616</u>
REVENUES FROM SA GOVERNMENT			
Revenues from SA Government	10	2,261	2,293
Total Revenues from SA Government		<u>2,261</u>	<u>2,293</u>
NET RESULT		<u>(2,921)</u>	<u>(3,323)</u>
TOTAL COMPREHENSIVE RESULT		<u><u>(2,921)</u></u>	<u><u>(3,323)</u></u>

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.

SOUTH EASTERN WATER CONSERVATION AND DRAINAGE BOARD

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Note	2018 \$'000	2017 \$'000
CURRENT ASSETS			
Cash and cash equivalents	11	262	262
Receivables	12	50	48
Inventories	13	25	28
Total current assets		<u>337</u>	<u>338</u>
NON-CURRENT ASSETS			
Property, plant & equipment and infrastructure	14	92,154	95,262
Total non-current assets		<u>92,154</u>	<u>95,262</u>
TOTAL ASSETS		<u>92,491</u>	<u>95,600</u>
CURRENT LIABILITIES			
Payables	16	62	134
Provisions	17	-	116
Total Current liabilities		<u>62</u>	<u>250</u>
TOTAL LIABILITIES		<u>62</u>	<u>250</u>
NET ASSETS		<u>92,429</u>	<u>95,350</u>
EQUITY			
Retained earnings		54,849	57,770
Asset revaluation surplus	18	37,580	37,580
TOTAL EQUITY		<u>92,429</u>	<u>95,350</u>

The total equity is attributable to the SA Government as owner

Unrecognised contractual commitments	19
Contingent assets and liabilities	20

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

SOUTH EASTERN WATER CONSERVATION AND DRAINAGE BOARD

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

	Asset Revaluation Surplus	Retained Earnings	Total
	\$'000	\$'000	\$'000
Balance at 30 June 2016	37,580	61,093	98,673
Net Result for 2016-17	-	(3,323)	(3,323)
Total comprehensive result for 2016-17	-	(3,323)	(3,323)
Balance at 30 June 2017	37,580	57,770	95,350
Net Result for 2017-18	-	(2,921)	(2,921)
Total comprehensive result for 2017-18	-	(2,921)	(2,921)
Balance at 30 June 2018	37,580	54,849	92,429

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

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

SOUTH EASTERN WATER CONSERVATION AND DRAINAGE BOARD

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 \$'000	2017 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Outflows			
Board member payments		(23)	(25)
Payments for supplies and services		(2,050)	(1,969)
Other payments		(18)	(19)
Cash used in operations		<u>(2,091)</u>	<u>(2,013)</u>
Cash Inflows			
Fees and charges		65	31
GST recovered from the ATO		208	237
Cash generated from operations		<u>273</u>	<u>268</u>
Cash Flows from SA Government			
Receipts from SA Government		2,261	2,293
Cash generated from SA Government		<u>2,261</u>	<u>2,293</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	22	<u>443</u>	<u>548</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Outflows			
Purchase of property, plant & equipment and infrastructure		(443)	(506)
Cash used in investing activities		<u>(443)</u>	<u>(506)</u>
NET CASH USED IN INVESTING ACTIVITIES		<u>(443)</u>	<u>(506)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		-	42
Cash and cash equivalents at beginning of the period		262	220
Cash and cash equivalents at the end of the period	11	<u>262</u>	<u>262</u>

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1 Basis of Financial Statements

1.1 Reporting Entity

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

The financial statements and accompanying notes include all the controlled activities of the Board.

The Board does not control any other entity and has no interests in unconsolidated structured entities.

1.2 Statement of compliance

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

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant 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*.

The Board has applied Australian Accounting Standards that are applicable to not-for-profit entities, as the Board 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 Board 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 have been classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

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

Significant accounting policies are set out in the notes.

1.4 Taxation

The Board is not subject to income tax. The Board is liable for fringe benefits tax, goods and services tax (GST), emergency services levy and local government rates.

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; and
- receivables and payables, which are stated with the amount of GST included.

The net 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.

2 Objectives

2.1 Objectives

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

3 Board Member Expenses and Key Management Personnel

3.1 Board member expenses	2018 \$'000	2017 \$'000
Board and committee fees	19	16
Board member on costs - superannuation	1	1
Board member on costs - other	1	1
Board member costs - other	5	3
Total Board member expenses	26	21

3.2 Key management personnel

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

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

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

Total compensation for key management personnel was \$20,000 in 2017-18 and \$17,000 in 2016-17.

