

Your ref: A17/173

6 November 2017

Ms Iryna Reszitnyk

Auditor-General's Department

Level 9 State Administration Centre

200 Victoria Square

ADELAIDE SA 5000

Dear Ms Reszitnyk,

Management representation letter

Residential Tenancies Fund financial statements for the year ended 30 June 2017

We make the following representation, for your audit of the financial statements of the Residential Tenancies Fund for the year ended 30 June 2017, having made such enquiries as we considered necessary for appropriately informing ourselves and according to the best of our knowledge and belief.

1. We have fulfilled our responsibility as set out in the terms of the engagement letter dated 8 February 2017 for the preparation of financial statements that give a true and fair view in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and the Australian Accounting Standards.

2. We have provided you with:
 - (a) access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters

 - (b) additional information that you have requested from us for the purpose of the audit

 - (c) unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence and

 - (d) information regarding all legal issues and legal opinions which have the capacity to be relevant to the control environment and the fair presentation of the financial statements.

3. All transactions have been recorded in the accounting records and are reflected in the financial statements.

4. We acknowledge our responsibility for the design, implementation and maintenance of internal controls to prevent and detect fraud and error. We have established and maintained an effective internal control structure to facilitate the preparation of reliable financial statements, and adequate financial records have been maintained. We have disclosed to you details of all deficiencies in internal control that we are aware of.

5. We have disclosed to you all information about
 - fraud or suspected fraud involving:
 - i. management

- ii. employees who have significant roles in internal control
 - iii. others where the fraud could have a material effect on the financial statements
- allegations of fraud, or suspected fraud, affecting the financial statements, communicated by employees, former employees, analysts, regulators or others.
6. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
 7. We have disclosed to you all known or suspected instances of non-compliance with laws, regulations, contracts or agreements, the effects of which should be considered when preparing the financial statements.
 8. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in line with the financial reporting framework.
 9. We believe the significant assumptions used in making accounting estimates (including estimates relating to fair value) are reasonable.
 10. All events occurring subsequent to the date of the financial statements and for which the financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.
 11. There have been no changes in accounting policies or application of those policies that would have a material effect on the financial statements, except as disclosed in the financial statements.
 12. **Non-current assets**
 - (a) The entity has satisfactory title to all assets and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

- (b) Depreciation on assets has been allocated on a systematic basis over the estimated useful lives of assets. Useful lives and residual values of the assets were reviewed during the reporting period and adjusted where necessary. Any resulting changes were accounted for as a change in accounting estimate.
- (c) We have considered the requirements of accounting standards when assessing whether there are indicators of impairment of assets, and in ensuring that no assets are stated in excess of their recoverable amount.
- (d) We consider the measurement methods (including related assumptions) used to determine the value of assets to be appropriate, consistently applied, and sufficiently disclosed in the financial statements.

13. Liabilities

- (a) We have recognised all liabilities in the financial statements.
- (b) We consider the measurement methods (including related assumptions) used to determine the value of liabilities to be appropriate, consistently applied, and sufficiently disclosed in the financial statements.

14. Contingent liabilities

All material contingent liabilities have been completely and adequately disclosed in the financial statements.

15. Commitments

We have disclosed all material commitments in the financial statements.

16. Related party transactions

- (a) We have disclosed to you the identity of all related parties and related party relationships and transactions of which we are aware.
- (b) We have appropriately accounted for and disclosed such relationships and transactions in line with the requirements of the financial reporting framework.

17. Uncorrected misstatements

Misstatements within the financial statements identified during the audit have been resolved.

18. Publication on a website

With respect to the publication of the audited financial report on our website, we acknowledge that:

- (a) We are responsible for the electronic publication of the audited financial report.
- (b) We will ensure that the electronic version of the audited financial report and the auditor's report on the website are identical to the final signed hard copy version.
- (c) We will clearly differentiate between audited and unaudited information in the construction of the entity's website as we understand the risk of potential misrepresentation.
- (d) We have assessed the controls over the security and integrity of the data on the website and that adequate procedures are in place to ensure the integrity of the information published.
- (e) We will not present the auditor's report on the full financial report with extracts only of the full financial report.

