

# South Australian Country Fire Service

Financial report  
for the year ended  
30 June 2019



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## To the Chief Officer South Australian Country Fire Service

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 100(2) of the *Fire and Emergency Services Act 2005*, I have audited the financial report of the South Australian Country Fire Service 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 South Australian Country Fire Service as at 30 June 2019, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

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

### 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 South Australian Country Fire Service. 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 Officer for the financial report**

The Chief Officer 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 South Australian Country Fire Service's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Officer
- 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 Officer about, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.

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

Andrew Richardson

**Auditor-General**

19 September 2019

**South Australian Country Fire Service**  
**Certification of the Financial Statements**  
*for the year ended 30 June 2019*

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We certify that the attached general purpose financial statements for the South Australian Country Fire Service:

- 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 South Australian Country Fire Service
- present a true and fair view of the financial position of the South Australian Country Fire Service as at 30 June 2019 and the results of its operations and cash flows for the financial year

We certify that the internal controls employed by the South Australian Country Fire Service for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.



Andrew Stark  
A/Chief Officer  
South Australian Country Fire Service  
13 September 2019



Lisa Lew  
Business Manager  
South Australian Country Fire Service  
13 September 2019

**South Australian Country Fire Service**  
**Statement of Comprehensive Income**  
*for the year ended 30 June 2019*

	Note	2019 \$'000	2018 \$'000
<b>Expenses</b>			
Employee benefits	2.3	27 916	26 304
Supplies and services	3.1	56 358	50 863
Depreciation and amortisation	3.2	11 499	11 467
Grants and subsidies	3.3	442	427
Net loss from the disposal of non-current and other assets	3.4	-	4
<b>Total expenses</b>		<b>96 215</b>	<b>89 065</b>
<b>Income</b>			
Fees and charges	4.2	2 695	1 341
Grants and contributions	4.3	2 694	2 404
Interest	4.4	87	133
Net gain from the disposal of non-current and other assets	3.4	19	-
Other income	4.5	552	432
<b>Total income</b>		<b>6 047</b>	<b>4 310</b>
<b>Net cost of providing services</b>		<b>90 168</b>	<b>84 755</b>
<b>Revenues from / (payments to) SA Government</b>			
Revenues from SA Government	4.1	95 680	77 429
<b>Total net revenues from SA Government</b>		<b>95 680</b>	<b>77 429</b>
<b>Net result</b>		<b>5 512</b>	<b>(7 326)</b>
<b>Total comprehensive result</b>		<b>5 512</b>	<b>(7 326)</b>

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

**South Australian Country Fire Service**  
**Statement of Financial Position**  
*as at 30 June 2019*

	Note	2019 \$'000	2018 \$'000
<b>Current assets</b>			
Cash and cash equivalents	6.1	21 811	11 687
Receivables	6.2	5 581	3 435
Other financial assets	6.3	2 178	2 417
Non-current assets held for sale	6.4	742	742
<b>Total current assets</b>		<b>30 312</b>	<b>18 281</b>
<b>Non-current assets</b>			
Property, plant and equipment	5.1	180 731	175 447
Intangible assets	5.2	-	1
<b>Total non-current assets</b>		<b>180 731</b>	<b>175 448</b>
<b>Total assets</b>		<b>211 043</b>	<b>193 729</b>
<b>Current liabilities</b>			
Payables	7.1	10 447	7 385
Employee benefits	2.4	2 738	2 611
Provisions	7.2	2 777	1 674
<b>Total current liabilities</b>		<b>15 962</b>	<b>11 670</b>
<b>Non-current liabilities</b>			
Payables	7.1	397	314
Employee benefits	2.4	4 242	3 318
Provisions	7.2	18 163	11 661
<b>Total non-current liabilities</b>		<b>22 802</b>	<b>15 293</b>
<b>Total liabilities</b>		<b>38 764</b>	<b>26 963</b>
<b>Net assets</b>		<b>172 279</b>	<b>166 766</b>
<b>Equity</b>			
Asset revaluation surplus		45 703	45 703
Retained earnings		126 576	121 063
<b>Total equity</b>		<b>172 279</b>	<b>166 766</b>

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

**South Australian Country Fire Service**  
**Statement of Changes in Equity**  
*for the year ended 30 June 2019*

	Revaluation surplus	Retained earnings	Total equity
Note	\$'000	\$'000	\$'000
<b>Balance at 30 June 2017</b>	45 703	128 389	174 092
Net result for 2017-18	-	(7 326)	(7 326)
<b>Total comprehensive result for 2017-18</b>	-	<b>(7 326)</b>	<b>(7 326)</b>
<b>Balance at 30 June 2018</b>	<b>45 703</b>	<b>121 063</b>	<b>166 766</b>
Adjustments on initial adoption of AASB 9	-	1	1
<b>Adjusted balance at 1 July 2018</b>	<b>45 703</b>	<b>121 064</b>	<b>166 767</b>
Net result for 2018-19	-	5 512	5 512
<b>Total comprehensive result for 2018-19</b>	-	<b>5 512</b>	<b>5 512</b>
<b>Balance at 30 June 2019</b>	<b>45 703</b>	<b>126 576</b>	<b>172 279</b>

