

Office for Recreation, Sport and Racing

Financial report
for the year ended
30 June 2019



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To the Chief Executive Office for Recreation, Sport and Racing

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 2019.

Opinion

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 2019, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2019
- a Statement of Financial Position as at 30 June 2019
- a Statement of Changes in Equity for the year ended 30 June 2019
- a Statement of Cash Flows for the year ended 30 June 2019
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Chief Executive and the Senior Manager, 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* have been met.

I believe that the audit evidence 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 the 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

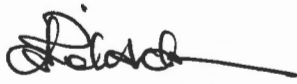
My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an 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 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.

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

Andrew Richardson

Auditor-General

30 September 2019

Office for Recreation, Sport and Racing
Certification of the Financial Statements
for the year ended 30 June 2019

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

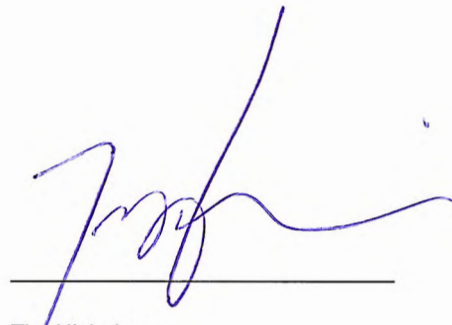
- comply with relevant Treasurer's Instructions issued under Section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian Accounting Standards;
- are in accordance with the accounts and records of the Office for Recreation, Sport and Racing; and
- present a true and fair view of the financial position of the Office for Recreation, Sport and Racing as at 30 June 2019 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

26 September 2019



Tim Nicholas
Senior Manager, Strategy and Investment

26 September 2019

Office for Recreation, Sport and Racing
Statement of Comprehensive Income
For the year ended 30 June 2019

	Note	2019 \$'000
Expenses		
Employee benefits expenses	2.3	8 684
Supplies and services	3.1	6 171
Grants and subsidies	3.2	50 126
Depreciation and amortisation	3.3	8 458
Other expenses	3.4	97
Net loss from the disposal of property, plant and equipment	4.6	22
Total expenses		<u>73 558</u>
Income		
Fees and charges	4.2	857
Commonwealth grants	4.3	83
Other grants	4.4	5 511
Resources received free of charge	4.5	31
Other income	4.7	1 676
Total income		<u>8 158</u>
Net cost of providing services		<u>65 400</u>
Revenues from SA Government		
Revenues from SA Government	4.1	75 863
Total net revenues from SA Government		<u>75 863</u>
Net result		<u><u>10 463</u></u>
Total comprehensive result		<u><u>10 463</u></u>

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 2019

	Note	2019 \$'000
Current assets		
Cash and cash equivalents	6.1	19 262
Receivables	6.2	3 089
Total current assets		<u>22 351</u>
Non-current assets		
Receivables	6.2	35
Property, plant and equipment	5.1	275 520
Total non-current assets		<u>275 555</u>
Total assets		<u>297 906</u>
Current liabilities		
Payables	7.1	6 115
Employee benefits	2.4	1 099
Provisions	7.2	23
Other current liabilities	7.3	1 516
Total current liabilities		<u>8 753</u>
Non-current liabilities		
Payables	7.1	162
Employee benefits	2.4	1 775
Provisions	7.2	36
Total non-current liabilities		<u>1 973</u>
Total liabilities		<u>10 726</u>
Net Assets		<u>287 180</u>
Equity		
Retained earnings		287 180
Total Equity		<u>287 180</u>

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 2019

	Retained earnings	Total Equity
	\$'000	\$'000
Net result for 2018-19	10 463	10 463
Total comprehensive result for 2018-19	10 463	10 463
Transactions with SA Government as owner		
Net assets received from an administrative restructure	276 717	276 717
Balance at 30 June 2019	287 180	287 180