The compensation disclosed in this note excludes salaries and other benefits of 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*.

Compensation	2018 \$'000	2017 \$'000
Salaries and other short term employee benefits	19	16
Post employment benefits	1	1
Total compensation	20	17

4 Remuneration of Board and Committee members

Members during the 2017-18 financial year were:

South Eastern Water Conservation and Drainage Board

FN Brennan (Presiding Member)
BN McLaren (Deputy Presiding Member)
DC Ashby
AE Hooper
JJ Mullins
LA Rasenberg
K Rasheed
M Hanneman

South Eastern Water Conservation and Drainage Board

Governance and Finance Sub-Committee

FN Brennan
BN McLaren (Chair person)
AE Hooper
D Ashby

4 Remuneration of Board and Committee members (Cont.)

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

	2018 No. of members	2017 No. of members
\$0 – \$9 999	8	9
Total number of members	<u>8</u>	<u>9</u>

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits. The total remuneration received or receivable by members was \$20,000. (2017: \$17,000)

For the purpose of this table the travel allowance paid to members has not been included as remuneration as it is considered to be a reimbursement of direct out of pocket expenses incurred by the relevant member. These expenses in addition to payroll tax expense amount to \$5,000. (2017: \$3,000)

5 Supplies and Services

	2018 \$'000	2017 \$'000
Fee for service - DEW (i)	1,135	1,137
Accommodation and telecommunications	35	37
Information technology expenses	6	5
Contractors	122	220
Consultants	6	29
Operation and maintenance works	107	121
General administration and consumables	204	220
Operating lease payments	152	156
Total supplies and services	<u>1,767</u>	<u>1,925</u>

The total supplies and services amount disclosed includes GST amounts not recoverable from the Australian Taxation Office due to the Board not holding a tax invoice or payments relating to third party arrangements.

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

5.1 Operating leases

Operating lease payments (less any lease incentives) are recognised on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern of benefits derived from the use of the leased assets.

5.2 Consultants

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

	Number	2018 \$'000	Number	2017 \$'000
Below \$10 000	2	6	6	18
Above \$10 000	-	-	1	11
Total paid/payable to consultants engaged	<u>2</u>	<u>6</u>	<u>7</u>	<u>29</u>

6 Depreciation Expense	2018	2017
	\$'000	\$'000
Buildings	18	19
Plant and equipment	116	163
Fences and gates	268	268
Drainage channels	1,412	1,410
Drainage structures	1,727	1,816
Total depreciation expense	<u>3,541</u>	<u>3,676</u>

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.

Land is not depreciated.

6.1 Useful life

Depreciation 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)
Plant and equipment	5-10
Buildings	40
Drainage channels/access roads and tracks	50-80
Drainage structures	30-80
Fences and gates	30-40

6.2 Revision of accounting estimates

Assets' residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate, on an annual basis. Changes in the expected 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.

There was no change to assets' residual values, useful lives or depreciation method during the year.

7 Other Expenses	2018	2017
	\$'000	\$'000
Property, plant & equipment and infrastructure write-off (i)	10	5
Audit fees (ii)	18	19
Total other expenses	<u>28</u>	<u>24</u>

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

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

8 Revenues from fees and charges	2018	2017
	\$'000	\$'000
Sale of goods and services	52	27
Licence revenues	10	1
Other fees and charges	<u>2</u>	<u>2</u>
Total revenues from fees and charges	<u>64</u>	<u>30</u>

9 Other Income	2018	2017
	\$'000	\$'000
Forgiveness of provision for reimbursement of assigned staff costs	<u>116</u>	<u>-</u>
Total other income	<u>116</u>	<u>-</u>

DEW has forgiven the Board's Annual Leave and Retention Leave liabilities as of 1 July 2017. Refer note 17.1.

10 Revenues from SA Government	2018	2017
	\$'000	\$'000
Funding transfers from DEW	<u>2,261</u>	<u>2,293</u>
Total revenues from SA Government	<u>2,261</u>	<u>2,293</u>

Funding provided through DEW is recognised as revenue when the Board obtains control over the funding, which is normally upon receipt.

Total revenues from government consist of \$1.891m (2017: \$1.844m) for operational funding and \$0.370m (2017: \$0.449m) for capital projects.

11 Cash and Cash Equivalents	2018	2017
	\$'000	\$'000
Deposits with the Treasurer	<u>262</u>	<u>262</u>
Total cash and cash equivalents	<u>262</u>	<u>262</u>

Cash is measured at nominal amounts.