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

**South Australian Country Fire Service**  
**Statement of Cash Flows**  
*for the year ended 30 June 2019*

		2019	2018
		(Outflows)	(Outflows)
		Inflows	Inflows
	Note	\$'000	\$'000
<b>Cash flows from operating activities</b>			
<b>Cash outflows</b>			
Employee benefits payments		(19 135)	(19 044)
Supplies and services		(58 875)	(55 526)
Grants and subsidies payments		(442)	(427)
<b>Cash used in operations</b>		<u>(78 452)</u>	<u>(74 997)</u>
<b>Cash inflows</b>			
Fees and charges		1 591	1 575
Receipts from grants and contributions		2 694	462
Interest received		87	133
GST recovered from the ATO		4 502	5 783
Other receipts		553	432
<b>Cash generated from operations</b>		<u>9 427</u>	<u>8 385</u>
<b>Cash flows from SA Government</b>			
Contributions from Community Emergency Services Fund		93 151	77 330
Other receipts from SA Government		2 529	99
<b>Cash generated from SA Government</b>		<u>95 680</u>	<u>77 429</u>
<b>Net cash provided by / (used in) operating activities</b>	8.1	<u>26 655</u>	<u>10 817</u>
<b>Cash flows from investing activities</b>			
<b>Cash outflows</b>			
Purchase of investments		239	(31)
Purchase of property, plant and equipment		(17 108)	(17 869)
<b>Cash used in investing activities</b>		<u>(16 869)</u>	<u>(17 900)</u>
<b>Cash inflows</b>			
Proceeds from sale of property, plant and equipment		338	300
<b>Cash generated from investing activities</b>		<u>338</u>	<u>300</u>
<b>Net cash provided by / (used in) investing activities</b>		<u>(16 531)</u>	<u>(17 600)</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<u>10 124</u>	<u>(6 783)</u>
Cash and cash equivalents at the beginning of the reporting period		11 687	18 470
<b>Cash and cash equivalents at the end of the reporting period</b>	6.1	<u>21 811</u>	<u>11 687</u>

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

**South Australian Country Fire Service**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2019*

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**South Australian Country Fire Service**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2019*

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# South Australian Country Fire Service

## Notes to and forming part of the financial statements

### for the year ended 30 June 2019

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#### 1. About the South Australian Country Fire Service

Under the *Fire and Emergency Services Act 2005* (the Act), the South Australian Country Fire Service (CFS) is a body corporate, an agency of the Crown and part of the consolidated emergency services sector.

The financial statements include all the controlled activities of CFS.

##### 1.1. Basis of preparation

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

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

For the 2018-19 financial statements CFS 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, 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.

Where asset and liability line items combine amounts expected to be realised within 12 months and more than 12 months, CFS has separately disclosed the amounts expected to be recovered or settled after more than 12 months.

The CFS has applied Australian Accounting Standards that are applicable to not-for-profit entities as CFS is a not-for-profit entity. Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective, have not been adopted by CFS for the period ending 30 June 2019.

##### 1.2. Objectives and programs

###### Objectives

The CFS is a volunteer based, not-for-profit body corporate established under the Act and is responsible under the Act for the following functions:

- to provide services with a view to preventing the outbreak of fires, or reducing the impact of fires, in the country
- to provide efficient and responsive services in the country for the purpose of fighting fires, dealing with other emergencies or undertaking any rescue
- to protect life, property and environmental assets from fires and other emergencies occurring in the country
- to develop and maintain plans to cope with the effects of fires or emergencies in the country
- to provide services or support to assist with recovery in the event of a fire or other emergency in the country
- to perform any other function assigned to CFS by or under this or any other Act.

Funding of CFS is primarily derived from the Community Emergency Services Fund (the Fund), in accordance with the *Emergency Services Funding Act 1998*.

**South Australian Country Fire Service**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2019*

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**1.2. Objectives and programs (continued)**

Funds generated by Groups and Brigades through fundraising activities are held locally for expenditure on CFS activities in the local community. These funds are recognised in CFS's financial statements.

**Programs**

In achieving its objectives, CFS provides services within two areas of activity: frontline service delivery and frontline service delivery support. These services are classified under one program titled 'Country Fire Service'. These services are predominantly delivered by volunteers.

**South Australian Country Fire Service**  
**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 CFS 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.