Yours sincerely



Date: 6/11/17

Commissioner for Consumer Affairs
Consumer and Business Services
Attorney-General's Department



Date: 06.11.2017

Manager Corporate Services
Consumer and Business Services
Attorney-General's Department



Date: 6/11/17

Executive Director Finance, People and Performance
Attorney-General's Department

RESIDENTIAL TENANCIES FUND

Financial Statements

For the year ended 30 June 2017

Residential Tenancies Fund Certification of the Financial Statements

We certify that the attached general purpose financial statements for the Residential Tenancies Fund:


- 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 Residential Tenancies Fund; and
- present a true and fair view of the financial position of the Residential Tenancies Fund as at 30 June 2017 and the results of its operations and cash flows for the financial year.

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



Dini Soulio
Commissioner
Consumer and Business Services

Date: 6/11/17



Andrew Swanson FCPA
Executive Director
Finance, People & Performance
Attorney-General's Department

Date: 6/11/17



John Evangelista FCPA
Manager Corporate Services
Consumer and Business Services

Date: 06.11.2017

Residential Tenancies Fund
Statement of Comprehensive Income
for the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Expenses			
Employee benefits	4	3 713	3 978
Supplies and services	5	1 794	1 845
Depreciation and amortisation	6	270	308
Other expenses	7	31	30
Total expenses		5 808	6 161
Income			
Interest and investment	8	10 020	9 101
Other income	9	650	631
Total income		10 670	9 732
Net cost of providing services		4 862	3 571
Net result		4 862	3 571
Other comprehensive income			
<i>Items that will be reclassified subsequently to net result when specific conditions are met</i>			
Market value movement of investments		(3 872)	2 228
Total other comprehensive income		(3 872)	2 228
Total comprehensive result		990	5 799

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

Residential Tenancies Fund
Statement of Financial Position
as at 30 June 2017

	Note	2017 \$'000	2016 \$'000
Current assets			
Cash and cash equivalents	10	5 285	4 300
Investments		111 426	92 890
Receivables	11	5 575	4 180
Total current assets		122 286	101 370
Non-current assets			
Plant and equipment	12	-	58
Intangible assets	13	408	620
Investments		108 127	118 306
Total non-current assets		108 535	118 984
Total assets		230 821	220 354
Current liabilities			
Security bonds lodged	15	87 025	86 177
Payables	16	193	674
Total current liabilities		87 218	86 851
Non-current liabilities			
Security bonds lodged	15	101 502	92 946
Other	17	3 298	2 744
Total non-current liabilities		104 800	95 690
Total liabilities		192 018	182 541
Net assets		38 803	37 813
Equity			
Investments market value reserve		9 176	13 048
Asset revaluation surplus		190	190
Retained earnings		29 437	24 575
Total equity		38 803	37 813
Contingent assets and liabilities	19		

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

Residential Tenancies Fund
Statement of Changes in Equity
for the year ended 30 June 2017

	Investments Market Value Reserve	Asset Revaluation Surplus	Retained Earnings	Total
Note	\$'000	\$'000	\$'000	\$'000
Balance at 30 June 2015	10 820	190	21 004	32 014
Net result for 2015-16	-	-	3 571	3 571
Gains to be taken to equity	2 228	-	-	2 228
Total comprehensive result for 2015-16	2 228	-	3 571	5 799
Balance at 30 June 2016	13 048	190	24 575	37 813
Net result for 2016-17	-	-	4 862	4 862
Losses to be taken to equity	(3 872)	-	-	(3 872)
Total comprehensive result for 2016-17	(3 872)	-	4 862	990
Balance at 30 June 2017	9 176	190	29 437	38 803

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

Residential Tenancies Fund
Statement of Cash Flows
for the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Cash flows from operating activities			
Cash outflows			
Bond refunds		(86 998)	(86 218)
Bond guarantee payments		(7 809)	(7 581)
Employee benefit payments		(4 064)	(4 158)
Supplies and services		(2 185)	(2 403)
Other payments		(55)	(25)
Cash used in operations		<u>(101 111)</u>	<u>(100 385)</u>
Cash inflows			
Bond lodgements		96 430	96 431
Bond guarantee receipts		8 517	7 925
Interest and investment receipts		1 231	1 644
Other receipts		32	119
Cash generated from operations		<u>106 210</u>	<u>106 119</u>
Net cash provided by operating activities	18	<u>5 099</u>	<u>5 734</u>
Cash flows from investing activities			
Cash outflows			
Purchase of property, plant and equipment		-	(45)
Purchases for investments		(4 114)	(6 884)
Cash used in investing activities		<u>(4 114)</u>	<u>(6 929)</u>
Net cash used in investing activities		<u>(4 114)</u>	<u>(6 929)</u>
Net increase/(decrease) in cash and cash equivalents		<u>985</u>	<u>(1 195)</u>
Cash and cash equivalents at the beginning of the period		4 300	5 495
Cash and cash equivalents at the end of the period	10	<u>5 285</u>	<u>4 300</u>