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 2019

	2019
	(Outflows)
	Inflows
	\$'000
Cash flows from operating activities	Note
<i>Cash outflows</i>	
Employee benefits payments	(7 851)
Payments for supplies and services	(7 226)
Payments of grants and subsidies	(45 913)
Other payments	(66)
Cash used in operations	(61 056)
<i>Cash inflows</i>	
Fees and charges	807
Receipts from Commonwealth	83
Grants	5 393
Interest received	1
GST recovered from the ATO	1
Other receipts	540
Cash generated from operations	6 825
Cash flows from SA Government	
Receipts from SA Government	75 863
Cash generated from SA Government	75 863
Net cash provided by / (used in) operating activities	8.1 21 632
Cash flows from investing activities	
<i>Cash outflows</i>	
Purchase of property, plant and equipment	(2 506)
Cash used in investing activities	(2 506)
<i>Cash inflows</i>	
Proceeds from the sale of property, plant and equipment	51
Cash generated from investing activities	51
Net cash provided by / (used in) investing activities	(2 455)
Cash flows from financing activities	
<i>Cash inflows</i>	
Cash received from restructuring activities	85
Cash generated from financing activities	85
Net cash provided by / (used in) financing activities	85
Net increase / (decrease) in cash and cash equivalents	19 262
Cash and cash equivalents at the beginning of the period	-
Cash and cash equivalents at the end of the period	6.1 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 2019

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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 2019

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.

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 2019

1.3. Establishment and changes to the office

The Public Sector (Reorganisation of Public Sector Operations) Notice 2018 (dated 14 June 2018) declared that all employees within the business unit known as the Office of Recreation and Sport would transfer from the Department of Planning, Transport and Infrastructure to the Department of the Premier and Cabinet as at 1 July.

The office was established pursuant to the Public Sector Act 2009 as an attached office to the Department of the Premier and Cabinet as at 1 July 2018.

On establishment, the office recognised the following assets and liabilities transferred from the Department of Planning, Transport and Infrastructure:

	\$'000
Cash	85
Receivables	193
Prepayments	52
Property, plant and equipment	281 094
Works in Progress	196
Total assets	281 620
Payables	2 471
Employee benefits	2 353
Provisions	80
Other liabilities	34
Total liabilities	4 938
Total net assets transferred	276 682

The following assets and liabilities relating to administered items were also transferred from DPTI as at 1 July 2018:

	\$'000
Cash	4 854
Receivables	12
Total assets	4 866
Total net assets transferred	4 866

Office for Recreation, Sport and Racing
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

1.4. Budget performance

The budget performance table compares the office's outcomes against budget information presented to Parliament (2018-19 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 2019 \$'000	Actual 2019 \$'000	Variance \$'000
Statement of Comprehensive Income	Note			
Expenses				
Employee benefits expenses		8 783	8 684	99
Supplies and services		6 276	6 171	105
Grants and subsidies	a	35 136	50 126	(14 990)
Depreciation and amortisation		8 300	8 458	(158)
Other expenses		329	97	232
Net loss from the disposal of property, plant and equipment		-	22	(22)
Total expenses		58 824	73 558	(14 734)
Income				
Fees and charges		-	857	857
Commonwealth grants	b	2 100	83	(2 017)
Other grants		4 858	5 511	653
Resources received free of charge		-	31	31
Sales of goods and services		647	-	(647)
Other income		1 190	1 676	486
Total income		8 795	8 158	(637)
Net cost of providing services		50 029	65 400	(15 371)
Revenues from SA Government				
Revenues from SA Government		75 863	75 863	-
Total net revenues from SA Government		75 863	75 863	-
Net result		25 834	10 463	15 371
Total comprehensive result		25 834	10 463	15 371

		Original budget 2019 \$'000	Actual 2019 \$'000	Variance \$'000
Investing expenditure summary	Note			
Total new projects	c	18 050	1 364	16 686
Total annual program		1 126	1 378	(252)
Total investing expenditure		19 176	2 742	16 434

Office for Recreation, Sport and Racing
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

1.4. Budget performance (continued)

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

- a The unfavourable variance of \$15.0 million is primarily due to:
- \$10.0 million one-off approval to Tennis SA for Memorial Drive Tennis Centre Redevelopment, and
 - \$8.0 million Racing Industry Fund approved in May 2019.
- Partially offset by
- \$3.0 million mid-year budget review adjustment.
- b The unfavourable variance of \$2.0 million is primarily due to:
- \$1.5 million contribution to the Wind Tunnel project at Adelaide Super Drome being recognised as revenue in advance, and
 - \$0.6 million budget reclassification between Commonwealth Grants and Other Grants.
- c The favourable variance of \$16.4 million is primarily due to:
- \$15.3 million Major Capital Projects delayed. The planning and concept design phases have been the focus in 2018-19 with significant stakeholder engagement as community/public facing venues. Detailed design and commencement of construction will be carried out in 2019-20. A Carryover will be submitted as part of the year end process to complete the work, and
 - \$1.3 million reclassification between Capital and Grants to facilitate a payment to the City of Marion to deliver the Sam Willoughby International BMX facility.

