

Office for Recreation, Sport and Racing

Financial report
for the year ended
30 June 2020



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To the Chief Executive Office for Recreation, Sport and Racing

Opinion

I have audited the financial report of the Office for Recreation, Sport and Racing for the financial year ended 30 June 2020.

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Office for Recreation, Sport and Racing as at 30 June 2020, its financial performance and its cash flows for the year then ended in accordance with relevant 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 2020
- a Statement of Financial Position as at 30 June 2020
- a Statement of Changes in Equity for the year ended 30 June 2020
- a Statement of Cash Flows for the year ended 30 June 2020
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Chief Executive and the Director, Corporate Strategy and Investment

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 Office for Recreation, Sport and Racing. 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* (including Independence Standards) have been met.

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

Responsibilities of the Chief Executive for the financial report

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

Auditor's responsibilities for the audit of the financial report

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, I have audited the financial report of the Office for Recreation, Sport and Racing for the financial year ended 30 June 2020.

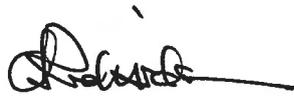
My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an 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 Office for Recreation, Sport and Racing's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Andrew Richardson

Auditor-General

28 September 2020

Office for Recreation, Sport and Racing

Financial Statements

For the year ended 30 June 2020

Office for Recreation, Sport and Racing
Certification of the Financial Statements
for the year ended 30 June 2020

We certify that the attached general purpose financial statements for the Office for Recreation, Sport and Racing:

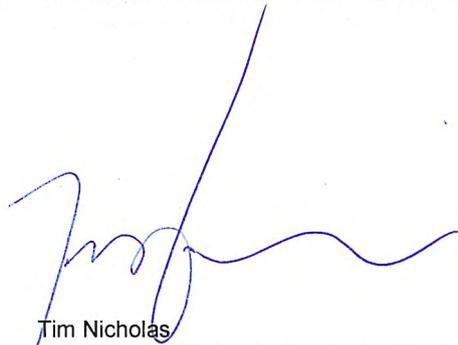
- comply with relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian Accounting Standards;
- are in accordance with the accounts and records of the Office for Recreation, Sport and Racing; and
- present a true and fair view of the financial position of the Office for Recreation, Sport and Racing as at 30 June 2020 and the results of its operations and cash flows for the financial year.

We certify that the internal controls employed by the Office for Recreation, Sport and Racing for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.



Kylie Taylor
Chief Executive

25 September 2020



Tim Nicholas
Director, Corporate Strategy and Investment

25 September 2020

Office for Recreation, Sport and Racing
Statement of Comprehensive Income
for the year ended 30 June 2020

	Note	2020 \$'000	2019 \$'000
Income			
Appropriation	2.1	82 228	75 780
Fees and charges	2.2	567	857
Commonwealth grants	2.3	140	83
Other grants	2.4	5 120	5 594
Resources received free of charge	2.5	134	31
Other income	2.6	4 447	1 676
Total income		92 636	84 021
Expenses			
Employee benefits expenses	3.3	9 067	8 684
Supplies and services	4.1	6 109	6 171
Grants and subsidies	4.2	40 249	50 126
Borrowing costs	4.3	3	-
Depreciation and amortisation	4.4	8 628	8 458
Net loss from the disposal of property, plant and equipment	4.5	290	22
Other expenses	4.6	124	97
Total expenses		64 470	73 558
Net result		28 166	10 463
Total comprehensive result		28 166	10 463

The accompanying notes form part of these financial statements. The net result and total comprehensive result are attributable to the SA Government as owner.

Office for Recreation, Sport and Racing
Statement of Financial Position
as at 30 June 2020

	Note	2020 \$'000	2019 \$'000
Current assets			
Cash and cash equivalents	6.1	36 249	19 262
Receivables	6.2	2 420	3 089
Other financial assets	6.3	21	-
Total current assets		38 690	22 351
Non-current assets			
Receivables	6.2	1	35
Property, plant and equipment	5.1	286 729	275 520
Total non-current assets		286 730	275 555
Total assets		325 420	297 906
Current liabilities			
Payables	7.1	5 338	6 115
Employee benefits	3.4	1 223	1 099
Financial liabilities	7.2	90	-
Provisions	7.3	23	23
Other liabilities	7.4	1 457	1 516
Total current liabilities		8 131	8 753
Non-current liabilities			
Payables	7.1	156	162
Employee benefits	3.4	1 680	1 775
Financial liabilities	7.2	25	-
Provisions	7.3	49	36
Total non-current liabilities		1 910	1 973
Total liabilities		10 041	10 726
Net assets		315 379	287 180
Equity			
Retained earnings		315 379	287 180
Total equity		315 379	287 180

The accompanying notes form part of these financial statements. The total equity is attributable to the SA Government as owner.

Office for Recreation, Sport and Racing
Statement of Changes in Equity
for the year ended 30 June 2020

	Retained earnings \$'000	Total Equity \$'000
Balance at 1 July 2018	-	-
Net result for 2018-19	10 463	10 463
Total comprehensive result for 2018-19	<u>10 463</u>	<u>10 463</u>
Transactions with SA Government as owner		
Net assets received from an administrative restructure	276 717	276 717
Balance at 30 June 2019	<u>287 180</u>	<u>287 180</u>
Error correction	84	84
Changes in accounting policy on adoption of AASB15, 16 and 1058	(51)	(51)
Restated balance at 1 July 2019	<u>287 213</u>	<u>287 213</u>
Net result for 2019-20	28 166	28 166
Total comprehensive result for 2019-20	<u>28 166</u>	<u>28 166</u>
Balance at 30 June 2020	<u><u>315 379</u></u>	<u><u>315 379</u></u>

The accompanying notes form part of these financial statements. All changes in equity are attributable to the SA Government as owner.

Office for Recreation, Sport and Racing
Statement of Cash Flows
for the year ended 30 June 2020

		2020	2019
		Inflows (Outflows)	Inflows (Outflows)
	Note	\$'000	\$'000
Cash flows from operating activities			
<i>Cash inflows</i>			
Appropriation		82 228	75 780
Fees and charges		752	807
Receipts from Commonwealth		1 542	83
Grants		5 120	5 476
Interest received		3	1
Other receipts		4 444	541
Cash generated from operations		94 089	82 688
<i>Cash outflows</i>			
Employee benefits payments		(9 029)	(7 851)
Payments for supplies and services		(7 185)	(7 226)
Payments of grants and subsidies		(41 024)	(45 913)
Interest paid		(3)	-
Other payments		(83)	(66)
Cash used in operations		(57 324)	(61 056)
Net cash provided by operating activities	8.1	36 765	21 632
Cash flows from investing activities			
<i>Cash inflows</i>			
Proceeds from the sale of property, plant and equipment		21	51
Cash generated from investing activities		21	51
<i>Cash outflows</i>			
Purchase of property, plant and equipment		(19 662)	(2 506)
Cash used in investing activities		(19 662)	(2 506)
Net cash (used in) investing activities		(19 641)	(2 455)
Cash flows from financing activities			
<i>Cash inflows</i>			
Cash received from restructuring activities		-	85
Cash generated from financing activities		-	85
<i>Cash outflows</i>			
Repayment of leases		(137)	-
Cash used in financing activities		(137)	-
Net cash (used in) / provided by financing activities		(137)	85
Net increase in cash and cash equivalents		16 987	19 262
Cash and cash equivalents at the beginning of the period		19 262	-
Cash and cash equivalents at the end of the period	6.1	36 249	19 262

The accompanying notes form part of these financial statements.