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

Residential Tenancies Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2017

- Note 1:** Objectives of the Residential Tenancies Fund (RTF)
- Note 2:** Significant Accounting Policies
- Note 3:** New and revised accounting standards and policies
- Note 4:** Employee benefits
- Note 5:** Supplies and services
- Note 6:** Depreciation and amortisation
- Note 7:** Other expenses
- Note 8:** Interest and investment revenue
- Note 9:** Other income
- Note 10:** Cash and cash equivalents
- Note 11:** Receivables
- Note 12:** Plant and equipment
- Note 13:** Intangible assets
- Note 14:** Fair value measurement
- Note 15:** Security bonds lodged
- Note 16:** Payables
- Note 17:** Other liabilities
- Note 18:** Cash flow reconciliation
- Note 19:** Contingent assets and liabilities
- Note 20:** Financial Risk Management/ Financial Instruments
- Note 21:** Related Party Transactions
- Note 22:** Transactions with SA Government
- Note 23:** Events after reporting period

Residential Tenancies Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2017

Note 1: Objectives of the Residential Tenancies Fund (RTF)

The Residential Tenancies Fund (the Fund) is established under the *Residential Tenancies Act 1995* (the Act). The Fund is kept and administered by the Commissioner for Consumer Affairs. The Fund consists of amounts received by the Commissioner by way of security bonds and other amounts paid into the Fund under the Act. The Commissioner will make repayments in respect of security bonds from the Fund. Income derived from investment of the Fund is applied towards the costs of administering the Fund and enforcing the Act, education of landlords and tenants about their statutory and contractual rights and obligations, and operations of the Residential Tenancies Fund.

The Fund's main source of income is from interest derived from the investment of Fund assets in accordance with section 100(4) of the Act. Fund assets mainly represent the investment of security bonds received in accordance with section 62 of the Act.

Note 2: Significant Accounting Policies

(a) 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 which have been prepared in accordance with applicable Australian Accounting Standards and Treasurer's Instructions and Accounting Policy Statements promulgated under the provision of the *Public Finance and Audit Act 1987*.

The Fund has applied Australian Accounting Standards that are applicable to not-for-profit entities, as the Fund is a not-for-profit entity.

(b) Basis of preparation

The preparation of the financial statements requires:

- the use of certain accounting estimates and requires management to exercise its judgment in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgment or where assumptions and estimates are significant to the financial statements are outlined in the applicable notes;
- accounting policies that are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported; and
- compliance with accounting policy statements issued pursuant to section 41 of the *Public Finance and Audit Act 1987*. In the interest of public accountability and transparency the accounting policy statements require the following note disclosures, which have been included in this financial report:

(a) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. These are outlined in Note 22;

(b) expenses incurred as a result of engaging consultants.

The Fund's Statement of Comprehensive Income, Statement of Financial Position and Statement of Changes in Equity have been prepared on an accrual basis and are in accordance with the historical cost convention, except for certain assets that were valued in accordance with the applicable valuation policy.

The Statement of Cash Flows has been prepared on a cash basis.

The financial statements have been prepared based on a twelve month period and presented in Australian currency.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2017 and the comparative information presented.

Residential Tenancies Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2017

Note 2: Significant Accounting Policies (continued)

(c) Reporting Entity

The Fund is established under the Act. The financial statements are required by section 102(1) of the Act and include income, expenses, assets and liabilities which the Commissioner for Consumer Affairs administers on behalf of the SA Government.

(d) Comparative Information

The presentation and classification of items in the financial statements are consistent with prior periods except where specific accounting standards and/or accounting policy statements have required a change.

Where presentation or classification of items in the financial statements has been amended, comparative amounts have been adjusted to conform to changes in presentation or classification in these financial statements unless impracticable.

