

Office for Recreation, Sport and Racing

Financial report
for the year ended
30 June 2021



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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 2021.

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 2021, 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 2021
- a Statement of Financial Position as at 30 June 2021
- a Statement of Changes in Equity for the year ended 30 June 2021
- a Statement of Cash Flows for the year ended 30 June 2021
- 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.

In preparing the financial report, the Chief Executive is responsible for assessing the entity's ability to continue as a going concern, taking into account any policy or funding decisions the government has made which affect the continued existence of the entity. The Chief Executive is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

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 2021.

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.

- conclude on the appropriateness of the Chief Executive's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify the opinion. My conclusion is based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

I communicate with the 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.



Andrew Richardson

Auditor-General

29 September 2021

Office for Recreation, Sport and Racing

Financial Statements

For the year ended 30 June 2021

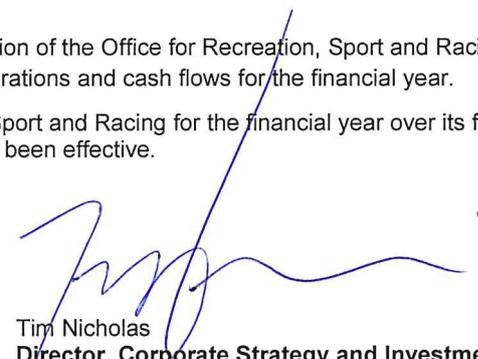
Office for Recreation, Sport and Racing
Certification of the Financial Statements
for the year ended 30 June 2021

We certify that the:

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



Kylie Taylor
Chief Executive
28 September 2021



Tim Nicholas
Director, Corporate Strategy and Investment
28 September 2021

Office for Recreation, Sport and Racing
Statement of Comprehensive Income
for the year ended 30 June 2021

| | Note | 2021 \$'000 | 2020 \$'000 |
|---|------|----------------|----------------|
| Income | | | |
| Appropriation | 2.1 | 152 082 | 82 228 |
| Fees and charges | 2.2 | 726 | 567 |
| Commonwealth-sourced grants and funding | 2.3 | 39 | 140 |
| SA Government grants, subsidies and transfers | 2.4 | 4 581 | 4 407 |
| Other grants | 2.5 | 790 | 713 |
| Resources received free of charge | 2.6 | 655 | 134 |
| Other income | 2.7 | 1 042 | 4 447 |
| Total income | | 159 915 | 92 636 |
| Expenses | | | |
| Employee benefits | 3.3 | 7 898 | 9 067 |
| Supplies and services | 4.1 | 6 196 | 6 109 |
| Grants and subsidies | 4.2 | 102 750 | 40 249 |
| Borrowing costs | 7.2 | 1 | 3 |
| Depreciation and amortisation | 5.1 | 8 690 | 8 628 |
| Net loss from disposal of non-current assets | 4.3 | 162 | 290 |
| Other expenses | 4.4 | 134 | 124 |
| Total expenses | | 125 831 | 64 470 |
| Net result | | 34 084 | 28 166 |
| Total comprehensive result | | 34 084 | 28 166 |

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 2021

| | Note | 2021 \$'000 | 2020 \$'000 |
|--------------------------------------|------|----------------|----------------|
| Current assets | | | |
| Cash and cash equivalents | 6.1 | 35 588 | 36 249 |
| Receivables | 6.2 | 32 040 | 2 420 |
| Other financial assets | 6.3 | - | 21 |
| Total current assets | | 67 628 | 38 690 |
| Non-current assets | | | |
| Receivables | 6.2 | 13 506 | 1 |
| Property, plant and equipment | 5.1 | 289 626 | 286 729 |
| Total non-current assets | | 303 132 | 286 730 |
| Total assets | | 370 760 | 325 420 |
| Current liabilities | | | |
| Payables | 7.1 | 17 007 | 5 338 |
| Employee benefits | 3.4 | 1 167 | 1 223 |
| Financial liabilities | 7.2 | 53 | 90 |
| Provisions | 7.3 | 26 | 23 |
| Other liabilities | 7.4 | 1 420 | 1 457 |
| Total current liabilities | | 19 673 | 8 131 |
| Non-current liabilities | | | |
| Payables | 7.1 | 128 | 156 |
| Employee benefits | 3.4 | 1 366 | 1 680 |
| Financial liabilities | 7.2 | 67 | 25 |
| Provisions | 7.3 | 63 | 49 |
| Total non-current liabilities | | 1 624 | 1 910 |
| Total liabilities | | 21 297 | 10 041 |
| Net assets | | 349 463 | 315 379 |
| Equity | | | |
| Retained earnings | | 349 463 | 315 379 |
| Total equity | | 349 463 | 315 379 |

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 2021

| | Retained earnings | Total equity |
|---|------------------------------|-------------------------|
| | \$'000 | \$'000 |
| Balance at 1 July 2019 | 287 180 | 287 180 |
| Error correction | 84 | 84 |
| Changes in accounting policy on adoption of AASB15, 16 and 1058 | (51) | (51) |
| Net result for 2019-20 | 28 166 | 28 166 |
| Total comprehensive result for 2019-20 | 28 166 | 28 166 |
| | <hr/> | <hr/> |
| Balance at 30 June 2020 | 315 379 | 315 379 |
| | <hr/> | <hr/> |
| Net result for 2020-21 | 34 084 | 34 084 |
| Total comprehensive result for 2020-21 | 34 084 | 34 084 |
| | <hr/> | <hr/> |
| Balance at 30 June 2021 | 349 463 | 349 463 |

