South Eastern Water Conservation and Drainage Board

Financial report
for the year ended
30 June 2019

INDEPENDENT AUDITOR'S REPORT

Government of South Australia
Auditor-General's Department

Level 9
State Administration Centre
200 Victoria Square
Adelaide SA 5000
DX 56208
Victoria Square
Tel +618 8226 9640
Fax +618 8226 9688
ABN 53 327 061 410
audgensa@audit.sa.gov.au
www.audit.sa.gov.au

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 2019.

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 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, 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 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, but not for the purpose of expressing an opinion on the effectiveness of the South Eastern Water Conservation and Drainage Board's internal control

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager, Drainage Operations

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

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

I communicate with the Manager, Drainage Operations 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
16 September 2019

SOUTH EASTERN WATER CONSERVATION AND DRAINAGE BOARD

CERTIFICATION OF THE FINANCIAL STATEMENTS

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

- comply with relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987,* and relevant Australian Accounting Standards;
- are in accordance with the accounts and records of the South Eastern Water Conservation and Drainage Board; and
- present a true and fair view of the financial position of the South Eastern Water Conservation and Drainage Board as at 30 June 2019 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
05 / 09 / 2019

Kylie Grosser
Finance and Governance Officer
05 / 09 / 2019

Frank Brennan
Presiding Member
05 / 09 / 19

SOUTH EASTERN WATER CONSERVATION AND DRAINAGE BOARD

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 $'000	2018 $'000
Expenses			
Board member expenses	2.3	18	26
Supplies and services	3.1	1,874	1,767
Depreciation	3.2	3,409	3,541
Other expenses	3.3	5,593	28
Total expenses		**10,894**	**5,362**
Income			
Fees and charges	4.2	265	64
Assets received free of charge	4.3	42,278	-
Other income	4.4	-	116
Total income		**42,543**	**180**
Net cost of providing services		**31,649**	**(5,182)**
Revenue from SA Government			
Revenues from SA Government	4.1	2,500	2,261
Net result		**34,149**	**(2,921)**
Other Comprehensive Income			
Total other comprehensive income		**-**	**-**
Total comprehensive result		**34,149**	**(2,921)**

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

The accompanying notes form part of these financial statements.

SOUTH EASTERN WATER CONSERVATION AND DRAINAGE BOARD

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Note	2019 $'000	2018 $'000
Current assets			
Cash and cash equivalents	6.1	487	262
Receivables	6.2	40	50
Inventories	5.2	39	25
Total current assets		**566**	**337**
Non-current assets			
Property, plant & equipment and infrastructure	5.1	126,092	92,154
Total non-current assets		**126,092**	**92,154**
Total assets		**126,658**	**92,491**
Current liabilities			
Payables	7.1	80	62
Total current liabilities		**80**	**62**
Total liabilities		**80**	**62**
Net assets		**126,578**	**92,429**
Equity			
Retained earnings		88,998	54,849
Asset revaluation reserve	8.1	37,580	37,580
Total equity		**126,578**	**92,429**

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

The accompanying notes form part of these financial statements.

SOUTH EASTERN WATER CONSERVATION AND DRAINAGE BOARD

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

	Asset Revaluation Surplus	Retained Earnings	Total
	$'000	**$'000**	**$'000**
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**
Net result for 2018-19	-	34,149	34,149
Total comprehensive result for 2018-19	**-**	**34,149**	**34,149**
Balance at 30 June 2019	**37,580**	**88,998**	**126,578**

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

The accompanying notes form part of these financial statements.

SOUTH EASTERN WATER CONSERVATION AND DRAINAGE BOARD

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 $'000	2018 $'000
Cash flows from operating activities			
Cash Outflows			
Board member payments		(16)	(23)
Payments for supplies and services		(2,125)	(2,050)
Other payments		(18)	(18)
Cash used in operations		**(2,159)**	**(2,091)**
Cash Inflows			
Fees and charges		291	65
GST recovered from the ATO		237	208
Cash generated from operations		**528**	**273**
Cash Flows from SA Government			
Receipts from SA Government		2,500	2,261
Cash generated from SA Government		**2,500**	**2,261**
Net cash provided by operating activities	8.2	**869**	**443**
Cash flows from investing activities			
Cash Outflows			
Purchase of property, plant & equipment and infrastructure		(644)	(443)
Cash used in investing activities		**(644)**	**(443)**
Net cash used in investing activities		**(644)**	**(443)**
Net increase/(decrease) in cash and cash equivalents		**225**	**-**
Cash and cash equivalents at beginning of the period		**262**	**262**
Cash and cash equivalents at the end of the period	6.1	**487**	**262**

The accompanying notes form part of these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1 About the South Eastern Water Conservation and Drainage Board

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

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

1.1 Basis of preparation

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

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

For the 2018-19 financial statements the Board adopted AASB 9 - Financial Instruments and is required to comply with the new Treasurer's Instruction (Accounting Policy Statements) issued on 22 March 2019. Further information is provided in note 9.

