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To the Chief Executive Department for Education

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, I have audited the financial report of the Department for Education 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 Department for Education as at 30 June 2019, its financial performance and its cash flows for 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
- Disaggregated Disclosures – Expenses and Income for the year ended 30 June 2019
- Disaggregated Disclosures – Assets and Liabilities as at 30 June 2019
- notes, comprising significant accounting policies and other explanatory information
- a Statement of Administered Comprehensive Income for the year ended 30 June 2019
- a Statement of Administered Financial Position as at 30 June 2019
- a Statement of Administered Changes in Equity for the year ended 30 June
- a Statement of Administered Cash Flows for the year ended 30 June 2019
- a Schedule of Expenses and Income attributable to administered activities for the year ended 30 June 2019
- notes, comprising significant accounting policies and other explanatory information for administered items
- a Certificate from the Chief Executive and the Chief Financial Officer.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of the Department for Education. 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 Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and that is free from material misstatement, whether due to fraud or error.

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:

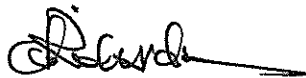
- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material 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 Department for Education'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.



Andrew Richardson

Auditor-General

16 September 2019

Department for Education

Financial Statements

For the year ended 30 June 2019

Department for Education
Certification of the Financial Statements
for the year ended 30 June 2019

We certify that the attached General Purpose Financial Statements for the Department for Education:

- 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 Department for Education
- present a true and fair view of the financial position of the Department for Education as at 30 June 2019 and the results of its operation and cash flows for the financial year.

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



Rick Persse
Chief Executive
16 September 2019



Chris Bernardi
Chief Financial Officer
16 September 2019

Department for Education
Statement of Comprehensive Income
for the year ended 30 June 2019

| | | 2019 | 2018 | 2019 | 2018 |
|---|------|------------------------|------------------------|----------------------|----------------------|
| | Note | Consolidated \$'000 | Consolidated \$'000 | Department \$'000 | Department \$'000 |
| Expenses | | | | | |
| Employee benefits expenses | 2.3 | 2 478 496 | 2 340 508 | 2 434 968 | 2 298 390 |
| Supplies and services | 3.1 | 729 597 | 693 868 | 412 135 | 392 721 |
| Grants and subsidies | 3.2 | 46 311 | 39 896 | 215 658 | 196 114 |
| Depreciation and amortisation expense | 3.3 | 141 760 | 134 848 | 134 477 | 127 742 |
| Borrowing costs | 3.4 | 22 014 | 22 252 | 22 014 | 22 252 |
| Other expenses | 3.5 | 18 791 | 8 792 | 17 623 | 6 726 |
| Total expenses | | 3 436 969 | 3 240 164 | 3 236 875 | 3 043 945 |
| Income | | | | | |
| Commonwealth grants | 4.2 | 560 591 | 509 239 | 560 591 | 509 239 |
| Student and other fees and charges | 4.3 | 161 973 | 168 586 | 24 392 | 26 496 |
| Other grants and contributions | 4.4 | 47 533 | 46 814 | 12 501 | 14 031 |
| Investment revenues | 4.5 | 9 213 | 9 139 | 7 510 | 7 532 |
| Resources received free of charge | 4.6 | 41 356 | 10 636 | 41 356 | 10 636 |
| Net gain/(loss) from disposal of non-current assets | 4.7 | 128 | 132 | 191 | 63 |
| Other revenues | 4.8 | 60 164 | 52 976 | 18 163 | 14 162 |
| Total income | | 880 958 | 797 522 | 664 704 | 582 159 |
| Net cost of providing services | | 2 556 011 | 2 442 642 | 2 572 171 | 2 461 786 |
| Revenues from SA Government | | | | | |
| Revenues from SA Government | 4.1 | 2 608 969 | 2 490 773 | 2 608 969 | 2 490 773 |
| Payments to SA Government | 4.1 | (40 338) | - | (40 338) | - |
| Total revenues from SA Government | | 2 568 631 | 2 490 773 | 2 568 631 | 2 490 773 |
| Net result | | 12 620 | 48 131 | (3 540) | 28 987 |
| Other comprehensive income | | | | | |
| <i>Items that will not be reclassified to net result:</i> | | | | | |
| Changes in revaluation surplus | | 63 137 | 68 714 | 63 157 | 68 714 |
| Total other comprehensive income | | 63 137 | 68 714 | 63 157 | 68 714 |
| Total comprehensive result | | 75 757 | 116 845 | 59 617 | 97 701 |

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

Department for Education
Statement of Financial Position
as at 30 June 2019

| | | 2019 | 2018 | 2019 | 2018 |
|--|------|------------------------|------------------------|----------------------|----------------------|
| | Note | Consolidated \$'000 | Consolidated \$'000 | Department \$'000 | Department \$'000 |
| Current assets | | | | | |
| Cash and cash equivalents | 6.1 | 932 438 | 943 108 | 430 408 | 458 747 |
| Receivables | 6.2 | 47 502 | 54 482 | 29 494 | 40 073 |
| Inventories | 5.3 | 6 024 | 6 065 | - | 3 |
| Other financial assets | 6.3 | 186 | 1 941 | - | - |
| Non-current assets classified as held for sale | 5.4 | 284 | 4 930 | 284 | 4 930 |
| Total current assets | | 986 434 | 1 010 526 | 460 186 | 503 753 |
| Non-current assets | | | | | |
| Receivables | 6.2 | 1 616 | 1 151 | 4 294 | 4 386 |
| Other financial assets | 6.3 | 157 | 162 | - | - |
| Property, plant and equipment | 5.1 | 4 802 661 | 4 675 172 | 4 768 765 | 4 644 442 |
| Intangible assets | 5.2 | 17 277 | 18 128 | 17 277 | 18 128 |
| Total non-current assets | | 4 821 711 | 4 694 613 | 4 790 336 | 4 666 956 |
| Total assets | | 5 808 145 | 5 705 139 | 5 250 522 | 5 170 709 |
| Current liabilities | | | | | |
| Payables | 7.1 | 103 462 | 142 730 | 103 904 | 146 948 |
| Borrowings | 7.2 | 2 277 | 2 037 | 2 277 | 2 037 |
| Employee benefits | 2.4 | 214 687 | 216 208 | 212 567 | 214 270 |
| Provisions | 7.3 | 16 249 | 14 072 | 16 269 | 14 102 |
| Other liabilities | 7.4 | 35 720 | 31 417 | 17 376 | 16 014 |
| Total current liabilities | | 372 395 | 406 464 | 352 393 | 393 371 |
| Non-current liabilities | | | | | |
| Payables | 7.1 | 66 311 | 60 951 | 66 310 | 60 951 |
| Borrowings | 7.2 | 163 188 | 165 465 | 163 188 | 165 465 |
| Employee benefits | 2.4 | 486 605 | 448 050 | 483 022 | 444 613 |
| Provisions | 7.3 | 69 688 | 48 826 | 69 688 | 48 826 |
| Other liabilities | 7.4 | 20 826 | 22 008 | 20 178 | 21 357 |
| Total non-current liabilities | | 806 618 | 745 300 | 802 386 | 741 212 |
| Total liabilities | | 1 179 013 | 1 151 764 | 1 154 779 | 1 134 583 |
| Net assets | | 4 629 132 | 4 553 375 | 4 095 743 | 4 036 126 |
| Equity | | | | | |
| Retained earnings | | 2 433 642 | 2 396 410 | 1 900 420 | 1 879 348 |
| Revaluation surplus | | 2 195 490 | 2 156 965 | 2 195 323 | 2 156 778 |
| Total equity | | 4 629 132 | 4 553 375 | 4 095 743 | 4 036 126 |

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

Department for Education
Statement of Changes in Equity
for the year ended 30 June 2019

Consolidated

| | | Revaluation surplus | Retained earnings | Total |
|---|------|------------------------|----------------------|------------------|
| | Note | \$'000 | \$'000 | \$'000 |
| Balance at 1 July 2017 | | 2 093 803 | 2 342 727 | 4 436 530 |
| Net result for 2017-18 | | - | 48 131 | 48 131 |
| Changes on revaluation during 2017-18 | 5.1 | 68 714 | - | 68 714 |
| Total comprehensive result for 2017-18 | | 68 714 | 48 131 | 116 845 |
| Transfer revaluation surplus on disposal and derecognition of property, plant and equipment | | (5 552) | 5 552 | - |
| Balance at 30 June 2018 | | 2 156 965 | 2 396 410 | 4 553 375 |
| Net result for 2018-19 | | - | 12 620 | 12 620 |
| Changes on revaluation during 2018-19 | 5.1 | 63 137 | - | 63 137 |
| Total comprehensive result for 2018-19 | | 63 137 | 12 620 | 75 757 |
| Transfer revaluation surplus on disposal and derecognition of property, plant and equipment | | (24 612) | 24 612 | - |
| Balance at 30 June 2019 | | 2 195 490 | 2 433 642 | 4 629 132 |

Department

| | | Revaluation surplus | Retained earnings | Total |
|---|------|------------------------|----------------------|------------------|
| | Note | \$'000 | \$'000 | \$'000 |
| Balance at 1 July 2017 | | 2 093 616 | 1 844 809 | 3 938 425 |
| Net result for 2017-18 | | - | 28 987 | 28 987 |
| Changes on revaluation during 2017-18 | 5.1 | 68 714 | - | 68 714 |
| Total comprehensive result for 2017-18 | | 68 714 | 28 987 | 97 701 |
| Transfer revaluation surplus on disposal and derecognition of property, plant and equipment | | (5 552) | 5 552 | - |
| Balance at 30 June 2018 | | 2 156 778 | 1 879 348 | 4 036 126 |
| Net result for 2018-19 | | - | (3 540) | (3 540) |
| Changes on revaluation during 2018-19 | 5.1 | 63 157 | - | 63 157 |
| Total comprehensive result for 2018-19 | | 63 157 | (3 540) | 59 617 |
| Transfer revaluation surplus on disposal and derecognition of property, plant and equipment | | (24 612) | 24 612 | - |
| Balance at 30 June 2019 | | 2 195 323 | 1 900 420 | 4 095 743 |

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

Department for Education
Statement of Cash Flows
for the year ended 30 June 2019

| | | 2019 | 2018 | 2019 | 2018 |
|---|------|--------------------|--------------------|--------------------|--------------------|
| | | Consolidated | Consolidated | Department | Department |
| | | \$'000 | \$'000 | \$'000 | \$'000 |
| | Note | (Outflows) | (Outflows) | (Outflows) | (Outflows) |
| | | Inflows | Inflows | Inflows | Inflows |
| Cash flows from operating activities | | | | | |
| Cash outflows | | | | | |
| Employee benefit payments | | (2 414 015) | (2 337 757) | (2 370 821) | (2 296 072) |
| Payments for supplies and services | | (789 970) | (769 432) | (435 872) | (450 515) |
| Payments of grants and subsidies | | (65 093) | (42 664) | (238 521) | (201 186) |
| Interest paid | | (20 906) | (20 193) | (20 906) | (20 442) |
| Other payments | | (4 115) | (4 494) | (4 193) | (4 450) |
| Cash used in operations | | (3 294 099) | (3 174 540) | (3 070 313) | (2 972 665) |
| Cash inflows | | | | | |
| Receipts from Commonwealth | | 560 683 | 509 254 | 560 683 | 509 255 |
| Student and other fees and charges | | 166 175 | 168 965 | 29 574 | 30 373 |
| Other grants and contributions received | | 50 385 | 46 666 | 12 582 | 14 225 |
| Interest received | | 9 146 | 9 457 | 7 510 | 7 778 |
| GST recovered from the ATO | | 99 013 | 75 480 | 67 134 | 59 999 |
| Dividends | | 9 | 9 | - | - |
| Other receipts | | 58 163 | 52 900 | 16 162 | 14 086 |
| Cash generated from operations | | 943 574 | 862 731 | 693 645 | 635 716 |
| Cash flows from SA Government | | | | | |
| Receipts from SA Government | | 2 608 969 | 2 490 773 | 2 608 969 | 2 490 773 |
| Payments to SA Government | | (40 338) | - | (40 338) | - |
| Cash generated from SA Government | | 2 568 631 | 2 490 773 | 2 568 631 | 2 490 773 |
| Net cash provided by / (used in) operating activities | 8.2 | 218 106 | 178 964 | 191 963 | 153 824 |
| Cash flows from investing activities | | | | | |
| Cash outflows | | | | | |
| Purchase of property, plant and equipment | | (236 546) | (189 371) | (226 650) | (181 432) |
| Purchase of investments | | (171) | (166) | - | - |
| Cash used in investing activities | | (236 717) | (189 537) | (226 650) | (181 432) |
| Cash inflows | | | | | |
| Proceeds from the sale of property, plant and equipment | | 9 115 | 6 476 | 8 869 | 6 269 |
| Proceeds from maturing term deposits | | 1 911 | 397 | - | - |
| Receipt of loan repayments | | 5 | - | 569 | 355 |
| Cash generated from investing activities | | 11 031 | 6 873 | 9 438 | 6 624 |
| Net cash provided by / (used in) investing activities | | (225 686) | (182 664) | (217 212) | (174 808) |
| Cash flows from financing activities | | | | | |
| Cash outflows | | | | | |
| Repayment of finance leases | | (2 037) | (1 817) | (2 037) | (1 821) |
| Repayment of borrowings | | (1 053) | (528) | (1 053) | (436) |
| Cash used in financing activities | | (3 090) | (2 345) | (3 090) | (2 257) |
| Net cash provided by / (used in) financing activities | | (3 090) | (2 345) | (3 090) | (2 257) |
| Net increase / (decrease) in cash and cash equivalents | | (10 670) | (6 045) | (28 339) | (23 241) |
| Cash and cash equivalents at the beginning of the reporting period | | 943 108 | 949 153 | 458 747 | 481 988 |
| Cash and cash equivalents at the end of the reporting period | 6.1 | 932 438 | 943 108 | 430 408 | 458 747 |

The accompanying notes form part of these financial statements.

Department for Education
Notes to and forming part of the financial statements
for the year ended 30 June 2019

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Department for Education
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Department for Education

Notes to and forming part of the financial statements

for the year ended 30 June 2019

1 About the Department for Education

The Department for Education (the department) is a government department of the state of South Australia established pursuant to the *Public Sector Act 2009*. The department is an administrative unit acting on behalf of the Crown.

The Department for Education came into effect by way of Proclamation (Administrative Unit – Alteration of Titles) under section 26 of the *Public Sector Act 2009* on 17 May 2018. For the period 1 July 2017 to 16 May 2018, the department was known as the Department for Education and Child Development. The Alteration of Titles proclamation did not impact on the purpose, objectives and structure of the department. The comparative year information reflects the previously titled Department for Education and Child Development.

The financial statements and accompanying notes include all the controlled activities of the department (refer to the disaggregated schedule for details of the department's controlled activities).

Transactions and balances relating to administered resources are not recognised as departmental income, expenses, assets and liabilities. As administered items are significant in relation to the department's overall financial performance and position, they are disclosed in the administered financial statements which follows the controlled general purpose financial statements. Except as otherwise disclosed, administered items are accounted for on the same basis and using the same accounting policies as for departmental items.

Transactions within Department columns

The values in the Department columns in the financial statements incorporate the activities of the corporate department.

Corporate department activities include transactions that relate to the operations of government controlled schools and preschools including:

- expenses such as salaries and wages, salary related on-costs and some utilities expenses
- infrastructure assets including land, buildings and major improvements
- liabilities recorded in the corporate department's financial systems such as employee benefits.

Income earned and expenses incurred directly by government controlled schools and preschools which are accounted for locally in their general ledgers are excluded from the Department column.

Transactions within Consolidated column

The values in the Consolidated columns in the financial statements incorporate the activities of the corporate department as discussed above and government controlled schools. All material transactions between the corporate department and government controlled schools have been eliminated as required by Australian Accounting Standards.

Financial data was collected from government schools for the school year ended 31 December 2018 for the purpose of consolidating it with data from the corporate department. Where material, adjustments have been made to the consolidated figures to take into account the effect of schools having a different reporting period to the corporate department.

Income earned and expenses incurred directly by government controlled preschools which are accounted for locally in their general ledgers are excluded from the Consolidated column as these are deemed immaterial.

Department for Education
Notes to and forming part of the financial statements
for the year ended 30 June 2019

1 About the Department for Education (continued)

Administered items

The department is responsible for the administration of specific funds. The department does not have control over how these funds are to be spent and operates in the capacity as an agent responsible for the administration of the transfer process to third parties. The Administered Financial Statements include the income, expenses, assets and liabilities of these funds.

The main administered funds are:

- Ministers salaries
- Ministers payments
- Advocacy bodies
- Family Day Care

For further information refer to note A1.2.

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* (PFAA);
- Treasurer's Instructions and Accounting Policy Statements issued by the Treasurer under the *Public Finance and Audit Act 1987*; and
- Relevant Australian Accounting Standards.

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

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

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

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

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

Department for Education
Notes to and forming part of the financial statements
for the year ended 30 June 2019

1.2. Objectives and programs

Purpose

The department was established to provide a range of integrated education, training, and child development services to benefit children, young people and families.

Our purpose is to improve children and young people's education, safety and developmental outcomes at every stage of life – from early childhood through their transition to adulthood.

School education is at the core of the department's work. We know that the success of South Australian schools depends on strong and mutually-beneficial partnerships between parents and families, tertiary providers, industry, government and non-government organisations, the broader community and young people themselves.

The department also has an advisory role to the Minister for Education in respect of TAFE and Higher Education.

In collaboration with the Department for Human Services and the Women's and Children's Health Network, the department also provides a number of critical health and wellbeing services.

Programs

In achieving its objectives, the department provides a range of services classified into the following programs:

Early Childhood Development

The department is responsible for the delivery of early childhood education and care, child protection, health and wellbeing services for children, young people and families. The program recognises the importance of the parent's role in their child's development and builds upon establishing relationships with families to support every child to grow, learn and develop. The implementation of national and state early childhood reform agendas to improve outcomes for all South Australian children and families underpins the program.

There is a key focus on ensuring that the most vulnerable children and young people at risk of disadvantage are supported. The establishment of children's centres across the state in areas of highest need, the provision of preschool for all four-year olds, continued collaboration across agencies and the delivery of targeted family support programs contribute to achieving this goal. The provision of quality integrated early childhood education and care services that are accessible and support each child to develop and learn to their capacity are at the core of the program.