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 Cash Flows
for the year ended 30 June 2021

| | | 2021 | 2020 |
|---|------|-----------------------|-----------------------|
| | | Inflows (Outflows) | Inflows (Outflows) |
| | Note | \$'000 | \$'000 |
| Cash flows from operating activities | | | |
| Cash inflows | | | |
| Appropriation | | 152 082 | 82 228 |
| Fees and charges | | 673 | 752 |
| Receipts from Commonwealth-sourced grants | | 55 | 1 542 |
| SA Government grants, subsidies and transfers | | 4 581 | 4 407 |
| Other grants | | 921 | 716 |
| Other receipts | | 2 228 | 4 444 |
| Cash generated from operations | | 160 540 | 94 089 |
| Cash outflows | | | |
| Employee benefits payments | | (8 270) | (9 029) |
| Payments for supplies and services | | (5 709) | (7 185) |
| Payments of grants and subsidies | | (98 077) | (41 024) |
| Other payments | | (88) | (86) |
| Cash used in operations | | (112 144) | (57 324) |
| Net cash provided by operating activities | 8.1 | 48 396 | 36 765 |
| Cash flows from investing activities | | | |
| Cash inflows | | | |
| Proceeds from the sale of property, plant and equipment | | 6 | 21 |
| Cash generated from investing activities | | 6 | 21 |
| Cash outflows | | | |
| Purchase of property, plant and equipment | | (3 911) | (19 662) |
| Other investing payments | | (45 000) | - |
| Cash used in investing activities | | (48 911) | (19 662) |
| Net cash used in investing activities | | (48 905) | (19 641) |
| Cash flows from financing activities | | | |
| Cash outflows | | | |
| Repayment of leases | | (152) | (137) |
| Cash used by financing activities | | (152) | (137) |
| Net cash provided by financing activities | | (152) | (137) |
| Net (decrease) / increase in cash and cash equivalents | | (661) | 16 987 |
| Cash and cash equivalents at the beginning of the reporting period | | 36 249 | 19 262 |
| Cash and cash equivalents at the end of the reporting period | 6.1 | 35 588 | 36 249 |
| Non-cash transactions | 8.1 | | |

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 2021

1. About the Office for Recreation, Sport and Racing

The Office for Recreation, Sport and Racing (the Office) is a not-for-profit administrative unit established pursuant to the *Public Sector Act 2009*. It is currently an attached office to the Department for Infrastructure and Transport (since 29 July 2020), previously it was an attached office of the Department of the Premier and Cabinet.

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

The Office has administered items and are they are presented separately and disclosed in note 11. Except as otherwise disclosed administered items are accounted for on the same basis and using the same accounting policies as for the Office transactions.

1.1. Basis of preparation

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

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

For the purposes of preparing the financial statements, the Office is a not-for-profit entity. 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 GST receivable/payable to the ATO is recognised as a receivable/payable in the Statement of Financial Position in relation to accrued receivable and payable amounts at 30 June only. During the 2020-21 year, the Office remained a member of an approved GST group, for which another agency was responsible for the remittance and collection of GST throughout the year. As such, there are no cash flows relating to GST transactions with the ATO in the Statement of Cash Flows.

The Office is subject to fringe benefits tax. The Office is not subject to income tax.

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 2021

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 2020-21 were:

- As a result 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 activities in support of the COVID-19 response. The Office participated in the response, with two staff being mobilised during the 2020-21 financial year. The related employee benefit costs were expensed over the period.
- The Office provided rent relief of approximately \$58 000 to 3 tenants affected by reductions in revenues, resulting from the COVID-19 pandemic. These amounts were reimbursed to the Office via the State Government Business and Jobs Support Fund.
- The Office has not experienced a material increase in credit losses resulting from the COVID-19 pandemic.
- The Office has not observed elevated levels of staff absences as a result of the COVID-19 pandemic. Should the need arise, staff can transition to a working from home arrangement.
- The Office is not expecting to provide any specific and quantifiable additional community support in relation to the COVID-19 pandemic.
- The Office has (by agreement) not sought previously agreed grant contributions toward one of its sporting programs from one not-for-profit sporting organisation, relating to decreased capacity to operate sporting programs during the COVID-19 pandemic period.

Office for Recreation, Sport and Racing
Notes to and forming part of the financial statements
For the year ended 30 June 2021

1.4. Budget performance

The budget performance table compares the Office's outcomes against budget information presented to Parliament (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.

| | Note | Original budget 2021 \$'000 | Actual 2021 \$'000 | Variance \$'000 |
|---|------|--------------------------------------|--------------------------|--------------------|
| Statement of Comprehensive Income | | | | |
| Income | | | | |
| Appropriation | a | 135 082 | 152 082 | 17 000 |
| Fees and charges | | 1 014 | 726 | (288) |
| Commonwealth-sourced grants and funding | | 1 457 | 39 | (1 418) |
| SA Government grants, subsidies and transfers | | 4 500 | 4 581 | 81 |
| Other grants | | 617 | 790 | 173 |
| Resources received free of charge | | - | 655 | 655 |
| Other income | | 912 | 1 042 | 130 |
| Total Income | | 143 582 | 159 915 | 16 333 |
| Expenses | | | | |
| Employee benefits | | 8 326 | 7 898 | 428 |
| Supplies and services | | 6 213 | 6 196 | 17 |
| Grants and subsidies | | 111 566 | 102 750 | 8 816 |
| Borrowing costs | | 2 | 1 | 1 |
| Depreciation and amortisation | | 8 590 | 8 690 | (100) |
| Net loss from disposal of non-current assets | | - | 162 | (162) |
| Other expenses | | 148 | 134 | 14 |
| Total expenses | | 134 845 | 125 831 | 9 014 |
| Net result | | 8 737 | 34 084 | 25 347 |
| Total comprehensive result | | 8 737 | 34 084 | 25 347 |

| | Note | Original budget 2021 \$'000 | Actual 2021 \$'000 | Variance \$'000 |
|--------------------------------------|------|--------------------------------------|--------------------------|--------------------|
| Investing expenditure summary | | | | |
| Total new projects | | 1 000 | 1 040 | 40 |
| Total existing projects | b | 35 554 | 9 295 | (26 259) |
| Total Annual Programs | | 1 683 | 703 | (980) |
| Total investing expenditure | | 38 237 | 11 038 | (27 199) |

Office for Recreation, Sport and Racing
Notes to and forming part of the financial statements
For the year ended 30 June 2021