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

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

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

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

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

1.2 Objective

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

1.3 Significant transactions with government related entities

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

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

2 Board, Committees and Employees

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

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

2.1 Key management personnel

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

Total compensation for key management personnel was $11,000 in 2018-19 and $20,000 in 2017-18.

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

Compensation	2019 $'000	2018 $'000
Salaries and other short term employee benefits	10	19
Post employment benefits	1	1
Total compensation	**11**	**20**

Transactions with key management personnel and other related parties
No related party transactions to disclose.

2.2 Board and committee members

Members during the 2018-19 financial year were:

South Eastern Water Conservation and Drainage Board
FN Brennan (Presiding Member)
BN McLaren (Deputy Presiding Member)
DC Ashby - position ended March 2019
AE Hooper
JJ Mullins
LA Rasenberg - position ended March 2019
K Rasheed
M Hanneman

South Eastern Water Conservation and Drainage Board
Governance and Finance Sub-Committee
FN Brennan
BN McLaren (Chair person)
AE Hooper
DC Ashby - position ended March 2019
JJ Mullins - appointed February 2019

Board and committee remuneration

The number of members whose remuneration received or receivable falls within the following bands:	**2019 No. of members**	**2018 No. of members**
$0 – $19 999	8	8
Total number of members	**8**	**8**

The total remuneration received or receivable by members was $11,000. (2018: $20,000). Remuneration of members includes sitting fees, superannuation contributions, salary sacrifice benefits and fringe benefits and related fringe benefits tax.

2.3 Board member expenses	**2019 $'000**	**2018 $'000**
Board and committee fees	10	19
Board member on costs - superannuation	1	1
Board member on costs - payroll tax	1	1
Board member costs - reimbursement of costs	6	5
Total Board member expenses	**18**	**26**

3 Expenses

3.1 Supplies and Services		**2019 $'000**	**2018 $'000**
Fee for service - DEW	(i)	1,080	1,135
Accommodation and telecommunications		30	35
Information technology expenses		10	6
Contractors		237	122
Consultants		-	6
Operation and maintenance works		155	107
General administration and consumables		206	204
Operating lease payments		76	84
Other expenses		80	68
Total supplies and services		**1,874**	**1,767**

(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.

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:

	2019		**2018**	
	Number	**$'000**	**Number**	**$'000**
Below $10 000	-	-	2	6
Above $10 000	-	-	-	-
Total	**-**	**-**	**2**	**6**

3.2 Depreciation

	2019 $'000	2018 $'000
Buildings	18	18
Plant and equipment	127	116
Fences and gates	264	268
Drainage channels	1,370	1,412
Drainage structures	1,630	1,727
Total depreciation expense	**3,409**	**3,541**

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.

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 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.

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	10-40
Drainage channels/access roads and tracks	50-80
Drainage structures	5-80
Fences and gates	30-40

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

3.3 Other Expenses

		2019 $'000	2018 $'000
Property, plant & equipment and infrastructure write-off	(i)	5,575	10
Audit fees	(ii)	18	18
Total other expenses		**5,593**	**28**

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

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

4 Income

4.1 Net revenues from SA Government

	2019 $'000	2018 $'000
Revenues from SA Government		
Funding transfers from DEW	2,500	2,261
Total revenues from SA Government	**2,500**	**2,261**

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 $1.938m (2018: $1.891m) for operational funding and $0.562m (2018: $0.370m) for capital projects.