Office for Recreation, Sport and Racing
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

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Office for Recreation, Sport and Racing

Notes to and forming part of the Financial Statements

for the year ended 30 June 2020

1. About the Office for Recreation, Sport and Racing

From 1 July 2018, the Office for Recreation, Sport and Racing (the Office) became an "attached office" of the Department of the Premier and Cabinet under the *Public Sector Act 2009*. The Office is an administrative unit acting on behalf of the Crown.

The financial statements and accompanying notes encompass all the activities of the Office.

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

Administered items are disclosed in the schedule of administered items in note 12. Except as otherwise disclosed administered items are accounted for on the same basis and using the same accounting policies as for the Office items.

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.

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.

The net GST receivable/payable to the ATO is not recognised as a receivable/payable in the Statement of Financial Position as the Office is a member of an approved GST group, of which the Department of the Premier and Cabinet (DPC), is responsible for the remittance and collection of GST. As such, there are no cash flows relating to GST transactions with the ATO in the Statement of Cash Flows.

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.

1.2. Objectives

The Office for Recreation, Sport and Racing is the lead agency for the Government's policy on sport and active recreation. The Office supports sport and recreation through the development of policy, programs and resources, the provision of funding, recreation and sport planning, infrastructure development, elite sport pathways and the promotion of physical activity.

The Office also provides strategic policy advice to the Minister on matters relating to the South Australian Racing Industry.

The Office for Recreation, Sport and Racing has administrative responsibility for the Recreation and Sport Fund and the Sport and Recreation Fund.

Office for Recreation, Sport and Racing
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

1.3. Impact of COVID-19 pandemic on the Office

The COVID-19 pandemic has impacted on the operations of the Office and the impacts are included under the relevant disclosure notes. The key impacts in 2019-20 were:

- The Office has (by agreement) not sought previously agreed grant contributions toward several of its sporting programs from three not-for-profit sporting organisations, relating to decreased capacity to operate sporting programs during the COVID-19 pandemic period.
- The Office has not experienced a material increase in credit losses resulting from the COVID-19 pandemic.
- The Office is not expecting to provide any specific and quantifiable additional community support in relation to the COVID-19 pandemic.
- The March 2020 Federal Government COVID-19 directives included directions on the closure of indoor gyms and sporting venues. Following this, the Government of South Australia announced a 'rent relief' policy on 16 April 2020. In response to the measures, the Office had closed its venues, and the ORSR COVID-19 taskforce considered and supported rental relief for tenants at these venues. The rental relief package, effective 1 April - 30 June 2020, comprises relief for eighteen not-for-profit recreation, sport and community tenants, across seven venues.
- The Office has not observed elevated levels of staff absences because of the COVID-19 pandemic. Staff were able to continue working from home during the March to June 2020 period.
- Some staff members may have delayed taking annual leave in response to Government imposed COVID-19 restrictions. This may have resulted in an increase in the annual leave liability balance, though this impact is not reliably estimable.
- Because of the COVID-19 pandemic, the Government of South Australia had activated the Public Sector Mobilisation Policy in March 2020. Mobilised staff assist with COVID-19 tracing activities and other project management activities in support of the COVID-19 response. The Office participated in the response, with three staff being mobilised from May 2020. The related employee benefit costs were expensed over the period.

Office for Recreation, Sport and Racing
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

1.4. Budget performance

The budget performance table compares the Office's outcomes against budget information presented to Parliament (2019-20 Budget Paper 4). The budget amounts have not been adjusted to reflect revised budgets or administrative restructures. The budget process is not subject to audit.

		Original budget 2020 \$'000	Actual 2020 \$'000	Variance \$'000
Statement of Comprehensive Income	Note			
Income				
Appropriation	a	60 908	82 228	21 320
Fees and charges		664	567	(97)
Commonwealth grants		-	140	140
Other grants		4 919	5 120	201
Resources received free of charge		-	134	134
Other income	b	2 216	4 447	2 231
Total income		68 707	92 636	23 929
Expenses				
Employee benefits expenses		8 132	9 067	(935)
Supplies and services		6 502	6 109	393
Grants and subsidies	c	34 301	40 249	(5 948)
Depreciation and amortisation		8 300	8 628	(328)
Other expenses		338	124	214
Net loss from the disposal of property, plant and equipment		-	290	(290)
Borrowing costs		-	3	(3)
Total expenses		57 573	64 470	(6 897)
Net result		11 134	28 166	17 032
Total comprehensive result		11 134	28 166	17 032

		Original budget 2020 \$'000	Actual 2020 \$'000	Variance \$'000
Investing expenditure summary	Note			
Total existing projects	d	18 100	2 866	15 234
Total land acquisition	a	-	15 690	(15 690)
Total annual program		1 334	1 233	101
Total investing expenditure		19 434	19 789	(355)

Office for Recreation, Sport and Racing
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

1.4 Budget performance (continued)

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

- a The favourable variance largely relates to additional appropriation funding of:
 - \$15.7 million to allow the Office to purchase land located at the State Sports Park, from the Minister for Environment and Water, to facilitate the development of the new State Centre of Football and the wider State Sports Park precinct.
 - \$5.0 million, to fund additional grants under the Grassroots Football, Cricket, and Netball Facility grants program.
- b The favourable variance mainly reflects a return of grant funds, where the grantee had chosen not to undertake specific capital works, which was a condition of the grant. The funding was reissued to another group to undertake the project.
- c The unfavourable variance reflects:
 - additional grants issued under the Grassroots Football, Cricket, and Netball Facility grants program; and
 - the payment of an additional grant, using returned grant funds, for the development of a community sporting facility;
 - partly offset by reduced Sport Voucher grant claims.
- d The favourable variance reflects delays in completion of capital projects at the Adelaide SuperDrome (Wind Tunnel), Home of Football at State Sports Park, and Women's Memorial Playing Fields at St Mary's. Projects were subject to delays in tender processes, land transfers, and construction works, as well as delays directly related to the COVID-19 pandemic generally.

1.5. Significant transactions with government related entities

Significant transactions with the SA Government are identifiable throughout this financial report. They are primarily related to:

- Corporate Services provided by the Department of the Premier and Cabinet and the Department of Treasury and Finance (Shared Services SA);
- Facilities maintenance and improvements services engaged with Spotless and Facility Services, through the Department of Planning, Transport and Infrastructure;
- Major capital works through the Department of Planning, Transport and Infrastructure;
- Fleet vehicles leased through Fleet SA;
- Insurance provided through SAICORP; and
- Land acquisition at the State Sports Park, from the Minister for Environment and Water, to facilitate the development of the new State Centre of Football.