The restated comparative amounts do not replace the original financial statements for the preceding period.

(e) Rounding

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

(f) Taxation

The Fund is not subject to income tax. The Fund is liable for payroll tax, fringe benefits tax and goods and services tax (GST). GST collections and payments are carried out by the Attorney General's Department (AGD) on behalf of the Fund. GST in relation to the fund is reported in the AGD Controlled Financial Statements.

(g) Current and Non-Current Classification

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

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

(h) Assets

Investments

Investments represent funds deposited with the Public Trustee. These investments have been designated as available for sale financial assets as they are held with the intention to dispose of the asset if required to ensure sufficient cash flow to meet bond repayments. Investments are made by way of notional unit holdings in a selection of common funds managed by the Public Trustee. The proportion of unit holdings is dependent upon the investment strategy adopted.

As at 30 June 2017 the Fund held investments in common funds in the following

Capital Stable	19.37%
Balanced	28.73%
Net Liabilities / Receivables	2.34%
Cash	49.56%

Investments are measured at fair value in accordance with unit prices at balance date as advised by the applicable fund manager.

Investments are classified as either current or non-current. The current investments are the Cash Investments Strategy and the non-current investments are the Balanced and Capital Stable Investments Strategy.

Revaluation increments and decrements are recognised in the Investment market value reserve except where, and to the extent, the decrement exceeds the balance of the reserve which is recognised as expenses or the increment reverses previous decrements which are recognised as revenue.

Residential Tenancies Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2017

Note 2: Significant Accounting Policies (continued)

(h) Assets (continued)

The fair value of assets traded in active markets are based on quoted market prices for identical assets at balance date.

Non-Current Assets Acquisition and Recognition

Non-current assets are initially recorded at cost or at the value of any liabilities assumed, any incidental cost involved with the acquisition. Non-current assets are subsequently measured at fair value less accumulated depreciation. Where assets are acquired at no value or minimal value they are recorded at their fair value in the Statement of Financial Position. However, if the assets are acquired at no or nominal cost as part of a restructuring of administrative arrangements then the assets are recorded at book value.

The Fund capitalises all non-current tangible assets with a value of \$10 000 or greater. Items with an acquisition cost less than \$10 000 are expensed in the year of acquisition.

Depreciation and amortisation

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

Assets' residual values and useful lives 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 the accounting estimate.

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

Class of asset	Useful life (Years)
Leasehold improvements	life of lease
Plant and equipment	1-16
Information technology	3-12
Intangible Assets	1-10

Revaluation of non-current assets

All non-current tangible assets are valued at written down current cost (a proxy for fair value); and revaluation of non-current assets or group of assets is only performed when its fair value at the time of acquisition is greater than \$1 million and estimated useful life is greater than three years.

Every three years, the Fund revalues its leasehold improvements, plant and equipment and information technology. However, if at any time management considers that the carrying amount of an asset materially differs from its fair value then the asset will be revalued regardless of when the last valuation took place. 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 revaluation increment is credited to the asset revaluation surplus, except to the extent that it reverses a revaluation decrease of the same asset class previously recognised as an expense, in which case the increase is recognised as income. Any revaluation decrease is recognised as an expense, except to the extent that it offsets a previous revaluation increase for the same asset class, in which case the decrease is debited directly to the asset revaluation surplus to the extent of the credit balance existing in revaluations reserve for that asset class.

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.

Residential Tenancies Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2017

Note 2: Significant Accounting Policies (continued)

(h) Assets (continued)

Impairment

The Fund holds its property, plant and equipment and intangible assets for their service potential (value in use). All non-current tangible assets are valued at fair value. Specialised assets would rarely be sold and typically any costs of disposal would be negligible, accordingly the recoverable amount will be close to or greater than fair value.

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

All non-current tangible assets are tested for indication of impairment at each reporting date. Where there is an indication of impairment, the recoverable amount is estimated. An amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

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

Intangible assets

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

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

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

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

Subsequent expenditure on intangible assets has not been capitalised. This is because the Fund has been unable to attribute this expenditure to the intangible asset rather than to the Fund as a whole.

Fair value measurement

AASB 13 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 Fund 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 are 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.