School Education

The department is responsible for the delivery of high quality primary and secondary public education across the state to all children and young people of school age. Through a focus on high achievement, growth, challenge, engagement and equity the department seeks to maximise every child and young person's learning and help them to become successful learners, confident and creative individuals and informed citizens.

The department maintains high expectations of schools to increase student performance and reduce the gap between the highest and lower achievers. The department's work is strengthened by the involvement of parents and local communities in the education of children.

The tables on the following pages present expenses, income, assets and liabilities attributable to each program.

Department for Education
Expenses and income by program
for the year ended 30 June 2019
Consolidated

| | Early Childhood Development | | School Education | | Total | |
|---|-----------------------------|----------------|------------------|------------------|------------------|------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Expenses | | | | | | |
| Employee benefits expenses | 193 764 | 182 507 | 2 284 732 | 2 158 001 | 2 478 496 | 2 340 508 |
| Supplies and services | 29 760 | 29 349 | 699 837 | 664 519 | 729 597 | 693 868 |
| Grants and subsidies | 8 118 | 7 701 | 38 193 | 32 195 | 46 311 | 39 896 |
| Depreciation and amortisation expense | 4 704 | 4 605 | 137 056 | 130 243 | 141 760 | 134 848 |
| Borrowing costs | 1 761 | 1 780 | 20 253 | 20 472 | 22 014 | 22 252 |
| Other expenses | 5 112 | 804 | 13 679 | 7 988 | 18 791 | 8 792 |
| Total expenses | 243 219 | 226 746 | 3 193 750 | 3 013 418 | 3 436 969 | 3 240 164 |
| Income | | | | | | |
| Commonwealth grants | 33 436 | 31 908 | 527 155 | 477 331 | 560 591 | 509 239 |
| Student and other fees and charges | 6 205 | 6 370 | 155 768 | 162 216 | 161 973 | 168 586 |
| Other grants and contributions | 3 173 | 2 720 | 44 360 | 44 094 | 47 533 | 46 814 |
| Investment revenues | 548 | 542 | 8 665 | 8 597 | 9 213 | 9 139 |
| Resources received free of charge | 2 833 | 793 | 38 523 | 9 843 | 41 356 | 10 636 |
| Net gain/(loss) from disposal of non-current assets | (169) | (325) | 297 | 457 | 128 | 132 |
| Other revenues | 2 446 | 1 073 | 57 718 | 51 903 | 60 164 | 52 976 |
| Total income | 48 472 | 43 081 | 832 486 | 754 441 | 880 958 | 797 522 |
| Net cost of providing services | 194 747 | 183 665 | 2 361 264 | 2 258 977 | 2 556 011 | 2 442 642 |
| Revenues from SA Government | | | | | | |
| Revenues from SA Government | 193 058 | 182 283 | 2 415 911 | 2 308 490 | 2 608 969 | 2 490 773 |
| Payments to SA Government | (2 985) | - | (37 353) | - | (40 338) | - |
| Net revenues from SA Government | 190 073 | 182 283 | 2 378 558 | 2 308 490 | 2 568 631 | 2 490 773 |
| Net result | (4 674) | (1 382) | 17 294 | 49 513 | 12 620 | 48 131 |

Department for Education
Expenses and income by program
for the year ended 30 June 2019
Department

| | Early Childhood Development | | School Education | | Total | |
|---|-----------------------------|----------------|------------------|------------------|------------------|------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Expenses | | | | | | |
| Employee benefits expenses | 193 764 | 182 507 | 2 241 204 | 2 115 883 | 2 434 968 | 2 298 390 |
| Supplies and services | 19 712 | 19 509 | 392 423 | 373 212 | 412 135 | 392 721 |
| Grants and subsidies | 18 168 | 17 554 | 197 490 | 178 560 | 215 658 | 196 114 |
| Depreciation and amortisation expense | 4 704 | 4 605 | 129 773 | 123 137 | 134 477 | 127 742 |
| Borrowing costs | 1 761 | 1 780 | 20 253 | 20 472 | 22 014 | 22 252 |
| Other expenses | 5 112 | 804 | 12 511 | 5 922 | 17 623 | 6 726 |
| Total expenses | 243 221 | 226 759 | 2 993 654 | 2 817 186 | 3 236 875 | 3 043 945 |
| Income | | | | | | |
| Commonwealth grants | 33 436 | 31 908 | 527 155 | 477 331 | 560 591 | 509 239 |
| Student and other fees and charges | 6 204 | 6 370 | 18 188 | 20 126 | 24 392 | 26 496 |
| Other grants and contributions | 3 173 | 2 720 | 9 328 | 11 311 | 12 501 | 14 031 |
| Investment revenues | 548 | 542 | 6 962 | 6 990 | 7 510 | 7 532 |
| Resources received free of charge | 2 833 | 793 | 38 523 | 9 843 | 41 356 | 10 636 |
| Net gain/(loss) from disposal of non-current assets | (170) | (325) | 361 | 388 | 191 | 63 |
| Other revenues | 2 446 | 1 090 | 15 717 | 13 072 | 18 163 | 14 162 |
| Total income | 48 470 | 43 098 | 616 234 | 539 061 | 664 704 | 582 159 |
| Net cost of providing services | 194 751 | 183 661 | 2 377 420 | 2 278 125 | 2 572 171 | 2 461 786 |
| Revenues from SA Government | | | | | | |
| Revenues from SA Government | 193 058 | 182 283 | 2 415 911 | 2 308 490 | 2 608 969 | 2 490 773 |
| Payments to SA Government | (2 985) | - | (37 353) | - | (40 338) | - |
| Net revenues from SA Government | 190 073 | 182 283 | 2 378 558 | 2 308 490 | 2 568 631 | 2 490 773 |
| Net result | (4 678) | (1 378) | 1 138 | 30 365 | (3 540) | 28 987 |

Department for Education
Assets and liabilities by program
for the year ended 30 June 2019
Consolidated

| | Early Childhood Development | | School Education | | Total | |
|--|-----------------------------|----------------|------------------|------------------|------------------|------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Assets | | | | | | |
| Cash and cash equivalents | 32 761 | 33 126 | 899 677 | 909 982 | 932 438 | 943 108 |
| Receivables | 2 689 | 3 443 | 46 429 | 52 190 | 49 118 | 55 633 |
| Inventories | - | - | 6 024 | 6 065 | 6 024 | 6 065 |
| Other financial assets | - | - | 343 | 2 103 | 343 | 2 103 |
| Non-current assets classified as held for sale | 97 | 347 | 187 | 4 583 | 284 | 4 930 |
| Property, plant and equipment | 192 922 | 192 194 | 4 609 739 | 4 482 978 | 4 802 661 | 4 675 172 |
| Intangible assets | 1 381 | 1 450 | 15 896 | 16 678 | 17 277 | 18 128 |
| Total assets | 229 850 | 230 560 | 5 578 295 | 5 474 579 | 5 808 145 | 5 705 139 |
| Liabilities | | | | | | |
| Payables | 12 068 | 10 722 | 157 705 | 192 959 | 169 773 | 203 681 |
| Borrowings | 13 237 | 13 400 | 152 228 | 154 102 | 165 465 | 167 502 |
| Employee benefits | 55 512 | 52 405 | 645 780 | 611 853 | 701 292 | 664 258 |
| Provisions | 6 672 | 4 989 | 79 265 | 57 909 | 85 937 | 62 898 |
| Other liabilities | 1 709 | 1 837 | 54 837 | 51 588 | 56 546 | 53 425 |
| Total liabilities | 89 198 | 83 353 | 1 089 815 | 1 068 411 | 1 179 013 | 1 151 764 |
| Net assets | 140 652 | 147 207 | 4 488 480 | 4 406 168 | 4 629 132 | 4 553 375 |

Department for Education
Assets and liabilities by program
for the year ended 30 June 2019
Department

| | Early Childhood Development | | School Education | | Total | |
|--|-----------------------------|----------------|------------------|------------------|------------------|------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Assets | | | | | | |
| Cash and cash equivalents | 32 761 | 33 126 | 397 647 | 425 621 | 430 408 | 458 747 |
| Receivables | 2 688 | 3 443 | 31 100 | 41 016 | 33 788 | 44 459 |
| Inventories | - | - | - | 3 | - | 3 |
| Non-current assets classified as held for sale | 97 | 347 | 187 | 4 583 | 284 | 4 930 |
| Property, plant and equipment | 192 921 | 192 194 | 4 575 844 | 4 452 248 | 4 768 765 | 4 644 442 |
| Intangible assets | 1 381 | 1 450 | 15 896 | 16 678 | 17 277 | 18 128 |
| Total assets | 229 848 | 230 560 | 5 020 674 | 4 940 149 | 5 250 522 | 5 170 709 |
| Liabilities | | | | | | |
| Payables | 12 067 | 10 722 | 158 147 | 197 177 | 170 214 | 207 899 |
| Borrowings | 13 237 | 13 400 | 152 228 | 154 102 | 165 465 | 167 502 |
| Employee benefits | 55 512 | 52 405 | 640 077 | 606 478 | 695 589 | 658 883 |
| Provisions | 6 672 | 4 989 | 79 285 | 57 939 | 85 957 | 62 928 |
| Other liabilities | 1 709 | 1 837 | 35 845 | 35 534 | 37 554 | 37 371 |
| Total liabilities | 89 197 | 83 353 | 1 065 582 | 1 051 230 | 1 154 779 | 1 134 583 |
| Net assets | 140 651 | 147 207 | 3 955 092 | 3 888 919 | 4 095 743 | 4 036 126 |

Department for Education
Notes to and forming part of the financial statements
for the year ended 30 June 2019

1.3. Budget performance

The budget performance table compares the departments 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 2019 \$'000 |
|---|--|-----------------------------------|-------------------------------------|
| Statement of Comprehensive Income | | | |
| Expenses | | | |
| Employee benefits expenses | 2 576 627 | 2 478 496 | (98 131) |
| Supplies and services | 707 832 | 729 597 | 21 765 |
| Grants and subsidies | 33 765 | 46 311 | 12 546 |
| Depreciation and amortisation expense | 139 894 | 141 760 | 1 866 |
| Borrowing costs | 23 068 | 22 014 | (1 054) |
| Other expenses | 5 664 | 18 791 | 13 127 |
| Total expenses | 3 486 850 | 3 436 969 | (49 881) |
| Income | | | |
| Commonwealth grants | 545 910 | 560 591 | 14 681 |
| Student and other fees and charges | 162 193 | 161 973 | (220) |
| Other revenues | 50 522 | 60 164 | 9 642 |
| Other grants and contributions | 51 352 | 47 533 | (3 819) |
| Investment revenues | 8 158 | 9 213 | 1 055 |
| Resources received free of charge | 730 | 41 356 | 40 626 |
| Net gain/(loss) from disposal of non-current assets | (385) | 128 | 513 |
| Total income | 818 480 | 880 958 | 62 478 |
| Net cost of providing services | 2 668 370 | 2 556 011 | (112 359) |
| Revenues from SA Government | | | |
| Revenues from SA Government | 2 642 198 | 2 608 969 | (33 229) |
| Payments to SA Government | - | (40 338) | (40 338) |
| Net revenues from SA Government | 2 642 198 | 2 568 631 | (73 567) |
| Net result | (26 172) | 12 620 | 38 792 |
| Other comprehensive income | | | |
| Changes in revaluation surplus | - | 63 137 | 63 137 |
| Total comprehensive result | (26 172) | 75 757 | 101 929 |

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.

No variances exceed the greater of 10% of the original budgeted amount and 5% of original budgeted total expenses.

Department for Education
Notes to and forming part of the financial statements
for the year ended 30 June 2019

1.3. Budget performance (continued)

| | | Original budget 2019 \$'000 | Actual 2019 \$'000 | Variance 2019 \$'000 |
|--------------------------------------|---|--------------------------------------|--------------------------|----------------------------|
| Investing expenditure summary | | | | |
| Total new projects | 1 | 50 637 | 4 347 | (46 290) |
| Total existing projects | 2 | 190 632 | 172 588 | (18 044) |
| Total annual programs | | 7 741 | 11 956 | 4 215 |
| Total investing expenditure | | 249 010 | 188 891 | (60 119) |

1. The variance of \$46 million is primarily related to the reallocation of capital works funding from the *Capital Works Program* to the *Sustainable enrolment growth and other school projects* program. Expenditure was delayed until the *Sustainable enrolment growth and other school projects* program was appropriately scoped.

2. The variance of \$18 million is primarily related to the *Science, Technology, Engineering and Maths (STEM)* capital works projects. The majority of the STEM projects reached practical completion in December 2018. However, there are 3 schools for which works have not been completed.

1.4. Significant transactions with government related entities

The department had no significant transactions with government related entities except for the appropriation funding received from Department of Treasury and Finance (note 4.1) and incurred expenditure with Department of Planning, Transport and Infrastructure (DPTI) of \$315 million (2018: \$331 million). As at 30 June 2019 the outstanding balance payable to DPTI was \$13.88 million (2018: \$56 million) (note 7.1).

2. Board, committees and employees

2.1. Key management personnel

Key management personnel of the department include the Minister, the Chief Executive Officer and the 16 other members of the Senior Executive Group who have responsibility for the strategic direction and management of the department.

Total compensation for key management personnel was \$3.8 million (2018: \$3.6 million).

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

| | 2019 \$'000 | 2018 \$'000 |
|--|----------------|----------------|
| Compensation | | |
| Salaries and other short term employee benefits | 3 525 | 3 305 |
| Post-employment benefits (employer contributed superannuation) | 294 | 287 |
| Total compensation | 3 819 | 3 592 |

Transactions with key management personnel and other related parties

Related parties of the department include all key management personnel and their close family members; all Cabinet Ministers and their close family members; and all public authorities that are controlled and consolidated into the whole of government financial statements and other interests of the Government.

There are no material transactions to disclose for key management personnel and related parties.

Department for Education
Notes to and forming part of the financial statements
for the year ended 30 June 2019

2.2. Board and committee members

Members of the boards and committees during the 2018-19 financial year were:

Animal Ethics Committee

Mr Graeme Aust (appointed 25 March 2019)
 Ms Tracey Davies ¹ (appointed 24 January 2019)
 Ms Rowena Fox ¹ (resigned 23 January 2019)
 Mr John Hatch
 Mr Manfred Heide
 Ms Monica Kloppers ¹ (appointed 25 March 2019)
 Dr David Mason (resigned 27 April 2019)
 Ms Jane Materne (appointed 25 March 2019)
 Ms Liz Matheson ¹ (resigned 22 July 2018)
 Ms Kay McGrath
 Mr Matthew Mercorella ¹
 Ms Sally Nance
 Ms Linda Olifent ¹
 Mr Ross Templeman ¹
 Ms Margy Wright ¹

Education Audit and Risk Committee

Ms Ruth Blenkiron
 Ms Anne Millard ¹
 Ms Audra Cooper ¹
 Ms Ann-Marie Hayes ¹
 Ms Julieann Riedstra ¹
 Mr Coenraad Robberts ¹
 Dr Tom Stubbs
 Mr Ben Temperly ¹

SA Teacher Certification Committee

Ms Monica Conway
 Mr Adrian Dilger
 Ms Veronica Lee
 Ms Susan Miels ¹
 Mrs Belinda Radcliffe ¹
 Ms Lynda Seacombe
 Ms Elizabeth Sexton

¹ Government employee who did not receive any remuneration for board/committee duties during the financial year in accordance with the Premier and Cabinet Circular No.16.

| | 2019 | 2018 |
|--|------------------|------------------|
| The number of members whose remuneration received/receivable falls within the following bands: | Number of | Number of |
| | Members | Members |
| \$0 | 20 | 19 |
| \$1 - \$19 999 | 6 | 8 |
| Total number of members | 26 | 27 |

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, FBT and any other salary sacrifice arrangements. The total remuneration, including employer superannuation contributions, received or receivable by members was \$32 000 (2018: \$27 000).

Department for Education
Notes to and forming part of the financial statements
for the year ended 30 June 2019

2.3. Employee benefits expenses

| | 2019 | 2018 | 2019 | 2018 |
|---|---------------------|---------------------|-------------------|-------------------|
| | Consolidated | Consolidated | Department | Department |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Salaries and wages (including annual leave) | 2 001 360 | 1 952 349 | 1 962 306 | 1 914 362 |
| Employment on-costs - superannuation | 202 646 | 198 491 | 199 284 | 195 330 |
| Employment on-costs - payroll tax | 112 798 | 107 423 | 112 798 | 107 423 |
| Long service leave | 90 979 | 60 257 | 90 160 | 59 549 |
| Workers Compensation | 43 413 | 4 803 | 43 412 | 4 803 |
| Skills and experience retention leave | 10 870 | 11 393 | 10 870 | 11 393 |
| Targeted voluntary separation payments | 12 519 | 1 135 | 12 519 | 1 135 |
| Country incentive leave | 368 | 522 | 368 | 522 |
| Board and committee fees | 32 | 26 | 32 | 26 |
| Other employee related expenses | 3 511 | 4 109 | 3 219 | 3 847 |
| Total employee benefits expenses | 2 478 496 | 2 340 508 | 2 434 968 | 2 298 390 |

Employment on-costs - superannuation

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

Targeted voluntary separation packages

| | 2019 | 2018 | 2019 | 2018 |
|---|---------------------|---------------------|-------------------|-------------------|
| | Consolidated | Consolidated | Department | Department |
| | Number of | Number of | Number of | Number of |
| | Employees | Employees | Employees | Employees |
| The number of employees who received/owed a TVSP during the reporting period was: | 145 | 12 | 145 | 12 |
| | 2019 | 2018 | 2019 | 2018 |
| | Consolidated | Consolidated | Department | Department |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Amounts paid or payable to employees: | | | | |
| Separation payments | 12 519 | 1 135 | 12 519 | 1 135 |
| Leave paid to those employees | 5 022 | 706 | 5 022 | 706 |
| Total amount paid | 17 541 | 1 841 | 17 541 | 1 841 |
| Recovery from the Department of Treasury and Finance | 6 489 | - | 6 489 | - |
| Net cost to the department | 11 052 | 1 841 | 11 052 | 1 841 |

The disclosure above includes targeted voluntary separation payments.