Office for Recreation, Sport and Racing
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

2. Income

2.1. Appropriation

	2020	2019
	\$'000	\$'000
Revenues from appropriation		
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	82 228	75 780
Total appropriations	82 228	75 780

Appropriations are recognised on receipt.

This table does not show appropriations in the form of a loan or an equity contribution.

The total appropriations consist of \$47.2 million for operational funding and \$35.1 million for capital projects and acquisitions. The original amount appropriated to the Office under the annual *Appropriation Act* is set out in note 1.4.

2.2. Fees and charges

	2020	2019
	\$'000	\$'000
Rental income	559	837
Fees for services	-	10
Registration fees	5	5
Sale of goods	1	4
Other fees and charges	2	1
Total fees and charges	567	857

2.3. Commonwealth grants

	2020	2019
	\$'000	\$'000
Grants		
Commonwealth revenue	140	83
Total Commonwealth grants	140	83

The Office received a grant to upgrade one of its sporting facilities. The Office recognised \$43 121 in 2019-20 as income. The remainder of the grant will be recognised as income as upgrade works are completed and is included in note 7.4.

2.4. Other grants

	2020	2019
	\$'000	\$'000
Intra government transfer	4 407	4 183
Other	713	1 411
Total other grants	5 120	5 594

Intra government transfers are recognised on receipt.

Office for Recreation, Sport and Racing
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

2.5. Resources received free of charge

	2020	2019
	\$'000	\$'000
Services received free of charge - Shared Services SA	46	31
Plant and Equipment	88	-
Total resources received free of charge	134	31

Resources received free of charge relate to goods and/or services being provided free of charge including from other agencies within the SA Government. Contributions are recognised only when a fair value can be determined reliably and the services would be purchased if they had not been donated.

Plant and equipment was donated by three organisations in the year. The plant and equipment are located at two of the Office's sporting facilities. There were no conditions attached to usage of the donated assets.

2.6. Other Income

	2020	2019
	\$'000	\$'000
Refunds	2 827	105
Sponsorship	23	43
Contribution to Grassroots Football, Cricket, Netball Facilities program	1 000	1 000
Other	597	528
Total other income	4 447	1 676

Office for Recreation, Sport and Racing
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

3. Board, committees and employees

3.1. Key management personnel

Key management personnel of the Office include the Minister, the Chief Executive and five members of the Executive Leadership Team. Seven employees served on the Executive Leadership Team during the year.

Total compensation for key management personnel was \$1.096 million (2019: \$0.817 million).

	2020	2019
	\$'000	\$'000
Compensation		
Salaries and other short term employee benefits	955	746
Post-employment benefits	86	71
Other long-term employment benefits	55	-
Total	1 096	817

The compensation disclosed in this note excludes salaries and other benefits the Minister 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 of the *Parliamentary Remuneration Act 1990*.

Transaction with key management Personnel and other related parties

There were no significant related party transactions.

3.2. Board and committee members

Members during the 2020 financial year were:

Boxing and Martial Arts Advisory Committee

Rauf Soulio* (Chair)

Mandy Graetz

Laura Bowman

Tomas Ferrauto**

Uschi Artym

Greg Hutchins*

Luisa Rositano

Risk and Audit Committee - established December 2019

Andrew Faulkner (Chair) - appointed December 2019

Peter Brass - appointed December 2019

Nicolle Rantanen-Reynolds* - appointed December 2019

Office for Recreation, Sport and Racing
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

3.2 Board and committee members (continued)

Game On Expert Panel - established May 2019

Amanda Vanstone (Chair) - appointed July 2019

Timothy Olds - appointed May 2019

Leanne Grantham - appointed May 2019

Mark Bickley - appointed May 2019

Paul Di Iulio - appointed May 2019

Anton Andreacchio - appointed June 2019

Kylie Taylor* - appointed May 2019

*In accordance with the Premier and Cabinet Circular No. 016, government employees did not receive any remuneration for board/committee duties during the financial year.

** Special exception to receive payment as a government employee.

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

	2020	2019
\$0 - \$19 999	17	7
Total number of members	17	7

The total remuneration received or receivable by members was \$15 791 (2019: \$2 519). Remuneration of members includes sitting fees, superannuation contributions, salary sacrifice benefits, fringe benefits and related fringe benefits tax.

3.3. Employee benefits expenses

	2020	2019
	\$'000	\$'000
Salaries and wages	6 853	6 497
Targeted voluntary separation packages	207	83
Long service leave	68	468
Annual leave	662	607
Skills and experience retention leave	30	32
Employment on-costs - superannuation	770	719
Employment on-costs - other	422	252
Board and committee fees	15	2
Workers compensation	36	(3)
Other employee related expenses	4	27
Total employee benefits expenses	9 067	8 684

Employment on-costs - superannuation

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

Office for Recreation, Sport and Racing
Notes to and forming part of the Financial Statements
for the year ended 30 June 2020

3.3 Employee benefits expenses (continued)

Executive remuneration

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

	2020	2019
	Number	Number
\$151 000 - \$154 000*	N/A	1
\$154 001 - \$174 000	2	-
\$174 001 - \$194 000	-	1
\$194 001 - \$214 000	1	2
\$234 001 - \$254 000	1	-
Total	4	4

* This band has been included for the purposes of reporting comparative figures based on the executive level remuneration rate for 2018-19.

The total remuneration received by those employees for the year was \$0.754 million (2019: \$0.748 million).

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any fringe benefits tax paid or payable in respect of those benefits.

Targeted voluntary separation packages

The number of employees who received a TVSP during the reporting period was 2 (2019: 1):

	2020	2019
	\$'000	\$'000
Amounts paid to separated employees:		
Targeted voluntary separation packages	207	83
Leave paid to separated employees	72	16
Recovery from the Department of Treasury and Finance	(103)	(83)
Net cost to the office	176	16

3.4. Employee benefits liability

	2020	2019
	\$'000	\$'000
Current		
Accrued salaries and wages	195	145
Annual leave	792	714
Long service leave	183	184
Skills and experience retention leave	53	56
Total current employee benefits	1 223	1 099
Non-current		
Long service leave	1 680	1 775
Total non-current employee benefits	1 680	1 775
Total employee benefits	2 903	2 874

Office for Recreation, Sport and Racing
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3.4 Employee benefits liability (continued)

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

Salary and wages, annual leave, skills and experience retention leave (SERL) and sick leave

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

The annual leave liability and the SERL liability in full is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

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

Long service leave

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Details about the measurement of the long service leave liability is provided as note 11.1.

Office for Recreation, Sport and Racing
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4. Expenses

Employee benefits expenses are disclosed in note 3.3.