1.4 Budget performance (continued)

Explanations are provided for variances where the variance exceeds the greater of 10% of the original budgeted amount and 5% of original budgeted total expenses, as follows:

- a The favourable variance reflects additional appropriation funds of \$17 million being received to enable the Office to make a transfer to Adelaide Venue Management Corporation (totalling \$45 million) for upgrade works at Hindmarsh Stadium.
- b 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 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 include:

- Corporate services provided by the Department of the Premier and Cabinet and the Department of Treasury and Finance (Shared Services SA);
- Major capital works through the Department for Infrastructure and Transport;
- A transfer of \$45 million to Adelaide Venue Management Corporation for upgrade works at Hindmarsh Stadium (refer to note 6.2);
- Facilities maintenance and improvements services engaged with Spotless and Facility Services, through the Department for Infrastructure and Transport; and
- Other Government services including: fleet vehicles leased through Fleet SA; insurance provided through SAICORP; legal services obtained from the Crown Solicitor's Office and rates and taxes payable to SA Water and Revenue SA.

Office for Recreation, Sport and Racing
Notes to and forming part of the financial statements
For the year ended 30 June 2021

2. Income

2.1. Appropriation

| | 2021 | 2020 |
|--|----------------|---------------|
| | \$'000 | \$'000 |
| Appropriation from Consolidated Account pursuant to the <i>Appropriation Act</i> | 135 082 | 82 228 |
| Appropriation from Governor's Appropriation Fund | 17 000 | - |
| Total appropriation | 152 082 | 82 228 |

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

Appropriations are recognised on receipt. Appropriation pursuant to the *Appropriation Act* consist of \$128.4 million (2020: \$47.2 million) for operational funding and \$6.7 million (2020: \$35.1 million) for capital projects. This appropriation comprises money issued and applied to the Office as per Schedule 1 of the Act. Money appropriated for the Office's purposes which was issued to special deposit accounts or deposit accounts of other public authorities is not reflected here.

Money appropriated from the Governor's Appropriation Fund consisted of \$17 million for capital projects.

2.2. Fees and charges

| | 2021 | 2020 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Rental income | 333 | 304 |
| Short-term facility and equipment hire | 373 | 255 |
| Registration fees | 10 | 5 |
| Sale of goods | 10 | 1 |
| Other fees and charges | - | 2 |
| Total fees and charges | 726 | 567 |

Regarding rental income, refer to note 5.2 for details on the Office's leasing arrangements as lessor.

In relation to revenue from short-term hire of sporting facilities, and associated support services, customers are invoiced at the conclusion of the hire arrangement. At this point in time, satisfaction of performance obligations are considered complete and revenue is recognised.

Transaction prices reflect the fixed amounts agreed with customers prior to the service being rendered, and once invoiced, amounts receivable are subject to standard 30 day payment terms. Any amounts remaining unpaid at the end of the reporting period are treated as an accounts receivable.

Registration fees consist of registrations for boxing and martial arts. The Office has applied the recognition exemptions for licences where the transaction price is of low value and accordingly recognises registration income at a point in time.

Office for Recreation, Sport and Racing
Notes to and forming part of the financial statements
For the year ended 30 June 2021

2.3. Commonwealth-sourced grants and funding

| | 2021 | 2020 |
|--|-----------|------------|
| | \$'000 | \$'000 |
| Commonwealth revenue | 39 | 140 |
| Total commonwealth-sourced grants and funding | 39 | 140 |

Grants received are usually subject to terms and conditions set out in contracts, correspondence or legislation.

The Office received a grant to upgrade one of its sporting facilities. The Office recognised \$39 175 in 2020-21 as income using the percentage of completion method. The remainder of the grant will be recognised as income as upgrade works are completed and is included in note 7.4.

2.4. SA Government grants, subsidies and transfers

| | 2021 | 2020 |
|--|--------------|--------------|
| | \$'000 | \$'000 |
| Intra-government transfer | 4 581 | 4 300 |
| Contingency funding provided by the Department of Treasury and Finance | - | 3 |
| Recovery from the Department of Treasury and Finance for TVSPs | - | 104 |
| Total SA Government grants, subsidies and transfers | 4 581 | 4 407 |

Grants, subsidies and transfers are recognised upon receipt, and largely relate to funds transferred from the Sport and Recreation Fund, which is an administered item of the Office. Refer to note 11.

2.5. Other grants

| | 2021 | 2020 |
|---------------------------|------------|------------|
| | \$'000 | \$'000 |
| Private industry grants | 790 | 713 |
| Total other grants | 790 | 713 |

Grants largely relate to sport programs and are recognised upon receipt.

2.6. Resources received free of charge

| | 2021 | 2020 |
|---|------------|------------|
| | \$'000 | \$'000 |
| Services received free of charge - Shared Services SA | 46 | 46 |
| Services received free of charge - ICT | 53 | - |
| Donated assets received | 556 | 88 |
| Total resources received free of charge | 655 | 134 |

Contribution of services are recognised only when a fair value can be determined reliably and the services would be purchased if they had not been donated.

The Office receives Accounting, Taxation, Payroll, Accounts Payable and Accounts Receivable services from Shared Services SA. Information, Communication and Technology services are received from the Department of the Premier and Cabinet, following Cabinet's approval to cease intra-government charging.

Building improvements were donated by one organisation in the year. The improvements are located at one of the Office's sporting facilities. There were no conditions attached to usage of the donated assets. Refer to note 5.1.

Office for Recreation, Sport and Racing
Notes to and forming part of the financial statements
For the year ended 30 June 2021

2.7. Other Income

| | 2021 | 2020 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Refunds | 609 | 2 827 |
| Sponsorship | 15 | 23 |
| Contribution to Grassroots Football, Cricket, Netball Facilities program | - | 1 000 |
| Recoveries | 209 | 380 |
| Other | 209 | 217 |
| Total other income | 1 042 | 4 447 |

Refunds relate to the return of grant funds to the Office. Income is recognised in line with the Office's acceptance of a grantee's acquittal.