Annual leave and long service leave are paid at the time of separation payments. All leave entitlements are reported on an accrual basis in the employee benefits expenses note.

Number of employees as at the reporting date

As at 30 June, the department employed 24 630 (23 931) full-time equivalents.

Department for Education
Notes to and forming part of the financial statements
for the year ended 30 June 2019

2.3. Employee benefits expenses (continued)

| | 2019 | 2019 | 2018 | 2018 |
|---|---|--|---|--|
| The number of employees whose remuneration received or receivable falls within the following bands: | Consolidated Number of Executives ¹ | Consolidated Number of Employees ² | Consolidated Number of Executives ¹ | Consolidated Number of Employees ² |
| \$149 000 to \$151 000* | na | na | - | 36 |
| \$151 001 to \$171 000 | 4 | 281 | 4 | 217 |
| \$171 001 to \$191 000 | 5 | 62 | 5 | 75 |
| \$191 001 to \$211 000 | 12 | 61 | 14 | 52 |
| \$211 001 to \$231 000 | 8 | 20 | 4 | 11 |
| \$231 001 to \$251 000 | 3 | 3 | 4 | 5 |
| \$251 001 to \$271 000 | 2 | 3 | 2 | 3 |
| \$271 001 to \$291 000 | 3 | 6 | 1 | 2 |
| \$291 001 to \$311 000 | 2 | 6 | 1 | 1 |
| \$311 001 to \$331 000 | 1 | 5 | 1 | 3 |
| \$331 001 to \$351 000 | - | 2 | - | - |
| \$351 001 to \$371 000 | - | 1 | - | 1 |
| \$371 001 to \$391 000 | - | 1 | - | - |
| \$391 001 to \$411 000 | - | - | - | 1 |
| \$431 001 to \$451 000 | - | 1 | - | - |
| \$471 001 to \$491 000 | 1 | 1 | 1 | 1 |
| Total number of executives / employees | 41 | 453 | 37 | 408 |

* This band has been included for the purposes of reporting comparative figures based on the executive base level remuneration rate for 2017-18.

¹ The number of executive officers disclosed in the above table includes employees appointed on a South Australian Executive Service (SAES) contract as at 30 June 2019 and 30 June 2018 respectively and who have earned the base remuneration during the year. The numbers of executive officers separately disclosed are also included in the number of employee totals for 2019 and 2018.

² Includes resigned and retired executives not included in the executive column.

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

Remuneration received or due and receivable by the above employees was \$81.1 million (2018: \$71.2 million), which is included in employee benefits expenses.

Department for Education
Notes to and forming part of the financial statements
for the year ended 30 June 2019

2.4. Employee benefits liabilities

| | 2019 Consolidated \$'000 | 2018 Consolidated \$'000 | 2019 Department \$'000 | 2018 Department \$'000 |
|--|--------------------------------|--------------------------------|------------------------------|------------------------------|
| Current | | | | |
| Annual leave | 121 778 | 120 650 | 120 436 | 119 338 |
| Long service leave | 55 167 | 57 066 | 55 010 | 56 952 |
| Skills and experience retention leave | 19 876 | 20 547 | 19 876 | 20 547 |
| Accrued salaries and wages | 17 350 | 17 091 | 16 729 | 16 579 |
| Country incentive leave | 516 | 854 | 516 | 854 |
| Total current employee benefits | 214 687 | 216 208 | 212 567 | 214 270 |
| Non-current | | | | |
| Long service leave | 484 737 | 446 267 | 481 154 | 442 830 |
| Country incentive leave | 1 868 | 1 783 | 1 868 | 1 783 |
| Total non-current employee benefits | 486 605 | 448 050 | 483 022 | 444 613 |
| Total employee benefits | 701 292 | 664 258 | 695 589 | 658 883 |

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.

Salaries and wages, annual leave, country incentive 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, country incentive leave and the SERL liability are expected to be payable within 12 months and are 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. Details about the measurement of long service leave liability is provided as note 11.1.

Department for Education
Notes to and forming part of the financial statements
for the year ended 30 June 2019

3. Expenses

3.1. Supplies and services

| | 2019 | 2018 | 2019 | 2018 |
|---|----------------|----------------|----------------|----------------|
| | Consolidated | Consolidated | Department | Department |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Minor works, maintenance and equipment | 160 952 | 167 601 | 123 130 | 124 273 |
| Printing, postage and consumables | 84 221 | 82 396 | 5 709 | 5 032 |
| Utilities | 51 026 | 39 727 | 49 684 | 45 902 |
| Cleaning | 42 112 | 40 114 | 6 102 | 5 795 |
| Contractors and other outsourced services | 34 705 | 31 071 | 34 999 | 33 446 |
| Vehicle and travelling expenses | 31 031 | 30 151 | 28 089 | 28 048 |
| Student learning materials | 34 702 | 33 659 | - | - |
| Rentals and operating leases | 24 957 | 23 631 | 22 587 | 21 526 |
| Bus contractors | 27 240 | 26 332 | 27 245 | 26 338 |
| Excursions and camps | 25 016 | 24 293 | - | - |
| Information and communications technology | 44 522 | 32 170 | 36 112 | 24 480 |
| Management fees and charges | 19 837 | 21 298 | 22 170 | 24 202 |
| Cost of goods sold | 14 525 | 14 623 | - | - |
| Shared Services SA charges | 11 436 | 10 546 | 11 436 | 10 546 |
| Training and development | 14 795 | 12 994 | 7 034 | 6 099 |
| Insurance (including self-insurance) | 6 832 | 7 667 | 6 833 | 7 991 |
| Security | 6 894 | 6 588 | 6 613 | 6 229 |
| Public Private Partnerships Service Fee | 5 847 | 5 752 | 5 847 | 5 752 |
| Copyright | 4 356 | 4 523 | 4 353 | 4 519 |
| Legal costs | 3 267 | 2 898 | 3 268 | 2 898 |
| Other supplies and services | 81 324 | 75 834 | 10 924 | 9 645 |
| Total supplies and services | 729 597 | 693 868 | 412 135 | 392 721 |

Rental and operating leases

Operating lease payments (less any lease incentives) are recognised on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern of benefits derived from the use of the leased assets.

Consultants

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

| | 2019 | 2019 | 2018 | 2018 |
|--|--------------|--------------|--------------|--------------|
| | Consolidated | Consolidated | Consolidated | Consolidated |
| | Number | \$'000 | Number | \$'000 |
| Below \$10 000 | 1 | 9 | 2 | 11 |
| \$10 000 or above | 16 | 1 805 | 15 | 2 662 |
| Total paid / payable to the consultants engaged | 17 | 1 814 | 17 | 2 673 |

Department for Education
Notes to and forming part of the financial statements
for the year ended 30 June 2019

3.2. Grants and subsidies

| | 2019 | 2018 | 2019 | 2018 |
|--|---------------|---------------|----------------|----------------|
| | Consolidated | Consolidated | Department | Department |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Recurrent grants paid to other organisations | 35 408 | 33 901 | 35 408 | 33 901 |
| Recurrent grants paid to preschools | 6 895 | 3 995 | 6 895 | 3 995 |
| Recurrent grants paid to schools and units | - | - | 169 327 | 156 218 |
| Capital grants paid to schools and units | - | - | 20 | - |
| Capital grants paid to other organisations | 4 008 | 2 000 | 4 008 | 2 000 |
| Total grants and subsidies | 46 311 | 39 896 | 215 658 | 196 114 |

3.3. Depreciation and amortisation

| | 2019 | 2018 | 2019 | 2018 |
|---|----------------|----------------|----------------|----------------|
| | Consolidated | Consolidated | Department | Department |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Depreciation | | | | |
| Buildings and improvements | 126 237 | 120 259 | 126 105 | 120 152 |
| Computing, communication, furniture and equipment | 6 053 | 5 992 | 416 | 394 |
| Buildings under finance lease | 3 609 | 3 609 | 3 609 | 3 609 |
| Buses and motor vehicles | 3 019 | 2 989 | 2 257 | 2 215 |
| Leasehold improvements | 1 179 | 452 | 1 179 | 452 |
| Other assets | 775 | 644 | 23 | 17 |
| Total depreciation | 140 872 | 133 945 | 133 589 | 126 839 |
| Amortisation | | | | |
| Service right for use of equipment | 861 | 876 | 861 | 876 |
| Externally provided software | 27 | 27 | 27 | 27 |
| Total amortisation | 888 | 903 | 888 | 903 |
| Total depreciation and amortisation | 141 760 | 134 848 | 134 477 | 127 742 |

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 and non-current assets held for sale are not depreciated.

Review of accounting estimates

Assets' residual values, useful lives and depreciation/amortisation methods are reviewed and adjusted if appropriate on an annual basis. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or method, as appropriate.

Department for Education
Notes to and forming part of the financial statements
for the year ended 30 June 2019

3.3. Depreciation and amortisation (continued)

Useful Life

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

| Class of asset | Useful life (years) |
|--|----------------------------|
| Buildings and improvements | 10-170 |
| Leasehold improvements | Life of lease |
| Buildings under finance lease | 45-60 |
| Buses and Motor vehicles | 12-20 |
| Computing, communications, furniture and equipment | 3-20 |
| Intangible assets | 3-30 |
| Other assets | 5-10 |

3.4. Borrowing costs

| | 2019 | 2018 | 2019 | 2018 |
|------------------------------|---------------------|---------------------|-------------------|-------------------|
| | Consolidated | Consolidated | Department | Department |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Finance lease costs | 22 014 | 22 252 | 22 014 | 22 252 |
| Total borrowing costs | 22 014 | 22 252 | 22 014 | 22 252 |

Finance lease costs relate to the interest expenses associated with the Public Private Partnership (PPP) agreement, for further information refer note 10.1.

Department for Education
Notes to and forming part of the financial statements
for the year ended 30 June 2019

3.5. Other expenses

| | 2019 | 2018 | 2019 | 2018 |
|---|---------------|--------------|---------------|--------------|
| | Consolidated | Consolidated | Department | Department |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Non-current assets written off | 12 542 | 1 147 | 12 542 | 1 147 |
| Allowance for doubtful debts and debt write-offs | 2 348 | 2 911 | 199 | 472 |
| Emergency Services Levy | 888 | 1 359 | 888 | 1 359 |
| Auditor's remuneration – other | 1 101 | 1 023 | 1 037 | 969 |
| Auditor's remuneration - Auditor-General's Department * | 483 | 455 | 483 | 455 |
| Insurance | 1 426 | 1 446 | 1 568 | 1 456 |
| Donated assets | - | 443 | 903 | 865 |
| Net loss on revaluation of investments | - | 5 | - | - |
| Other expenses | 3 | 3 | 3 | 3 |
| Total other expenses | 18 791 | 8 792 | 17 623 | 6 726 |

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

4. Income

4.1. Net revenues from SA Government

| | 2019 | 2018 | 2019 | 2018 |
|---|------------------|------------------|------------------|------------------|
| | Consolidated | Consolidated | Department | Department |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Revenues from SA Government | | | | |
| Appropriations from the Consolidated Account pursuant to the <i>Appropriation Act</i> | 2 602 365 | 2 485 722 | 2 602 365 | 2 485 722 |
| Transfers from contingencies | 6 604 | 5 051 | 6 604 | 5 051 |
| Total revenues from SA Government | 2 608 969 | 2 490 773 | 2 608 969 | 2 490 773 |
| Payments to SA Government | | | | |
| Return of surplus cash pursuant to cash alignment policy | (40 338) | - | (40 338) | - |
| Total payments to SA Government | (40 338) | - | (40 338) | - |
| Net revenues from SA Government | 2 568 631 | 2 490 773 | 2 568 631 | 2 490 773 |

Appropriations

Appropriations are recognised on receipt.

Department for Education
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for the year ended 30 June 2019

4.2. Commonwealth grants

| | 2019 | 2018 | 2019 | 2018 |
|--|---------------------|---------------------|-------------------|-------------------|
| | Consolidated | Consolidated | Department | Department |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Quality Schools/National Education Reform Agreement | 518 514 | 464 996 | 518 514 | 464 996 |
| National Partnership - Universal Access to Early Childhood Development | 28 204 | 28 044 | 28 204 | 28 044 |
| National School Chaplaincy Program | 5 908 | 5 867 | 5 908 | 5 867 |
| Rural Care Worker Program | 2 737 | 2 115 | 2 737 | 2 115 |
| Indigenous Advancement Strategy | 1 032 | 427 | 1 032 | 427 |
| Detainee Minors | 1 001 | 1 140 | 1 001 | 1 140 |
| Connected Beginnings | 978 | 197 | 978 | 197 |
| Community Childcare Funding | 785 | - | 785 | - |
| National Occasional Care | 307 | 331 | 307 | 331 |
| Australian Early Development Index | 276 | 341 | 276 | 341 |
| National Partnership - Teacher Quality | 211 | 2 950 | 211 | 2 950 |
| CCCF Community Support | 109 | - | 109 | - |
| National Partnership - Advanced Technology | 100 | 800 | 100 | 800 |
| Family Day Care Administration | 33 | 879 | 33 | 879 |
| Independent Public Schools | - | 657 | - | 657 |
| National Partnership - More Support for Students with Disabilities | - | 250 | - | 250 |
| Anangu Education Services funds | - | 120 | - | 120 |
| Other specific Commonwealth revenue | 396 | 125 | 396 | 125 |
| Total Commonwealth grants | 560 591 | 509 239 | 560 591 | 509 239 |

Contributions are recognised as an asset and income when the department obtains control of the contributions or obtains the right to receive the contributions and the income recognition criteria are met.

Generally, the department has obtained control or the right to receive contributions. This will be when the agreement becomes enforceable ie the earlier of when the receiving entity has formally been advised that the contribution (for example, grant application) has been approved; agreement/contract is executed; and/or the contribution is received.

Department for Education
Notes to and forming part of the financial statements
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4.3. Student and other fees and charges

| | 2019 | 2018 | 2019 | 2018 |
|---|----------------|----------------|---------------|---------------|
| | Consolidated | Consolidated | Department | Department |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Student enrolment fees and charges | 115 066 | 120 406 | 3 401 | 3 617 |
| Canteen sales | 15 497 | 15 594 | - | - |
| Sales/fee for service revenue | 13 217 | 12 661 | 802 | 1 028 |
| Other user fees and charges | 18 193 | 19 925 | 20 189 | 21 851 |
| Total student and other fees and charges | 161 973 | 168 586 | 24 392 | 26 496 |

4.4. Other grants and contributions

| | 2019 | 2018 | 2019 | 2018 |
|---|---------------|---------------|---------------|---------------|
| | Consolidated | Consolidated | Department | Department |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Grants and subsidies revenue | 46 879 | 45 856 | 12 501 | 14 031 |
| Donations | 654 | 958 | - | - |
| Total other grants and contributions | 47 533 | 46 814 | 12 501 | 14 031 |

4.5. Investment revenues

| | 2019 | 2018 | 2019 | 2018 |
|---|--------------|--------------|--------------|--------------|
| | Consolidated | Consolidated | Department | Department |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Interest from entities within the SA Government | 3 | 14 | 101 | 123 |
| Dividends | 9 | 9 | - | - |
| Other interest | 9 201 | 9 116 | 7 409 | 7 409 |
| Total investment revenues | 9 213 | 9 139 | 7 510 | 7 532 |

4.6. Resources received free of charge

| | 2019 | 2018 | 2019 | 2018 |
|--|---------------|---------------|---------------|---------------|
| | Consolidated | Consolidated | Department | Department |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Services received free of charge – Shared | | | | |
| Services SA | 11 007 | 10 505 | 11 007 | 10 505 |
| Goods received free of charge | 30 349 | 131 | 30 349 | 131 |
| Total resources received free of charge | 41 356 | 10 636 | 41 356 | 10 636 |

Goods received free of charge includes the Adelaide Botanic High School and 2 residential houses on the Urrbrae High School site that transferred from DPTI. The Parks Children's Centre also transferred from the Department of Human Services, and the Wallaroo Preschool Centre transferred from the Copper Coast Council to the Minister for Education.

Department for Education
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4.7. Net gain / (loss) from disposal of non-current assets

| | 2019 Consolidated \$'000 | 2018 Consolidated \$'000 | 2019 Department \$'000 | 2018 Department \$'000 |
|--|--------------------------------|--------------------------------|------------------------------|------------------------------|
| Land and buildings | | | | |
| Proceeds from disposal | 3 729 | 222 | 3 729 | 222 |
| Less net book value of assets disposed | (3 434) | (920) | (3 434) | (920) |
| Net gain / (loss) from disposal of land and buildings | 295 | (698) | 295 | (698) |
| Vehicles, plant and equipment | | | | |
| Proceeds from disposal | 404 | 207 | 158 | - |
| Less net book value of assets disposed | (686) | (138) | (377) | - |
| Net gain / (loss) from disposal of vehicles, plant and equipment | (282) | 69 | (219) | - |
| Non-current assets classified as held for sale | | | | |
| Proceeds from disposal | 4 982 | 6 047 | 4 982 | 6 047 |
| Less net book value of assets disposed | (4 867) | (5 286) | (4 867) | (5 286) |
| Net gain / (loss) from disposal of non-current assets classified as held for sale | 115 | 761 | 115 | 761 |
| Total assets | | | | |
| Proceeds from disposal | 9 115 | 6 476 | 8 869 | 6 269 |
| Less net book value of assets disposed | (8 987) | (6 344) | (8 678) | (6 206) |
| Total net gain / (loss) from disposal of non-current assets | 128 | 132 | 191 | 63 |

Gains/losses on disposal of non-current assets are recognised at the date the control of the asset is passed to the buyer and are determined after deducting the cost of the asset from the proceeds at that time.

When revalued assets are sold, the revaluation surplus is transferred to retained earnings.