4.1. Supplies and services

	2020	2019
	\$'000	\$'000
Contractors	1 451	1 325
Other supplies and services	632	493
Corporate Services SLA	817	551
Repairs maintenance and minor equipment purchases	960	1 189
General administration and consumables	557	831
Utilities	428	440
Travel	393	492
Facility management	362	453
Information technology and communication charges	160	123
Consultants	241	38
Staff development and recruitment	100	111
Short term leases	5	-
Intra government transfer	3	-
Operating leases	-	125
Total supplies and services	6 109	6 171

Operating lease payments

Operating lease payments are recognised on a straight-line basis over the lease term. This information is provided for 2018-19 only, as *AASB 16 Leases* does not distinguish between operating and finance leases for lessees.

	2020	2019
	\$'000	\$'000
Operating lease minimum payments	-	125
Total operating lease payments	-	125

Consultants

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

	2020	2020	2019	2019
	Number	\$'000	Number	\$'000
Below \$10 000	1	6	-	-
\$10 000 or above	3	235	1	38
Total consultants	4	241	1	38

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4.2. Grants and subsidies

	2020	2019
	\$'000	\$'000
Grants and subsidies	40 249	50 126
Total grants and subsidies	40 249	50 126

Grants and subsidies consists of the following:

Grassroots Football, Cricket, and Netball Facility Program	11 000	6 000
Sports Vouchers Subsidies	5 805	5 753
Community Recreation and Sport Facilities Program	3 628	4 280
Racing Industry Fund	3 523	8 000
Active Club Program	3 150	2 950
Sport and Recreation Development and Inclusion Program	2 941	3 395
Sport and Recreation Sustainability Program	2 752	2 644
Other Grants	4 600	1 891
State Facility Fund	500	500
VACSWIM	455	432
SASI Individual Athlete Program	148	159
Subsidies - SA Aquatic and Leisure Centre	970	807
Subsidies - Parks Community Centre	777	876
Memorial Drive Tennis Centre Redevelopment	-	10 000
Sam Willoughby International BMX facility	-	1 300
Goodes O'Loughlin UniSA Scholarship	-	800
Planning and Research Program	-	339
Total grants and subsidies	40 249	50 126

4.3. Borrowing costs

	2020	2019
	\$'000	\$'000
Interest expense on lease liabilities	3	-
Total Borrowing Costs	3	-

The Office does not capitalise borrowing costs.

4.4. Depreciation and amortisation

	2020	2019
	\$'000	\$'000
Buildings and improvements	7 941	7 908
Plant and equipment	616	550
Right-of-use buildings	37	-
Right-of-use vehicles	34	-
Total depreciation and amortisation	8 628	8 458

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

Office for Recreation, Sport and Racing
Notes to and forming part of the Financial Statements
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4.4 Depreciation and amortisation (continued)

Review of accounting estimates

Assets' residual values, useful lives and amortisation methods are reviewed and adjusted through the stocktake process 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/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)
Buildings and Improvements	5 - 105
Furniture and fittings	5
Other equipment (including Sports Equipment)	3 - 30
IT equipment	3 - 5
Other Intangibles	3 - 5
Leasehold improvements	Life of lease

4.5. Net (loss) from the disposal of property, plant and equipment

	2020	2019
	\$'000	\$'000
Land, buildings and improvements		
Proceeds from disposal	-	31
Less net book value of assets disposed	(307)	(55)
Net (loss) from disposal of buildings and improvements	(307)	(24)
Plant and equipment		
Proceeds from disposal	21	19
Less net book value of assets disposed	(4)	(17)
Net gain from disposal of plant and equipment	17	2
Proceeds from disposal	21	50
Less net book value of assets disposed	(311)	(72)
Total net (loss) from disposal of non-current assets	(290)	(22)

4.6. Other expenses

	2020	2019
	\$'000	\$'000
Rates and levies	75	66
Other - Shared Services SA	46	31
Bad and doubtful debts expense	3	-
Total other expenses	124	97

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5. Non-financial assets

5.1. Property, plant and equipment by asset class

Carrying amount of property, plant and equipment held and used by the Office

	Total	Total
	2020	2019
	\$'000	\$'000
Land, buildings and improvements		
Land at fair value	62 788	104 598
Buildings & improvements at fair value	88 020	306 286
Accumulated depreciation at the end of the period	(68 700)	(139 507)
Total land, buildings and improvements	82 108	271 377
Plant and equipment		
Plant and equipment at cost (deemed fair value)	2 852	4 290
Accumulated depreciation at the end of the period	(1 638)	(2 117)
Total plant and equipment	1 214	2 173
Work in progress		
Work in progress at cost	4 906	1 970
Total work in progress	4 906	1 970
Right-of-use buildings		
Right-of-use buildings (deemed fair value)	98	-
Accumulated depreciation	(37)	-
Total right-of-use buildings	61	-
Right-of-use vehicles		
Right-of-use vehicles (deemed fair value)	90	-
Accumulated depreciation	(34)	-
Total right-of-use vehicles	56	-
Total property, plant and equipment	88 345	275 520

Property, plant and equipment with a value equal to or in excess of \$10 000 is capitalised, otherwise it is expensed. Land is capitalised regardless of value. Property, plant and equipment is recorded at fair value. Details about the Office's approach to fair value is set out in note 11.2.

Office for Recreation, Sport and Racing
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5.1 Property, plant and equipment by asset class (continued)

Carrying amount of property, plant and equipment where the Office is the lessor under operating leases

	Total	Total
	2020	2019
	\$'000	\$'000
Land, buildings and improvements		
Land at fair value	57 584	-
Buildings & improvements at fair value	217 047	-
Accumulated depreciation at the end of the period	(77 055)	-
Total land, buildings and improvements	197 576	-
Plant and equipment		
Plant and equipment at cost (deemed fair value)	1 902	-
Accumulated depreciation at the end of the period	(1 094)	-
Total plant and equipment	808	-
Total property, plant and equipment where the Office is the lessor under operating leases	198 384	-

5.2. Property, plant and equipment owned by the Office

Reconciliation 2019-20

	Land, buildings and improvements	Plant and equipment	Land, buildings and improvements - leased	Plant and equipment - leased	Work in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2020						
Carrying amount at 1 July 2019	271 377	2 173	-	-	1 970	275 520
Adoption of AASB 16 at 1 July	(203 265)	(876)	203 265	876	-	-
Acquisitions	15 690	96	-	23	3 979	19 788
Disposals	-	(4)	(307)	-	-	(311)
Depreciation and amortisation	(1 997)	(348)	(5 944)	(268)	-	(8 557)
Transfer from works in progress	219	100	562	177	(1 058)	-
Transfers in as a result of administrative restructure	84	-	-	-	-	84
Other movements	-	73	-	-	15	88
Carrying amount at 30 June 2020	82 108	1 214	197 576	808	4 906	286 612

Office for Recreation, Sport and Racing
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5.2 Property, plant and equipment by asset class (continued)