<b>Statement of Comprehensive Income</b>	<b>Note</b>	<b>Original budget 2019 \$'000</b>	<b>Actual 2019 \$'000</b>	<b>Variance \$'000</b>
<b>Expenses</b>				
Employee benefits	a	16 770	27 916	11 146
Supplies and services		51 974	56 358	4 384
Depreciation and amortisation		10 265	11 499	1 234
Grants and subsidies		399	442	43
Other expenses		826	-	(826)
<b>Total expenses</b>		<b>80 234</b>	<b>96 215</b>	<b>15 981</b>
<b>Income</b>				
Fees and charges		1 317	2 695	1 378
Grants and contributions		2 079	2 694	615
Interest		109	87	(22)
Gain on disposal of non-current assets		-	19	19
Other income		913	552	(361)
<b>Total income</b>		<b>4 418</b>	<b>6 047</b>	<b>1 629</b>
<b>Net cost of providing services</b>		<b>75 816</b>	<b>90 168</b>	<b>14 352</b>
<b>Revenues from / (payments to) SA government</b>				
Revenues from SA Government		95 573	95 680	107
<b>Total net revenues from SA Government</b>		<b>95 573</b>	<b>95 680</b>	<b>107</b>
<b>Net result</b>		<b>19 757</b>	<b>5 512</b>	<b>(14 245)</b>

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.

- a. Actual employee benefits were higher than the original budget primarily due to unanticipated movement in the long service leave provision and the workers compensation actuarial as provided by an independent actuary engaged by the Office for the Public Sector.

**South Australian Country Fire Service**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2019*

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**1.3. Budget performance (continued)**

		Original budget 2019 \$'000	Actual 2019 \$'000	Variance \$'000
<b>Investing expenditure summary</b>	<b>Note</b>			
Total existing projects		2 500	1 073	(1 427)
Total annual programs		16 844	16 035	(809)
<b>Total investing expenditure</b>		<b>19 344</b>	<b>17 108</b>	<b>(2 236)</b>

**1.4. Significant transactions with government related entities**

**Significant transactions with government related entities**

The following transactions were significant for CFS:

- Payment to the Attorney-General's Department for the government radio network of \$11.42 million
- Contributions from the Community Emergency Services Fund (refer note 4.1)

**South Australian Country Fire Service**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2019*

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**2. Board, committees and employees**

**2.1. Key management personnel**

Key management personnel of CFS include the Minister, the Chief Officer, the Deputy Chief Officer and Executive Director of CFS, who have responsibility for the strategic direction and management of the agency.

The compensation detailed below excludes salaries and other benefits received by:

The Minister for Emergency Services. 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	2018
	\$'000	\$'000
Compensation		
Salaries and other short term employee benefits	698	692
Post-employment benefits	66	65
<b>Total compensation</b>	<b>764</b>	<b>757</b>

**2.2. Remuneration of board and committee members**

Members of boards and committees during 2019 were:

**State Bushfire Coordination Committee**

A Allen*	J Frizenschaf*
A De Piaz*	J Nairn*
C B Daniels	J Psyridis*
C Gibson*	J S Crocker*
C W Patterson*	J Slocombe*
D Colliar	K M Egan
D Leblond*	M C Roche
D S Gilbertson	M M Healy*
E M Sommerville	M R Sutton*
E Petrenas*	N G Bamford*
F Crisci*	N Rea
F Dunstan*	P R White
F J Gill*	S A Reardon
G H Nettleton*	S Barone
G P Benham* (appointed 20 December 2018)	T M W Kelly
H L Greaves	W B Thorley
I Tanner*	W R McIntosh
J B Drew*	
J Crampton*	
J D Lindner	

\*In accordance with the Premier and Cabinet's Circular Number 016, government employees did not receive any remuneration for board/committee duties during the financial year.

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

	2019	2018
\$nil	31	34
\$1 - \$19 999	6	3
<b>Total number of members</b>	<b>37</b>	<b>37</b>

**South Australian Country Fire Service**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2019*

**2.2. Remuneration of board and committee members (continued)**

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, salary sacrifice benefits and fringe benefits and any FBT paid or payable in respect of those benefits. The total remuneration received or receivable by members was \$3 166 (2018: \$2 400).

For the purposes of this table, travel allowances and other out-of-pocket expenses paid to members have not been included as remuneration as it is considered to be reimbursement of direct expenses incurred by relevant members.

**2.3. Employee benefits expenses**

	2019	2018
	\$'000	\$'000
Salaries and wages	14 507	13 856
Workers compensation	10 798	3 579
Employment on-costs - superannuation	1 395	1 370
Annual leave	1 288	997
Long service leave	1 184	483
Payroll tax	913	838
Skills and experience retention leave	77	76
Other employment related expenses	26	148
Board fees	6	2
Additional compensation	(2 278)	4 955
<b>Total employee benefits</b>	<b>27 916</b>	<b>26 304</b>

**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.

**Executive remuneration**

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

	2019	2018
	Number	Number
\$149 000 to \$151 000*	N/A	2
\$151 001 to \$171 000	6	4
\$191 001 to \$211 000	1	2
\$231 001 to \$251 000	1	1
\$291 001 to \$311 000	-	1
\$311 001 to \$331 000	1	-
<b>Total</b>	<b>9</b>	<b>10</b>

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

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year.

Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any FBT paid or payable in respect of those benefits. The total remuneration received by these employees for the year was \$1.72 million (2018: \$1.89 million).

**South Australian Country Fire Service**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2019*

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**2.4. Employee benefits liability**

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Annual leave	1 952	1 719
Accrued salaries and wages	334	348
Skills and experience retention leave	118	109
Long service leave	334	435
<b>Total current employee benefits</b>	<b>2 738</b>	<b>2 611</b>
<b>Non-current</b>		
Long service leave	4 242	3 318
<b>Total non-current employee benefits</b>	<b>4 242</b>	<b>3 318</b>
<b>Total employee benefits</b>	<b>6 980</b>	<b>5 929</b>

Employee benefits accrue for employees 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 skills and experience retention leave and sick leave**

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

The annual leave liability and the skills and experience retention leave liability is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid. In the unusual event where salary and wages, annual leave and skills and experience retention liability are payable later than 12 months, the liability will be measured at present value.

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 of sick leave.

**Long service leave**

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

**South Australian Country Fire Service**  
**Notes to and forming part of the financial statements**  
*for the year ended 30 June 2019*

**3. Expenses**

Employee benefits expenses are disclosed in note 2.3.

**3.1. Supplies and services**

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Aerial firefighting	13 536	9 915
Government radio network	11 417	12 043
Vehicles	6 337	6 013
Property Costs	3 943	3 059
Uniforms and protective clothing	3 842	5 188
Operational costs	3 249	3 025
Other expenses	3 182	2 558
Travel and training	2 606	1 859
Operating lease costs	2 495	2 329
Consultancy, contractor and legal fees	2 251	1 728
Communications	1 962	1 430
Computing costs	1 281	1 474
Insurance premiums	256	236
Shared Services SA payments	1	6
<b>Total supplies and services</b>	<b>56 358</b>	<b>50 863</b>

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

**Other**

Audit fees paid/payable to the Auditor-General's Department (AGD) relating to work performed under the *Public Finance and Audit Act* were \$30 000 (2018: \$31 000). These costs are recognised in Other expenses above. No other services were provided by the Auditor-General's Department.

**Operating leases payments**

Operating lease payments (less any lease incentives) are recognised as an expense on a straight-line basis over the lease term.

**Consultants**

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

	<b>2019</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>
	<b>Number</b>	<b>\$'000</b>	<b>Number</b>	<b>\$'000</b>
Below \$10 000	4	14	4	8
\$10 000 or above	2	440	-	-
<b>Total</b>	<b>6</b>	<b>454</b>	<b>4</b>	<b>8</b>

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**3.2. Depreciation and amortisation**

	2019	2018
	\$'000	\$'000
<b>Depreciation</b>		
Vehicles	7 004	6 954
Buildings	2 163	2 205
Communications	1 726	1 741
Plant	579	538
Computers	26	27
<b>Total depreciation</b>	<u>11 498</u>	<u>11 465</u>
<b>Amortisation</b>		
Software	1	2
<b>Total amortisation</b>	<u>1</u>	<u>2</u>
<b>Total depreciation and amortisation</b>	<u><u>11 499</u></u>	<u><u>11 467</u></u>

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 amortisation methods are review and adjusted, if appropriate, on an annual basis. Changes in the expected life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or method, as appropriate.

**Useful life**

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

Class of asset	Useful life (years)
Buildings	40
Vehicles	20
Communications equipment	10
Plant and equipment	10
Computer equipment	5
Intangibles	5

The amortisation period and the amortisation method for intangible assets is reviewed on an annual basis.

**3.3. Grants and subsidies**

	2019	2018
	\$'000	\$'000
Recurrent grant	442	427
<b>Total grants and subsidies</b>	<u>442</u>	<u>427</u>

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**3.4. Net gain / (loss) from disposal of non-current assets**

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Vehicles</b>		
Proceeds from disposal	328	300
Less carrying amount of assets disposed	(319)	(304)
<b>Net gain / (loss) from disposal of vehicles</b>	<u>9</u>	<u>(4)</u>
<b>Plant and equipment</b>		
Proceeds from disposal	10	-
Less carrying amount of assets disposed	-	-
<b>Net gain / (loss) from disposal of plant and equipment</b>	<u>10</u>	<u>-</u>
<b>Total assets</b>		
Total proceeds from disposal	338	300
Less total carrying amount of assets disposed	(319)	(304)
<b>Total net gain / (loss) from disposal of non-current assets</b>	<u>19</u>	<u>(4)</u>

Gains/losses on disposal are recognised at the date at which 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.