4.8. Other revenues

| | 2019 Consolidated \$'000 | 2018 Consolidated \$'000 | 2019 Department \$'000 | 2018 Department \$'000 |
|--------------------------------------|--------------------------------|--------------------------------|------------------------------|------------------------------|
| Fundraising revenue | 7 866 | 7 281 | - | - |
| Recoveries | 5 318 | 4 541 | 5 643 | 4 506 |
| Commission received | 3 025 | 1 929 | 5 661 | 5 758 |
| Assets recognised for the first time | 2 468 | 379 | 2 468 | 379 |
| Other revenue | 41 487 | 38 846 | 4 391 | 3 519 |
| Total other revenues | 60 164 | 52 976 | 18 163 | 14 162 |

Department for Education
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5. Non-financial assets

5.1. Property, plant and equipment

| | 2019 Consolidated \$'000 | 2018 Consolidated \$'000 | 2019 Department \$'000 | 2018 Department \$'000 |
|---|--------------------------------|--------------------------------|------------------------------|------------------------------|
| Land | | | | |
| Land | 1 567 868 | 1 498 645 | 1 567 469 | 1 498 246 |
| Total land | 1 567 868 | 1 498 645 | 1 567 469 | 1 498 246 |
| Buildings and improvements | | | | |
| Buildings and improvements | 8 026 099 | 7 755 552 | 8 024 531 | 7 754 356 |
| Accumulated depreciation | (5 067 646) | (4 996 623) | (5 067 082) | (4 996 177) |
| Total buildings and improvements | 2 958 453 | 2 758 929 | 2 957 449 | 2 758 179 |
| Buildings under finance lease | | | | |
| Buildings under finance lease | 207 986 | 207 986 | 207 986 | 207 986 |
| Accumulated depreciation | (31 047) | (27 438) | (31 047) | (27 438) |
| Total buildings under finance lease | 176 939 | 180 548 | 176 939 | 180 548 |
| Construction work in progress | | | | |
| Construction work in progress | 28 228 | 170 986 | 28 228 | 170 986 |
| Total construction work in progress | 28 228 | 170 986 | 28 228 | 170 986 |
| Leasehold improvements | | | | |
| Leasehold improvements | 38 296 | 28 736 | 38 296 | 28 736 |
| Accumulated depreciation | (28 214) | (21 868) | (28 214) | (21 868) |
| Total leasehold improvements | 10 082 | 6 868 | 10 082 | 6 868 |
| Buses and motor vehicles | | | | |
| Buses and motor vehicles | 60 366 | 61 521 | 45 756 | 47 123 |
| Accumulated depreciation | (27 933) | (27 833) | (18 610) | (18 650) |
| Total buses and motor vehicles | 32 433 | 33 688 | 27 146 | 28 473 |
| Computing, communications, furniture and equipment | | | | |
| Computing, communications, furniture and equipment | 71 354 | 64 990 | 14 570 | 13 948 |
| Accumulated depreciation | (46 356) | (42 828) | (13 272) | (12 880) |
| Total computing, communications, furniture and equipment | 24 998 | 22 162 | 1 298 | 1 068 |
| Other assets | | | | |
| Other assets | 12 424 | 11 437 | 3 488 | 3 385 |
| Accumulated depreciation | (8 764) | (8 091) | (3 334) | (3 311) |
| Total other assets | 3 660 | 3 346 | 154 | 74 |
| Total property, plant and equipment | 4 802 661 | 4 675 172 | 4 768 765 | 4 644 442 |

Department for Education
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5.1. Property, plant and equipment (continued)

Property, plant and equipment with a value equal to or in excess of \$5 000 is capitalised, otherwise it is expensed.

Property, plant and equipment is recorded at fair value. Detail about the department's approach to fair value is set out in Note 11.2.

Impairment

The department holds its property, plant and equipment and intangible assets for their service potential (value in use).

All non-current tangible assets are valued at fair value.

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

Land, buildings and improvements for 3 (2018: 4) disused sites were written down to their fair value less cost of disposal. An impairment loss of \$4.4 million (2018: \$0.9 million) was recognised. The valuations were provided by independent certified practising valuers and were based on observable market data.

There were no other indications of impairment of property, plant and equipment at 30 June 2019.

Department for Education
Notes to and forming part of the financial statements
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5.1. Property, plant and equipment (continued)

Reconciliation 2018-19

The reconciliation of non-current assets is for the Department entity only. Information is not collected or obtained from schools to allow for the disclosure of consolidated information.

| Department 2018-19 | Land | Buildings and improvements | Buildings under finance lease | Construction work in progress | Leasehold improvements | Buses and motor vehicles | Computing, communications, furniture and equipment | Other assets | Total |
|---|------------------|----------------------------|-------------------------------|-------------------------------|------------------------|--------------------------|--|--------------|------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Carrying amount at 1 July 2018 | 1 498 246 | 2 758 179 | 180 548 | 170 986 | 6 868 | 28 473 | 1 068 | 74 | 4 644 442 |
| Additions | 785 | 2 321 | - | 174 343 | - | 1 307 | 651 | 10 | 179 417 |
| Disposals | (2 235) | (1 199) | - | - | - | (377) | - | - | (3 811) |
| Assets derecognised | - | (12 537) | - | - | - | - | (5) | - | (12 542) |
| Assets reclassified to assets held for sale | (214) | (25) | - | - | - | 17 | - | - | (222) |
| Transfers to/(from) WIP | - | 316 215 | - | (316 215) | - | - | - | - | - |
| Transfers between asset classes | - | (4 393) | - | - | 4 393 | - | - | - | - |
| Revaluation increment/(decrement) | 67 582 | - | - | - | - | - | - | - | 67 582 |
| Impairment to revaluation surplus | (315) | (4 110) | - | - | - | - | - | - | (4 425) |
| Depreciation and amortisation | - | (126 105) | (3 609) | - | (1 179) | (2 257) | (416) | (23) | (133 589) |
| Assets recognised for the first time | - | 2 375 | - | - | - | - | - | 93 | 2 468 |
| Transfers from SA Government | 3 500 | 26 497 | - | - | - | - | - | - | 29 997 |
| Donated assets (to)/from third parties | 120 | 231 | - | (886) | - | (17) | - | - | (552) |
| Carrying amount at 30 June 2019 | 1 567 469 | 2 957 449 | 176 939 | 28 228 | 10 082 | 27 146 | 1 298 | 154 | 4 768 765 |

Department for Education
Notes to and forming part of the financial statements
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5.1. Property, plant and equipment (continued)

Reconciliation 2017-18

The reconciliation of non-current assets is for the Department entity only.

| Department 2017-18 | Land | Buildings and improvements | Buildings under finance lease | Construction work in progress | Leasehold improvements | Buses and motor vehicles | Computing, communications, furniture and equipment | Other assets | Total |
|--|------------------|----------------------------|-------------------------------|-------------------------------|------------------------|--------------------------|--|--------------|------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Carrying amount at 1 July 2017 | 1 428 739 | 2 791 340 | 184 157 | 42 280 | 7 320 | 29 188 | 867 | 20 | 4 483 911 |
| Additions | 1 862 | 417 | - | 216 830 | - | 1 974 | 407 | 73 | 221 563 |
| Disposals | (431) | (490) | - | - | - | - | - | - | (921) |
| Assets derecognised | - | (1 133) | - | - | - | - | (12) | (2) | (1 147) |
| Assets reclassified to/(from) assets held for sale | (392) | (40) | - | - | - | (474) | - | - | (906) |
| Transfers to/(from) WIP | - | 88 124 | - | (88 124) | - | - | - | - | - |
| Revaluation increment/(decrement) | 69 323 | 316 | - | - | - | - | - | - | 69 639 |
| Impairment to revaluation surplus | (412) | (513) | - | - | - | - | - | - | (925) |
| Depreciation and amortisation | - | (120 152) | (3 609) | - | (452) | (2 215) | (394) | (17) | (126 839) |
| Assets recognised for the first time | - | 179 | - | - | - | - | 200 | - | 379 |
| Transfers (to)/from third parties | (443) | 131 | - | - | - | - | - | - | (312) |
| Carrying amount at 30 June 2018 | 1 498 246 | 2 758 179 | 180 548 | 170 986 | 6 868 | 28 473 | 1 068 | 74 | 4 644 442 |

Department for Education
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5.2. Intangible assets

| | 2019 Consolidated \$'000 | 2018 Consolidated \$'000 | 2019 Department \$'000 | 2018 Department \$'000 |
|---|--------------------------------|--------------------------------|------------------------------|------------------------------|
| Internally developed computer software | | | | |
| Internally developed computer software | 4 354 | 4 354 | 4 354 | 4 354 |
| Accumulated amortisation | (4 354) | (4 354) | (4 354) | (4 354) |
| Total internally developed computer software | - | - | - | - |
| Externally provided software | | | | |
| Externally provided software | 139 | 139 | 139 | 139 |
| Accumulated amortisation | (118) | (91) | (118) | (91) |
| Total externally provided software | 21 | 48 | 21 | 48 |
| Service right for use of equipment | | | | |
| Service right for use of equipment | 24 264 | 24 227 | 24 264 | 24 227 |
| Accumulated amortisation | (7 008) | (6 147) | (7 008) | (6 147) |
| Total service right for use of equipment | 17 256 | 18 080 | 17 256 | 18 080 |
| Total intangible assets | 17 277 | 18 128 | 17 277 | 18 128 |

The internally developed computer software relates to the department's human resource management system (Valeo).

The service right to use equipment relates to the provision, maintenance and replacement of equipment under the PPP over the period of the agreement. The service right is amortised over the remaining period of the PPP agreement. The PPP agreement has been detailed in note 10.1.

Intangible assets are initially measured at cost and are tested for indications of impairment at each reporting date. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

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

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

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

Impairment

There were no indications of impairment of intangible assets as at 30 June 2019.

Department for Education
Notes to and forming part of the financial statements
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5.2. Intangible assets (continued)

Reconciliation

The reconciliation of intangible assets is for the Department entity only.

| Department 2018-19 | Externally provided software | Service right for use of equipment | Total |
|--|------------------------------|------------------------------------|---------------|
| | \$'000 | \$'000 | \$'000 |
| Carrying amount at 1 July 2018 | 48 | 18 080 | 18 128 |
| Additions | - | 37 | 37 |
| Amortisation | (27) | (861) | (888) |
| Carrying amount at 30 June 2019 | 21 | 17 256 | 17 277 |

| Department 2017-18 | Externally provided software | Service right for use of equipment | Total |
|--|------------------------------|------------------------------------|---------------|
| | \$'000 | \$'000 | \$'000 |
| Carrying amount at 1 July 2017 | 75 | 18 674 | 18 749 |
| Additions | - | 282 | 282 |
| Amortisation | (27) | (876) | (903) |
| Carrying amount at 30 June 2018 | 48 | 18 080 | 18 128 |

Department for Education
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5.3. Inventories

| | 2019 Consolidated \$'000 | 2018 Consolidated \$'000 | 2019 Department \$'000 | 2018 Department \$'000 |
|-----------------------------------|--------------------------------|--------------------------------|------------------------------|------------------------------|
| Current | | | | |
| Materials at net realisable value | 6 024 | 6 065 | - | 3 |
| Total current inventories | 6 024 | 6 065 | - | 3 |
| Total inventories | 6 024 | 6 065 | - | 3 |

The amount of any inventory write-down to net realisable value or inventory losses are recognised in the Statement of Comprehensive Income as an expense in the period the write-down or loss occurred. Any write-down reversals are also recognised as an expense.

5.4. Non-current assets classified as held for sale

| | 2019 Consolidated \$'000 | 2018 Consolidated \$'000 | 2019 Department \$'000 | 2018 Department \$'000 |
|---|--------------------------------|--------------------------------|------------------------------|------------------------------|
| Land | 214 | 3 942 | 214 | 3 942 |
| Buildings and improvements | 70 | 430 | 70 | 430 |
| Buses | - | 558 | - | 558 |
| Total non-current assets classified as held for sale | 284 | 4 930 | 284 | 4 930 |

The department has measured the non-current assets held for sale at fair value less costs to sell because the assets' fair value less costs to sell is lower than its carrying amount. Detail about the department's approach to fair value is set out in note 11.2.

As a result of school and preschool closures and amalgamations, the land and buildings located at these sites are surplus to requirements. It is anticipated the land and buildings will be sold within the next 12 months.

Buses that have reached the end of their useful lives and are no longer economically viable are held for sale at auction.

Department for Education
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5.4 Non-current assets classified as held for sale (continued)

Movement in the non-current assets classified as held for sale

The following table shows the movement of non-current assets classified as held for sale:

| | 2019 | 2018 | 2019 | 2018 |
|---|---------------------|---------------------|-------------------|-------------------|
| | Consolidated | Consolidated | Department | Department |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Land | | | | |
| Carrying amount at the beginning of the period | 3 942 | 7 310 | 3 942 | 7 310 |
| Asset disposals | (3 942) | (3 760) | (3 942) | (3 760) |
| Assets reclassified to/(from) assets held for sale | 214 | 392 | 214 | 392 |
| Carrying amount at the end of the period | 214 | 3 942 | 214 | 3 942 |
| Buildings and improvements | | | | |
| Carrying amount at the beginning of the period | 430 | 1 907 | 430 | 1 907 |
| Asset disposals | (385) | (1 517) | (385) | (1 517) |
| Assets reclassified to/(from) assets held for sale | 25 | 40 | 25 | 40 |
| Carrying amount at the end of the period | 70 | 430 | 70 | 430 |
| Buses | | | | |
| Carrying amount at the beginning of the period | 558 | 92 | 558 | 92 |
| Asset disposals | (541) | (8) | (541) | (8) |
| Assets reclassified to/(from) assets held for sale | (17) | 474 | (17) | 474 |
| Carrying amount at the end of the period | - | 558 | - | 558 |
| Total non-current assets classified as held for sale | 284 | 4 930 | 284 | 4 930 |

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6. Financial assets

6.1. Cash and cash equivalents

| | 2019 | 2018 | 2019 | 2018 |
|--|---------------------|---------------------|-------------------|-------------------|
| | Consolidated | Consolidated | Department | Department |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Deposits with the Treasurer (AAEFA) | 285 476 | 356 139 | 285 476 | 356 139 |
| SA School Investment Fund (SASIF) | 461 232 | 447 278 | - | - |
| Deposits with the Treasurer - at call | 143 936 | 101 503 | 143 936 | 101 502 |
| Cash at bank and on hand | 41 401 | 37 798 | 603 | 716 |
| Section 21 Deposit Accounts | 393 | 390 | 393 | 390 |
| Total cash and cash equivalents | 932 438 | 943 108 | 430 408 | 458 747 |

Deposits with the Treasurer

The department has two deposit accounts with the Treasurer:

- a general operating account; and
- an Accrual Appropriation Excess Funds Account

Although the department controls the money in Accrual Appropriation Account, its use must be approved by the Treasurer. The department does not earn interest on its deposits with the Treasurer.

SA School Investment Fund

Represents the amount held in schools SASIF accounts at 31 December 2018, adjusted to account for additional grant revenue and other material movements that occurred between the school's calendar year and the department's financial year.

The physical amount held in schools and units SASIF accounts as at 30 June 2019 was \$471.1 million (2018: \$460.3 million) and does not include \$39.5 million (2018: \$35.9 million) held in the account for preschools and some units as these have been treated as transactions with third parties.

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6.2. Receivables

| | 2019 Consolidated \$'000 | 2018 Consolidated \$'000 | 2019 Department \$'000 | 2018 Department \$'000 |
|--|--------------------------------|--------------------------------|------------------------------|------------------------------|
| Current | | | | |
| Fees, charges and other receivables | | | | |
| From government entities | 3 137 | 1 890 | 11 748 | 13 599 |
| From non-government entities | 28 608 | 31 953 | 5 784 | 8 498 |
| Less allowance for doubtful debts | (5 422) | (5 755) | (573) | (643) |
| Total fees, charges and other receivables | 26 323 | 28 088 | 16 959 | 21 454 |
| GST recoverable from the ATO | 11 409 | 17 081 | 7 832 | 13 861 |
| Prepayments | 6 147 | 6 092 | 3 085 | 3 502 |
| Accrued revenues | 3 623 | 3 221 | 982 | 613 |
| Loan receivables | - | - | 636 | 643 |
| Total current receivables | 47 502 | 54 482 | 29 494 | 40 073 |
| Non-current | | | | |
| Workers compensation receivable | 1 606 | 1 136 | 1 606 | 1 136 |
| Loan receivables | 10 | 15 | 2 688 | 3 250 |
| Total non-current receivables | 1 616 | 1 151 | 4 294 | 4 386 |
| Total receivables | 49 118 | 55 633 | 33 788 | 44 459 |

Receivables arise in the normal course of selling goods and services to other government agencies and to the public. Receivables are normally settled within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement. Receivables, prepayments and accrued revenues are non-interest bearing. Receivables are held with the objective of collecting the contractual cash flows and they are measured at amortised cost.

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

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

Refer to note 11.3 for further information on risk management.

Impairment of receivables

| | 2019 Consolidated \$'000 | 2018 Consolidated \$'000 | 2019 Department \$'000 | 2018 Department \$'000 |
|---|--------------------------------|--------------------------------|------------------------------|------------------------------|
| Carrying amount at the beginning of the period | 5 755 | 5 101 | 643 | 258 |
| Increase/(decrease) in allowance recognised in profit or loss | 2 348 | 2 911 | 199 | 472 |
| Amounts written off | (2 681) | (2 257) | (269) | (87) |
| Carrying amount at the end of the period | 5 422 | 5 755 | 573 | 643 |

Refer to note 11.3 for details of credit risk and the methodology for determining impairment.

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6.3. Other financial assets

| | 2019 Consolidated \$'000 | 2018 Consolidated \$'000 | 2019 Department \$'000 | 2018 Department \$'000 |
|--------------------------------------|--------------------------------|--------------------------------|------------------------------|------------------------------|
| Current | | | | |
| Term deposits | 186 | 1 941 | - | - |
| Total current investments | 186 | 1 941 | - | - |
| Non-current | | | | |
| Term deposits | 15 | - | - | - |
| Shares held in listed securities | 142 | 162 | - | - |
| Total non-current investments | 157 | 162 | - | - |
| Total other financial assets | 343 | 2 103 | - | - |

The term deposits are carried at cost and are to be held to their maturity.

The fair value of Shares held in listed securities is based on quoted market prices for identical assets or liabilities at balance date.

For further information on risk management refer to note 11.3. For further information on the impact of AASB 9 refer to note 9.2.