Reconciliation 2018-19

	Land, buildings and improvements	Plant and equipment	Work in progress	Total
	\$'000	\$'000	\$'000	\$'000
2019				
Carrying amount at 1 July 2018	-	-	-	-
Acquisitions	193	493	2 056	2 742
Disposals	(55)	(17)	-	(72)
Depreciation and amortisation	(7 908)	(550)	-	(8 458)
Transfer from works in progress	210	47	(257)	-
Transfers in as a result of administrative restructure	278 937	2 200	171	281 308
Carrying amount at 30 June 2019	271 377	2 173	1 970	275 520

As lessor, the Office has the following lease arrangements:

- The SA Aquatic and Leisure Centre at Oaklands Park, and the Parks Recreation and Sports Centre at Angle Park are subject to operation and management agreements. The Office recognises an expense for amounts paid under the agreement, and recognises income when facility operating profits exceed a specified benchmark. Income received under this arrangement was \$159 900 in 2019-20.
- An operations and management agreement at Hindmarsh Stadium.
- Tenancy and management agreements at Kidman Park, SA Athletics Stadium, State Shooting Park, Heini Becker Park, Monarto Shooting Park, Hindmarsh Heritage Precinct and Adelaide SuperDrome.
- A sublease for retail space in the Adelaide CBD. Refer to note 6.3.
- A number of tenancy and management agreements made on concessional terms to sporting organisations located at Kidman Park, the State Hockey Centre, Priceline Stadium, the Parks, Women's Memorial Playing Fields, the Southern Sports Complex, and at West Lakes.

Leases are classified as operating leases, as they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. The majority of leases are typically made for terms of 5 years or less.

Operating lease income recognised by the Office in 2019-20 was \$304 807.

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received at the reporting date.

Operating lease payments to be received	2020
	\$'000
Within 1 year	359
1-2 years	318
2-3 years	218
3-4 years	202
4-5 years	212
After 5 years	226
Total operating lease income	1 535

Office for Recreation, Sport and Racing
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5.3. Property, plant and equipment leased by the Office

Buildings and Property, plant and equipment leased by the Office is recorded at cost. Additions to leased vehicles during 2019-20 were \$55 074.

Short-term leases of 12 months or less and low value leases where the underlying asset value is less than \$15,000 are not recognised as right-of-use assets. The associated lease payments are recognised as an expense, and totalled \$4 731 for the year.

The Office has several leases:

- Six motor vehicle leases with Fleet SA, a division of the South Australian Government Financing Authority (SAFA). Motor vehicle leases are non-cancellable, with rental payments monthly in arrears. Motor vehicle lease terms can range from 3 years (60,000km) up to 5 years (100,000km). No contingent rental provisions exist within the lease agreements and no options exist to renew the leases at the end of their term.
- A retail space in the Adelaide CBD. This space has been subleased. Refer to note 6.3 regarding the sublease.
- Three rowing-related storage and other spaces. These leases have all been prepaid and end in mid-2023 and mid-2024.
- A lease for Office space and gymnasium access. Lease payments are paid annually. This lease ends in June 2021.

The Office also has several concessionary leases, which are measured at cost in accordance with Treasurer's Instructions (Accounting Policy Statements):

Recreational Walking Trails

The Office has been granted access to sections of privately owned land, over which walking trails have been established. The trails are for use by members of the public for recreational purposes.

The leases are for 5 year terms, with only a single nominal payment to be made (\$1.10), if required by the landowner.

Storage Bays

The Office has been granted a concessionary lease over two sporting equipment storage bays. The lease of the bays is to allow access to on site sporting equipment for athletes.

The lease is for 20 years, expiring in April 2023. No consideration is payable.

Access to the above leased assets allows the Office to further its objectives, and without the agreements being made on concessionary terms, additional costs may be incurred.

6. Financial assets

6.1. Cash and cash equivalents

	2020	2019
	\$'000	\$'000
Deposits with the Treasurer	36 198	19 211
Other short-term deposits	51	51
Total cash and cash equivalents	36 249	19 262

The Office does not earn interest on its deposits with the Treasurer.

Office for Recreation, Sport and Racing
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6.2. Receivables

	2020	2019
	\$'000	\$'000
Current		
Trade Receivables		
From government entities	-	42
From non-government entities	1 416	3 021
Less impairment loss on receivables	(1)	-
Total trade receivables	<u>1 415</u>	<u>3 063</u>
Prepayments	1 005	26
Total current receivables	<u>2 420</u>	<u>3 089</u>
Non-current		
Prepayments	-	34
Receivables	1	1
Total non-current receivables	<u>1</u>	<u>35</u>
Total receivables	<u>2 421</u>	<u>3 124</u>

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.

Other than as recognised in the allowance for impairment loss on receivables, it is not anticipated that counterparties will fail to discharge their obligations. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk. Refer to note 11.3 for further information on risk management.

Allowance for impairment loss on receivables

	2020	2019
	\$'000	\$'000
Carrying amount at the beginning of the period	-	-
Increase/(decrease) in the allowance	1	-
Carrying amount at the end of the period	<u>1</u>	<u>-</u>

All of the above impairment losses are from receivables arising from contracts with customers. Refer to note 11.3 for details regarding credit risk and the methodology for determining impairment.

6.3. Other financial assets

	2020	2019
	\$'000	\$'000
Current		
Investment in sublease	21	-
Total current other financial assets	<u>21</u>	<u>-</u>

The Office subleases a commercial retail space located in the Adelaide CBD. Both the head lease and sublease end in December 2020. The head lease is not expected to be renewed. Under the agreement, the sublessee is responsible for meeting the obligations per the head lease. Sublease payments received totalled \$40 151, and interest earned on the net investment in the sublease was \$1 626.

Office for Recreation, Sport and Racing
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7. Liabilities

Employee benefits liabilities are disclosed in note 3.4.

7.1. Payables

	2020	2019
	\$'000	\$'000
Current		
Trade payables	256	115
Accrued expenses	4 918	5 837
Employment on-costs	164	162
GST payable	-	1
Total current payables	5 338	6 115
Non-current		
Employment on-costs	156	162
Total non-current payables	156	162
Total payables	5 494	6 277

Payables and accruals are raised for all amounts owing but unpaid. Sundry payables are normally settled within 30 days from the 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.

Employment on-costs

Employment on-costs include payroll tax, ReturntoWorkSA levies and superannuation contributions and are settled when the respective employee benefits that they relate to is discharged.

The Office makes contributions to several State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at the reporting date relates to any contributions due but not yet paid to the superannuation schemes.

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the proportion of long service leave taken as leave has been assessed as 42% (2019: 41%) and the average factor for the calculation of employer superannuation cost on-costs has been assessed as 9.8% (2019: 9.8%). These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is not material.

7.2. Financial Liabilities

	2020	2019
	\$'000	\$'000
Current		
Lease liability	90	-
Total current financial liabilities	90	-
Non-current		
Lease liability	25	-
Total non-current financial liabilities	25	-
Total Financial liabilities	115	-

All material cash outflows are reflected in the lease liabilities disclosed above.