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**4. Income**

**4.1. Net revenues from SA Government**

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Revenues from SA Government</b>		
Contributions from Community Emergency Services Fund	93 151	77 330
Commonwealth grants received via Treasury and Finance	29	28
Other revenues from SA Government	2 500	71
<b>Total revenues from SA Government</b>	<b>95 680</b>	<b>77 429</b>
<b>Net revenues from SA Government</b>	<b>95 680</b>	<b>77 429</b>

Contributions from CESF are recognised as revenues when CFS obtains control over the funding. Control over contributions is normally obtained upon receipt.

Revenues from SA Government consist of \$77.4 million (2018: \$62.19 million) for operational funding and \$18.28 million (2018: \$15.23 million) for capital projects.

For details on the expenditure associated with the operational funding and capital funding refer notes 2.3, 3.1, 3.3 and 5.1.

**4.2. Revenues from fees and charges**

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Fire alarm attendance fees	358	376
Fire alarm monitoring fees	254	248
Fire safety fees	215	186
Rent of premises	275	233
Incident cost recoveries	1 556	169
Other recoveries	37	129
<b>Total revenues from fees and charges</b>	<b>2 695</b>	<b>1 341</b>

Income from fees and charges is derived from the provision of goods and services to other SA Government agencies and to the public. This revenue is recognised upon delivery of the service to the client or by reference to the stage of completion.

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**4.3. Grants and contributions**

	2019	2018
	\$'000	\$'000
Commonwealth Government	260	105
State Government	-	299
Private industry and local government	2 434	2 000
<b>Total grants and contributions</b>	<b>2 694</b>	<b>2 404</b>

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

Private industry revenues include contributions towards aerial firefighting costs through the National Aerial Firefighting Centre Ltd, Commonwealth Government revenue includes once-off project grants.

Contributions through the National Aerial Firefighting Centre Ltd can only be applied to aircraft leasing and positioning costs and must be matched by State Government funding on at least a dollar for dollar basis. Once-off project grants are subject to specific funding agreements.

**4.4. Interest revenues**

	2019	2018
	\$'000	\$'000
Interest on deposit accounts	87	133
<b>Total interest revenues</b>	<b>87</b>	<b>133</b>

**4.5. Other income**

	2019	2018
	\$'000	\$'000
Insurance recoveries	48	27
Donations	11	-
Salary recoveries	6	104
Sundry revenues	332	187
Other	155	114
<b>Total other income</b>	<b>552</b>	<b>432</b>

**4.6. Resources received free of charge**

CFS volunteer members give a significant number of hours to providing frontline emergency response services to the community and in other support roles. A value for volunteers is not recognised in the financial statements as the recognition criteria of AASB 1058 *Income of Not-For-Profit Entities* has not been met.

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**5. Non-financial assets**

**5.1. Property, plant and equipment**

	2019	2018
	\$'000	\$'000
<b>Land</b>		
Land at fair value	13 268	13 116
<b>Total land</b>	<u>13 268</u>	<u>13 116</u>
<b>Buildings</b>		
Buildings at fair value	49 291	48 470
Accumulated depreciation	(12 128)	(9 965)
<b>Total buildings</b>	<u>37 163</u>	<u>38 505</u>
<b>Vehicles</b>		
Vehicles at fair value	125 816	116 992
Accumulated depreciation	(36 230)	(29 497)
<b>Total vehicles</b>	<u>89 586</u>	<u>87 495</u>
<b>Communication (Comms.) equipment</b>		
Communication equipment at fair value	16 194	15 680
Accumulated depreciation	(6 623)	(4 897)
<b>Total communication equipment</b>	<u>9 571</u>	<u>10 783</u>
<b>Computer equipment</b>		
Computer equipment at fair value	164	164
Accumulated depreciation	(154)	(128)
<b>Total computer equipment</b>	<u>10</u>	<u>36</u>
<b>Plant and equipment</b>		
Plant and equipment at fair value	6 051	5 230
Accumulated depreciation	(2 335)	(1 766)
<b>Total plant and equipment</b>	<u>3 716</u>	<u>3 464</u>
<b>Capital work in progress</b>		
Capital works in progress at cost (deemed fair value)	27 417	22 048
<b>Total capital work in progress</b>	<u>27 417</u>	<u>22 048</u>
<b>Total property, plant and equipment</b>	<u><u>180 731</u></u>	<u><u>175 447</u></u>

**South Australian Country Fire Service**  
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**5.1. Property, plant and equipment (continued)**

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

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

**Impairment**

Property, plant and equipment have not been assessed for impairment as they are non-cash generating assets, that are specialised in nature and held for continual use of their service capacity and are subject to regular revaluation.