Department for Education
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7. Liabilities

7.1. Payables

| | 2019 Consolidated \$'000 | 2018 Consolidated \$'000 | 2019 Department \$'000 | 2018 Department \$'000 |
|---------------------------------------|--------------------------------|--------------------------------|------------------------------|------------------------------|
| Current | | | | |
| Creditors | 44 644 | 83 988 | 49 346 | 93 486 |
| Employment on-costs | 47 586 | 48 190 | 47 559 | 48 168 |
| Accrued expenses | 6 748 | 6 505 | 2 515 | 1 247 |
| Accrued interest on PPP finance lease | 3 906 | 3 623 | 3 906 | 3 623 |
| Paid Parental Leave Scheme payable | 578 | 424 | 578 | 424 |
| Total current payables | 103 462 | 142 730 | 103 904 | 146 948 |
| Non-current | | | | |
| Employment on-costs | 54 847 | 50 312 | 54 846 | 50 312 |
| Accrued interest on PPP finance lease | 11 464 | 10 639 | 11 464 | 10 639 |
| Total non-current payables | 66 311 | 60 951 | 66 310 | 60 951 |
| Total payables | 169 773 | 203 681 | 170 214 | 207 899 |

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

Employment on-costs

Employment on-costs include Payroll Tax, WorkCover levies and superannuation contributions in respect of outstanding liabilities for salaries and wages, long service leave, country incentive leave, annual leave and skills and experience retention leave. They are settled when the respective employee benefits that they relate to is discharged.

The department 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 South Australian Superannuation Board and external schemes.

As a result of an actuarial assessment performed by DTF, the percentage of long service leave taken has increased to a rate of 62% (2018: 61%) and the average factor for the calculation of employer superannuation changed to a rate of 9.8% (2018: 9.9%). These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year and subsequent years is immaterial.

Paid parental leave scheme

The Paid Parental Leave Scheme payable represents amounts which the department has received from the Commonwealth Government to forward onto eligible employees via the department's standard payroll processes. That is, the department is acting as a conduit through which the payment to eligible employees is made on behalf of the Family Assistance Office.

Department for Education
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7.2. Borrowings

| | 2019 Consolidated \$'000 | 2018 Consolidated \$'000 | 2019 Department \$'000 | 2018 Department \$'000 |
|---|--------------------------------|--------------------------------|------------------------------|------------------------------|
| Current | | | | |
| Obligations under finance leases - PPP ¹ | 2 277 | 2 037 | 2 277 | 2 037 |
| Total current borrowings | 2 277 | 2 037 | 2 277 | 2 037 |
| Non-current | | | | |
| Obligations under finance leases - PPP ¹ | 163 188 | 165 465 | 163 188 | 165 465 |
| Total non-current borrowings | 163 188 | 165 465 | 163 188 | 165 465 |
| Total borrowings | 165 465 | 167 502 | 165 465 | 167 502 |

¹ These finance leases are related to the public private partnership agreement and are interest bearing.

The department measures financial liabilities including borrowings/debt at historical cost.

The interest rate implied, based on the total payments due over the life of the PPP Finance lease, is 11.26%. Refer to note 10.1.

For further information on risk management refer to note 11.3.

7.3. Provisions

| | 2019 Consolidated \$'000 | 2018 Consolidated \$'000 | 2019 Department \$'000 | 2018 Department \$'000 |
|---|--------------------------------|--------------------------------|------------------------------|------------------------------|
| Current | | | | |
| Provision for workers' compensation | 15 579 | 13 423 | 15 579 | 13 423 |
| Provision for legal claims | 670 | 649 | 670 | 649 |
| Provision for fire claims | - | - | 20 | 30 |
| Total current provisions | 16 249 | 14 072 | 16 269 | 14 102 |
| Non-current | | | | |
| Provision for workers' compensation | 65 931 | 45 182 | 65 931 | 45 182 |
| Provision for legal claims | 3 757 | 3 644 | 3 757 | 3 644 |
| Total non-current provisions | 69 688 | 48 826 | 69 688 | 48 826 |
| Total provisions | 85 937 | 62 898 | 85 957 | 62 928 |
| Movement in workers compensation provisions | | | | |
| | 2019 Consolidated \$'000 | 2018 Consolidated \$'000 | 2019 Department \$'000 | 2018 Department \$'000 |
| Carrying amount at the beginning of the period | 58 605 | 72 196 | 58 605 | 72 196 |
| Reductions arising from payments | (18 756) | (16 366) | (18 756) | (16 366) |
| Additional provision recognised | 41 661 | 2 775 | 41 661 | 2 775 |
| Carrying amount at the end of the period | 81 510 | 58 605 | 81 510 | 58 605 |

Department for Education
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7.3. Provisions (continued)

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 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 department is responsible for the payment of workers' compensation claims.

Following changes to relevant Public Sector Enterprise Agreements and Awards, the department has recognised an Additional Compensation provision as at 30 June 2019.

The new Additional Compensation provision provides continuing benefits to workers who have suffered eligible work-related injuries and whose entitlements have ceased under the statutory workers compensation scheme. Eligible injuries are non-serious injuries sustained in circumstances which involved, or appeared to involve, the commission of a criminal offence, or which arose from a dangerous situation.

The Additional Compensation provision is based on an actuarial assessment of the outstanding liability as at 30 June 2019 provided by a consulting actuary engaged by the Office for the Public Sector. The liability was calculated to be \$0.2 million and this amount is included in the provision for workers compensation above.

| Movement in legal claim provisions | 2019 | 2018 | 2019 | 2018 |
|---|---------------------|---------------------|-------------------|-------------------|
| | Consolidated | Consolidated | Department | Department |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Carrying amount at the beginning of the period | 4 293 | 3 652 | 4 293 | 3 652 |
| Reductions arising from payments | (643) | (697) | (643) | (697) |
| Reversal of prior provision | (832) | (458) | (832) | (458) |
| Additional provision recognised | 1 609 | 1 796 | 1 609 | 1 796 |
| Carrying amount at the end of the period | 4 427 | 4 293 | 4 427 | 4 293 |

| Movement in fire claim provisions | 2019 | 2018 | 2019 | 2018 |
|---|---------------------|---------------------|-------------------|-------------------|
| | Consolidated | Consolidated | Department | Department |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Carrying amount at the beginning of the period | - | - | 30 | 238 |
| Reductions arising from payments | - | - | (13) | (68) |
| Reversal of prior provision | - | - | (10) | (218) |
| Additional provision recognised | - | - | 13 | 78 |
| Carrying amount at the end of the period | - | - | 20 | 30 |

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7.4. Other liabilities

| | 2019 | 2018 | 2019 | 2018 |
|--|---------------------|---------------------|-------------------|-------------------|
| | Consolidated | Consolidated | Department | Department |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Current | | | | |
| Unearned revenue | 14 476 | 11 764 | 670 | 707 |
| Deposits | 15 533 | 14 180 | 15 247 | 13 809 |
| Other liabilities | 4 513 | 4 420 | 261 | 445 |
| Equipment service right | 1 198 | 1 053 | 1 198 | 1 053 |
| Total current other liabilities | 35 720 | 31 417 | 17 376 | 16 014 |
| Non-current | | | | |
| Equipment service right | 19 532 | 20 693 | 19 532 | 20 693 |
| Other liabilities | 470 | 482 | 470 | 470 |
| Deposits | 824 | 833 | 176 | 194 |
| Total non-current other liabilities | 20 826 | 22 008 | 20 178 | 21 357 |
| Total other liabilities | 56 546 | 53 425 | 37 554 | 37 371 |

8. Other disclosures

8.1. Equity

The revaluation surplus is used to record increments and decrements in the fair value of land, buildings, leasehold improvements and other financial assets to the extent that they offset one another. Relevant amounts are transferred to retained earnings when an asset is derecognised.

Department for Education
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8.2. Cash flow

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

Cash flow reconciliation

| | 2019 Consolidated \$'000 | 2018 Consolidated \$'000 | 2019 Department \$'000 | 2018 Department \$'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 | 932 438 | 943 108 | 430 408 | 458 747 |
| Balance as per Statement of Cash Flows | 932 438 | 943 108 | 430 408 | 458 747 |
| Reconciliation of net cash provided by / (used in) operating activities to net cost of providing services | | | | |
| Net cash provided by/(used in) operating activities | 218 106 | 178 964 | 191 963 | 153 824 |
| Revenues from SA Government | (2 608 969) | (2 490 773) | (2 608 969) | (2 490 773) |
| Payments to SA Government | 40 338 | - | 40 338 | - |
| Add / (less) non-cash items | | | | |
| Depreciation and amortisation | (141 760) | (134 848) | (134 477) | (127 742) |
| Bad and doubtful debts | (2 348) | (2 911) | (199) | (472) |
| Non-current assets derecognised/written off | (12 542) | (1 147) | (12 542) | (1 147) |
| Contributed assets | 30 349 | 131 | 30 349 | 131 |
| Donated assets | - | (443) | (903) | (865) |
| Assets recognised for the first time | 2 468 | 379 | 2 468 | 379 |
| Gain/(loss) from disposal of non-current assets | 128 | 132 | 191 | 63 |
| Net revaluation decrement recognised in Profit and Loss | - | (5) | - | - |
| Movement in assets and liabilities | | | | |
| Increase/(decrease) in receivables | (4 162) | 9 255 | (9 903) | 5 745 |
| Increase/(decrease) in inventories | (41) | (670) | (3) | (3) |
| (Increase)/decrease in payables | (13 367) | 6 141 | (9 549) | 3 624 |
| (Increase)/decrease in employee benefits | (37 035) | (18 422) | (36 707) | (18 028) |
| (Increase)/decrease in provisions | (23 039) | 12 950 | (23 029) | 13 158 |
| (Increase)/decrease in other liabilities | (4 137) | (1 375) | (1 199) | 320 |
| Net cost of providing services | (2 556 011) | (2 442 642) | (2 572 171) | (2 461 786) |

Department for Education
Notes to and forming part of the financial statements
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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.

9.2. AASB 9 Financial Instruments

AASB 9 Financial Instruments replaces the provisions of AASB 139 that relate to recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of AASB 9 from 1 July 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in financial statements.

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

- *AASB 101 Presentation of Financial Statements* requires the impairment of financial assets to be presented in a separate line item in the statement of comprehensive income if material. This information was presented as part of other expenses as it was considered not material.
- *AASB 7 Financial Instruments: Disclosures* requires amended disclosures due to changes arising from AASB 9, these disclosures have been provided for the current year because the comparatives have not been restated.

In accordance with transitional provisions and the Treasurer's Instructions (Accounting Policy Statements), *AASB 9 Financial Instruments* was adopted without restating comparative information for classification and measurement requirements. All adjustments relating to classification and measurement are recognised in retained earnings at 1 July 2018.

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

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9.2. AASB 9 Financial Instruments (continued)

Impairment of financial assets

AASB 9 replaces the 'incurred loss' model in AASB 139 with an 'expected credit loss' model. The following financial assets of the department are subject to AASB 9's new expected credit loss model:

- fees, charges and other receivables
- other financial assets

This model generally results in earlier recognition of credit losses than the previous one.

Fees, charges and other receivables

New impairment requirements result in a provision being applied to all receivables rather than only on those receivables that are credit impaired. The department has adopted the general approach under AASB 9 Financial Instruments and used a two step process. First an allowance was made where there was objective evidence the receivable was impaired. Then measured lifetime expected credit losses on all receivables using a provision matrix approach as a practical expedient to measure the impairment provision. As at 1 July 2018 the impairment provision was considered immaterial. However, this was reviewed as at 30 June 2019 and has resulted in an increase of the loss of \$150 000 for receivables external to Government.

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

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

Other financial assets

Other financial assets have been assessed as at 1 July 2018 and 30 June 2019 and no impairment was noted.

Other financial assets were classified as held to maturity under AASB 139 are now classified at amortised cost.

Department for Education
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10. Outlook

10.1. Unrecognised contractual commitments

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

Public private partnership related commitments

In July 2009 the state of South Australia entered into a 30 year agreement with Pinnacle Education SA2 Pty Ltd, under the Partnerships SA policy, for the financing, design, construction, and maintenance of six schools. This agreement includes the provision of operational and maintenance services by the operator for a specified period of time, and is referred to as a Public Private Partnership (PPP).

Under the PPP agreement, the department pays the operator over the period of the arrangement, subject to specified performance criteria being met. These estimated periodic payments are allocated between:

- a component related to the design and construction that is accounted for as a finance lease payment
- a component for the provision and replacement of equipment and infrastructure accounted for as a service right liability payment
- a component related to the ongoing operation and maintenance of the facilities accounted for as operating costs which are expensed in the Statement of Comprehensive Income.

Future operations and maintenance commitments are payable in nominal terms as follows:

| | 2019 | 2018 | 2019 | 2018 |
|---|---------------------|---------------------|-------------------|-------------------|
| | Consolidated | Consolidated | Department | Department |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Within one year | 5 973 | 5 871 | 5 973 | 5 871 |
| Later than one year but not later than five years | 25 415 | 24 999 | 25 415 | 24 999 |
| Later than five years | 121 542 | 129 186 | 121 542 | 129 186 |
| Total PPP operations and maintenance commitments | 152 930 | 160 056 | 152 930 | 160 056 |

Department for Education
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10.1. Unrecognised contractual commitments (continued)

PPP Finance lease commitments

Future minimum lease payments under finance leases together with the present value of net minimum lease payments are as follows:

| | 2019 | 2019 | 2018 | 2018 |
|---|--|---|--|--|
| | Minimum lease payments \$'000 | Present value of lease payments \$'000 | Minimum lease payments \$'000 | Present value of lease payments \$'000 |
| Within one year | 21 002 | 18 893 | 21 005 | 18 892 |
| Later than one year but not later than five years | 83 963 | 58 379 | 83 982 | 58 354 |
| Later than five years | 316 836 | 88 193 | 337 819 | 90 256 |
| Total minimum lease payments | 421 801 | 165 465 | 442 806 | 167 502 |
| Less amounts representing finance charges | 256 336 | - | 275 304 | - |
| Present value of minimum lease payments | 165 465 | 165 465 | 167 502 | 167 502 |

The PPP arrangement has been detailed above. The weighted average interest rate implicit in the leases is 11.26%.

| | 2019 | 2018 | 2019 | 2018 |
|---|------------------------|------------------------|----------------------|----------------------|
| | Consolidated \$'000 | Consolidated \$'000 | Department \$'000 | Department \$'000 |
| Included in the financial statements as: | | | | |
| Current borrowings (note 7.2) | 2 277 | 2 037 | 2 277 | 2 037 |
| Non-current borrowings (note 7.2) | 163 188 | 165 465 | 163 188 | 165 465 |
| Total included in borrowings | 165 465 | 167 502 | 165 465 | 167 502 |

Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities in the financial statements are payable as follows:

| | 2019 | 2018 | 2019 | 2018 |
|----------------------------------|------------------------|------------------------|----------------------|----------------------|
| | Consolidated \$'000 | Consolidated \$'000 | Department \$'000 | Department \$'000 |
| Within one year | 10 711 | 172 921 | 10 711 | 172 921 |
| Total capital commitments | 10 711 | 172 921 | 10 711 | 172 921 |

The department's capital commitments are for commitments under the investing program.

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10.1. Unrecognised contractual commitments (continued)

Operating lease commitments for vehicles

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

| | 2019 | 2018 | 2019 | 2018 |
|---|---------------------|---------------------|-------------------|-------------------|
| | Consolidated | Consolidated | Department | Department |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Within one year | 2 795 | 3 311 | 2 088 | 3 311 |
| Later than one year but not later than five years | 2 187 | 2 746 | 1 678 | 2 746 |
| Total operating lease commitments for vehicles | 4 982 | 6 057 | 3 766 | 6 057 |

The department has non-cancellable operating lease commitments for the provision of vehicles to senior executive officers, or pool vehicles to sections, with the South Australian Government Financing Authority (SAFA) through their agent LeasePlan Australia Ltd. There are no purchase options available to the department.

Operating lease commitments for facilities

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

| | 2019 | 2018 | 2019 | 2018 |
|---|---------------------|---------------------|-------------------|-------------------|
| | Consolidated | Consolidated | Department | Department |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Within one year | 8 026 | 9 505 | 7 991 | 9 505 |
| Later than one year but not later than five years | 21 912 | 27 534 | 21 746 | 27 534 |
| Later than five years | 3 815 | 431 | 3 532 | 431 |
| Total operating lease commitments for facilities | 33 753 | 37 470 | 33 269 | 37 470 |

The department has entered into a number of operating leases for the provision of office accommodation and facilities used for the provision of educational services. Office accommodation is leased from the Department of Planning, Transport and Infrastructure (DPTI). The department also leases property from TAFE SA and some non-government entities, predominantly for school use. The property leases are for varied terms. Contingent rentals are based upon changes in market rental rates, the CPI or a specified rate of increase in the rental payments. Options exist to renew some of the leases at the end of the lease term. Some leases have no option to renew.

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10.2. Contingent assets and liabilities

Contingent assets and liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of this note.

The Australian Education Union lodged an application before the South Australian Employment Tribunal in relation to an interpretation of the “Country Incentives Zone Allowance” provided under the South Australian School and Preschool Education Staff Enterprise Agreement 2016. The application sought to broaden the eligibility of the allowance. A decision in favour of the Australian Education Union’s proposed interpretation was handed down by the Tribunal on 2 April 2019. The department is currently undertaking work to determine which employees have not received the Allowance under the South Australian Employment Tribunal’s interpretation of the clause. A sufficiently reliable estimate of the potential liability cannot be quantified at this time.

An application is currently before the South Australian Employment Tribunal in relation to an interpretation of the “Teachers of Special Classes Allowance” provided under the Teachers (DECS) Award. The application by the Australian Education Union is seeking to broaden the eligibility of the allowance. A sufficiently reliable estimate of the potential liability cannot be quantified at this time.

The department has undertaken a review of long service leave records and supporting documents and identified that a revision in the long service leave provision may be required for certain employee categories. The department is not able to reliably estimate the potential amount of the change to the overall provision at the reporting date.

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10.3. Impact of standards and statements not yet effective

The department 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.

AASB 15 has been assessed and deemed immaterial for the department and schools in total, however some individual schools will be impacted and this will be reported on their financial statements.

The material impacts on the department are outlined below.