11.1 Deposits with the Treasurer

The Board has one deposit account with the Treasurer; a general operating account. The Board does not earn interest on its deposits with the Treasurer.

12 Receivables	2018	2017
	\$'000	\$'000
Current		
Receivables	-	1
GST input tax recoverable	<u>50</u>	<u>47</u>
Total current receivables	<u>50</u>	<u>48</u>
Total receivables	<u><u>50</u></u>	<u><u>48</u></u>

12.1 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 the Board will not be able to collect the debt. Other than 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 it being receivable on demand. There is no concentration of credit risk.

Refer to note 23 for further information on risk management.

13 Inventories	2018	2017
	\$'000	\$'000
Inventories held for distribution at no or nominal amount		
Inventories held for distribution - at cost	<u>25</u>	<u>28</u>
Total Inventories held for distribution at no or nominal amount	<u>25</u>	<u>28</u>
Total inventories	<u><u>25</u></u>	<u><u>28</u></u>

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

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

14 Property, plant, equipment and infrastructure	2018 \$'000	2017 \$'000
Land and buildings		
Land at cost (deemed fair value) (iii)	5	5
Buildings at cost (deemed fair value) (iii)	594	594
Accumulated depreciation	(107)	(89)
Total land and buildings	<u>492</u>	<u>510</u>
Plant and equipment		
Plant and equipment at cost (deemed fair value) (iii)	2,080	2,166
Accumulated depreciation	(1,652)	(1,677)
Total plant and equipment	<u>428</u>	<u>489</u>
Fences and gates		
Fences and gates at Independent valuation (i)	3,666	3,666
Fences and gates at Board valuation	5,786	5,786
Fences and gates at cost (ii)	81	61
Accumulated depreciation	(6,489)	(6,220)
Total fences and gates	<u>3,044</u>	<u>3,293</u>
Drainage channels		
Drainage channels at independent valuation (i)	115,439	115,439
Drainage channels at cost (ii)	267	179
Accumulated depreciation	(64,066)	(62,654)
Total drainage channels	<u>51,640</u>	<u>52,964</u>
Drainage structures		
Drainage structures at independent valuation (i)	163,904	164,124
Drainage structures at cost (ii)	1,209	950
Accumulated depreciation	(128,654)	(127,145)
Total drainage structures	<u>36,459</u>	<u>37,929</u>
Capital works in progress		
Capital works in progress	91	77
Total capital works in progress	<u>91</u>	<u>77</u>
Total property, plant & equipment and infrastructure	<u><u>92,154</u></u>	<u><u>95,262</u></u>

14.1 Acquisition and Recognition

Non-current assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental costs 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 restructuring of administrative arrangements then the assets are recognised at book value, (i.e. the amount recorded by the transferor immediately prior to the restructure).

All non-current tangible assets with a value equal to or in excess of \$2 000 are capitalised.

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.

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

14.2 Revaluation of Assets

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 3 years.

Every six years, the Board revalues its infrastructure assets via a Certified Practising Valuer.

If at any time the Board 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, where they are revalued to fair value.

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

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

An independent valuation of fences and gates, drainage channels and drainage structures was performed by a Certified Practising Valuer from Jacobs Group (Australia) Pty Ltd, as at 30 June 2014.

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

14.3 Carrying amount of property, plant & equipment and infrastructure

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

(i) Independent valuation:

These assets are valued separately by independent professional valuers.

(ii) At cost (acquisition cost):

This class includes one or more items that have an acquisition cost exceeding \$1m. All assets within this class are temporarily held at cost pending revaluation that occurs no later than six years from acquisition date.

(iii) At cost (deemed fair value):

These assets had a fair value at the time of acquisition that was less than \$1m or had an estimated useful life that was less than three years, and have not been revalued in accordance with APF III. The carrying value of these items 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 the Board's assumptions about the assets condition and remaining useful life.

14.4 Impairment

There were no indications of impairment of property, plant & equipment and infrastructure as at 30 June 2018.