**Movement reconciliation of property, plant and equipment**

The following table shows the movement of property, plant and equipment assets during 2018-19:

	Land	Buildings	Vehicles	Comms. equipment	Computer equipment	Plant and equipment	Capital work in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July 2018	13 116	38 505	87 495	10 783	36	3 464	22 048	175 447
Acquisitions	-	-	11	-	-	37	17 060	17 108
Transfers from capital WIP	152	821	9 403	514	-	794	(11 684)	-
Depreciation	-	(2 163)	(7 004)	(1 726)	(26)	(579)	-	(11 498)
Disposals	-	-	(319)	-	-	-	-	(319)
Other	-	-	-	-	-	-	(7)	(7)
<b>Carrying amount at 30 June 2019</b>	<b>13 268</b>	<b>37 163</b>	<b>89 586</b>	<b>9 571</b>	<b>10</b>	<b>3 716</b>	<b>27 417</b>	<b>180 731</b>

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**5.1. Property, plant and equipment (continued)**

**Movement reconciliation of property, plant and equipment (continued)**

The following table shows the movement of property, plant and equipment assets during 2017-18:

	Land	Buildings	Vehicles	Comms. equipment	Computer equipment	Plant and equipment	Capital work in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 July 2017	13 116	39 363	86 565	12 017	63	3 527	14 696	169 347
Acquisitions	-	-	6	-	-	-	17 863	17 869
Transfers from capital WIP	-	1 347	8 182	507	-	475	(10 511)	-
Depreciation	-	(2 205)	(6 954)	(1 741)	(27)	(538)	-	(11 465)
Disposals	-	-	(304)	-	-	-	-	(304)
<b>Carrying amount at 30 June 2018</b>	<b>13 116</b>	<b>38 505</b>	<b>87 495</b>	<b>10 783</b>	<b>36</b>	<b>3 464</b>	<b>22 048</b>	<b>175 447</b>

**5.2. Intangible assets**

	2019 \$'000	2018 \$'000
<b>Software</b>		
Computer software	10	10
Accumulated amortisation	(10)	(9)
<b>Total software</b>	<b>-</b>	<b>1</b>
<b>Total intangible assets</b>	<b>-</b>	<b>1</b>

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

The acquisition of or internal development of software is capitalised only when the expenditure meets the definition and recognition criteria and when the amount of expenditure is greater than or equal to \$10 000.

**South Australian Country Fire Service**  
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**5.2. Intangible assets (continued)**

**Reconciliation 2018-19**

	<b>Computer Software \$'000</b>
Carrying amount at 1 July 2018	1
Amortisation	(1)
<b>Carrying amount at 30 June 2019</b>	<b>-</b>

**Reconciliation 2017-18**

	<b>Computer Software \$'000</b>
Carrying amount at 1 July 2017	3
Amortisation	(2)
<b>Carrying amount at 30 June 2018</b>	<b>1</b>

**6. Financial assets**

**6.1. Cash and cash equivalents**

	<b>2019 \$'000</b>	<b>2018 \$'000</b>
Deposits with the Treasurer	17 749	6 926
Cash at bank - Groups/Brigades	3 509	3 609
Short-term deposits - Groups/Brigades	523	704
Cash at bank	24	442
Cash on hand	6	6
<b>Total cash and cash equivalents</b>	<b>21 811</b>	<b>11 687</b>

Cash is measured at nominal amounts.

**Deposits with the Treasurer**

One operating account is held with the Treasurer. This account is interest bearing.

**Short term deposits**

Short-term deposits are made for varying periods of between one day and three months. The deposits are lodged with various financial institutions at their respective short-term deposit rates.

**Interest rate risk**

Cash on hand is non-interest bearing. Deposits at call and with the Treasurer earn a floating interest rate based on daily bank deposit rates. The carrying amount of cash and cash equivalents represent fair value.

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**6.2. Receivables**

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Receivables	2 502	2 065
Less allowance for doubtful debts	(8)	(8)
Prepayments	203	127
Accrued revenue	1 272	18
GST input tax recoverable	1 612	1 233
<b>Total current receivables</b>	<b>5 581</b>	<b>3 435</b>
<b>Total receivables</b>	<b>5 581</b>	<b>3 435</b>

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

Other than as recognised in the allowance for 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**

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Carrying amount at the beginning of the period	8	24
Increase/(decrease) in the allowance	1	2
Amounts written off	( 1)	(13)
Amounts recovered during the year	-	(5)
<b>Carrying amount at the end of the period</b>	<b>8</b>	<b>8</b>

**6.3. Other financial assets**

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
Medium term deposits - Groups/Brigades - amortised cost	2 178	2 417
<b>Total other financial assets</b>	<b>2 178</b>	<b>2 417</b>

Medium-term deposits are made for varying periods of between three months and twelve months. The deposits are lodged with various financial institutions at their respective medium-term deposit rates.

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**6.4. Non-current assets classified held for sale**

	2019	2018
	\$'000	\$'000
Land	742	742
<b>Total non-current assets classified as held for sale</b>	<b>742</b>	<b>742</b>

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset's sale is expected to be completed one year from the date of classification.

A tender to sell surplus SACFS land at Port Lincoln during 2011 failed to be realised, and as at 30 June 2019 the property continues to remain on the market for sale.