Other income includes \$159 621 (2020: \$159 900) related to a profit share arrangement at the Parks Recreation and Sports Centre at Angle Park. Refer to note 5.2 for details on the Office's leasing arrangements as lessor.

3. Committees and employees

3.1. Key management personnel

Key management personnel of the Office include the Minister, the Chief Executive and four other members of the Executive Leadership Team. The Minister and six employees of the Office served on the Executive Leadership Team during the year.

Total compensation for key management personnel was \$0.952 million (2020: \$1.096 million).

The compensation detailed below 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*.

| | 2021 | 2020 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Compensation | | |
| Salaries and other short-term employee benefits | 869 | 955 |
| Post-employment benefits | 83 | 86 |
| Other long-term employment benefits | - | 55 |
| Total compensation | 952 | 1 096 |

There were no transactions to disclose for key management personnel and related parties during the reporting period.

Office for Recreation, Sport and Racing
Notes to and forming part of the financial statements
For the year ended 30 June 2021

3.2. Committee members

Members during the 2021 financial year were:

Boxing and Martial Arts Advisory Committee

- Rauf Soulio* (Chair) (term expired December 2020)
- Mandy Graetz (term expired December 2020)
- Laura Bowman (term expired December 2020)
- Tomas Ferrauto** (term expired December 2020)
- Uschi Artym (term expired December 2020)
- Greg Hutchins* (term expired December 2020)
- Luisa Rositano (term expired December 2020)
- Lorenzo Mazzocchetti (Chair) (appointed February 2021)
- Paula Davies (appointed February 2021)
- Matthew Dockrill (appointed February 2021)
- Allison Goodes (appointed February 2021)
- Simon Lew (appointed February 2021)
- Duncan Walker (appointed February 2021)
- Helen Ward* (appointed February 2021, retired April 2021)
- Alexander Wong (appointed February 2021)

Risk and Audit Committee

- Andrew Faulkner (Chair)
- Peter Brass
- Nicolle Rantanen Reynolds*

* 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.

Committee remuneration

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

| | 2021 | 2020 |
|--------------------------------|-----------|-----------|
| \$0 - \$19 999 | 18 | 17 |
| Total number of members | 18 | 17 |

The total remuneration received or receivable by members was \$7 634 (2020: \$15 791). Remuneration of members reflects all costs of performing committee duties including sitting fees, superannuation contributions, salary sacrifice benefits, fringe benefits and related fringe benefits tax.

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

Office for Recreation, Sport and Racing
Notes to and forming part of the financial statements
For the year ended 30 June 2021

3.3. Employee benefits expenses

| | 2021 | 2020 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Salaries and wages | 6 403 | 6 853 |
| Employment on-costs - superannuation | 707 | 770 |
| Annual leave | 562 | 662 |
| Employment on-costs - other | 374 | 422 |
| Long service leave | (218) | 68 |
| Skills and experience retention leave | 25 | 30 |
| Workers compensation | 38 | 36 |
| Targeted voluntary separation payments | - | 207 |
| Committee fees | 7 | 15 |
| Other employee related expenses | - | 4 |
| Total employee benefits | 7 898 | 9 067 |

The superannuation employment on-cost charge represents the Office's contributions to superannuation plans in respect of current services of current employees. The Department of Treasury and Finance (DTF) centrally recognises the superannuation liability in the whole of government financial statements.

Remuneration of employees

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

| | 2021 | 2020 |
|----------------------------------|-------------|-------------|
| \$154 001 - \$174 000 | 1 | 2 |
| \$194 001 - \$214 000 | 2 | 1 |
| \$234 001 - \$254 000 | - | 1 |
| \$254 001 - \$274 000 | 1 | - |
| Total number of employees | 4 | 4 |

The total remuneration received by these employees for the year was \$0.823 million (2020: \$0.754 million).

The table includes all employees whose normal remuneration was 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, termination payments, salary sacrifice benefits, fringe benefits and related fringe benefits tax.

Targeted voluntary separation packages

No employees received a TVSP during the current reporting period (2020: 2):

| | 2021 | 2020 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Amounts paid to separated employees: | | |
| Targeted voluntary separation packages | - | 207 |
| Leave paid to separated employees | - | 72 |
| Recovery from the Department of Treasury and Finance | - | (103) |
| Net cost to the Office | - | 176 |

Office for Recreation, Sport and Racing
Notes to and forming part of the financial statements
For the year ended 30 June 2021

3.4. Employee benefits liability

| | 2021 | 2020 |
|--|--------------|--------------|
| | \$'000 | \$'000 |
| Current | | |
| Accrued salaries and wages | 227 | 195 |
| Annual leave | 732 | 792 |
| Long service leave | 153 | 183 |
| Skills and experience retention leave | 55 | 53 |
| Total current employee benefits | 1 167 | 1 223 |
| Non-current | | |
| Long service leave | 1 366 | 1 680 |
| Total non-current employee benefits | 1 366 | 1 680 |
| Total employee benefits | 2 533 | 2 903 |

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, using 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 in note 10.1.

Office for Recreation, Sport and Racing
Notes to and forming part of the financial statements
For the year ended 30 June 2021

4. Expenses

4.1. Supplies and services

| | 2021 | 2020 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Repairs maintenance and minor equipment purchases | 1 121 | 960 |
| Corporate Services SLA | 1 065 | 817 |
| Contractors | 1 065 | 1 451 |
| General administration and consumables | 602 | 557 |
| Facility management | 532 | 362 |
| Other supplies and services | 463 | 499 |
| Utilities | 420 | 428 |
| Information technology and communication charges | 374 | 160 |
| Travel | 305 | 393 |
| Insurance fees | 147 | 133 |
| Staff development and recruitment | 76 | 100 |
| Consultants | 23 | 241 |
| Short term leases | 3 | 5 |
| Intra government transfers | - | 3 |
| Total supplies and services | 6 196 | 6 109 |

Consultants

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

| | 2021 | 2021 | 2020 | 2020 |
|--|-------------|---------------|-------------|---------------|
| | No. | \$'000 | No. | \$'000 |
| Below \$10 000 | - | - | 1 | 6 |
| Above \$10 000 | 1 | 23 | 3 | 235 |
| Total paid / payable to the consultants engaged | 1 | 23 | 4 | 241 |