AASB 16 – Leases

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

Objective

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

Impact on 2019-20 financial statements

The department 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 a material impact on the Statement of Financial Position. The department has estimated the impact of this change and the results as at 1 July 2019. The amounts disclosed are current estimates only. The department is continuing to refine its calculations of lease assets and liabilities for 2019-20 financial reporting purposes and there is the potential that these figures will change. This includes accounting for non-lease components and clarifying lease terms and treatment of contractual rent increases.

The estimated impact is based on applying AASB 16's transition approach to those leases identified as leases by the department 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.

Department for Education
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10.3. Impact of standards and statements not yet effective (continued)

The estimated impact is set out below.

| | as at 1 July 2019 \$'000 |
|-----------------------------|---|
| | <hr/> |
| <u>Assets</u> | |
| Right-of-use assets | 37 557 |
| <u>Liabilities</u> | |
| Lease liabilities | 37 396 |
| Net impact on equity | <hr/> 161 <hr/> |

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 |
|---|------------------------|
| | <hr/> |
| Depreciation and amortisation | 10 825 |
| Supplies and services | (10 870) |
| Borrowing costs | 540 |
| Net impact on net cost of providing services | <hr/> 495 <hr/> |

Related accounting policies

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

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10.3. Impact of standards and statements not yet effective (continued)

- apply the short-term leases recognition exemption for all classes of underlying asset. There is an exception for motor vehicles, where Treasurer's approval has been granted not to apply this exemption to leases with a term remaining of less than 12 months.
- 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 department 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

As published in the SA Government Gazette on 23 May 2019, the functions of the departmental business units listed below, will transfer to the Department of Human Services (DHS) from 1 July 2019:

- Child and Family Assessment and Referral Networks
- Child Wellbeing Program
- Family Practitioners
- Community Development Coordinators
- Strong Start
- Positive Parenting Programs
- Targeted Intervention Service
- Family By Family
- Grant to Playgroups SA
- Child Safe Environments
- Strategic Projects/Nyland Royal Commission Unit
- Multi-Agency Protection Service and Multi-Agency Assessment Unit

As published in the SA Government Gazette on 27 June 2019, the employees of the departmental business units listed above, will transfer to the Department of Human Services (DHS) from 1 July 2019.

It is expected that employee benefit liabilities and associated cash will be transferred to DHS.

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11. Measurement and risk

11.1. Long service leave and other employee benefit liabilities – measurement

The estimated liability for long service leave is based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over the education sector across government. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with durations that match, as closely as possible, the estimated future cash outflows.

AASB 119 *Employee Benefits* contains the calculation methodology for long service leave liability. The actuarial assessment performed by the Department for Treasury and Finance (DTF) has provided the basis for the measurement of long service leave.

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 decreased to 1.25% (2018: 2.5%).

The net financial effect of the changes to actuarial assumptions in the current financial year is an increase in the long service leave liability of \$39.6 million. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of demographical and financial assumptions – including the long-term discount rate.

The actuarial assessment performed by DTF left the salary inflation rate at 4% for long service leave liability but decreased it to 2.2% (2018: 3%) for annual leave and skills and experience retention leave liability.

The split for long service leave between current and non-current is based on the departments best estimate of the amount to be paid in the coming year.

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 measurement date.

Initial recognition

Non-current assets are initially recorded at cost or at the value of any liabilities assumed, plus any incidental costs involved with the acquisition. Non-current assets are subsequently measured at fair value after allowing for accumulated depreciation.

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

All non-current tangible assets with a value equal to or in excess of \$5 000 are capitalised.

Componentisation of complex assets is only performed when the complex asset's fair value at the time of acquisition is equal to or in excess of \$5 million for infrastructure assets and \$1 million for other assets.

Revaluation of non-current assets

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

The department revalues its buildings and improvements, leasehold improvements and buildings under finance lease at least every three years. However if at any time, management considers 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. Land is revalued annually if the revaluation is considered to be material in nature.

Department for Education
Notes to and forming part of the financial statements
for the year ended 30 June 2019

11.2. Fair value (continued)

Non-current tangible assets that are acquired between revaluations are held at cost until the next valuation where they are revalued to fair value.

Upon disposal or derecognition, any revaluation surplus relating to that asset is transferred to retained earnings.

Impairment of non-current assets

For further information refer to note 5.1.

Fair value hierarchy

The department 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 valuation.

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

Level 2: not traded in an active market and are derived from inputs (input 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 department's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

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

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

| Fair value measurements at 30 June 2019 | Department Level 2 | Department Level 3 | Department Total |
|--|-------------------------------|-------------------------------|-----------------------------|
| | \$'000 | \$'000 | \$'000 |
| Recurring fair value measurements | | | |
| Land | 1 567 469 | - | 1 567 469 |
| Buildings and improvements | 640 | 2 956 809 | 2 957 449 |
| Buildings under finance lease | - | 176 939 | 176 939 |
| Leasehold improvements | - | 10 082 | 10 082 |
| Buses and motor vehicles | - | 27 146 | 27 146 |
| Computing, communications, furniture and equipment | - | 1 298 | 1 298 |
| Other assets | - | 154 | 154 |
| Total recurring fair value measurements | 1 568 109 | 3 172 428 | 4 740 537 |
| Non-recurring fair value measurements | | | |
| Land held for sale | 214 | - | 214 |
| Buildings and improvements held for sale | 70 | - | 70 |
| Total non-recurring fair value measurements | 284 | - | 284 |
| Total fair value measurements | 1 568 393 | 3 172 428 | 4 740 821 |

Department for Education
Notes to and forming part of the financial statements
for the year ended 30 June 2019

11.2. Fair value (continued)

Fair value classification – non-financial assets at 30 June 2018

| Fair value measurements at 30 June 2018 | Department Level 2 \$'000 | Department Level 3 \$'000 | Department Total \$'000 |
|--|---------------------------------|---------------------------------|-------------------------------|
| Recurring fair value measurements | | | |
| Land | 1 498 246 | - | 1 498 246 |
| Buildings and improvements | 1 978 | 2 756 201 | 2 758 179 |
| Buildings under finance lease | - | 180 548 | 180 548 |
| Leasehold improvements | - | 6 868 | 6 868 |
| Buses and motor vehicles | - | 28 473 | 28 473 |
| Computing, communications, furniture and equipment | - | 1 068 | 1 068 |
| Other assets | - | 74 | 74 |
| Total recurring fair value measurements | 1 500 224 | 2 973 232 | 4 473 456 |
| Non-recurring fair value measurements | | | |
| Land held for sale | 3 942 | - | 3 942 |
| Buildings and improvements held for sale | 430 | - | 430 |
| Buses held for sale | 558 | - | 558 |
| Total non-recurring fair value measurements | 4 930 | - | 4 930 |
| Total fair value measurements | 1 505 154 | 2 973 232 | 4 478 386 |

Land and buildings

The independent valuation of land was performed by the Valuer-General as at 30 June 2019.

Buildings and improvements are valued at current replacement cost less accumulated depreciation. Current replacement cost information on asset holdings was obtained from the Strategic Asset Management Information System (SAMIS) maintained by the Department of Planning, Transport and Infrastructure (DPTI). Replacement costs have been established by reference to quantity surveyors' estimates and updated through the application of a relevant building index. The valuations for buildings are current as at 30 June 2017, paved areas are current as at 30 June 2017 and swimming pools are current as at 30 June 2018. The building data excludes landscaping, infrastructure, pergolas, playground equipment, fencing and some paving, sheds and outdoor learning areas because they either cannot be reliably measured or no information is recorded in SAMIS.

Buildings under finance lease

The independent valuation of buildings under finance lease was performed as at 30 June 2017 by Fred Taormina, B.App.Sc. (Val), A.A.P.I. Certified Practising Valuer of Valcorp Australia Pty Ltd. The valuer adopted depreciated replacement cost when valuing the buildings due to there not being an active market for purchasing such buildings. The depreciated replacement cost considered the need for ongoing provision of government services; the specialised nature of the assets including the restricted use of the assets; size, condition, location and current use of the asset. The valuation was based on cost data from construction manuals and projects costs of buildings recently erected.

Leasehold improvements

The independent valuation of leasehold improvements was performed by Fred Taormina, B.App.Sc. (Val), A.A.P.I. Certified Practising Valuer of Valcorp Australia Pty Ltd as at 30 June 2017. The valuer adopted depreciated replacement cost when valuing the assets as quoted prices in an active liquid market were not available.

Department for Education
Notes to and forming part of the financial statements
for the year ended 30 June 2019

11.2. Fair value (continued)

Buses and motor vehicles

Buses acquired prior to 30 June 2015 are valued based on an internal estimate of current depreciated replacement cost for each bus category based on recent acquisitions, and residual values as at 30 June 2015. New buses from 1 July 2015 are valued at historical cost.

Computing, Communications, furniture and equipment

All computing, communications, furniture and equipment and other assets which had a fair value at time of acquisition that was less than \$1.5 million have not been revalued in accordance with APS 116.D. The carrying values of these assets are deemed to approximate fair value. These assets are classified in level 3 as there has been no subsequent adjustment to their fair value, except for management assumptions about condition and remaining useful life.

Non-current assets held for sale

The department has measured land and buildings held for sale at fair value less costs to sell in accordance with AASB 5 *Non-current Assets held for Sale and Discontinued Operations* because the assets' fair value less costs to sell is lower than its carrying amount. Refer to note 5.4.

Department for Education
Notes to and forming part of the financial statements
for the year ended 30 June 2019

11.2. Fair value (continued)

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

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

The reconciliation of non-current assets is for the Department entity only. Information is not collected or obtained from schools to allow for the disclosure of consolidated information.

| Department 2018-19 | Buildings and improvements | Buildings under finance lease | Leasehold improvements | Buses and motor vehicles | Computing, communications, furniture and equipment | Other assets |
|--|----------------------------|-------------------------------|------------------------|--------------------------|--|--------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Opening balance at the beginning of the period | 2 756 201 | 180 548 | 6 868 | 28 473 | 1 068 | 74 |
| Additions | 2 321 | - | - | 1 307 | 651 | 10 |
| Disposals | - | - | - | (377) | - | - |
| Assets derecognised | (12 537) | - | - | - | (5) | - |
| Assets reclassified to assets held for sale | (25) | - | - | - | - | - |
| Transfers from WIP | 316 215 | - | - | - | - | - |
| Transfers between asset classes | (4 393) | - | 4 393 | - | - | - |
| Assets recognised for the first time | 2 375 | - | - | - | - | 93 |
| Transfers from third parties | 26 497 | - | - | - | - | - |
| Transfer into level 3 ¹ | - | - | - | 17 | - | - |
| Transfer out of level 3 ² | (86) | - | - | - | - | - |
| Donated assets | 231 | - | - | (17) | - | - |
| Depreciation and amortisation | (125 880) | (3 609) | (1 179) | (2 257) | (416) | (23) |
| Total gains/(losses) recognised in net result | (125 880) | (3 609) | (1 179) | (2 257) | (416) | (23) |
| Gains/(losses) for the period recognised in other comprehensive income (OCI) | | | | | | |
| Impairment to revaluation surplus | (4 110) | - | - | - | - | - |
| Total gains/(losses) recognised in OCI | (4 110) | - | - | - | - | - |
| Closing balance at the end of the period | 2 956 809 | 176 939 | 10 082 | 27 146 | 1 298 | 154 |

¹ In 2019 a bus was transferred from level 2 to level 3 and donated to a school.

² In 2019 certain buildings and improvements that were considered to be impaired were transferred from level 3 (existing use basis) to level 2 (market value basis) due to the assets being revalued to market value via an independent valuation based on observable market data.

Department for Education
Notes to and forming part of the financial statements
for the year ended 30 June 2019

11.2. Fair value (continued)

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

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

The reconciliation of non-current assets is for the Department entity only. Information is not collected or obtained from schools to allow for the disclosure of consolidated information.

| Department 2017-18 | Buildings and improvements | Buildings under finance lease | Leasehold improvements | Buses and motor vehicles | Computing, communications, furniture and equipment | Other assets |
|--|----------------------------|-------------------------------|------------------------|--------------------------|--|--------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Opening balance at the beginning of the period | 2 788 561 | 184 157 | 7 320 | 29 188 | 867 | 20 |
| Additions | 417 | - | - | 1 974 | 407 | 73 |
| Disposals | (490) | - | - | - | - | - |
| Assets derecognised | (1 133) | - | - | - | (12) | (2) |
| Assets reclassified to assets held for sale | (40) | - | - | (474) | - | - |
| Transfers from WIP | 88 124 | - | - | - | - | - |
| Assets recognised for the first time | 179 | - | - | - | 200 | - |
| Transfers from third parties | 131 | - | - | - | - | - |
| Transfer into level 3 ¹ | 1 052 | - | - | - | - | - |
| Transfer out of level 3 ¹ | (251) | - | - | - | - | - |
| Gains/(losses) for the period recognised in net result: | | | | | | |
| Depreciation and amortisation | (120 152) | (3 609) | (452) | (2 215) | (394) | (17) |
| Total gains/(losses) recognised in net result | (120 152) | (3 609) | (452) | (2 215) | (394) | (17) |
| Gains/(losses) for the period recognised in other comprehensive income (OCI) | | | | | | |
| Revaluation increments/(decrements) | 316 | - | - | - | - | - |
| Impairment to revaluation surplus | (513) | - | - | - | - | - |
| Total gains/(losses) recognised in OCI | (197) | - | - | - | - | - |
| Closing balance at the end of the period | 2 756 201 | 180 548 | 6 868 | 28 473 | 1 068 | 74 |

¹ In 2018 certain buildings and improvements that were considered to be impaired were transferred from level 3 (existing use basis) to level 2 (market value basis) due to the assets being revalued to market value via an independent valuation based on observable market data.

Department for Education
Notes to and forming part of the financial statements
for the year ended 30 June 2019

11.3. Financial instruments

Financial risk management

Risk management is managed by the department and departmental 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 department's exposure to financial risk (liquidity risk, credit risk and market risk) is low due to the nature of the financial instruments held.

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

Liquidity risk

The department is funded principally from appropriation by the SA Government. The department works with DTF to determine the cash flows associated with its government approved program of work and to ensure funding is provided through the SA Government budgetary processes to meet the expected cash flows.

Refer to note 7.1 and 7.2 for further information.

Credit risk

The department 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 department.

Impairment of financial assets

Impairment of financial assets is performed using a two step process.

First, an allowance for impairment loss is recognised when there is objective evidence the receivable is impaired. Then the remaining receivables are assessed for loss allowances using the simplified approach in AASB 9.

Loss allowances for receivables are measured at an amount equal to lifetime expected credit loss using the simplified approach in AASB 9. The department 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 department 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 department'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 department 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.

Department for Education
Notes to and forming part of the financial statements
for the year ended 30 June 2019

11.3. Financial instruments (continued)

The following tables relate to the department's assessment of credit risk. This provides information about the exposure to the expected credit loss for non-government debtors. Credit risk has been assessed at the school level, however information is not collected or obtained from schools to allow for the disclosure of consolidated information.

Table 1. General receivables non-government debtors

\$0.192 million was impaired based on objective evidence.

| | Debtor gross carrying amount \$'000 | Loss % | Lifetime expected losses \$'000 |
|----------------------------|---|--------|------------------------------------|
| 2019 | | | |
| Current (not past due) | 178 | 0.35% | 1 |
| 1-30 days past due | 106 | 0.85% | 1 |
| 31-60 days past due | 83 | 2.18% | 2 |
| 61-90 days past due | 124 | 5.05% | 6 |
| More than 90 days past due | 1 092 | 6.81% | 74 |
| Loss allowance | 1 583 | | 84 |

Table 2. International Education debtors.

\$0.061 million was impaired based on objective evidence.

| | Debtor gross carrying amount \$'000 | Loss % | Lifetime expected losses \$'000 |
|----------------------------|---|--------|------------------------------------|
| 2019 | | | |
| Current (not past due) | 488 | 0.07% | 0 |
| 1-30 days past due | 1 023 | 0.16% | 2 |
| 31-60 days past due | 19 | 0.49% | 0 |
| 61-90 days past due | 27 | 0.77% | 0 |
| More than 90 days past due | 294 | 1.48% | 5 |
| Loss allowance | 1 851 | | 7 |

Table 3. Salary overpayments debtors.

\$0.170 million was impaired based on objective evidence.

| | Debtor gross carrying amount \$'000 | Loss % | Lifetime expected losses \$'000 |
|----------------------------|---|--------|------------------------------------|
| 2019 | | | |
| Current (not past due) | 191 | 0.80% | 2 |
| 1-30 days past due | 183 | 2.24% | 4 |
| 31-60 days past due | 121 | 2.79% | 3 |
| 61-90 days past due | 100 | 3.20% | 3 |
| More than 90 days past due | 1 309 | 3.54% | 47 |
| Loss allowance | 1 904 | | 59 |

Department for Education
Notes to and forming part of the financial statements
for the year ended 30 June 2019

11.3. Financial instruments (continued)

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

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

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

The department 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.

In the comparative period, the impairment of receivables was assessed based on the incurred loss model. 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.

Market risk

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

Exposure to interest rate risk may arise through its interest bearing liabilities, including borrowings. There is no exposure to foreign currency or other price risks.

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

Categorisation of financial instruments

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

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

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

- Receivables
- Borrowings measured at amortised cost.

The department does not recognise any financial assets or financial liabilities at fair value, but does disclose fair value in the notes. All of the resulting fair value estimates are included in level 2 as all significant inputs required are observable.

- The carrying value less impairment provisions of receivables and payables is a reasonable approximation of their fair values due to the short-term nature of these (refer notes 6.2 and 7.1).
- Borrowings are initially recognised at fair value, plus any transaction cost directly attributable to the borrowings, then subsequently held at amortised cost. The fair value of borrowings approximates the carrying amount, as the impact of discounting is not significant (refer note 7.2).

Department for Education
Notes to and forming part of the financial statements
for the year ended 30 June 2019

11.3. Financial instruments (continued)

Classification applicable from 1 July 2018 under AASB 9 Financial Instruments

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

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

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

The department measures all financial instruments at amortised cost.

The following tables are for the department entity only. Information is not collected or obtained from schools to allow for the disclosure of consolidated information.