The Sector has measured the land and buildings 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.

An independent site valuation was provided by a Certified Practising Valuer for the property upon its classification as held for sale. The valuation was based on recent market transactions for similar unrestricted land and buildings in the area and includes adjustment for factors specific to the land and building such as size and location. This valuation was in accordance with the valuation principles and technique outlined in note 5.1 (i.e. there was no change to valuation technique).

**South Australian Country Fire Service**  
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**7. Liabilities**

Employee benefits liabilities are disclosed in note 2.4.

**7.1. Payables**

	2019	2018
	\$'000	\$'000
<b>Current</b>		
Creditors	166	174
Accrued expenses	9 825	6 799
Employment on-costs	456	412
<b>Total current payables</b>	<b>10 447</b>	<b>7 385</b>
<b>Non-current</b>		
Creditors	6	5
Employment on-costs	391	309
<b>Total non-current payables</b>	<b>397</b>	<b>314</b>
<b>Total payables</b>	<b>10 844</b>	<b>7 699</b>

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

**Employment on-costs**

Employment on-costs include payroll tax, workers' compensation levies and superannuation contributions. CFS 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.

The actuarial assessment performed by the Department of Treasury and Finance (DTF), has resulted in the percentage of the proportion of long service leave taken as leave remaining unchanged at 41% and the average factor for the calculation of employer superannuation cost on-cost is 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 is not material. The estimated impact on future periods is not expected to be materially different to the effect on the current period as shown above.

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**7.2. Provisions**

	2019	2018
	\$'000	\$'000
<b>Current</b>		
Provision for workers' compensation	2 732	1 542
Additional compensation	45	132
<b>Total current provisions</b>	<b>2 777</b>	<b>1 674</b>
<b>Non-current</b>		
Provision for workers' compensation	15 563	6 838
Additional compensation	2 600	4 823
<b>Total non-current provisions</b>	<b>18 163</b>	<b>11 661</b>
<b>Total provisions</b>	<b>20 940</b>	<b>13 335</b>
<b>Provision movement</b>		
	2019	2018
	\$'000	\$'000
<b>Workers' compensation:</b>		
Carrying amount at the beginning of the period	8 380	6 353
Additional provisions recognised	10 798	3 549
Reduction arising from payments	(883)	(1 522)
<b>Carrying amount at the end of the period</b>	<b>18 295</b>	<b>8 380</b>
<b>Additional compensation:</b>		
Carrying amount at the beginning of the period	4 955	-
Additional provisions recognised	-	4 955
Reductions resulting from re-measurement	(2 277)	-
Reduction resulting from payments	(33)	-
<b>Carrying amount at the end of the period</b>	<b>2 645</b>	<b>4 955</b>

**Workers' Compensation**

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

A liability has been reported to reflect unsettled workers' compensation claims. The workers' compensation provision is based on an actuarial assessment of the outstanding liability as at 30 June 2019 provided by a consulting actuary engaged through the Office for the Public Sector. The liability was calculated in accordance with Australian Accounting Standard AASB 137 'Provisions, Contingent Liabilities and Contingent Assets' as the present value of the expenditures expected to be required to settle obligations incurred as at 30 June. No risk margin is included in this estimate.

The actual assessment is sensitive to changes in assumptions and as claim costs are received and assessed, assumptions will be based on more extensive experience.

Presumptive workers' compensation coverage for firefighters for a range of cancers came into effect from 1 July 2013. The workers' compensation provision as at 30 June 2019 includes an actuarial assessment of firefighter cancer claims.

The increase in the workers' compensation liability in 2019 was impacted by an increase in the:

- number of known seriously injured firefighter cancer claims
- allowance of incurred but not yet reported firefighter cancer claims estimated by the actuary.

There is a significant degree of uncertainty associated with estimating future claim and expense payments.

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**7.2. Provisions (continued)**

**Additional Compensation for Certain Work-Related Injuries or Illnesses (Additional Compensation provision)**

The 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 in accordance with Australian Accounting Standard AASB 137 'Provisions, Contingent Liabilities and Contingent Assets' as the present value of the expenditures expected to be required to settle obligations incurred as at 30 June. The liability comprises an estimate for known claims and an estimate of incurred but not reported (IBNR) applications. No risk margin is included in the estimate.

Key assumptions in the estimate include:

- application frequency
- the probability of applications becoming successful claims
- projections of annual claim payments
- rates of benefit continuance
- retirement age and mortality rates.

There is a significant degree of uncertainty associated with this estimate. In addition to the general uncertainties associated with estimating future claim and expense payments, the Additional Compensation provision is impacted by the absence of claims history and the evolving nature of the interpretation of, and evidence required to meet, eligibility criteria.

Given these uncertainties, the actual cost of Additional Compensation claims may differ materially from the estimate. The assumptions used will continue to be refined to reflect emerging experience.