4.2 Fees & charges

	2019 $'000	2018 $'000
Sale of goods and services	249	52
Licence revenues	14	10
Other fees and charges	2	2
Total fees and charges	**265**	**64**

4.3 Resources received free of charge

	2019 $'000	2018 $'000
Assets received free of charge	42,278	-
Total resources received free of charge	**42,278**	**-**

Resources received free of charge

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

4.4 Other income

	2019 $'000	2018 $'000
Forgiveness of provision for reimbursement of assigned staff costs	-	116
Total other income	**-**	**116**

5 Non-financial assets

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

5.1 Property, plant, equipment and infrastructure	2019 $'000	2018 $'000
Land and buildings		
Land at cost (deemed fair value)	5	5
Buildings at cost (deemed fair value)	594	594
Accumulated depreciation	(125)	(107)
Total land and buildings	474	492
Plant and equipment		
Plant and equipment at cost (deemed fair value)	2,103	2,080
Accumulated depreciation	(1,777)	(1,652)
Total plant and equipment	326	428
Fences and gates		
Fences and gates at Independent valuation	3,483	3,666
Fences and gates at Board valuation	5,786	5,786
Fences and gates at cost (deemed fair value)	2,938	81
Accumulated depreciation	(6,682)	(6,489)
Total fences and gates	5,525	3,044
Drainage channels		
Drainage channels at independent valuation	111,523	115,439
Drainage channels at cost (deemed fair value)	15,849	267
Accumulated depreciation	(64,883)	(64,066)
Total drainage channels	62,489	51,640
Drainage structures		
Drainage structures at independent valuation	160,776	163,904
Drainage structures at cost (deemed fair value)	25,657	1,209
Accumulated depreciation	(129,256)	(128,654)
Total drainage structures	57,177	36,459
Capital works in progress		
Capital works in progress	101	91
Total capital works in progress	101	91
Total property, plant & equipment and infrastructure	**126,092**	**92,154**

Property, plant and equipment with a value equal to or in excess of $2,000 is capitalised, otherwise it is expensed.

Property, plant and equipment is recorded at fair value. Detail about the Board's approach to fair value is set out in note 11.1.

Impairment

Property, plant and equipment have not been assessed for impairment as they are non-cash generating assets, that are specialised in nature and held for continual use of their service capacity and are subject to regular revaluation.

Reconciliation 2018-19

	Land and Buildings $'000	Plant and Equipment $'000	Fences and Gates $'000	Drainage Channels $'000	Drainage Structures $'000	Sub-total $'000	Capital works in progress $'000	Total $'000
Carrying amount at 1 July 2018	492	428	3,044	51,640	36,459	**92,063**	91	**92,154**
Acquisitions	-	26	4	24	489	**543**	101	**644**
Assets received free of charge	-	-	2,853	15,558	23,867	**42,278**	-	**42,278**
Disposals / Write offs	-	(1)	(112)	(3,363)	(2,099)	**(5,575)**	-	**(5,575)**
Transfers between asset classes	-	-	-	-	91	**91**	(91)	**-**
Depreciation expense	(18)	(127)	(264)	(1,370)	(1,630)	**(3,409)**	-	**(3,409)**
Carrying amount at 30 June 2019	**474**	**326**	**5,525**	**62,489**	**57,177**	**125,991**	**101**	**126,092**

Reconciliation 2017-18

	Land and Buildings $'000	Plant and Equipment $'000	Fences and Gates $'000	Drainage Channels $'000	Drainage Structures $'000	Sub-total $'000	Capital works in progress $'000	Total $'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**
Disposals / Write offs	-	(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**

5.2 Inventories

	2019 $'000	2018 $'000
Current - held for distribution at no or nominal amount		
Material at cost	39	25
Total current inventories held for distribution at no or nominal amount	**39**	**25**
Total inventories	**39**	**25**

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

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

6 Financial assets

6.1 Cash and cash equivalents

	2019 $'000	2018 $'000
Deposits with the Treasurer	487	262
Total cash and cash equivalents	**487**	**262**

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.

6.2 Receivables

	2019 $'000	2018 $'000
Current		
Receivables	-	-
GST input tax recoverable	40	50
Total current receivables	**40**	**50**

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

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

Refer to note 11.2 for further information on risk management.

7 Liabilities

7.1 Payables

	2019 $'000	2018 $'000
Current		
Accrued expenses	80	62
Total current payables	**80**	**62**
Total Payables	**80**	**62**

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

8 Other Disclosures

8.1 Equity

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

8.2 Cash flow

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

Cash Flow Reconciliation	2019 $'000	2018 $'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	**487**	**262**
Balance as per Statement of Cash Flows	**487**	**262**

Reconciliation of net cash provided by operating activities to net cost of providing services:

	2019 $'000	2018 $'000
Net cash provided by operating activities	**869**	**443**
Less revenues from SA Government	(2,500)	(2,261)
Add/less non-cash items:		
Depreciation expense of non-current assets	(3,409)	(3,541)
Non-current assets received free of charge	42,278	-
Property, plant & equipment and Infrastructure write-off	(5,575)	(10)
Movement in assets and liabilities:		
Increase (decrease) in receivables	(10)	2
Increase (decrease) in inventories	14	(3)
(Increase) decrease in payables	(18)	72
(Increase) decrease in provisions	-	116
Net cost of providing services	**31,649**	**(5,182)**

9 Changes in accounting policy

9.1 Treasurer's Instructions (Accounting Policy Statements)

On 22 March 2019 the Treasurer's Instructions (Accounting Policy Statements) 2019 were reissued by the Treasurer under the Public Finance and Audit Act 1987. The Accounting Policy Statements replaced the following Accounting Policy Frameworks:

- Purpose and Scope
- General Purpose Financial Statements Framework
- Asset Accounting Framework
- Financial Asset and Liability Framework
- Income Framework
- Definitions

The new Accounting Policy Statements have largely been prepared on a no-policy change basis. Changes that impact on these financial statements are:

- removal of the requirement to report transactions with the SA Government.
- removal of the requirement to report a statement of equity for administered items.
- increasing the bands from $10,000 to $20,000 for employee and Board member reporting.

These changes, however, do not impact on the amounts reported in the financial statements.

The Accounting Policy Statements also set out requirements in relation to Accounting Standards and Statements not yet effective. This is further discussed in note 10.3.

9.2 AASB 9 Financial Instruments

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.

As part of the adoption of AASB 9, the Board adopted consequential amendments to other accounting standards and the Treasurer's Instructions (Accounting Policy Statements) arising from the issue of AASB 9 as follows:

- AASB 101 Presentation of Financial Statements requires the impairment of financial assets to be presented in a separate line item in the statement of comprehensive income. In prior year, this information was presented as part of other expenses.

- AASB 7 Financial Instruments: Disclosures requires amended disclosures due to changes arising from AASB 9, these disclosures have been provided for the current year because the comparatives have not been restated.

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 adoption of AASB 9 has not had a significant effect on the recognition, measurement or classification of financial liabilities.

There was no impact on the Board's retained earnings as at 1 July 2018.

On 1 July 2018, the Board has assessed and reclassified its financial assets into the appropriate AASB 9 categories depending on the business model and contractual cash flow characteristics applying to the asset. AASB 9 eliminates the AASB 139 categories of held to maturity, loans and receivables and available for sale.

Reclassification of financial instruments on adoption of AASB 9

On the date of initial application, the Board held no trade receivables at amortised cost.

Trade Receivables

New impairment requirements result in a provision being applied to all receivables rather than only on those receivables that are credit impaired. The Board has not measured lifetime expected credit losses on all trade receivables using a provision matrix approach. As receivables are trivial from year to year, no assessments were made in relation to the credit loss expected.

There are no additional impairment provisions for State, Territory, or Commonwealth Government receivables due to the Government's high quality credit risk.

Trade and other receivables that were classified as loans and receivables under AASB 139 are now classified at amortised cost as they meet the appropriate criteria under AASB 9.

10 Outlook

10.1 Unrecognised contractual commitments

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

Operating lease commitments	**2019** **$'000**	**2018** **$'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	57	84
Later than one year but not longer than five years	39	24
Total operating lease commitments	96	108
Representing:		
Non-cancellable operating leases	96	108
Total operating lease commitments	96	108

There are no purchase options available to the Board.

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.

10.2 Contingent assets and liabilities

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

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

10.3 Impact of standards and statements not yet implemented

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

The material impacts on the Board are outlined below.

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

The Board 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

Adopting AASB 15 and AASB 1058 is not expected to have a material impact on the timing of recognition of revenue by the Board.

Related accounting policies

The Treasurer's Instructions (Accounting Policy Statements) 2019 sets out key requirements that the Board must adopt for the transition to AASB 15 – Revenue from Contracts with Customers and AASB 1058 – Income of Not for Profit Entities. These requirements include that the Board will:

- apply AASB 15 and AASB 1058 retrospectively. The cumulative effect of initially applying the Standards will be recognised at 1 July 2019. Comparatives will not be restated.
- not apply the AASB 15 and the AASB 1058 completed contracts practical expedient.
- apply the AASB 15 practical expedient for all contract modifications that occur before the date of initial application.

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

The Board 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 Board prior to 1 July 2019. The incremental borrowing rates applied to estimate the lease liability were SAFA's forecast interest rates for principal and interest loans to SA Government agencies for 1 July 2019 as at 4 February 2019.