Categorisation of financial assets and liabilities (Department)

| Category of financial asset and financial liability | Notes | 2019 Carrying amount / fair value \$'000 | 2018 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 equivalent | | | | | | |
| Cash and cash equivalent | 6.1 | 430 408 | 458 747 | - | - | - |
| Financial assets at amortised cost | | | | | | |
| Receivables | 6.2 | 21 265 | 25 960 | 18 577 | 2 014 | 674 |
| Total financial assets | | 451 673 | 484 707 | 18 577 | 2 014 | 674 |
| Financial liabilities | | | | | | |
| Financial liabilities held at amortised cost | | | | | | |
| Payables | 7.1 | 67 311 | 108 964 | 55 847 | 11 464 | - |
| Borrowings | 7.2 | 165 465 | 167 502 | 2 277 | 12 163 | 151 025 |
| Other liabilities | 7.4 | 37 554 | 37 371 | 17 376 | 5 297 | 14 881 |
| Total financial liabilities | | 270 330 | 313 837 | 75 500 | 28 924 | 165 906 |

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.

Department for Education

Administered Financial Statements

For the year ended 30 June 2019

Department for Education
Statement of Administered Comprehensive Income
for the year ended 30 June 2019

| | Note | 2019 \$'000 | 2018 \$'000 |
|---|------|------------------|------------------|
| Administered expenses | | | |
| Employee benefits expense | A2.2 | 4 073 | 3 341 |
| Supplies and services | A3.1 | 1 246 | 706 |
| Transfer payments | A3.2 | 1 276 677 | 1 149 920 |
| Depreciation | A3.3 | 53 | 3 |
| Other expenses | A3.4 | - | 1 |
| Total administered expenses | | 1 282 049 | 1 153 971 |
| Administered income | | | |
| Commonwealth grants | A4.2 | 977 794 | 893 410 |
| Resources received free of charge | A4.3 | 5 | - |
| Other revenues | A4.4 | 766 | 994 |
| Total administered income | | 978 565 | 894 404 |
| Net cost of providing services | | 303 484 | 259 567 |
| Revenues from SA Government | | | |
| Revenues from SA Government | A4.1 | 305 731 | 260 785 |
| Total revenues from SA Government | | 305 731 | 260 785 |
| Net result | | 2 247 | 1 218 |
| Other comprehensive income | | | |
| <i>Items that will not be reclassified to net result:</i> | | | |
| Changes in revaluation surplus | | 2 165 | - |
| Total other comprehensive income | | 2 165 | - |
| Total comprehensive result | | 4 412 | 1 218 |

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

Department for Education
Statement of Administered Financial Position
for the year ended 30 June 2019

| | Note | 2019 \$'000 | 2018 \$'000 |
|---|------|----------------|----------------|
| Administered current assets | | | |
| Cash and cash equivalents | A6.1 | 37 828 | 36 605 |
| Receivables | A6.2 | 388 | 465 |
| Total current assets | | 38 216 | 37 070 |
| Administered non-current assets | | | |
| Property, plant and equipment | A5.1 | 14 451 | 363 |
| Total non-current assets | | 14 451 | 363 |
| Total assets | | 52 667 | 37 433 |
| Administered current liabilities | | | |
| Payables | A7.1 | 344 | 1 130 |
| Employee benefits | A2.3 | 337 | 271 |
| Total current liabilities | | 681 | 1 401 |
| Administered non-current liabilities | | | |
| Payables | A7.1 | 45 | 54 |
| Employee benefits | A2.3 | 397 | 352 |
| Total non-current liabilities | | 442 | 406 |
| Total liabilities | | 1 123 | 1 807 |
| Net assets | | 51 544 | 35 626 |
| Administered equity | | | |
| Accumulated surplus | | 49 379 | 35 626 |
| Revaluation surplus | | 2 165 | - |
| Total equity | | 51 544 | 35 626 |

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

Department for Education
Statement of Administered Changes in Equity
for the year ended 30 June 2019

| | Revaluation Surplus | Retained earnings | Total equity |
|--|--------------------------------|------------------------------|---------------------|
| | \$'000 | \$'000 | \$'000 |
| Balance at 30 June 2017 | - | 34 408 | 34 408 |
| Net result for 2017-18 | - | 1 218 | 1 218 |
| Total comprehensive result for 2017-18 | - | 1 218 | 1 218 |
| Balance at 30 June 2018 | - | 35 626 | 35 626 |
| Net result for 2018-19 | - | 2 247 | 2 247 |
| Changes on revaluation of property during 2018-19 | 2 165 | - | 2 165 |
| Total comprehensive result for 2018-19 | 2 165 | 2 247 | 4 412 |
| Net assets transferred in as result of restructure | - | 11 506 | 11 506 |
| Balance at 30 June 2019 | 2 165 | 49 379 | 51 544 |

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

Department for Education
Statement of Administered Cash Flows
for the year ended 30 June 2019

| | | 2019 | 2018 |
|---|------|--------------------|--------------------|
| | | (Outflows) | (Outflows) |
| | | Inflows | Inflows |
| | Note | \$'000 | \$'000 |
| Cash flows from operating activities | | | |
| Cash outflows | | | |
| Employee benefits payments | | (3 973) | (3 090) |
| Supplies and services | | (1 631) | (696) |
| Transfer payments | | (1 303 330) | (1 171 458) |
| Cash used in operations | | (1 308 934) | (1 175 244) |
| Cash inflows | | | |
| GST recovered from the ATO | | 26 688 | 21 301 |
| Receipts from Commonwealth | | 977 794 | 893 410 |
| Other receipts | | 766 | 994 |
| Cash generated from operations | | 1 005 248 | 915 705 |
| Cash flows from SA Government | | | |
| Receipts from SA Government | | 305 731 | 260 785 |
| Cash generated from SA Government | | 305 731 | 260 785 |
| Net cash provided by / (used in) operating activities | A8.1 | 2 045 | 1 246 |
| Cash flows from investing activities | | | |
| Cash outflows | | | |
| Purchase of property, plant and equipment | | (822) | (14) |
| Cash used in investing activities | | (822) | (14) |
| Net cash provided by / (used in) investing activities | | (822) | (14) |
| Net increase / (decrease) in cash and cash equivalents | | 1 223 | 1 232 |
| Cash and cash equivalents at the beginning of the reporting period | | 36 605 | 35 373 |
| Cash and cash equivalents at the end of the reporting period | A6.1 | 37 828 | 36 605 |

The accompanying notes form part of these financial statements.

Department for Education
Schedule of Expenses and Income attributable to Administered Activities
as at 30 June 2019

| Activities - refer note A1.2 | Minister's salaries | | Minister's payments | | Advocacy bodies | | Family Day Care | | Total | |
|--|---------------------|--------------|---------------------|------------------|-----------------|----------------|-----------------|---------------|------------------|------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Administered expenses | | | | | | | | | | |
| Employee benefits expense | 359 | 381 | 20 | - | 3 694 | 2 960 | - | - | 4 073 | 3 341 |
| Supplies and services | - | - | 24 | 38 | 1 216 | 668 | 6 | - | 1 246 | 706 |
| Transfer payments | - | - | 1 257 484 | 1 131 006 | 113 | 177 | 19 080 | 18 737 | 1 276 677 | 1 149 920 |
| Depreciation | - | - | 16 | - | 37 | 3 | - | - | 53 | 3 |
| Other expenses | - | - | - | - | - | 1 | - | - | - | 1 |
| Total administered expenses | 359 | 381 | 1 257 544 | 1 131 044 | 5 060 | 3 809 | 19 086 | 18 737 | 1 282 049 | 1 153 971 |
| Administered income | | | | | | | | | | |
| Commonwealth grants | - | - | 958 700 | 874 675 | - | - | 19 094 | 18 735 | 977 794 | 893 410 |
| Resources received free of charge | - | - | - | - | 5 | - | - | - | 5 | - |
| Other revenues | - | - | 371 | 228 | 386 | 764 | 9 | 2 | 766 | 994 |
| Total administered income | - | - | 959 071 | 874 903 | 391 | 764 | 19 103 | 18 737 | 978 565 | 894 404 |
| Net cost of providing services | (359) | (381) | (298 473) | (256 141) | (4 669) | (3 045) | 17 | - | (303 484) | (259 567) |
| Revenues from SA Government | | | | | | | | | | |
| Revenues from SA Government | 359 | 381 | 299 792 | 255 882 | 5 580 | 4 522 | - | - | 305 731 | 260 785 |
| Total net revenues from SA Government | 359 | 381 | 299 792 | 255 882 | 5 580 | 4 522 | - | - | 305 731 | 260 785 |
| Net result | - | - | 1 319 | (259) | 911 | 1 477 | 17 | - | 2 247 | 1 218 |

Department for Education
Schedule of Assets and Liabilities attributable to Administered Activities
as at 30 June 2019

| Activities - refer note A1.2 | Minister's salaries | | Minister's payments | | Advocacy bodies | | Family Day Care | | Total | |
|---------------------------------|---------------------|--------|---------------------|---------------|-----------------|--------------|-----------------|-----------|---------------|---------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Administered assets | | | | | | | | | | |
| Cash and cash equivalents | - | - | 34 526 | 36 090 | 3 285 | 501 | 17 | 14 | 37 828 | 36 605 |
| Receivables | - | - | 315 | 460 | 73 | 5 | - | - | 388 | 465 |
| Property, plant and equipment | - | - | 13 655 | - | 796 | 363 | - | - | 14 451 | 363 |
| Total assets | - | - | 48 496 | 36 550 | 4 154 | 869 | 17 | 14 | 52 667 | 37 433 |
| | | | | | | | | | | |
| Administered liabilities | | | | | | | | | | |
| Payables | - | - | 227 | 554 | 162 | 616 | - | 14 | 389 | 1 184 |
| Employee benefits | - | - | - | - | 734 | 623 | - | - | 734 | 623 |
| Total liabilities | - | - | 227 | 554 | 896 | 1 239 | - | 14 | 1 123 | 1 807 |
| | | | | | | | | | | |
| Net assets | - | - | 48 269 | 35 996 | 3 258 | (370) | 17 | - | 51 544 | 35 626 |

Department for Education
Notes to and forming part of the administered financial statements
for the year ended 30 June 2019

NOTES TO THE FINANCIAL STATEMENTS

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Department for Education
Notes to and forming part of the administered financial statements
for the year ended 30 June 2019

A1. About the Administered items for the Department for Education

The Department for Education is responsible for the administration of specific funds or bodies on behalf of the Minister for Education. The department does not have control over how these funds are to be spent and operates in the capacity as an agent responsible for the administration of the transfer process to third parties. The Administered Financial Statements include the income, expenses, assets and liabilities of these funds.

A1.1. Basis of preparation

The basis of preparation for the administered financial statements is the same as the basis outlined in the department's note 1.1. The department applies the same accounting policies to the administered financial statements as set out in the notes to the department's financial statements.

A1.2. Administered activities

The main administered funds are:

Ministers salaries

The Minister's salary and allowances are funded by specific legislation and the department has no control over this part of the annual appropriation.

Ministers payments

Funds are appropriated to the Minister for Education and are disbursed at the discretion of the Minister. The principal payments are:

- the State Government contribution to the operation of the SACE Board of South Australia
- the State and Commonwealth Government contributions to the operation of the Education and Early Childhood Services Registration and Standards Board of South Australia
- payments to the Department of Planning, Transport and Infrastructure for the purposes of student travel
- payments to Ministerial committees
- the State Government contribution to the operation of non-government schools, some non-government preschools, organisations and services to students with disabilities
- the Commonwealth Government contribution to the operation of non-government schools, organisations and services to students with disabilities
- the State Government contribution to the operation of the History Trust of South Australia, Australian Children's Performing Arts Company (Windmill Theatre Co), and Carclew Youth Arts

Advocacy bodies

Operations of the following advocacy bodies are administered by the department:

- Commissioner for Children and Young People
- Guardian for Children and Young People
- Commissioner for Aboriginal Children and Young People

Family Day Care

The following Commonwealth subsidy is administered by the Department for Education:

- Receipts and payments for Commonwealth child care subsidies relating to family day care.

Department for Education
Notes to and forming part of the administered financial statements
for the year ended 30 June 2019

A1.3. Changes to the Administered items for the Department for Education

Effective from 1 September 2018:

- Under the *Administrative Arrangements (Administration of the History of South Australia Act) Proclamation 2018* the Minister for Education was assigned responsibility for administering the History Trust of South Australia;
- Under the *Administrative Arrangements (References to Minister for the Arts) Proclamation 2018*, reference to the "Minister" or "Minister for the Arts" in the Public Corporations (Australian Children's Performing Arts Company) Regulations 2016 (other than the first occurring reference to the "Minister" in regulation 5(1)) had the effect as if it were a reference to the Minister for Education; and
- Under the *Administrative Arrangements (Conferral of Ministerial Functions and Powers) Proclamation 2018*, ministerial functions and powers under the Constitution and Rules of Carclew Youth Arts Incorporated were conferred on the Minister for Education.

Each organisation continues to work independently from their current locations, however they now report through to and receive support from the department's Strategic Policy and External Relations division.

Assets currently leased to the National Railway Museum and assets used by Carclew Youth Arts were transferred to the Minister for Education. The effective date of the transfer of assets was 1 June 2019.

Transferred in

On transfer of the Arts SA bodies, the Department for Education

recognised the following assets:

| | <u>\$'000</u> |
|-------------------------------------|---------------|
| Property, plant and equipment | 11 506 |
| Total assets | <u>11 506</u> |
| Total net assets transferred | <u>11 506</u> |

Department for Education
Notes to and forming part of the administered financial statements
for the year ended 30 June 2019

A1.4. Budget performance

The budget performance table compares the department's administered items 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 | | | |
| Expenses | | | |
| Employee benefits expense | 4 070 | 4 073 | 3 |
| Supplies and services | 1 972 | 1,246 | (726) |
| Transfer payments | 1 212 713 | 1 276 677 | 63 964 |
| Depreciation | 1 | 53 | 52 |
| Total expenses | 1 218 756 | 1 282 049 | 63 293 |
| Income | | | |
| Commonwealth grants | 916 344 | 977 794 | 61 450 |
| Resources received free of charge | - | 5 | 5 |
| Other revenues | 358 | 766 | 408 |
| Total income | 916 702 | 978 565 | 61 863 |
| Net cost of providing services | 302 054 | 303 484 | 1 430 |
| Revenues from SA Government | | | |
| Revenues from SA Government | 301 365 | 305 731 | 4 366 |
| Total revenues from SA Government | 301 365 | 305 731 | 4 366 |
| Net result | (689) | 2 247 | 2 936 |
| Other comprehensive income | | | |
| Changes in revaluation surplus | 1 - | 2 165 | 2 165 |
| Total other comprehensive income | | 2 165 | 2 165 |
| Total comprehensive result | (689) | 4 412 | 5 101 |

No variance exceeds the greater of 10% of the original budgeted amount and 5% of original budgeted total expenses.

- The change in the revaluation surplus relates to land assets which were transferred into the department from Arts SA at 1 June 2019, and then subsequently revalued with the department's land revaluation as at 30 June 2019.

A1.5. Significant transactions with government related entities

The department's administered items had no significant transactions with government related entities except for the appropriation funding received from Department of Treasury and Finance (note A4.1) and incurred expenditure with the SACE Board of SA of \$18 million (2018: \$19 million), the Education and Early Childhood Services Registration and Standards Board of SA of \$4 million (2018: \$5 million), and the Department of Planning, Transport and Infrastructure (DPTI) of \$14 million (2018: \$13 million) (note A3.2).

Department for Education
Notes to and forming part of the administered financial statements
for the year ended 30 June 2019

A2. Board, committees and employees

A2.1. Remuneration of board and committee members

Members of the boards and committees during the 2018-19 financial year were:

Ministerial Advisory Committee: Children and Students with Disability

Ms Susan Bailey (resigned 31 December 2018)
Dr Kerry Bissaker
Ms Mary Carmody
Ms Alice Duffield
Ms Jacqui Jones ²
Ms Cathy Leane ¹
Ms Deidre Le Maistre ¹ (resigned 31 December 2018)
Ms Gael Little ¹ (resigned 31 December 2018)
Mr Ian May ¹ (appointed 13 February 2019)
Ms Deborah McInnes ¹
Ms Jocelyn Neumuller
Mr Byron Stuu (appointed 13 February 2019)
Ms Margaret Wallace

Multicultural Education and Languages Committee

Mr Darryl Buchanan (appointed 14 February 2019)
Ms Antonietta Cocchiari (appointed 14 February 2019)
Ms Deb Dalwood
Ms Jessica Dubois ¹
Ms Meridie Howley (appointed 14 February 2019)
Ms Michelle Kohler
Ms Olga Kostic
Ms Anna Mirasgentis
Ms Shamsiya Mohammadi
Ms Binh Nguyen ¹ (resigned 31 December 2018)
Mr Hiep Nguyen (resigned 31 December 2018)
Mr Rajendra Pandey (resigned 31 December 2018)
Ms Panayoula Parha ¹
Associate Professor Angela Scarino
Mr Mohammad Shabibi
Ms Tamara Stewart-Jones (appointed 14 February 2019)
Ms Lia Tedesco ¹
Mr Adireddy Yara (appointed 14 February 2019)
Professor John West-Sooby

Child Development Council

Dr Sally Brinkman
Ms Helen Connolly ¹
Dr Anne Glover
Ms Ann-Marie Hayes ¹
Mr Daniel Hyndman (resigned 30 April 2019)
Mr Anthony Minniecon ¹
Dr Barbara Spears
Ms Vivienne St John Robb ²
Ms Kelly Ryan (appointed 21 July 2018)
Ms Joanne Wickes
Dr Neil Wigg
Ms Annette Williams ¹

Child Death and Serious Injury Review Committee

Mr Michael Ahern ²
Ms Melissa Bradley (appointed 1 July 2018)
Ms Angela Davis
Ms Meredith Dickson (appointed 9 July 2018)
Mr David Everett (appointed 8 October 2018)
Dr Mark Fuller ²
Ms Dianne Gursansky
Ms Ann-Marie Hayes ¹
Dr Deepa Jeyaseelan ²
Dr Margaret Kyrkou ²
Mr Philip Robinson ¹
Ms Kerrie Sellen (resigned 6 October 2018)
Ms Barbara Tiffin ¹
Mr William Thompson (appointed 1 July 2018)

Department for Education
Notes to and forming part of the administered financial statements
for the year ended 30 June 2019

A2.1. Remuneration of board and committee members (continued)

- ¹ Government employee who did not receive any remuneration for board/committee duties during the financial year in accordance with DPC Circular 16.
- ² Part-time government employee who gained approval to receive remuneration for board/committee duties during the financial year.