14.5 Reconciliation of property, plant, equipment and infrastructure

The following table shows movement in property, plant & equipment and infrastructure during 2017-18

	Land and Buildings	Plant and Equipment	Fences and Gates	Drainage Channels	Drainage Structures	Sub-total	Capital works in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July 2017	510	489	3,293	52,964	37,929	95,185	77	95,262
Acquisitions	-	63	19	88	182	352	91	443
Write-offs (refer note 7)	-	(8)	-	-	(2)	(10)	-	(10)
Transfers between asset classes	-	-	-	-	77	77	(77)	-
Depreciation expense	(18)	(116)	(268)	(1,412)	(1,727)	(3,541)	-	(3,541)
Carrying amount at 30 June 2018	492	428	3,044	51,640	36,459	92,063	91	92,154

The following table shows movement in property, plant & equipment and infrastructure during 2016-17

	Land and Buildings	Plant and Equipment	Fences and Gates	Drainage Channels	Drainage Structures	Sub-total	Capital works in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July 2016	529	596	3,553	54,283	39,322	98,283	154	98,437
Acquisitions	-	56	8	91	322	477	29	506
Write-offs (refer note 7)	-	-	-	-	(5)	(5)	-	(5)
Transfers between asset classes	-	-	-	-	106	106	(106)	-
Depreciation expense	(19)	(163)	(268)	(1,410)	(1,816)	(3,676)	-	(3,676)
Carrying amount at 30 June 2017	510	489	3,293	52,964	37,929	95,185	77	95,262

15 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.

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

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

The valuation processes and fair value changes are reviewed by the Finance and Governance Officer and the Board's Governance and Finance Committee at each reporting date. In determining fair value, the Board 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 Board's current use is the highest and best use of the asset unless other factors suggest an alternative use is feasible within the next five years. As the Board did not identify any factors to suggest any 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 14 for disclosure regarding fair value measurement techniques and inputs used to develop fair value measurements for non-financial assets.

15.1 Fair Value Hierarchy

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

15.2 Fair value measurements at 30 June 2018

	Level 3
	\$'000
Recurring fair value measurements	
Fences and gates	3,044
Drainage Channels	51,640
Drainage Structures	36,459
Land and Buildings	492
Plant and equipment	428
Total recurring fair value measurements	92,063

15.3 Fair value measurements at 30 June 2017

	Level 3
	\$'000
Recurring fair value measurements	
Fences and gates	3,293
Drainage Channels	52,964
Drainage Structures	37,929
Land and Buildings	510
Plant and equipment	489
Total recurring fair value measurements	95,185

16 Payables	2018	2017
	\$'000	\$'000
Current		
Accrued expenses	62	134
Total current payables	<u>62</u>	<u>134</u>
Total Payables	<u>62</u>	<u>134</u>

16.1 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 date the invoice is first received. All payables are non-interest bearing. The carrying amount of payables represents fair value due to the amounts being payable on demand.

17 Provisions	2018	2017
	\$'000	\$'000
Current		
Provision for reimbursement of assigned staff costs	-	116
Total current provisions	<u>-</u>	<u>116</u>
Total provisions	<u>-</u>	<u>116</u>

17.1 Movement in Provisions

	2018	2017
	\$'000	\$'000
Carrying amount at the beginning of the reporting period	116	120
Reduction arising from payments and re-measuring of the provision	-	(4)
Reduction arising from forgiveness of provision	(116)	-
Carrying amount at the end of the reporting period	<u>-</u>	<u>116</u>

The Board does not employ any direct staff, but is assigned with staff resources by DEW through a service level agreement. A new service level agreement came into effect on 1 July 2017 where DEW will not seek to recover from the Board costs associated with Annual Leave when it is taken or on termination. DEW will also not seek to recover any payments made for retention leave on termination. DEW has forgiven the Board's Annual Leave and Retention Leave liabilities as of 1 July 2017.

18 Equity	2018	2017
	\$'000	\$'000
Retained Earnings	54,849	57,770
Asset revaluation surplus	37,580	37,580
Total Equity	<u>92,429</u>	<u>95,350</u>

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

19 Unrecognised contractual commitments

Commitments arising from contractual sources are disclosed at their nominal value.

Unrecognised contractual commitments 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 are disclosed on a gross basis.

19.1 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	84	113
Later than one year but not longer than five years	24	73
Total operating lease commitments	108	186

The Board's operating leases are for vehicle leasing arrangements with the South Australian Government Financing Authority, through their agent LeasePlan Australia Limited.

The leases are non-cancellable with terms ranging up to three years with some leases having the right of renewal.

20 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.

Unrecognised 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, then the contingencies are disclosed on a gross basis.

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

21 Related Party Transactions

- Related parties of the Board 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.