Office for Recreation, Sport and Racing
Notes to and forming part of the financial statements
For the year ended 30 June 2021

4.2. Grants and subsidies

| | 2021 | 2020 |
|--|----------------|---------------|
| | \$'000 | \$'000 |
| Grants and subsidies consist of the following: | | |
| Memorial Drive Tennis Centre Redevelopment - Stage 2 | 44 000 | - |
| Grassroots Facilities Program* | 15 000 | 11 000 |
| Sports Vouchers Subsidies | 8 317 | 5 805 |
| Regional and Districts Facilities Program | 5 000 | - |
| Gifford Hill Facility Upgrade | 5 000 | - |
| Thebarton Oval Redevelopment | 5 000 | - |
| Community Recreation and Sport Facilities Program | 4 328 | 3 628 |
| Racing Industry Fund | 3 463 | 3 523 |
| Sport and Recreation Development and Inclusion Program | 2 941 | 2 941 |
| Sport and Recreation Sustainability Program | 2 544 | 2 752 |
| Active Club Program | 2 494 | 3 150 |
| Other Grants | 2 057 | 4 600 |
| Subsidies - SA Aquatic and Leisure Centre | 1 155 | 970 |
| Subsidies - Parks Community Centre | 850 | 777 |
| VACSWIM | 464 | 455 |
| SASI Individual Athlete Program | 137 | 148 |
| State Facility Fund | - | 500 |
| Total grants and subsidies | 102 750 | 40 249 |

* Previously the Grassroots Football, Cricket, and Netball Facility Program.

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

| | 2021 | 2020 |
|---|--------------|--------------|
| | \$'000 | \$'000 |
| Land, buildings and improvements | | |
| Net book value of assets disposed | (152) | (307) |
| Net loss from disposal of land and buildings | (152) | (307) |
| Plant and equipment | | |
| Proceeds from disposal | 6 | 21 |
| Less net book value of assets disposed | (16) | (4) |
| Net (loss) / gain from disposal of plant and equipment | (10) | 17 |
| Total assets: | | |
| Proceeds from disposal of non-current assets | 6 | 21 |
| Net book value of assets disposed | (168) | (311) |
| Net loss from disposal of non-current assets | (162) | (290) |

4.4. Other expenses

| | 2021 | 2020 |
|--------------------------------|------------|------------|
| | \$'000 | \$'000 |
| Rates and levies | 86 | 75 |
| Other expenses | 46 | 46 |
| Bad and doubtful debts expense | 2 | 3 |
| Total other expenses | 134 | 124 |

Office for Recreation, Sport and Racing
Notes to and forming part of the financial statements
For the year ended 30 June 2021

5. Non-financial assets

5.1. Property, plant and equipment

Reconciliation 2020-21

| | Land, buildings and improvements \$'000 | Plant and equipment \$'000 | Land, buildings and improvements - leased \$'000 | Plant and equipment - leased \$'000 | Work in progress \$'000 | ROU Buildings \$'000 | ROU Vehicles \$'000 | Total \$'000 |
|---|---|----------------------------------|---|--|-------------------------------|----------------------------|---------------------------|-----------------|
| Carrying amount at the beginning of the period | 82 108 | 1 214 | 197 576 | 808 | 4 906 | 61 | 56 | 286 729 |
| Acquisitions | 19 | 15 | - | - | 11 004 | 139 | 20 | 11 197 |
| Donated assets received | 556 | - | - | - | - | - | - | 556 |
| Disposals | (152) | (16) | - | - | - | - | - | (168) |
| Depreciation and amortisation | (2 252) | (303) | (5 833) | (228) | - | (40) | (34) | (8 690) |
| Transfer from works in progress | 3 946 | 102 | 428 | 98 | (4 574) | - | - | - |
| Other movements | 5 078 | - | (5 078) | 1 | 1 | - | - | 2 |
| Carrying amount at the end of the period | 89 303 | 1 012 | 187 093 | 679 | 11 337 | 160 | 42 | 289 626 |
| Gross carrying amount | | | | | | | | |
| Gross carrying amount | 161 368 | 2 867 | 267 644 | 1 940 | 11 337 | 237 | 98 | 445 491 |
| Accumulated depreciation | (72 065) | (1 855) | (80 551) | (1 261) | - | (77) | (56) | (155 865) |
| Carrying amount at the end of the period | 89 303 | 1 012 | 187 093 | 679 | 11 337 | 160 | 42 | 289 626 |

Office for Recreation, Sport and Racing
Notes to and forming part of the financial statements
For the year ended 30 June 2021

5.1 Property, plant and equipment (continued)

Reconciliation 2019-20

| | Land, buildings and improvements \$'000 | Plant and equipment \$'000 | Land, buildings and improvements - leased \$'000 | Plant and equipment - leased \$'000 | Work in progress \$'000 | ROU Buildings \$'000 | ROU Vehicles \$'000 | Total \$'000 |
|--|---|----------------------------------|---|--|-------------------------------|----------------------------|---------------------------|-----------------|
| Carrying amount at the beginning of the period | 271 377 | 2 173 | - | - | 1 970 | - | - | 275 520 |
| Adoption of AASB 16 at 1 July | (203 265) | (876) | 203 265 | 876 | - | 98 | 35 | 133 |
| Acquisitions | 15 690 | 96 | - | 23 | 3 979 | - | 55 | 19 843 |
| Donated assets received | - | 73 | - | - | 15 | - | - | 88 |
| Disposals | - | (4) | (307) | - | - | - | - | (311) |
| Depreciation and amortisation | (1 997) | (348) | (5 944) | (268) | - | (37) | (34) | (8 628) |
| Transfer from works in progress | 219 | 100 | 562 | 177 | (1 058) | - | - | - |
| Transfers in as a result of administrative restructure | 84 | - | - | - | - | - | - | 84 |
| Carrying amount at the end of the period | 82 108 | 1 214 | 197 576 | 808 | 4 906 | 61 | 56 | 286 729 |
| Gross carrying amount | | | | | | | | |
| Gross carrying amount | 150 808 | 2 852 | 274 631 | 1 902 | 4 906 | 98 | 90 | 435 287 |
| Accumulated depreciation | (68 700) | (1 638) | (77 055) | (1 094) | - | (37) | (34) | (148 558) |
| Carrying amount at the end of the period | 82 108 | 1 214 | 197 576 | 808 | 4 906 | 61 | 56 | 286 729 |

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 10.2.