Office for Recreation, Sport and Racing
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7.3. Provisions

	2020	2019
	\$'000	\$'000
Current		
Provision for workers compensation	23	23
Total current provisions	<u>23</u>	<u>23</u>
Non-current		
Provision for workers compensation	49	36
Total non-current provisions	<u>49</u>	<u>36</u>
Total provisions	<u><u>72</u></u>	<u><u>59</u></u>

	2020	2019
	\$'000	\$'000
Provision for workers compensation movement		
Carrying amount at the beginning of the period	59	-
Net transfer from administrative restructures	-	80
Additional provisions recognised	13	-
Reductions resulting from re-measurement or settlement without cost	-	(21)
Carrying amount at the end of the period	<u>72</u>	<u>59</u>

Provision for workers compensation

A provision has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment of the outstanding liability as at 30 June 2020 provided by a consulting actuary engaged through the Office of the Commissioner for the Public Sector. The provision is for the estimated cost of ongoing payments to employees as required under current legislation.

The Office is responsible for the payment of workers compensation claims.

7.4. Other liabilities

	2020	2019
	\$'000	\$'000
Current		
Unearned income	1 457	1 516
Total current other liabilities	<u>1 457</u>	<u>1 516</u>
Total other liabilities	<u><u>1 457</u></u>	<u><u>1 516</u></u>

Unearned income relates to a grant that was received from the Commonwealth Government for capital upgrades at one of the Office's sporting facilities. Income is recognised on the percentage of completion basis, as the upgrades are completed. The original grant was for \$1.5 million.

Office for Recreation, Sport and Racing
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8. Other disclosures

8.1. 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 of the Department of the Premier and Cabinet, not the Office.

	2020	2019
	\$'000	\$'000
Leases		
Buildings	106	-
Vehicles	53	-
Total cash outflow for leases	<u>159</u>	<u>-</u>
	2020	2019
	\$'000	\$'000
Reconciliation of cash and cash equivalents at the end of the reporting period		
Cash and cash equivalents disclosed in the Statement of Financial Position	36 249	19 262
Balance as per the Statement of Cash Flows	<u>36 249</u>	<u>19 262</u>
Reconciliation of net cash provided by operating activities to net result		
Net cash provided by operating activities	36 765	21 632
Add / (less) non-cash Items		
Depreciation and amortisation expense	(8 628)	(8 458)
Resources received free of charge	134	31
Bad and doubtful debts expense	(1)	-
Loss on disposal of property, plant and equipment	(290)	(22)
Other expenses	(46)	(31)
Movement in assets and liabilities		
(Decrease) / increase in receivables	(694)	2 879
Decrease / (increase) in payables	909	(3 577)
(Increase) in employee benefits	(29)	(450)
(Increase) in provisions	(13)	(59)
Decrease / (increase) in other liabilities	59	(1 482)
Net result	<u>28 166</u>	<u>10 463</u>

Office for Recreation, Sport and Racing
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9. Changes in accounting policy

9.1. AASB16 Leases

AASB 16 sets out a comprehensive model for lessee accounting that addresses recognition, measurement, presentation and disclosure of leases. Lessor accounting is largely unchanged. *AASB 16 Leases* replaces *AASB 117 Leases* and related interpretations.

The adoption of *AASB 16 Leases* from 1 July 2019 resulted in adjustments to the amounts recognised from a lessee perspective in the financial statements:

- *AASB 117 Leases* only required the recognition of an asset and lease liability in relation to finance leases. *AASB 16 Leases* applies a comprehensive model to all leases. 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.
- *AASB 117 Leases* resulted in operating lease payments being recognised as an expense under Supplies and Services. *AASB 16 Leases* largely replaces this with depreciation expenses 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.

Impact on retained earnings

The total impact on the Office's retained earnings as at 1 July 2019 is as follows:

	\$'000
Closing retained earnings 30 June 2019 - AASB 117	287 264
<u>Assets</u>	
Property, Plant and Equipment	145
<u>Liabilities</u>	
Financial liabilities	(196)
Opening retained earnings 1 July 2019 - AASB 16	<u>287 213</u>

The Office disclosed in its 2018-19 financial report total undiscounted operating lease commitments of \$0.190 million under AASB 117. There is no material difference between the revised operating lease commitments when discounted and the financial liabilities recognised as at 1 July 2019.

Office for Recreation, Sport and Racing
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9.1 AASB16 Leases (continued)

Accounting policies on transition

AASB 16 sets out accounting policies on transition in its transitional provisions. *The Treasurer's Instructions (Accounting Policy Statements)* requires certain choices in those transitional provisions to be taken. The Office has adopted the following accounting policies:

- to apply AASB 16 retrospectively. The cumulative effect of initially applying the Standard was recognised at 1 July 2019. Comparatives have not been restated.
- at 1 July 2019 AASB 16 was applied only to contracts that were previously identified as containing a lease under AASB 117 and related interpretations.
- the initial measurement of the lease liability was the present value of the remaining lease payments discounted using the relevant incremental borrowing rate published by the Department of Treasury and Finance as at 1 July 2019 based on the SA Government's cost of borrowing. The average weighted incremental borrowing rate for this purpose was 1.85%.
- the initial measurement of right-of-use assets has been calculated as an amount equal to the lease liability on transition adjusted for prepaid or accrued lease payments.
- the initial measurement of lease liabilities and right-of-use assets excludes all leases that ended by 30 June 2020, except for vehicles leased from SAFA.

Ongoing accounting policies

The Treasurer's Instructions (Accounting Policy Statements) specify required accounting policies for public authorities in applying AASB 16. These requirements are reflected in the Office's accounting policies as follows:

- AASB 16 is not applied to leases of intangible assets.
- right-of-use assets and lease liabilities are not recognised for leases of low value assets, being assets which have a value of \$15 000 or less, nor short-term leases, being those with a lease term of 12 months or less.
- the Office, in the capacity of a lessee, does not include non-lease components in lease amounts.
- right-of-use assets are not measured at fair value on initial recognition for leases that have significantly below-market terms and conditions principally to enable the public authority to further its objectives.
- right-of-use assets are subsequently measured applying a cost model.

Significant accounting policies relate to the application of AASB 16 are disclosed under relevant notes.

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9.2. AASB 15 Revenue from Contracts with Customers

AASB 15 Revenue from Contracts with Customers establishes a revenue recognition model for revenue arising from contracts with customers. It requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. AASB 15 supersedes *AASB 111 Construction contracts*, *AASB 118 Revenue* and related Interpretations and applies to all revenue arising from contracts with customers.

Impact on retained earnings

The total impact on the Office's retained earnings as at 1 July 2019 is as follows:

	\$'000
Closing retained earnings 30 June 2019 - AASB 118	287 264
Assets	
Contract assets	-
Liabilities	
Contract liabilities	-
Opening retained earnings 1 July 2019 - AASB 15	<u>287 264</u>

Accounting policies on transition

The Office has adopted AASB 15 on 1 July 2019. The Treasurer's Instructions (Accounting Policy Statements) require certain choices in those transitional provisions to be taken. The Office has on transition:

- recognised the cumulative effect of initially applying AASB 15 as an adjustment to the opening balance of retained earnings as at 1 July 2019. Therefore, the comparative information has not been restated.
- not adopted the completed contract expedient, and therefore has not excluded revenue which was fully recognised in previous years in accordance with the former revenue and income accounting standards.
- elected not to restate retrospectively contracts for modifications that occurred before 1 July 2019. Such contract modifications were minor so this is expected to have little impact on the financial statements.