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 Planning, Transport and Infrastructure and the Department of the Premier and Cabinet,
- Facilities maintenance and improvements engaged with Spotless and Facility Services through the Department of Planning, Transport and Infrastructure,
- Services provided by Shared Services SA, and
- Fleet vehicles leased through Fleet SA.

Office for Recreation, Sport and Racing
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

2. Board, committees and employees

2.1. Key management personnel

Key management personnel of the office include the Minister, the Chief Executive and the five members of the Executive Team.

Total compensation for key management personnel was \$0.817 million in 2018-19.

	2019
Compensation	\$'000
Salaries and other short term employee benefits	746
Post-employment benefits	71
Total	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 based on initial assessment.

2.2. Board and committee members

Members during the 2019 financial year were:

Boxing and Martial Arts Advisory Committee

Rauf Soulio (Chair)*
Mandy Graetz (appointed July 2018)
Laura Bowman
Tom Ferrauto**
Uschi Artym*
Greg Hutchins* (appointed July 2018)
Louisa Rositano* (appointed July 2018)

*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.

** Mr Ferrauto was granted an exemption from PCO Circular 016 due to his experience as an internationally qualified Boxing, Muaythai and kickboxing referee and judge.

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

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

The total remuneration received or receivable by members was \$3 000. Remuneration of members includes sitting fees, superannuation contributions, salary sacrifice benefits, fringe benefits and related fringe benefits tax.

Office for Recreation, Sport and Racing
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

2.3. Employee benefits expenses

	2019
	\$'000
Salaries and wages	6 497
Targeted voluntary separation packages	83
Long service leave	468
Annual leave	607
Skills and experience retention leave	32
Employment on-costs - superannuation	719
Employment on-costs - other	252
Board and committee fees	2
Other employee related expenses	24
Total employee benefits expenses	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.

Executive remuneration

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

	2019
	Number
\$151 001 - \$171 000	1
\$171 001 - \$191 000	1
\$191 001 - \$211 000	1
\$211 001 - \$231 000	1
Total	4

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 1:

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

Office for Recreation, Sport and Racing
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

2.4. Employee benefits liability

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

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 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 long service leave liability is provided as note 11.1.

Office for Recreation, Sport and Racing
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

3. Expenses

Employee benefits expenses are disclosed in note 2.3.

3.1. Supplies and services

	2019
	\$'000
IT and computing charges	98
Operating leases	125
Facility management	453
Utilities	440
General administration and consumables	831
Contractors	1 325
Travel	492
Corporate Services SLA	551
Telecommunication	25
Staff development and recruitment	111
Repairs, maintenance and minor equipment purchases	1 189
Consultants	38
Other supplies and services	493
Total supplies and services	6 171

Operating lease payments are recognised on a straight line basis over the lease term.

Consultants

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

	2019	2019
	Number	\$'000
Less than \$10 000	-	-
\$10 000 or above	1	38
Total consultants	1	38

Office for Recreation, Sport and Racing
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

3.2. Grants and subsidies

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

Grants and subsidies consists of the following:

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

3.3. Depreciation and amortisation

	2019
	\$'000
Buildings and improvements	7 908
Plant and equipment	550
Total depreciation and amortisation	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.

Land is not depreciated.

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:

Office for Recreation, Sport and Racing
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

3.3. Depreciation and amortisation (continued)

Class of asset	Useful life (years)
Buildings and Improvements	5 - 105
Furniture and fittings	5
Other equipment (including Sports Equipment)	3 - 25
IT equipment	3 - 5
Other Intangibles	3 - 5
Leasehold improvements	Life of lease

3.4. Other expenses

	2019
	\$'000
Rates and levies	66
Other - Shared Services SA	31
Total other expenses	97

4. Income

4.1. Net revenues from SA Government

	2019
	\$'000
Revenues from SA Government	75 780
Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i>	83
Other revenue from SA Government	83
Total revenues from SA Government	75 863
Net revenues from SA Government	75 863

Appropriations

Appropriations are recognised on receipt.

Total revenues from Government consist of \$57.987 million for operational funding and \$17.876 million for capital projects.