Residential Tenancies Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2017

Note 2: Significant Accounting Policies (continued)

2 (h) Assets (continued)

Fair value measurement for non-financial assets

In determining fair value, the Fund has taken into account the characteristic of the asset (eg. 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 Fund's current use is the highest and best use of the asset unless other factors suggest an alternative use is feasible. As the Fund did not identify any factors to suggest an alternative use, fair value measurement was based on current use.

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

Refer to Note 12: and Note 14: for disclosure regarding fair value measurement techniques and inputs to develop fair value measurements for non-financial assets.

(i) Liabilities

Employee Benefits

Employees of the Attorney-General's Department are assigned to support the Commissioner in the administration of the Fund.

No liability for employee benefits (provision for annual leave and long service leave) has been recognised as this liability rests with the Attorney-General's Department.

The value of employee benefit expenses reflected in Note 4 includes remuneration paid to members of the South Australian Civil and Administrative Tribunal.

(j) Unrecognised contractual commitments and contingent assets and liabilities

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

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

The Fund has no unrecognised contractual commitments at 30 June 2017 (2016 nil). Refer to Note 19 for the contingent assets and liabilities.

(k) Events after the reporting period

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

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

Residential Tenancies Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2017

Note 3: New and revised accounting standards and policies

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by the Fund for the period ending 30 June 2017.

AASB 15 *Revenue from Contracts with Customers* will replace the existing AASB 118 *Revenue* and applies to reporting periods beginning on or after 1 January 2019. AASB 15 *Revenue from Contracts with Customers* introduces a five step process for revenue recognition with the core principle being to recognise revenue 'when control of a good or service transfers to a customer'. This is effectively when performance obligations have been met, rather than the former model of 'where the risk and rewards of ownership reside'. AASB 15 *Revenue from Contracts with Customers* will generally result in increased disclosures.

AASB 1058 *Income of Not-for-Profit Entities* will replace a number of income recognition requirements under AASB 1004 *Contributions* and applies to reporting periods beginning on or after 1 January 2019. The timing of income recognition depends on whether a transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service), or a contribution by owners, related to an asset (such as cash or another asset) received by an entity. Where there is no liability to be recognised under another standard, or the liability is less than the fair value of the asset received then revenue is recognised.

The fund has not yet quantified the impact of applying AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-for-Profit Entities* and the resulting impact on the statement of comprehensive income.

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

The impact of adopting this standard is not known and cannot be reliably estimated because it will be dependent on the financial instruments held and economic conditions at the time of adopting as well as accounting elections and judgements which will need to be made.

Note 4: Employee benefits

	2017	2016
	\$'000	\$'000
Salaries and wages	2 572	2 819
Employment on-costs - payroll tax and other	482	521
South Australian Civil and Administrative Tribunal fees	429	366
Other	230	272
Total employee benefits expenses	3 713	3 978

*Employment on-costs include superannuation employment on-cost charge which represents the Fund's contributions to superannuation plans in respect of current services of current employees. The Department of Treasury and Finance centrally recognises the superannuation liability in the whole of government financial statements.

Employee benefit expenses include all costs related to employment including wages and salaries, non-monetary benefits and leave entitlements. They are recouped from the Fund by the Attorney-General's Department who assign staff to support the Commissioner in the administration of the Fund. Employee benefit expenses are recognised when incurred.

The Residential Tenancies Tribunal was abolished in March 2015 and the functions and some members transitioned to the South Australian Civil and Administrative Tribunal (SACAT). The Fund now pays a portion of SACAT fees.

Residential Tenancies Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2017

Note 5: Supplies and services

	2017	2016
	\$'000	\$'000
Accommodation	878	741
Information and communications technology	357	351
Office expenses	74	111
Telephone related expenses	70	82
Bailiff fees	69	86
Contract staff	15	113
Consultants	1	25
Other	330	336
Total supplies and services	1 794	1 845

Supplies and services includes accommodation expenses (the cost to lease office space to accommodate staff to administer the Fund). These costs are recouped from the Fund by the Attorney-General's Department.