Office for Recreation, Sport and Racing
Notes to and forming part of the financial statements
For the year ended 30 June 2021

5.1 Property, plant and equipment (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 is calculated on a straight-line basis. Property, plant and equipment depreciation is calculated over the estimated useful life as follows:

| Class of asset | Useful life (years) |
|----------------------------|----------------------------|
| Buildings and Improvements | 5 - 105 |
| Plant and equipment | 2 - 30 |
| Right-of-use buildings | Life of lease |
| Right-of-use vehicles | Life of lease |

5.2. Property, plant and equipment leased by the Office as lessor

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.

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. Refer to note 2.7 for further detail.
- 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 number of tenancy and management agreements made on concessional terms to sporting organisations located at Kidman Park, the State Hockey Centre, Netball SA Stadium, the Parks, the Southern Sports Complex, and at West Lakes. An agreement in relation to the Women's Memorial Playing Fields was terminated in the year; related PPE as at 1 July 2020 has been transferred to 'property, plant and equipment held and used by the Office'.

Refer to note 2.2 for operating lease income.

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

Right of use assets leased by the Office as lessee are measured at cost and there were no indications for impairment.

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 are disclosed in note 4.1.

The lease liabilities and interest expense related to the right-of-use assets are disclosed in note 7.2. Depreciation expenses related to leases are disclosed in note 5.1. Cash outflows related to leases are disclosed in note 8.1.

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.
- Four rowing-related storage and other spaces. Three of these leases have been prepaid and end in mid-2023 and mid-2024. One of these leases was entered into in 2020-21, has also been prepaid, and ends in January 2031.
- A lease for Office space and gymnasium access, entered into in 2020-21. Lease payments are paid annually. This lease contains an option to extend and will likely end in June 2024.

Concessional leases

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.

Office for Recreation, Sport and Racing
Notes to and forming part of the financial statements
For the year ended 30 June 2021

6. Financial assets

6.1. Cash and cash equivalents

| | 2021 | 2020 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Deposits with the Treasurer (Special deposit accounts) | | |
| Office for Recreation, Sport and Racing Operating Account | 35 588 | 36 198 |
| Other cash and deposits | - | 51 |
| Total cash and cash equivalents | 35 588 | 36 249 |

Cash is measured at nominal amounts. The SA Government has a policy to align agency cash balances with appropriation and expenditure authority (cash alignment policy).

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

6.2. Receivables

| | 2021 | 2020 |
|--------------------------------------|---------------|--------------|
| | \$'000 | \$'000 |
| Current: | | |
| Receivables | 145 | 1 416 |
| Less impairment loss on receivables | (1) | (1) |
| | 144 | 1 415 |
| GST input tax receivable | 1 395 | - |
| Prepayments | 30 501 | 1 005 |
| Total current receivables | 32 040 | 2 420 |
| Non-current: | | |
| Prepayments | 13 505 | - |
| Receivables | 1 | 1 |
| Total non-current receivables | 13 506 | 1 |
| Total receivables | 45 546 | 2 421 |

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 10.3 for further information on risk management.

Prepayments largely relate to a transfer of \$45 million to Adelaide Venue Management Corporation for delivery of upgrade works at Hindmarsh Stadium, which is a venue owned by the Office. The prepayment balance is amortised as upgrade works are completed, and work in progress is recognised by the Office.

Office for Recreation, Sport and Racing
Notes to and forming part of the financial statements
For the year ended 30 June 2021

6.2 Receivables (continued)

Allowance for impairment loss on receivables

| | 2021 | 2020 |
|---|----------|----------|
| | \$'000 | \$'000 |
| Carrying amount at the beginning of the period | 1 | - |
| Increase/(decrease) in the allowance | - | 1 |
| Carrying amount at the end of the period | <u>1</u> | <u>1</u> |

All of the above impairment losses are from receivables arising from contracts with customers.
Refer to note 10.3 for details regarding credit risk and the methodology for determining impairment.

6.3. Other financial assets

| | 2021 | 2020 |
|-------------------------------------|----------|-----------|
| | \$'000 | \$'000 |
| Investment in sublease | - | 21 |
| Total other financial assets | <u>-</u> | <u>21</u> |

The Office subleased a commercial retail space located in the Adelaide CBD. Both the head lease and sublease ended in December 2020.

7. Liabilities

7.1. Payables

| | 2021 | 2020 |
|-----------------------------------|---------------|--------------|
| | \$'000 | \$'000 |
| Current | | |
| Creditors | 16 834 | 5 174 |
| Employment on-costs | 173 | 164 |
| Total current payables | <u>17 007</u> | <u>5 338</u> |
| Non-current | | |
| Employment on-costs | 128 | 156 |
| Total non-current payables | <u>128</u> | <u>156</u> |
| Total payables | <u>17 135</u> | <u>5 494</u> |

Payables are measured at nominal amounts.

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.

Statutory payables do not arise from contracts.

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 are discharged.

Office for Recreation, Sport and Racing
Notes to and forming part of the financial statements
For the year ended 30 June 2021

7.1 Payables (continued)

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 DTF, the proportion of long service leave taken as leave was 42% (2020: 42%) and the average factor for the calculation of employer superannuation on-costs has changed to 10.1% (2020: 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 a decrease in the employment on-cost of \$17 572 and employee benefits expense of \$17 572.