4.2. Fees and charges

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

Office for Recreation, Sport and Racing
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

4.3. Commonwealth grants

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

Grants which have conditions of expenditure still to be met at reporting date were nil.

4.4. Other grants

	2019
	\$'000
Intra government transfer	4 100
Other	1 411
Total other grants	5 511

Intra government transfers are recognised on receipt.

4.5. Resources received free of charge

	2019
	\$'000
Services received free of charge - Shared Services SA	31
Total resources received free of charge	31

4.6. Net loss from the disposal of property, plant and equipment

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

Office for Recreation, Sport and Racing
Notes to and forming part of the Financial Statements
for the year ended 30 June 2019

4.7. Other Income

	2019
	\$'000
Refunds	105
Sponsorship	43
Grassroots Football, Cricket, Netball Facilities programs - funding	1 000
Other	528
Total other income	1 676

5. Non-financial assets

5.1. Property, plant and equipment

	2019
	\$'000
Land, buildings and improvements	
Land at fair value	104 598
Buildings & improvements at fair value	306 286
Accumulated depreciation at the end of the period	(139 507)
Total land, buildings and improvements	271 377
Plant and equipment	
Plant and equipment at cost (deemed fair value)	4 290
Accumulated depreciation at the end of the period	(2 117)
Total plant and equipment	2 173
Work in progress	
Work in progress at cost	1 970
Total work in progress	1 970
Total property, plant and equipment	275 520

Property, plant and equipment with a value equal to or in excess of \$10 000 is capitalised, otherwise it is expensed.

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.

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)	-	(73)
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	281 309
Carrying amount at 30 June 2019	271 377	2 173	1 970	275 520

Office for Recreation, Sport and Racing
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6. Financial assets

6.1. Cash and cash equivalents

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

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

6.2. Receivables

	2019 \$'000
Current	
Trade Receivables	
From government entities	42
From non-government entities	3 021
Total trade receivables	3 063
Prepayments	26
Total current receivables	3 089
Non-current	
Prepayments	34
Receivables	1
Total non-current receivables	35
Total receivables	3 124

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.

Office for Recreation, Sport and Racing
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7. Liabilities

Employee benefits liabilities are disclosed in note 2.4.

7.1. Payables

	2019 \$'000
Current	
Trade payables	115
Accrued expenses	5 837
Employment on-costs	162
GST payable	1
Total current payables	<u>6 115</u>
Non-current	
Employment on-costs	162
Total non-current payables	<u>162</u>
Total payables	<u><u>6 277</u></u>

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.

The net amount of GST recoverable from the ATO is included as part of payables.

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 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 41% and the average factor for the calculation of employer superannuation cost on-costs has been assessed as 9.8%. These rates are used in the employment on-cost calculation.

Office for Recreation, Sport and Racing
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7.2. Provisions

	2019 \$'000
Current	
Provision for workers compensation	23
Total current provisions	<u>23</u>
Non-current	
Provision for workers compensation	36
Total non-current provisions	<u>36</u>
Total provisions	<u><u>59</u></u>
	2019 \$'000
Provision for workers compensation movement	
Net transfer from administrative restructures	80
(Decrease) in provision recognised	<u>(21)</u>
Carrying amount at the end of the period	<u><u>59</u></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 2019 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.

7.3. Other liabilities

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

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 are exclusive of GST. 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.

	2019 \$'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	19 262
Balance as per the Statement of Cash Flows	<u>19 262</u>
Reconciliation of net cash provided by / (used in) operating activities to net cost of providing services	
Net cash provided by / (used in) operating activities	21 632
Less revenues from SA Government	(75 863)
Add / (less) non-cash Items	
Depreciation and amortisation expense	(8 458)
Resources received free of charge	31
Gain/(loss) on disposal of property, plant and equipment	(22)
Other expenses	(31)
Movement in assets and liabilities	
Increase/(decrease) in receivables	2 879
(Increase)/decrease in payables	(3 577)
(Increase)/decrease in employee benefits	(450)
(Increase)/decrease in provisions	(59)
(Increase)/decrease in other liabilities	(1 482)
Net cost of providing services	<u><u>(65 400)</u></u>

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

9.1. Treasurer's Instructions (Accounting Policy Statements)

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

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

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

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

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

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

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

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

The office capital commitments predominantly relate to the Wind Tunnel construction at Adelaide Super Drome and the SA Aquatic & Leisure Centre.