The estimated impact is set out below.

	as at 1 July 2019 $'000
Assets	
Right-of-use assets	94
Liabilities	
Lease liabilities	94
Other liabilities (lease incentive liabilities)	-
Net impact on equity	-

The Board's operating leases to be included in the Statement of Financial Position on application of AASB 16 are for vehicle leasing arrangements with the South Australian Government Financing Authority, through their agent LeasePlan Australia Limited.

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
Depreciation and amortisation	71
Supplies and services	(67)
Borrowing costs	-
Net impact on net cost of providing services	4

The Board's operating leases to be included in the Statement of Comprehensive Income on application of AASB 16 are for vehicle leasing arrangements with the South Australian Government Financing Authority, through their agent LeasePlan Australia Limited.

Related accounting policies

The Treasurer's Instructions (Accounting Policy Statements) 2019 sets out key requirements that the Board must adopt for the transition from AASB 117 Leases to AASB 16 Leases. These requirements include that the Board 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.
- not transition operating leases for which the lease term ends before 30 June 2020.

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

- on initial recognition not record at fair-value leases that have significantly below-market terms and conditions principally to enable the Board to further its objectives, unless they have already been recorded at fair-value prior to 1 July 2019.

10.4 Events after the reporting period

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

11 Measurement and risk

11.1 Fair value

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

Initial recognition

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

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

Revaluation

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

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

All non-current tangible assets are valued at fair value and revaluation of non-current assets or group of assets is only performed when its fair value at the time of acquisition is greater than $1 million and estimated useful life is greater than 3 years.

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

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

Fair value hierarchy

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

- Level 1 - traded in active markets and is based on unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at measurement date.

- Level 2 - not traded in an active market and derived from inputs (inputs other than quoted prices included within level 1) that are observable for the asset, either directly or indirectly.

- Level 3 - not traded in an active market and are derived from unobservable inputs.

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

During 2019 and 2018, the Board had no valuations categorised into level 1 or level 2; there were no transfers of assets between level 1 and 2 fair value hierarchy levels and there were no changes in valuation technique.

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

Fair value classification - non-financial assets 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

Fences and gates

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.

A valuation of fences and gates, drainage channels and drainage structure was performed by the Board for assets replaced prior to 2014. The Board used depreciated replacement cost for fences and gates, drainage channels and drainage structures.

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

Drainage channels & structures

An independent valuation of fences and gates, drainage channels and drainage 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.

Land and buildings

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

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

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

Plant and equipment

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

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

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

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

Reconciliation of level 3 recurring fair value measurements as at 30 June 2018

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

	Land and Buildings $'000	Plant and Equipment $'000	Fences and Gates $'000	Drainage Channels $'000	Drainage Structures $'000
Opening balance at the beginning of the period	510	489	3,293	52,964	37,929
Acquisitions	-	63	19	88	182
Capitalised subsequent expenditure	-	-	-	-	77
Disposals / Write offs	-	(8)	-	-	(2)
Gains/(Losses) for the period recognised in net result					
Depreciation	(18)	(116)	(268)	(1,412)	(1,727)
Total gains/(losses) recognised in net result	(18)	(116)	(268)	(1,412)	(1,727)
Carrying amount at the end of the period	492	428	3,044	51,640	36,459

11.2 Financial Instruments

Financial risk management

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

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

Liquidity risk

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

Credit Risk

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

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

Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

Market risk

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

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

Categorisation of financial instruments

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

Classification applicable until 30 June 2018 under AASB 139 Financial Instruments: Recognition and Measurement

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

- Loans 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 6.2 and 7.1).

Classification applicable from 1 July 2018 under AASB 9 Financial Instruments

On initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income (FVOCI) – debt instrument, FVOCI – equity instrument or fair value through profit or loss.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest only on the principal amount outstanding.

The Board measures all financial instruments at amortised cost.

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

Category of financial asset and financial liabilities	2018 Carrying amount / Fair value $'000	2018 Contractual maturities Within 1 Year $'000	1-5 Years $'000	More than 5 years $'000
Financial assets				
Cash and equivalent				
Cash and cash equivalents	262	n/a	n/a	n/a
Loans and receivables				
Receivables	-	n/a	n/a	n/a
Total financial assets	262	-	-	-
Financial liabilities				
Financial liabilities at cost:				
Payables	38	38	-	-
Total financial liabilities	38	38	-	-

Receivables and payables

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

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