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

	2017	2016	2017	2016
	Number	Number	\$'000	\$'000
Below \$10 000	1	-	1	-
Above \$10 000	-	1	-	25
Total paid/payable to consultants engaged	1	1	1	25

Note 6: Depreciation and amortisation

	2017	2016
	\$'000	\$'000
Intangible assets	212	208
Leasehold improvements	58	100
Total depreciation and amortisation expenses	270	308

Note 7: Other expenses

	2017	2016
	\$'000	\$'000
Auditor's Remuneration		
Audit Fees paid/payable to the Auditor-General's Department relating to work performed under the PFAA	31	30
Total other expenses	31	30

No other services were provided by the Auditor-General's Department.

Residential Tenancies Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2017

Note 8: Interest and investment revenue

	2017	2016
	\$'000	\$'000
Distribution on Investments held with Public Trustee	6 965	5 755
Interest from Public Trustee investments	1 875	2 010
Interest on bond guarantees with Housing SA	1 085	1 233
Interest on deposits with the Treasurer	95	103
Total interest and investment revenues	10 020	9 101

Investment revenue includes income earned on the Funds accounts held with the Public Trustee. Interest includes interest earned on the Funds accounts held with the Treasurer and the Public Trustee.

Housing SA pays interest at an agreed market determined rate to the Fund based on the daily balance of bond guarantees held.

Note 9: Other income

	2017	2016
	\$'000	\$'000
Management fee recovery	595	562
Sundry recoveries	55	69
Total other income	650	631

Note 10: Cash and cash equivalents

	2017	2016
	\$'000	\$'000
Deposits with the Treasurer	5 285	4 300
Total cash and cash equivalents	5 285	4 300

Interest rate risk

Cash is measured at nominal value. Deposits at call with the Treasurer earn a floating interest rate, based on daily bank deposit rates. The carrying amount of cash and cash equivalents represents fair value.

Note 11: Receivables

	2017	2016
	\$'000	\$'000
Accrued interest and distributions	5 425	4 106
Other	150	74
Total receivables	5 575	4 180

For further information on risk management refer to Note 20.

Residential Tenancies Fund
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Note 12: Plant and equipment

	2017	2016
	\$'000	\$'000
Leasehold improvements		
Leasehold improvements at valuation	323	323
Accumulated amortisation	(323)	(265)
Total leasehold improvements	<u>-</u>	<u>58</u>
Plant and equipment		
Plant and equipment at cost (deemed fair value)	83	83
Accumulated depreciation	(83)	(83)
Total plant and equipment	<u>-</u>	<u>-</u>
Information technology		
Information technology at cost (deemed fair value)	293	293
Accumulated depreciation	(293)	(293)
Total information technology	<u>-</u>	<u>-</u>
Total plant and equipment	<u>-</u>	<u>58</u>

There were no indications of impairment of plant and equipment at 30 June 2017.

Plant and equipment movement schedule	Leasehold Improvements	Total
	\$'000	\$'000
2017		
Carrying amount at 1 July 2016	58	58
Amortisation	(58)	(58)
Carrying amount at 30 June 2017	<u>-</u>	<u>-</u>
2016		
Carrying amount at 1 July 2015	158	158
Amortisation	(100)	(100)
Carrying amount at 30 June 2016	<u>58</u>	<u>58</u>

Residential Tenancies Fund
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Note 13: Intangible assets

	2017	2016
	\$'000	\$'000
Software		
Software at cost	996	997
Accumulated amortisation	(588)	(377)
Total intangible assets	408	620

There were no indications of impairment of intangible assets at 30 June 2017.

Intangible assets movement schedule

	Software	Total
	\$'000	\$'000
2017		
Carrying amount at 1 July 2016	620	620
Addition	-	-
Amortisation	(212)	(212)
Carrying amount at 30 June 2017	408	408
2016		
Carrying amount at 1 July 2015	783	783
Addition	45	45
Amortisation	(208)	(208)
Carrying amount at 30 June 2016	620	620

Note 14: Fair value measurement

Fair Value Hierarchy

Plant and equipment are held at level 3. No re-classifications during the year and movement shown in Note 12. Investments are held at level 1.

Note 15: Security bonds lodged

	2017	2016
	\$'000	\$'000
Current		
Bonds lodged	87 025	86 177
Total current security bonds lodged	87 025	86 177
Non-current		
Bonds lodged	101 502	92 946
Total non-current security bonds lodged	101 502	92 946
Total security bonds lodged	188 527	179 123

Security bonds are received to ensure a tenant on cessation of residential and parks leases comply with all statutory requirements compliance under the Act. Bonds lodged are recognised as a liability on receipt.