Office for Recreation, Sport and Racing
Notes to and forming part of the Financial Statements
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10.1. Unrecognised contractual commitments (continued)

Expenditure commitments

	2019 \$'000
Within one year	3 256
Later than one year but not longer than five years	4 135
Total expenditure commitments	7 391

The office expenditure commitments predominantly relate to the management of the SA Aquatic & Leisure Centre and the Parks Community Centre.

Operating lease commitments

Commitments in relation to operating leases contracted for at the reporting date but not recognised as liabilities are payable as follows:

	2019 \$'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

At the reporting date, the office's operating leases are for Sports Museum and motor vehicles.

- Sports Museum accommodation is leased from Knight Frank Australia Pty Ltd. The rental amount is based on floor space and the time period of the lease, with the rental rate reviewed taking into account movements in market rental values. Rental is payable in advance.
- Motor vehicle leases are non-cancellable, with rental payments monthly in arrears. No contingent rental provisions exist within the lease agreements and no options exist to renew the leases at the end of their term.

10.2. Contingent assets and liabilities

The office is not aware of any contingent assets or liabilities.

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.

Treasurer's Instructions (Accounting Policy Statements) 2019 issued by the Treasurer on 22 March 2019 are effective for 2018-19 reporting period and are addressed below in relation to Standards not yet effective and in note 9.1. There are no Accounting Policy Statements that are not yet effective.

The material impacts on the office are outlined below.

Office for Recreation, Sport and Racing
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10.3. Impacts of standards and statements not yet effective (continued)

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

The office will adopt AASB 15 – Revenue from Contracts with Customers and AASB 1058 – Income of Not for Profit Entities from 1 July 2019.

Objective

AASB 15 introduces a 5-step approach to revenue recognition. The objective of AASB 15 is that recognition of revenue depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. It provides extensive guidance as to how to apply this revenue recognition approach to a range of scenarios. AASB 15 – Revenue from Contracts replaces AASB 111 – Construction Contracts and AASB 118 – Revenue.

AASB 1058 introduces consistent requirements for the accounting of non-reciprocal transactions by not-for-profit entities, in conjunction with AASB 15. These requirements closely reflect the economic reality of not-for-profit entity transactions that are not contracts with customers. AASB 1058 replaces parts of AASB 1004 – Contributions.

Adopting AASB 15 and AASB 1058 is expected to have no material impact on the timing of recognition of revenue by the office.

Related accounting policies

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

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

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

- apply, where permitted, the short-term licences recognition exemption.
- adopt \$15,000 as the threshold to determine whether a licence is a licence for which the transaction price is of low value and will apply the low value licence recognition exemption for all low value licences.
- not recognise volunteer services when the services would not have been purchased if they had not been donated.

AASB 16 – Leases

The office will adopt AASB 16 – Leases from 1 July 2019.

Objective

AASB 16 sets out a comprehensive model for lease accounting that addresses recognition, measurement, presentation and disclosure of leases. The outcome will be that lease information disclosed will give users of financial statements a basis to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. AASB 16 Leases replaces AASB 117 Leases and Interpretation 4 Determining whether an Arrangement contains a Lease, Interpretation 115 Operating Leases – Incentives and Interpretation, and Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

Office for Recreation, Sport and Racing
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10.3. Impacts of standards and statements not yet effective (continued)

Impact on 2019-20 financial statements

The office has assessed the estimated impact on the Statement of Financial Position of adopting AASB 16 with the transition requirements mandated by the *Treasurer's Instructions (Accounting Policy Statements)*.

AASB 16 requires lessees to recognise assets and liabilities for all leases, not subject to a recognition exemption or scoped out of the application of AASB 16. Applying AASB 16 will result in leases previously classified as operating leases having right-of-use assets and related lease liabilities being recognised in the Statement of Financial Position for the first time. Lease incentive liabilities previously recognised will be written off against the right-of-use assets or retained earnings depending on the nature of the incentive.

AASB 16 is expected to have an immaterial impact on the Statement of Financial Position. The office has estimated the impact of this change and the results as at 1 July 2019.

The estimated impact is based on applying AASB 16's transition approach to those leases identified as leases by the office prior to 1 July 2019. The incremental borrowing rates applied to estimate the lease liability were SAFA's interest rates for principal and interest loans to SA Government agencies.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the office has applied the optional exemptions to not recognise the leases liability and right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term. There is an exception for motor vehicle leases, where Treasurer's approval has been granted not to apply this exemption to leases with a term remaining of less than 12 months.