21.1 Significant transactions with government related entities

Significant transactions between the Board and other SA Government entities are identifiable throughout this financial report

21.2 Transactions with key management personnel and other related parties

Compensation of key management personnel is disclosed at note 3.2

22 Cash Flow Reconciliation	2018 \$'000	2017 \$'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	<u>262</u>	<u>262</u>
Balance as per Statement of Cash Flows	<u>262</u>	<u>262</u>
Reconciliation of net cash provided by operating activities to net cost of providing services:		
Net cash provided by operating activities	443	548
Less revenues from SA Government	(2,261)	(2,293)
Add/less non-cash items:		
Depreciation expense of non-current assets	(3,541)	(3,676)
Property, plant & equipment and Infrastructure write-off	(10)	(5)
Movement in assets and liabilities:		
Increase (decrease) in receivables	2	(125)
Increase (decrease) in inventories	(3)	9
(Increase) decrease in payables	72	(78)
(Increase) decrease in provisions	116	4
Net cost of providing services	<u>(5,182)</u>	<u>(5,616)</u>

23 Financial Risk Management / Financial Instruments

23.1 Financial risk management

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

23.2 Liquidity risk

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

Refer to note 16 for further information.

23.3 Credit and market risk

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

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

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

Refer note 11 and 12 for further information.

The Board has no exposure to interest rate risk as it has no interest bearing liabilities as at the end of the reporting period. There is no exposure to foreign currency or other price risks.

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

23.4 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.

The carrying amounts are detailed below of each of the following categories of financial assets and liabilities:

- loan and receivables
- financial liabilities measured at cost

The Board 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 to notes 12 and 16).

		Carrying	Carrying
		amount / Fair	amount /
		value	Fair value
23.4	Categorisation of financial instruments (cont.)	2018	2017
	Category of financial asset and financial liabilities	\$'000	\$'000
Financial assets			
Cash and equivalent			
	Cash and cash equivalents	262	262
Loans and receivables			
	Receivables	(a) (b) -	1
Total financial assets		<u>262</u>	<u>263</u>
Financial liabilities			
Financial liabilities at cost:			
	Payables	(a) 38	98
Total financial liabilities		<u>38</u>	<u>98</u>

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

(b) The receivables amount disclosed here excludes prepayments. Prepayments are presented in note 12 as trade and other receivables 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.

All the Board's financial assets and liabilities are current, i.e. not past due.

24 Impact of Standards and Statements Not Yet Implemented

The Board 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 the Board 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 provided 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. The Board 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 the measure the impairment provision.

The Board 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.

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 Board has commenced analysing the new revenue recognition requirements under these standards and is yet to form conclusions about significant impacts.

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 the full retrospective application to recognising existing operating leases. The Board 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.

The Board 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 Board's current operating lease commitments note (see note 20) 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.

25 Events after the reporting period

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

26 Transactions with SA Government

Note	SA Government		Non-SA Government		Total	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
EXPENSES						
3 Board member expenses	1	1	25	20	26	21
5 Supplies and services:						
Fee for service - DEW	1,135	1,137	-	-	1,135	1,137
Accommodation and telecommunications	-	-	35	37	35	37
Information technology expenses	-	-	6	5	6	5
Contractors	21	35	101	185	122	220
Consultants	-	15	6	14	6	29
Operation and maintenance works	1	-	106	121	107	121
General administration and consumables	153	163	51	57	204	220
Operating lease payments	152	156	-	-	152	156
6 Depreciation expense	-	-	3,541	3,676	3,541	3,676
7 Other expenses:						
Property, plant & equipment and infrastructure write-off	-	-	10	5	10	5
Auditor's remuneration	18	19	-	-	18	19
TOTAL EXPENSES	1,481	1,526	3,881	4,120	5,362	5,646
INCOME						
8 Revenues from fees and charges:						
Sale of goods and services	52	27	-	-	52	27
Licence revenues	-	-	10	1	10	1
Other fees and charges	-	-	2	2	2	2
9 Other Income						
Forgiveness of provision for reimbursement of assigned staff costs	116	-	-	-	116	-
10 Revenues from SA Government	2,261	2,293	-	-	2,261	2,293
TOTAL INCOME	2,429	2,320	12	3	2,441	2,323

26 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						
11	262	262	-	-	262	262
12						
Receivables	-	-	-	1	-	1
GST input tax recoverable	-	-	50	47	50	47
TOTAL FINANCIAL ASSETS	262	262	50	48	312	310
FINANCIAL LIABILITIES						
16						
Payables:						
Accrued expenses	44	87	18	47	62	134
TOTAL FINANCIAL LIABILITIES	44	87	18	47	62	134