Impacts on the financial statements are explained below together with impacts from adoption of *AASB 1058 Income of Not-for-Profit Entities*.

Ongoing accounting policies

The Treasurer's Instructions (Accounting Policy Statements) specify requirements for public authorities in applying AASB 15. These requirements are reflected in the Office's accounting policies as follows:

- AASB 15 is applied to a portfolio of contracts with similar characteristics.
- there is no adjustment to the promised amount of consideration for the effects of a significant financing component if the period between the transfer of goods/services and the payment date is one year or less.
- the incremental costs of obtaining a contract are expensed when incurred when the amortisation period of the asset that the Office would have recognised is one year or less.

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9.2 AASB 15 Revenue from Contracts with Customers (continued)

- for measuring progress towards satisfaction of performance obligations when the output method is applied, revenue is recognised in the amount to which there is a right to invoice corresponding directly to the value to the customers of the Office's performance completed to date.
- there is no disclosures of certain information relating to remaining performance obligations if the original contract is expected to end within one year or when revenue is recognised in accordance with para. B16.

Significant accounting policies relate to the application of AASB 15 are disclosed under relevant notes.

9.3. AASB 1058 income of Not-for-Profit entities

AASB 1058 *Income of Not-for-Profit Entities* establishes new income recognition requirements for not-for-profit entities. Its requirements apply where the consideration to acquire an asset, including cash, is significantly less than fair value principally to the entity to further its objectives. AASB 1058 also contains requirements for the receipt of volunteer services. AASB 1058 supersedes income recognition requirements in *AASB 1004 Contributions*, *AASB 118 Revenue and AASB 111 Construction Contracts*. However, elements of AASB 1004 remain in place, primarily in relation to restructures of administrative arrangements and other contributions and distributions by owners.

Accounting policies on transition

On transition, there was no impact on retained earnings.

9.4. Effects on financial statements from AASB 15 and AASB 1058

No adjustments were required on adoption of AASB 15 and AASB 1058. No line items in the Statement of Comprehensive Income or Statement of Financial Position were subject to changes.

9.5. Presentation of Financial Statements

Treasurer's Instructions (Accounting Policy Statements) issued on 1 June 2020 removed the previous requirement for financial statements to be prepared using the net cost of services format. The net cost of services is the total cost of services less any revenue retained by public authorities involved in the provision of services but does not include items classified as revenues from and payments to the South Australian Government.

Presentation of the Statement of Comprehensive Income on an 'income and expense' basis allows information to be presented in such a way that eliminates potential confusion as to the source of funding for the Office. As well as changes to the format of the Statement of Comprehensive Income, there are presentational changes to remove the net cost of services format from the Statement of Cash Flows. These statements now show income before expenses, and cash receipts before cash payments. Related disclosures also reflect this changed format.

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10. Outlook

10.1. Unrecognised contractual commitments

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

Capital commitments

	2020	2019
	\$'000	\$'000
Within one year	2 260	2 298
Later than one year but not longer than five years	-	634
Total capital commitments	2 260	2 932

Capital commitments predominantly relate to upgrade works at several of the Office's major sporting facilities.

Expenditure commitments

	2020	2019
	\$'000	\$'000
Within one year	6 611	3 256
Later than one year but not longer than five years	3 074	4 135
Later than five years	1 200	-
Total expenditure commitments	10 885	7 391

Expenditure commitments predominantly relate to the management of the SA Aquatic & Leisure Centre, the Parks Community Centre, and Grant programs.

Operating lease commitments

Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:	2020	2019
	\$'000	\$'000
Within one year	-	126
Later than one year but not longer than five years	-	64
Total operating lease commitments	-	190
Representing:		
Non-cancellable operating leases	-	190
Total operating lease commitments	-	190

Operating lease commitments are provided for the comparative year only, as AASB 16 Leases does not distinguish between operating and finance leases for the lessee.

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 Office is not aware of any contingent assets or liabilities.

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10.3. Impacts of standards and statements not yet effective

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

AASB 1059 Service Concession Arrangements: Grantors

AASB 1059 prescribes the accounting for certain arrangements in which an operator provides public services on behalf of a public sector grantor involving a service concession arrangement. This standard applies to reporting periods beginning on or after 1 January 2020. The Office has assessed its arrangements where operators provide services and has concluded that none of these will be within the scope of AASB 1059.

10.4. COVID-19 pandemic outlook for the Office

The COVID-19 pandemic will continue to impact the operations of the Office in 2020-21. Due to the nature of the pandemic, an estimate of the financial impact on the Office cannot be reliably made.

10.5. Events after the reporting period

As proclaimed in the South Australian Government Gazette on 29 July 2020, the Office for Recreation, Sport and Racing is no longer attached to the Department of the Premier and Cabinet and is now attached to the Department for Infrastructure and Transport.

11. Measurement and risk

11.1. Long service leave liability - measurement

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

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

AASB 119 Employee Benefits requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long-term Commonwealth Government bonds for 2020 is 0.75% (2019: 1.25%).

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

The actuarial assessment performed by the Department of Treasury and Finance used a salary inflation rate of 2.5% (2019: 4.0%) for the long service leave liability. As a result, there is a decrease resulting from changes in the salary inflation rate.

The net financial effect of the changes to actuarial assumptions in the current financial year is a decrease in the long service leave liability of \$0.161 million and employee benefits expense of \$0.161 million. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of demographical and financial assumptions – including the long-term discount rate.

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

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11.2. Fair value

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

Initial recognition

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

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

Revaluation

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

Non-current tangible assets are valued at fair value and revaluation of non-current assets or a group of assets is only performed when the fair value at the time of acquisition is greater than \$1.5 million and estimated useful life is greater than three years.

Revaluation is undertaken on a 6 year cycle, with the next revaluation due in the 2020-21 financial year. 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 Office 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.

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

The Office had no valuations categorised into level 1 and there were no transfers of assets between level 1 and 2 fair value hierarchy levels.

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11.2 Fair value (continued)

Fair value classification – non-financial assets at 30 June 2020

	Note	Level 2 \$'000	Level 3 \$'000	Total \$'000
Recurring fair value measurements				
Land, buildings and improvements	5.1	120 372	159 312	279 684
Plant and equipment	5.1	-	2 022	2 022
Total recurring fair value measurements		120 372	161 334	281 706
Total		120 372	161 334	281 706

Fair value classification – non-financial assets at 30 June 2019

		Level 2 \$'000	Level 3 \$'000	Total \$'000
Recurring fair value measurements				
Land, buildings and improvements	5.1	104 598	166 779	271 377
Plant and equipment	5.1	-	2 173	2 173
Total recurring fair value measurements		104 598	168 952	273 550
Total		104 598	168 952	273 550

Land and buildings

An independent valuation of land and buildings was performed by Certified Practising Valuers from M3property Strategist, Australian Valuation Solution and Opteon Property Group, and verified by the State Valuation Office as at 1 July 2015.