Residential Tenancies Fund
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Note 16: Payables

	2017 \$'000	2016 \$'000
Creditors	164	645
Accrued expenses	29	29
Total payables	193	674

Interest rate and credit risk

Payables are measured at nominal amounts. Creditors and accruals are raised for all amounts billed but unpaid and are settled within the normal terms of payment of 30 days, unless otherwise agreed. All payables are non-interest bearing. The carrying amount of payables represents fair value due to the amounts being payable on demand.

For further information on risk management refer to Note 20.

Note 17: Other liabilities

	2017 \$'000	2016 \$'000
Non-current		
Other liabilities	3 298	2 744
Total non-current other liabilities	3 298	2 744

The other liability is a balance of \$3.2 million unclaimed monies related to security bond refunds that are more than 5 years old. The items remain in Bonds Management System until a valid claim is lodged and the monies are refunded.

Note 18: Cash flow reconciliation

	2017 \$'000	2016 \$'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	5 285	4 300
Balance as per the Statement of Cash Flows	5 285	4 300
Reconciliation of net cash provided by operating activities to net cost of providing services		
Net cash used in operating activities	5 099	5 734
Add/less non-cash items		
Depreciation and amortisation	(270)	(308)
Movements in assets and liabilities		
Increase/(decrease) in receivables	1 395	1 260
Increase/(decrease) in investments	8 115	6 798
Decrease/(increase) in payables	481	578
(Increase)/decrease in security bonds lodged	(9 404)	(7 747)
(Increase)/decrease in other liabilities	(554)	(2 744)
Net cost of providing services	4 862	3 571

Residential Tenancies Fund
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Note 19: Contingent assets and liabilities

Under the Bond Guarantee Scheme a guarantee for the bond is given to the landlord by Housing SA. In the event of a claim by a landlord, a payment is made by the Fund. Housing SA then reimburses the Fund. The value of bond guarantees lodged at 30 June 2017 is \$58.1 million (\$55.5 million).

Under the *Residential Tenancies Act 1995*, bonds lodged prior to 9 May 2015 accrue interest which is paid to tenants when a bond is repaid to them. Interest is not paid when a bond is paid to landlords or third parties such as the SA Housing Trust. All bonds lodged after 9 May 2015 (inclusive) will not accrue interest. The interest payable to tenants has not been recorded as a liability as the Fund does not have a present obligation until the tenant lodges a claim for the repayment of the bond.

It is estimated that the contingent interest liability as at 30 June 2017 is \$100 000 (2016 \$104 000).

Note 20: Financial Risk Management/ Financial Instruments

Risk management is managed by the Fund's corporate services section and fund 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*.

All cash balances are available at call. Investments held with the Public Trustee are classified as 'available for sale' financial assets. Net gains or losses resulting from movements in the fair value of investments are recognised directly in equity. Accordingly there is no impact on the net result.

Investments represent funds held by the Public Trustee. The Public Trustee has invested in collective investment vehicles for the purpose of gaining exposure to Australian and international equities. The managers of such vehicles have invested in a variety of financial instruments which expose the Fund to investment risks, including market, credit, interest and currency risk. At reporting date funds totalling \$219.5million were invested with the Public Trustee. Pooled investment funds are not rated for credit risk. The Public Trustee considers the credit risk of individual fund managers prior to investing funds and reviews these assessments quarterly.

Other than pooled investments, the Fund has no significant concentration of credit risk.

The Fund is exposed to price risk. Price risk represents the risk that the fair value of investments held with the Public Trustee will fluctuate due to changes in the market price for the underlying asset.

Cash is also subject to interest rate risk.

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 note 2 or in the respective financial asset/ liability note.

Residential Tenancies Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2017

Note 20: Financial Risk Management/ Financial Instruments (continued)

The following table discloses the maturity analysis of financial assets and financial liabilities.