The estimated impact is set out below.

	as at 1 July 2019 \$'000
Assets	
Right-of-use assets	192
Liabilities	
Lease liabilities	147
Net impact on equity	45

AASB 16 will also impact on the Statement of Comprehensive Income. The operating lease expense previously included in supplies and services will mostly be replaced with:

- a depreciation expense that represents the use of the right-of-use asset; and
- borrowing costs that represent the cost associated with financing the right-of-use asset.

The estimated impact on 2019-20 Statement of Comprehensive Income is set out below.

	2020 \$'000
Depreciation and amortisation	94
Supplies and services	(93)
Borrowing costs	2
Net impact on net cost of providing services	3

Office for Recreation, Sport and Racing
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10.3. Impacts of standards and statements not yet effective (continued)

The amounts disclosed are current estimates only. The office is continuing to refine its calculations of lease assets and liabilities for 2019-20 financial reporting purposes and expects that these figures will change. This includes accounting for non-lease components and clarifying lease terms and treatment of contractual rent increases.

Related accounting policies

The *Treasurer's Instructions (Accounting Policy Statements) 2019* sets out key requirements that the office must adopt for the transition from *AASB 117 Leases* to *AASB 16 Leases*. These requirements include that the office will:

- apply AASB 16 retrospectively. The cumulative effect of initially applying the Standard will be recognised at 1 July 2019. Comparatives will not be restated.
- only apply AASB 16 to contracts that were previously identified as containing a lease applying AASB 117 and related interpretations.
- not transition operating leases for which the lease term ends before 30 June 2020.

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

- not apply AASB 16 to leases of intangible assets.
- adopt \$15,000 as the threshold to determine whether an underlying asset is a low value asset and must apply the low value asset recognition exemption to all low value assets.
- apply the short-term leases recognition exemption for all classes of underlying asset.
- separate non-lease components from lease components.
- adopt the revaluation model, where permitted.
- where required, apply the relevant lessee's incremental borrowing rate published by the Department of Treasury and Finance.
- on initial recognition not record at fair-value leases that have significantly below-market terms and conditions principally to enable the office to further its objectives, unless they have already been recorded at fair-value prior to 1 July 2019.

10.4. Events after the reporting period

There are no significant events that require additional disclosure.

Office for Recreation, Sport and Racing
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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 2019 is 1.25%.

The actuarial assessment performed by the Department of Treasury and Finance used a salary inflation rate of 4% for long service leave liability.

The non-current portion of long service leave reflects the estimate of leave to be taken in greater than 12 months.

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

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

Fair value hierarchy

The 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:

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11.2. Fair value (continued)

- 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.

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

	Note	Level 2	Level 3	Total
		\$'000	\$'000	\$'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 twenty five 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 2019

	Land buildings and improvements \$'000	Plant and equipment \$'000	Total \$'000
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

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.

Refer to note 7.1 for further information.

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.

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11.3 Financial instruments (continued)

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	7.3	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

	2019 \$'000
Administered Expenses	
Intra government transfer – Sport & Recreation Fund	4 100
Total administered expenses	<u>4 100</u>
Administered Income	
Advances and grants – Sport & Recreation Fund	4 100
Total administered income	<u>4 100</u>
Net result	<u>-</u>

	2019 \$'000
Administered Current Assets	
Cash and cash equivalents	
Sport & Recreation Fund	3 322
Recreation & Sport Fund	1 544
Total current assets	<u>4 866</u>
Total assets	<u>4 866</u>
Net assets	<u><u>4 866</u></u>

Administered Equity	
Retained earnings	
Sport & Recreation Fund	3 322
Recreation & Sport Fund	1 544
Total equity	<u><u>4 866</u></u>

	2019 \$'000
Cash flows from operating activities	
<i>Cash outflows</i>	
Intra government transfer – Sport & Recreation Fund	(4 100)
Cash used in operations	<u>(4 100)</u>
<i>Cash inflows</i>	
Advances and grants – Sport & Recreation Fund	4 100
Cash generated from operations	<u>4 100</u>
Net cash provided by/used in operating activities	<u>-</u>

Cash and cash equivalents at the beginning of the period	
Sport & Recreation Fund	3 322
Recreation & Sport Fund	1 544
Cash and cash equivalents at the end of the period	<u><u>4 866</u></u>