7.2. Financial Liabilities

| | 2021 \$'000 | 2020 \$'000 |
|--|----------------|----------------|
| Current | | |
| Lease liabilities | 53 | 90 |
| Total current financial liabilities | 53 | 90 |
| Non-current | | |
| Lease liabilities | 67 | 25 |
| Total non-current financial liabilities | 67 | 25 |
| Total financial liabilities | 120 | 115 |

| | 2021 \$'000 | 2020 \$'000 |
|---|----------------|----------------|
| Lease liabilities | | |
| Within one year | 53 | 90 |
| Later than one year but not later than five years | 67 | 25 |
| Total lease liabilities | 120 | 115 |

Lease liabilities have been measured via discounting lease payments using either the interest rate implicit in the lease (where it is readily determined) or Treasury's incremental borrowing rate. Financing costs associated with leasing activities was \$900 (2020: \$2 955). There were no defaults or breaches on any of the above liabilities throughout the year. All material cash outflows are reflected in the lease liabilities disclosed above.

Office for Recreation, Sport and Racing
Notes to and forming part of the financial statements
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7.3. Provisions

All provisions relate to workers compensation.

| Movement in provisions | 2021 | 2020 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Provision for workers compensation movement | | |
| Carrying amount at the beginning of the period | 72 | 59 |
| Additional provisions recognised | 17 | 13 |
| Carrying amount at the end of the period | 89 | 72 |

Provision for workers compensation

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

A liability 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 2021 provided by a consulting actuary engaged through the Office of the Commissioner for the Public Sector Employment. The liability was calculated in accordance with AASB 137 as the present value of the expenditures expected to be required to settle obligations incurred as at 30 June. No risk margin is included in this estimate.

7.4. Other liabilities

| | 2021 | 2020 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Current | | |
| Unearned income | 1 420 | 1 457 |
| Total current other liabilities | 1 420 | 1 457 |
| Total other liabilities | 1 420 | 1 457 |

Unearned income primarily 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 delivered (refer to note 2.3). The original grant was for \$1.5 million.

Office for Recreation, Sport and Racing
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For the year ended 30 June 2021

8. Other disclosures

8.1. Cash flow reconciliation

| | 2021 | 2020 |
|--|---------------|---------------|
| | \$'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 | 35 588 | 36 249 |
| Balance as per the Statement of Cash Flows | <u>35 588</u> | <u>36 249</u> |
| Reconciliation of net cash provided by operating activities to net cost of providing services | | |
| Net cash provided by operating activities | 48 396 | 36 765 |
| Add / (less) non-cash items | | |
| Depreciation and amortisation expense | (8 690) | (8 628) |
| Resources received free of charge | 655 | 134 |
| Bad and doubtful debts expense | - | (1) |
| Loss on disposal of property, plant and equipment | (168) | (311) |
| Other expenses | (99) | (46) |
| Movement in assets and liabilities | | |
| Decrease in receivables | (850) | (673) |
| (Increase) / decrease in payables | (5 529) | 909 |
| Decrease / (increase) in employee benefits | 370 | (29) |
| Increase in provisions | (17) | (13) |
| Decrease in other financial assets | (21) | - |
| Decrease in other liabilities | 37 | 59 |
| Net result | <u>34 084</u> | <u>28 166</u> |

Total cash outflows for leases was \$170 273 (2020: \$158 615).

Office for Recreation, Sport and Racing
Notes to and forming part of the financial statements
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9. Outlook

9.1. Unrecognised commitments

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

Capital commitments

| | 2021 | 2020 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Within one year | 30 598 | 2 260 |
| Later than one year but not later than five years | 666 | - |
| Total capital commitments | 31 264 | 2 260 |

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

Expenditure commitments

| | 2021 | 2020 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Within one year | 5 706 | 6 611 |
| Later than one year but not later than five years | 3 337 | 3 074 |
| Later than five years | 960 | 1 200 |
| Total expenditure commitments | 10 003 | 10 885 |

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

9.2. Expected rental income

The below table sets out a maturity analysis of operating lease payments receivable, showing the undiscounted lease payments to be received after the reporting date. The amounts are not recognised as assets.

See note 5.2 for information about land, buildings and property, plant and equipment the office leases out under operating leases.

| | 2021 | 2020 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Within one year | 372 | 359 |
| Later than one year but not longer than two years | 225 | 318 |
| Later than two year but not longer than three years | 208 | 218 |
| Later than three years but not longer than four years | 218 | 202 |
| Later than four years but not longer than five years | 33 | 212 |
| Later than five years | 202 | 226 |
| Total operating lease income | 1 258 | 1 535 |

Office for Recreation, Sport and Racing
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9.3. 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 liabilities.

The following are contingent assets of the Office:

- Debtor claims: The Office has lodged a claim with a liquidator to recover funds from a grantee. A claim for approximately \$22 000 has been agreed and accepted by the liquidator. The amount recovered is presently estimated to be equivalent to the claimed amount, though this is subject to other claims which are yet to be received by the liquidator. Receipt of funds is expected in the 2021-22 financial year.
- Returned grant funds: The Office issues grants to a range of recipients for the purposes of supporting sport and recreation outcomes. Typically, an amount of grant funds are returned to the Office each year, reflecting instances where a grant has not been fully acquitted, or where grantees are unable to comply with the conditions of the grant agreement. The financial impact is not able to be reliably estimated.
- Leasehold improvements: Improvements made by lessees become property of the Office upon termination or expiry of a lease, as is typical of such arrangements. The financial impact is not able to be reliably estimated, and is dependent on factors including lease renewals, and condition of leasehold improvements on transfer to the Office.
- Pending Legal Action: The Office is involved in a pending legal action seeking compensation from the manufacturer of building materials for cost of replacement which may result in a settlement. The financial impact is not able to be reliably estimated.

9.4. Impacts of standards and statements not yet effective

The Office has assessed that the impact of new and changed Australian Accounting Standards and Interpretations not yet effective. These changes will not have a material impact on the financial statements in the initial period of application.

9.5. COVID-19 pandemic outlook for the Office

As a result 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 for Recreation, Sport and Racing participated in the response, with two staff being mobilised. The estimated impact for the 2021-22 financial year is \$6 000.