Category of financial asset and financial liability	Notes	2017 Carrying amount/fair value \$'000	2017 Contractual maturities		
			Within 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
Financial assets					
Cash and cash equivalents	10	5 285	5 285	-	-
Investments		219 553	111 426	108 127	-
Receivables ⁽¹⁾	11	5 575	5 575	-	-
Total financial assets		230 413	122 286	108 127	-
Financial liabilities					
Payables ⁽¹⁾	16	164	164	-	-
Security bonds lodged	15	188 527	87 025	101 502	-
Other financial liabilities	17	3 298	-	3 298	-
Total financial liabilities		191 989	87 189	104 800	-
Category of financial asset and financial liability	Notes	2016 Carrying amount/fair value \$'000	2016 Contractual maturities		
			Within 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
Financial assets					
Cash and cash equivalents	10	4 300	4 300	-	-
Investments		211 196	92 890	118 306	-
Receivables ⁽¹⁾	11	4 178	4 178	-	-
Total financial assets		219 674	101 368	118 306	-
Financial liabilities					
Payables ⁽¹⁾	16	645	645	-	-
Security bonds lodged	15	179 123	86 177	92 946	-
Other financial liabilities	17	2 744	-	2 744	-
Total financial liabilities		182 512	86 822	95 690	-

⁽¹⁾ Receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables (e.g. audit fees payable to the Auditor-General's Department etc.). 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 levy receivables/payables, tax equivalents, Commonwealth tax etc. they would be excluded from the disclosure. The standard defines contract as enforceable by law.

Residential Tenancies Fund
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Note 20: Financial Risk Management/ Financial Instruments (continued)

Sensitivity Analysis

The impact of a 1% movement in interest rates and a 1% movement in equity indexes on financial assets is shown in the following table.

	Carrying amount \$'000	Interest Rate Risk		Price Risk	
		-1%	1%	-1%	1%
		Net Result \$'000	Net Result \$'000	Equity \$'000	Equity \$'000
2017					
Financial Assets					
Cash and Cash Equivalents	5 285	(53)	53	-	-
Investments	219 553	-	-	(2 196)	2 196
Total increase/(decrease)		(53)	53	(2 196)	2 196
2016					
Financial Assets					
Cash and Cash Equivalents	4 300	(43)	43	-	-
Investments	211 196	-	-	(2 112)	2 112
Total increase/(decrease)		(43)	43	(2 112)	2 112

Note 21: Related Party Transactions

The Fund is established pursuant to the *Residential Tenancies Act 1995*, administered by the Attorney-General's Department and is a wholly owned and controlled entity of the Crown.

Related parties of the Fund 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.

Significant transactions with government related entities

The Fund had no significant transactions with government related entities.

Collectively, but not individually significant transactions with government related entities

Quantitative information about transactions and balances between the Residential Tenancies Fund and other SA Government controlled entities are disclosed at Note 22.

Residential Tenancies Fund
Notes to and forming part of the financial statements
for the year ended 30 June 2017

Note 21: Related Party Transactions (continued)

Key Management Personnel

Key management personnel of the Fund includes the Minister and the Commissioner for Consumer Affairs. The compensation received by the Commissioner is included in the controlled financial statements of the Attorney-General's Department at Note 30.

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 of the *Parliamentary Remuneration Act 1990*.

Transactions with Key Management Personnel and other related parties

There are no related party transactions.

Note 22: Transactions with SA Government

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

	Note	SA Government		Non-SA Government		Total	
		2017	2016	2017	2016	2017	2016
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expenses							
Employee benefits	4	3 713	3 978	-	-	3 713	3 978
Supplies and services	5	1 794	1 845	-	-	1 794	1 845
Depreciation and amortisation	6	-	-	270	308	270	308
Other expenses	7	31	30	-	-	31	30
Total expenses		5 538	5 853	270	308	5 808	6 161
Income							
Interest and investment	8	10 020	9 101	-	-	10 020	9 101
Other income	9	650	562	-	69	650	631
Total income		10 670	9 663	-	69	10 670	9 732
Financial assets							
Cash and cash equivalents	10	5 285	4 300	-	-	5 285	4 300
Receivables	11	5 575	4 180	-	-	5 575	4 180
Investments		219 553	211 196	-	-	219 553	211 196
Total financial assets		230 413	219 676	-	-	230 413	219 676
Financial liabilities							
Security bonds lodged	15	-	-	188 527	179 123	188 527	179 123
Payables	16	193	674	-	-	193	674
Other liabilities	17	-	-	3 298	2 744	3 298	2 744
Total financial liabilities		193	674	191 825	181 867	192 018	182 541

Note 23: Events after reporting period

There are no known events after balance date that affect these financial statements.