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 an adjustment was 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.

The valuation used estimates about construction materials that would be required to replace the buildings, information about current construction costs were derived from building costs guides / internal records such as recent tender documents, construction invoices etc. and the estimated useful life due to age and condition of the building.

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 between three years and thirty 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.

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11.2 Fair value (continued)

Reconciliation of level 3 recurring fair value measurement as at 30 June 2020

	Land, buildings and improvements	Plant and equipment	Total
	\$'000	\$'000	\$'000
Opening balance at the beginning of the period	166 779	2 173	168 952
Acquisitions	-	192	192
Capitalised subsequent expenditure	-	-	-
Disposals	(307)	(4)	(311)
Transfer from works in progress	781	277	1 058
Acquisitions through administrative restructures	-	-	-
Gains/(losses) for the period recognised in net result:			
Depreciation	(7 941)	(616)	(8 557)
Total gains/(losses) recognised in net result	(7 941)	(616)	(8 557)
Carrying amount at the end of the period	159 312	2 022	161 334

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

	Land, buildings and improvements	Plant and equipment	Total
	\$'000	\$'000	\$'000
2019			
Opening balance at the beginning of the period	-	-	-
Acquisitions	193	493	686
Disposals	(24)	(17)	(41)
Transfer from works in progress	210	47	257
Acquisitions through administrative restructures	174 308	2 200	176 508
Gains/(losses) for the period recognised in net result:			
Depreciation	(7 908)	(550)	(8 458)
Total gains/(losses) recognised in net result	(7 908)	(550)	(8 458)
Carrying amount at the end of the period	166 779	2 173	168 952

Office for Recreation, Sport and Racing
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11.3. Financial instruments

Financial risk management

Risk management is managed by the Office's corporate services section. 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 Office'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 Office is funded principally from appropriation by the SA Government. The Office 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 the expected cash flows.

Credit risk

The Office 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 Office.

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 Office 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 Office 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 Office'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 Office 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.

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11.3 Financial instruments (continued)

The following table provides information about the exposure to credit risk and ECL for non-government debtors.

	Debtor gross carrying amount \$'000	Loss %	Lifetime expected losses \$'000
Current (not past due)	1 330	0.03%	-
1 – 30 days past due	21	0.13%	-
31 – 60 days past due	19	0.28%	-
61 – 90 days past due	5	0.81%	-
More than 90 days past due	19	2.70%	1
Loss allowance			1

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 Office's view of the forecast economic conditions over the expected life of the receivables.

The allowance was recognised when there was objective evidence that a receivable was impaired. The allowance for impairment was recognised in other expenses for specific debtors and debtors assessed on a collective basis for which such evidence existed.

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 Office and a failure to make contractual payments for a period of greater than 120 days past due.

Receivables with a contractual amount of \$2 566 written off during the year are still subject to enforcement activity.

The Office 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.

Market risk

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

Exposure to interest rate risk may arise through its interest bearing liabilities.

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

Categorisation of financial instruments

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

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11.3 Financial instruments (continued)

Classification of financial instruments

The Office measures all financial instruments at amortised cost.

Category of financial asset and financial liability	Note	2020 Carrying amount / fair value \$'000	2020 Contractual maturities		
			Within 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
Financial assets					
Cash and cash equivalents	6.1	36 249	36 249	-	-
Receivables	6.2	1 416	1 416	-	-
Other financial assets	6.3	21	21	-	-
Total financial assets		37 686	37 686	-	-
Financial liabilities					
Payables	7.1	5 138	5 138	-	-
Financial liabilities	7.2	115	90	25	-
Unearned income	7.4	1 457	1 457	-	-
Total financial liabilities		6 710	6 685	25	-

Category of financial asset and financial liability	Note	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 cash equivalents	6.1	19 262	19 262	-	-
Receivables	6.2	3 063	3 063	-	-
Total financial assets		22 325	22 325	-	-
Financial liabilities					
Payables	7.1	5 952	5 952	-	-
Unearned income	7.4	1 516	1 516	-	-
Total financial liabilities		7 468	7 468	-	-

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. Prepayments are presented in note 6.2.

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12. Administered items

ORSR has administrative responsibility for the Recreation and Sport Fund and the Sport and Recreation Fund.

Recreation and Sport Fund

The Recreation and Sport Fund was established by section 17 of the *Soccer Football Pools Act 1981*. This Act has since been repealed. The continued existence of the Recreation and Sport Fund is attributable to section 16A (1) of the *State Lotteries Act 1966*. The use of the Recreation and Sport Fund is governed by 16A (2) of the *State Lotteries Act 1966*, which states the funds must be used for recreation and sport purposes. Amounts received into the Recreation and Sport Fund was based on a percentage share of the "Pools" lotto game. The "Pools" was discontinued after the final draw on 25 June 2018.

Sport and Recreation Fund

The Sport and Recreation Fund was established under section 73A (1) of the *Gaming Machines Act 1992* (the Act). The use of the Fund is governed by section 73A (3) of the Act, which states the funds must be used for recreation and sport purposes. Funds are transferred to the Office to fund grant programs consistent with Act requirements.

	2020	2019
	\$'000	\$'000
Administered Expenses		
Intra government transfer - Sport & Recreation Fund	4 300	4 100
Total administered expenses	4 300	4 100
Administered Income		
Advances and grants - Sport & Recreation Fund	4 300	4 100
Total administered income	4 300	4 100
Net result	-	-
	2020	2019
	\$'000	\$'000
Administered Current Assets		
Cash and cash equivalents		
Sport & Recreation Fund	3 322	3 322
Recreation & Sport Fund	1 544	1 544
Total current assets	4 866	4 866
Total assets	4 866	4 866
Net assets		
Administered Equity		
Retained earnings		
Sport & Recreation Fund	3 322	3 322
Recreation & Sport Fund	1 544	1 544
Total equity	4 866	4 866

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12. Administered items (continued)

	2020	2019
	\$'000	\$'000
Cash flows from operating activities		
<i>Cash outflows</i>		
Intra government transfer - Sport & Recreation Fund	(4 300)	(4 100)
Cash used in operations	<u>(4 300)</u>	<u>(4 100)</u>
<i>Cash inflows</i>		
Advances and grants - Sport & Recreation Fund	4 300	4 100
Cash generated from operations	<u>4 300</u>	<u>4 100</u>
Net cash provided by/used in operating activities	<u>-</u>	<u>-</u>
Cash and cash equivalents at the beginning of the period		
Sport & Recreation Fund	3 322	3 322
Recreation & Sport Fund	1 544	1 544
Cash and cash equivalents at the end of the period	<u>4 866</u>	<u>4 866</u>