9.6. Events after the reporting period

The Office is not aware of any after balance date events.

Office for Recreation, Sport and Racing
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10. Measurement and risk

10.1. Long service leave liability - measurement

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

The actuarial assessment performed by DTF has provided a basis for the measurement of long service leave and is based on actuarial assumptions of 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 requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long-term Commonwealth Government bonds has changed from 0.75% for 2019-20, to 1.25% for 2020-21. This increase in the bond yield, which is used as the rate to discount future long service leave cash flows, results in a decrease in the reported long service leave liability.

The actuarial assessment performed by DTF used a salary inflation rate of 2.5% (2020: 2.5%) for the long service leave liability. As a result, there is no net financial effect 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 \$184 110 and employee benefits expense of \$184 110. 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.

10.2. Fair value

Initial recognition

Non-current owned tangible assets are initially recorded on a cost basis and subsequently measured at fair value. Where assets are acquired at no value, or minimal value, they are recorded at fair value in the Statement of Financial Position. Where assets are acquired 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).

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

Revaluation

Revaluation of non-current assets or a group of assets is only performed when the owned assets fair value at the time of acquisition is greater than \$1.5 million and estimated useful life is exceeds three years.

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10.2 Fair value (continued)

Revaluation is undertaken on a six year cycle, with the next revaluation due in the 2021-22 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 Level 2 categories.

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10.2 Fair value (continued)

Fair value classification – non-financial assets at 30 June 2021

| | Note | Level 2 \$'000 | Level 3 \$'000 | Total \$'000 |
|--|------|-------------------|-------------------|-----------------|
| Recurring fair value measurements | | | | |
| Land, buildings and improvements | 5.1 | 120 372 | 156 024 | 276 396 |
| Plant and equipment | 5.1 | - | 1 691 | 1 691 |
| Total recurring fair value measurements | | 120 372 | 157 715 | 278 087 |
| Total fair value measurements | | 120 372 | 157 715 | 278 087 |

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 fair value measurements | | 120 372 | 161 334 | 281 706 |

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 buildings.

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 two years and thirty years. Plant and equipment has not been revalued in accordance with Treasurer's Instructions (Accounting Policy Statements) 116.D. The carrying value of these items are deemed to approximate fair value.

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10.2 Fair value (continued)

Reconciliation of level 3 recurring fair value measurements at 30 June 2021

| | Land, buildings and improvements | Plant and equipment | Total |
|--|-------------------------------------|---------------------|----------------|
| | \$'000 | \$'000 | \$'000 |
| Carrying amount at the beginning of the period | 159 312 | 2 022 | 161 334 |
| Acquisitions | 19 | 15 | 34 |
| Donated assets received | 556 | - | 556 |
| Disposals | (152) | (16) | (168) |
| Transfer from works in progress | 4 374 | 200 | 4 574 |
| Other movements | - | 1 | 1 |
| Gains/(losses) for the period recognised in net result: | | | |
| Depreciation | (8 085) | (531) | (8 616) |
| Total losses recognised in net result | (8 085) | (531) | (8 616) |
| Carrying amount at the end of the period | 156 024 | 1 691 | 157 715 |

Reconciliation of level 3 recurring fair value measurements at 30 June 2020

| | Land, buildings and improvements | Plant and equipment | Total |
|--|-------------------------------------|---------------------|----------------|
| | \$'000 | \$'000 | \$'000 |
| Carrying amount at the beginning of the period | 166 779 | 2 173 | 168 952 |
| Acquisitions | - | 119 | 119 |
| Donated assets received | - | 73 | 73 |
| Disposals | (307) | (4) | (311) |
| Transfer from works in progress | 781 | 277 | 1 058 |
| Gains/(losses) for the period recognised in net result: | | | |
| Depreciation | (7 941) | (616) | (8 557) |
| Total losses recognised in net result | (7 941) | (616) | (8 557) |
| Carrying amount at the end of the period | 159 312 | 2 022 | 161 334 |

Office for Recreation, Sport and Racing
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10.3. Financial instruments

Financial risk management

Risk management is managed by the Office's corporate services section. Risk management policies are in accordance with the *SA Government Risk Management Guide* 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 DTF 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.

Office for Recreation, Sport and Racing
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10.3 Financial instruments (continued)

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

| | Debtor gross carrying amount | | Lifetime expected losses |
|----------------------------|---------------------------------|--------|--------------------------------|
| | \$'000 | Loss % | \$'000 |
| 2020-21 | | | |
| Current (not past due) | 92 | 0.03% | - |
| 1 - 30 days past due | 21 | 0.12% | - |
| 31 - 60 days past due | 2 | 0.34% | - |
| 61 - 90 days past due | - | 1.02% | - |
| More than 90 days past due | 19 | 2.89% | 1 |
| Loss allowance | 134 | | 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 \$1 877 were written off during the year, though 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.

Classification of financial instruments

The Office measures all financial instruments at amortised cost.

Office for Recreation, Sport and Racing
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11. Administered items

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

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.

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.

| | 2021 | 2020 |
|---|--------------|--------------|
| | \$'000 | \$'000 |
| Administered Income | | |
| Advances and grants - Sport and Recreation Fund | 4 500 | 4 300 |
| Total administered income | 4 500 | 4 300 |
| Administered Expenses | | |
| Intra government transfer - Sport and Recreation Fund | 4 500 | 4 300 |
| Total administered expenses | 4 500 | 4 300 |
| Net result | - | - |
| Administered Current Assets | | |
| Cash and cash equivalents | | |
| Sport and Recreation Fund | 3 322 | 3 322 |
| Recreation and Sport Fund | 1 544 | 1 544 |
| Total current assets | 4 866 | 4 866 |
| Total assets | 4 866 | 4 866 |
| Net assets | 4 866 | 4 866 |
| Administered Equity | | |
| Retained earnings | | |
| Sport and Recreation Fund | 3 322 | 3 322 |
| Recreation and Sport Fund | 1 544 | 1 544 |
| Total equity | 4 866 | 4 866 |