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

| | 2019 | 2018 |
|--------------------------------|------------------|------------------|
| | Number of | Number of |
| | Members | Members |
| \$0 | 26 | 37 |
| \$1 - \$19 999 | 32 | 33 |
| Total number of members | 58 | 70 |

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, out of hours fees, retention fees, superannuation contributions, FBT and any other salary sacrifice arrangements. The total remuneration received or receivable by members was \$63 000 (2018: \$70 000).

Department for Education
Notes to and forming part of the administered financial statements
for the year ended 30 June 2019

A2.2. Employee benefits expenses

| | 2019 | 2018 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Salaries and wages | 3 175 | 2 595 |
| Employment on-costs - superannuation | 272 | 264 |
| Annual leave | 258 | 175 |
| Employment on-costs - payroll tax | 164 | 149 |
| Long service leave | 125 | 75 |
| Board and committee fees | 60 | 68 |
| Skills and experience retention leave | 2 | 8 |
| Workers' compensation | 1 | 2 |
| Other employee related expenses | 16 | 5 |
| Total employee benefits expenses | 4 073 | 3 341 |

Employment on-costs - superannuation

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

Number of employees as at the reporting date

As at 30 June 2019, 36 (2018: 30) full time equivalents were employed to manage the department's administered items. Refer to note A1 for further information.

Executive remuneration

| | 2019 | 2019 | 2018 | 2018 |
|---|--------------------------------|------------------|--------------------------------|------------------|
| | Number of | Number of | Number of | Number of |
| | Executives ¹ | Employees | Executives ¹ | Employees |
| The number of employees whose remuneration received or receivable falls within the following bands: | | | | |
| \$191 001 to \$211 000 | - | - | 1 | 1 |
| \$211 001 to \$231 000 | 1 | 1 | - | - |
| \$231 001 to \$251 000 | 1 | 1 | - | - |
| \$291 001 to \$311 000 | 1 | 1 | 1 | 1 |
| Total number of executives / employees | 3 | 3 | 2 | 2 |

¹ The number of executive officers disclosed in the above table includes employees appointed on a South Australian Executive Service (SAES) contract as at 30 June 2019 and 30 June 2018 respectively and who have earned the base remuneration during the year. The numbers of executive officers separately disclosed are also included in the number of employee totals for 2019 and 2018.

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, fringe benefits and any FBT paid or payable in respect of these benefits. Remuneration received or due and receivable by the above employees was \$0.8 million (2018: \$0.5) which is included in employee benefits expenses.

Targeted voluntary separation packages

No employees were paid TVSPs during the reporting period.

Department for Education
Notes to and forming part of the administered financial statements
for the year ended 30 June 2019

A2.3. Employee benefits liabilities

| | 2019 | 2018 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Current | | |
| Annual leave | 241 | 224 |
| Long service leave | 58 | 28 |
| Accrued salaries and wages | 33 | 11 |
| Skills and experience retention leave | 5 | 8 |
| Total current employee benefits | 337 | 271 |
| Non-current | | |
| Long service leave | 397 | 352 |
| Total non-current employee benefits | 397 | 352 |
| Total employee benefits | 734 | 623 |

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.

For further information refer to notes 2.4 and 11.1.

A3. Expenses

A3.1. Supplies and services

| | 2019 | 2018 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Rental and operating leases | 231 | 35 |
| Contractors and other outsourced services | 194 | 173 |
| Printing, postage and consumables | 119 | 55 |
| Program development | 118 | - |
| Minor equipment and maintenance | 89 | 52 |
| Vehicle and travelling expenses | 85 | 59 |
| Sponsorship | 83 | 100 |
| Advertising, publicity and promotion expenses | 82 | 71 |
| Information and communications technology expenses | 54 | 36 |
| Shared Services SA charges | 31 | - |
| Catering | 25 | 10 |
| Training and development | 23 | 25 |
| Conference expenses | 21 | 8 |
| Cleaning | 16 | 1 |
| Management fees and charges | 11 | - |
| Office removal expenses | 6 | 34 |
| Other supplies and services | 58 | 47 |
| Total supplies and services | 1 246 | 706 |

The total supplies and services amount disclosed includes GST amounts not recoverable from the ATO due to the department not holding a valid tax invoice or payments relating to third party arrangements.

Department for Education
Notes to and forming part of the administered financial statements
for the year ended 30 June 2019

A3.1. Supplies and services (continued)

Rental and operating leases

Operating lease payments (less any lease incentives) are recognised on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern of benefits derived from the use of the leased assets.

Consultants

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

| Consultancy fees | 2019 | 2019 | 2018 | 2018 |
|--|---------------|---------------|---------------|---------------|
| | Number | \$'000 | Number | \$'000 |
| Below \$10 000 | - | - | 1 | 2 |
| Above \$10 000 | - | - | 1 | 11 |
| Total paid / payable to consultants engaged | - | - | 2 | 13 |

A3.2. Transfer payments

| | 2019 | 2018 |
|---|------------------|------------------|
| | \$'000 | \$'000 |
| Non-government schools | 1 205 247 | 1 075 226 |
| Family Day Care | 19 081 | 18 737 |
| SACE Board of South Australia | 18 471 | 18 800 |
| Transport concessions | 14 201 | 13 305 |
| Education and Early Childhood Services Registration and Standards Board of SA | 3 753 | 5 267 |
| Arts SA entities | 468 | - |
| Government schools | 72 | 66 |
| Government pre-schools | - | 10 |
| Other organisations | 13 904 | 14 332 |
| Other SA government entity | 1 480 | 4 177 |
| Total transfer payments | 1 276 677 | 1 149 920 |

A3.3. Depreciation

| | 2019 | 2018 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Leasehold improvements | 35 | - |
| Buildings and improvements | 12 | - |
| Computing, furniture and equipment | 3 | 3 |
| Other assets | 3 | - |
| Total depreciation and amortisation expense | 53 | 3 |

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

Land is not depreciated.

Leasehold improvements are capitalised as an asset and depreciated over the remaining term of the lease or estimated useful life of the improvement, whichever is shorter.

Department for Education
Notes to and forming part of the administered financial statements
for the year ended 30 June 2019

A3.3. Depreciation (continued)

Review of accounting estimates

Assets' residual values, useful lives and depreciation/amortisation methods are reviewed and adjusted if appropriate on an annual basis. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or method, as appropriate.

Useful Life

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

| Class of asset | Useful life (years) |
|------------------------------------|----------------------------|
| Buildings and improvements | 10-170 |
| Computing, furniture and equipment | 5-20 |
| Leasehold improvements | Life of lease |
| Other assets | 5-10 |

A3.4. Other expenses

| | 2019 | 2018 |
|--------------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Non-current assets written off | - | 1 |
| Total other expenses | - | 1 |

A4. Income

A4.1. Net revenues from SA Government

| | 2019 | 2018 |
|---|----------------|----------------|
| | \$'000 | \$'000 |
| Revenues from SA Government | | |
| Appropriations from Consolidated Account pursuant to the <i>Appropriation Act</i> | 301 007 | 254 385 |
| Appropriations from Governor's Appropriation Fund | 4 100 | 6 028 |
| Appropriations under other Acts | 359 | 354 |
| Transfers from contingencies | 265 | 18 |
| Total revenues from SA Government | 305 731 | 260 785 |

Appropriations are recognised on receipt.

Department for Education
Notes to and forming part of the administered financial statements
for the year ended 30 June 2019

A4.2. Commonwealth grants

| | 2019 | 2018 |
|--|----------------|----------------|
| | \$'000 | \$'000 |
| National Education Reform Agenda/ Quality school funding | 957 055 | 871 472 |
| Family Day Care Scheme | 19 094 | 18 735 |
| National School Chaplaincy Program | 1 645 | 1 622 |
| National Quality Agenda for Early Childhood Education and Care | - | 1 581 |
| Total Commonwealth grants | 977 794 | 893 410 |

Contributions are recognised as an asset and income when the department obtains control of the contributions or obtains the right to receive the contributions and the income recognition criteria are met (that is, the amount can be reliably measured and the flow of resources is probable).

A4.3. Resources received free of charge

| | 2019 | 2018 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Services received free of charge - Shared Services SA | 5 | - |
| Total resources received free of charge | 5 | - |

A4.4. Other revenues

| | 2019 | 2018 |
|------------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Grants and subsidies revenue | 691 | 969 |
| Recoveries | 75 | 25 |
| Total other revenues | 766 | 994 |

Department for Education
Notes to and forming part of the administered financial statements
for the year ended 30 June 2019

A5. Non-financial assets

A5.1. Property, plant and equipment

| | 2019 | 2018 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Land | | |
| Land at cost | 10 105 | - |
| Total Land | 10 105 | - |
| | | |
| Buildings and improvements | | |
| Buildings and improvements at cost | 12 712 | - |
| Accumulated depreciation | (9 222) | - |
| Total Buildings | 3 490 | - |
| | | |
| Leasehold improvements | | |
| Leasehold improvements | 822 | 352 |
| Accumulated depreciation | (35) | - |
| Total leasehold improvements | 787 | 352 |
| | | |
| Computing, furniture and equipment | | |
| Computing, furniture and equipment at cost | 46 | 14 |
| Accumulated depreciation | (10) | (3) |
| Total computing, furniture and equipment | 36 | 11 |
| | | |
| Other assets | | |
| Other assets at cost | 2 132 | - |
| Accumulated depreciation | (2 099) | - |
| Total other assets | 33 | - |
| | | |
| Total property, plant and equipment | 14 451 | 363 |

Property, plant and equipment with a value equal to or in excess of \$5 000 is capitalised, otherwise it is expensed.

Property, plant and equipment is recorded at fair value. Detail about the department's approach to fair value is set out in Note 11.2.

Department for Education
Notes to and forming part of the administered financial statements
for the year ended 30 June 2019

A5.1. Property, plant and equipment (continued)

Reconciliation

| 2018-19 | Land | Buildings and Improvements | Leasehold improvements | Computing, furniture and equipment | Other assets | Total |
|--|---------------|-----------------------------------|-------------------------------|---|---------------------|---------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Carrying amount at 1 July 2018 | - | - | 352 | 11 | - | 363 |
| Additions | - | - | 470 | - | - | 470 |
| Revaluation increment/(decrement) | 2 165 | - | - | - | - | 2 165 |
| Transfers (to)/from Restructures | 7 940 | 3 502 | - | 28 | 36 | 11 506 |
| Depreciation | - | (12) | (35) | (3) | (3) | (53) |
| Carrying amount at 30 June 2019 | 10 105 | 3 490 | 787 | 36 | 33 | 14 451 |

| 2017-18 | Land | Buildings and Improvements | Leasehold improvements | Computing, furniture and equipment | Other assets | Total |
|--|---------------|-----------------------------------|-------------------------------|---|---------------------|---------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Carrying amount at 1 July 2017 | - | - | - | 1 | - | 1 |
| Non-current assets written off | - | - | - | (1) | - | (1) |
| Additions | - | - | 352 | 14 | - | 366 |
| Depreciation | - | - | - | (3) | - | (3) |
| Carrying amount at 30 June 2018 | - | - | 352 | 11 | - | 363 |

A6. Financial assets

A6.1. Cash and cash equivalents

| | 2019 | 2018 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Deposits with the Treasurer - at call | 37 828 | 36 605 |
| Total cash and cash equivalents | 37 828 | 36 605 |

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

Department for Education
Notes to and forming part of the administered financial statements
for the year ended 30 June 2019

A6.2. Receivables

| | 2019 | 2018 |
|----------------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Current | | |
| GST recoverable from ATO | 388 | 465 |
| Total current receivables | 388 | 465 |
| | | |
| Total receivables | 388 | 465 |

A7. Liabilities

A7.1. Payables

| | 2019 | 2018 |
|-----------------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Current | | |
| Creditors | 279 | 1 063 |
| Employment on-costs | 49 | 56 |
| Accrued expenses | 16 | 11 |
| Total current payables | 344 | 1 130 |
| | | |
| Non-current | | |
| Employment on-costs | 45 | 54 |
| Total non-current payables | 45 | 54 |
| | | |
| Total payables | 389 | 1 184 |

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

Employment on-costs

For further information relating to the calculation of employment on-costs, refer to note 7.1.

Department for Education
Notes to and forming part of the administered financial statements
for the year ended 30 June 2019

A8. Other disclosures

A8.1. Cash flow

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

Cash flow reconciliation

| | 2019 | 2018 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Reconciliation of cash and cash equivalents at the end of the reporting period | | |
| Cash and cash equivalents disclosed in the Statement of Administered Financial Position | 37 828 | 36 605 |
| Balance as per the Statement of Administered Cash Flows | 37 828 | 36 605 |
| | | |
| Reconciliation of net cash provided by / (used in) operating activities to net result | | |
| Net cash provided by/(used in) operating activities | 2 045 | 1 246 |
| | | |
| Add / (less) non-cash Items | | |
| Depreciation | (53) | (3) |
| Resources received free of charge | 5 | - |
| Non-current assets written off | - | (1) |
| | | |
| Movement in assets and liabilities | | |
| (Increase)/decrease in payables | 438 | (104) |
| Increase/(decrease) in receivables | (77) | 268 |
| (Increase)/decrease in employee benefits | (111) | (188) |
| Net result | 2 247 | 1 218 |

Department for Education
Notes to and forming part of the administered financial statements
for the year ended 30 June 2019

A9. Changes in accounting policy

For further information on the impacts of changes in accounting policy, refer to note 9.

A10. Outlook

A10.1. Unrecognised contractual commitments

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

| <i>Operating lease commitments</i> | 2019 | 2018 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Within one year | 277 | 195 |
| Later than one year but not later than five years | 1 027 | 490 |
| Later than five years | 315 | 602 |
| Total operating lease commitments for facilities | 1 619 | 1 287 |

The operating lease is for office accommodation that is leased from the Department of Planning, Transport and Infrastructure. The lease is for a non-cancellable five year term and contains the right of renewal. Rent is payable in advance.

A10.2. Impact of standards and statements not yet effective

AASB 16 – Leases

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

For further information on the impact of adopting AASB 16, refer to note 10.3.

| | as at 1 July |
|-----------------------------|---------------------|
| | 2019 |
| | \$'000 |
| <u>Assets</u> | |
| Right-of-use assets | 1 532 |
| <u>Liabilities</u> | |
| Lease liabilities | 1 532 |
| Net impact on equity | - |

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.

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A10.2. Impact of standards and statements not yet effective (continued)

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

| | 2020 |
|---|---------------|
| | \$'000 |
| Depreciation and amortisation | 280 |
| Supplies and services | (277) |
| Borrowing costs | 24 |
| Net impact on net cost of providing services | 27 |

A11. Measurement and risk

A11.1. Fair value

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

For further information on fair value measurement and recognition, refer to note 11.2.

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

| | Level 2 | Level 3 | Total |
|--|----------------|----------------|---------------|
| | \$'000 | \$'000 | \$'000 |
| Recurring fair value measurements | | | |
| Land | 10 105 | - | 10 105 |
| Buildings and improvements | - | 3 490 | 3 490 |
| Leasehold improvements | - | 787 | 787 |
| Computing, furniture and equipment | - | 36 | 36 |
| Other assets | - | 33 | 33 |
| Total recurring fair value measurements | 10 105 | 4 346 | 14 451 |
| Total fair value measurements | 10 105 | 4 346 | 14 451 |

Fair value classification – non-financial assets at 30 June 2018

| | Level 2 | Level 3 | Total |
|--|----------------|----------------|---------------|
| | \$'000 | \$'000 | \$'000 |
| Recurring fair value measurements | | | |
| Leasehold improvements | - | 352 | 352 |
| Computing, furniture and equipment | - | 11 | 11 |
| Total recurring fair value measurements | - | 363 | 363 |
| Total fair value measurements | - | 363 | 363 |

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A11.1. Fair value (continued)

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

| | Buildings and improvements \$'000 | Leasehold improvements \$'000 | Computing, furniture and equipment \$'000 | Other assets \$'000 | Total \$'000 |
|--|---|-------------------------------------|--|---------------------------|-----------------|
| Carrying amount at 1 July | - | 352 | 11 | - | 363 |
| Acquisitions | - | 470 | - | - | 470 |
| Acquisitions/(disposal) through administrative restructure | 3 502 | - | 28 | 36 | 3,566 |
| Gains/(losses) for the period recognised in net result: | | | | | |
| Depreciation and amortisation | (12) | (35) | (3) | (3) | (53) |
| Total gains/(losses) recognised in net result | (12) | (35) | (3) | (3) | (53) |
| Carrying amount at 30 June | 3 490 | 787 | 36 | 33 | 4 346 |

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

| | Leasehold improvements \$'000 | Computing, furniture and equipment \$'000 | Total \$'000 |
|--|-------------------------------------|--|-----------------|
| Carrying amount at 1 July | - | 1 | 1 |
| Acquisitions | 352 | 14 | 366 |
| Non-current assets written off | - | (1) | (1) |
| Gains/(losses) for the period recognised in net result: | | | |
| Depreciation and amortisation | - | (3) | (3) |
| Total gains/(losses) recognised in net result | - | (3) | (3) |
| Carrying amount at 30 June | 352 | 11 | 363 |

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A11.2. Financial instruments

Financial risk management

Risk management is managed by the department and departmental 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 administered activities exposure to financial risk (liquidity risk, credit risk and market risk) is low due to the nature of the financial instruments held.

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.

Categorisation of financial assets and liabilities

| | Note | 2019 Carrying amount / fair value \$'000 | 2018 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 equivalents | | | | | | |
| Cash and cash equivalents | A6.1 | 37 828 | 36 605 | 37 828 | - | - |
| Total financial assets | | 37 828 | 36 605 | 37 828 | - | - |
| Financial liabilities | | | | | | |
| Financial liabilities at amortised cost | | | | | | |
| Payables | A7.1 | 279 | 1 063 | 279 | - | - |
| Total financial liabilities | | 279 | 1 063 | 279 | - | - |

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).