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**8. Other disclosures**

**8.1. Cash flow**

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

**Cash flow reconciliation**

	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Reconciliation of cash and cash equivalents at the end of the reporting period</b>		
Cash and cash equivalents disclosed in the Statement of Financial Position	21 811	11 687
Balance as per Statement of Cash Flows	21 811	11 687
<b>Reconciliation of net cash provided by / (used in) operating activities to net cost of providing services</b>		
Net cash provided by/(used in) operating activities	26 655	10 817
Less revenues from SA Government	(95 680)	(77 429)
<b>Add / (less) non-cash Items</b>		
Depreciation and amortisation	(11 499)	(11 467)
Net gain/(loss) from disposal of non-current assets	19	(4)
<b>Movement in assets and liabilities</b>		
Increase/(decrease) in receivables	2 145	1 867
(Increase)/decrease in payables	(3 152)	(1 325)
(Increase)/decrease in employee benefits	(1 051)	(232)
(Increase)/decrease in provisions	(7 605)	(6 982)
<b>Net cost of providing services</b>	<b>(90 168)</b>	<b>(84 755)</b>

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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, CFS 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 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 liabilities.

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**9.2. AASB 9 Financial Instruments (continued)**

**Reclassification of financial instruments on adoption of AASB 9**

On 1 July 2018, CFS has assessed and reclassified its financial assets into the appropriate AASB 9 categories depending on the business model and contractual cash flow characteristics applying to the asset. AASB 9 eliminates the AASB 139 categories of held to maturity, loans and receivables and available for sale. On assessment, CFS found no material changes.

***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 CFS are subject to AASB 9's new expected credit loss model:

- trade receivables from provision of services

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

***Trade receivables***

New impairment requirements result in a provision being applied to all receivables rather than only on those receivables that are credit impaired. CFS has adopted the simplified approach under *AASB 9 Financial Instruments* and measured lifetime expected credit losses on all trade receivables using a provision matrix approach as a practical expedient to measure the impairment provision. This resulted in no change to the loss allowance on 1 July 2018.

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

Trade 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.

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**10. Outlook**

**10.1. Unrecognised contractual commitments**

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

**Operating lease commitments**

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

	2019	2018
	\$'000	\$'000
Within one year	2 016	1 661
Later than one year but not later than five years	2 800	957
Later than five years	577	93
<b>Total operating lease commitments</b>	<b>5 393</b>	<b>2 711</b>

These non-cancellable leases relate to vehicle and property leases, with rental payable monthly.

**Capital commitments**

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

	2019	2018
	\$'000	\$'000
Within one year	9 927	2 245
<b>Total capital commitments</b>	<b>9 927</b>	<b>2 245</b>

These capital commitments are for building, vehicle and equipment projects.

**Expenditure commitments**

Expenditure contracted for at the reporting date but not recognised as liabilities in the financial report, are payable as follows:

	2019	2018
	\$'000	\$'000
No later than one year	4 276	1 795
Later than one year but not later than five years	3 885	95
<b>Total expenditure commitments</b>	<b>8 161</b>	<b>1 890</b>

Contractual commitments relate to information technology, aerial firefighting, equipment supply and maintenance contracts, and supply of personal protective clothing

**10.2. Contingent assets and liabilities**

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value.

CFS is not aware of any contingent assets or liabilities.

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**10.3. Impact of standards and statements not yet effective**

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

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

**Objective**

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

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

**Impact on 2019-20 financial statements**

Adopting AASB 15 and AASB 1058 will not have an impact on the timing of recognition of revenue by CFS.

**Related accounting policies**

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

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

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

**AASB 16 – Leases**

CFS 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***

CFS 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. CFS has estimated the impact of this change and the results as at 1 July 2019.

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

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

The estimated impact is set out below.

	<b>as at 1 July 2019 \$'000</b>
<b><u>Assets</u></b>	
Right-of-use assets	4 492
<b><u>Liabilities</u></b>	
Lease liabilities	4 492
<b>Net impact on equity</b>	<b>-</b>

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.

	<b>2020 \$'000</b>
Depreciation and amortisation	1 726
Supplies and services	(1 740)
Borrowing costs	66
<b>Net impact on net cost of providing services</b>	<b>52</b>

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

***Related accounting policies***

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

- not apply AASB 16 to leases of intangible assets.

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

- adopt \$15,000 as the threshold to determine whether an underlying asset is a low value asset and must apply the low value asset recognition exemption to all low value assets.
- apply the short-term leases recognition exemption for all classes of underlying asset.
- separate non-lease components from lease components.
- adopt the revaluation model, where permitted.
- where required, apply the relevant lessee's incremental borrowing rate published by the Department of Treasury and Finance.
- on initial recognition not record at fair-value leases that have significantly below-market terms and conditions principally to enable CFS 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**

Adjustments are made to amounts recognised in the financial statements, where an event occurs after 30 June 2019 and before the date the financial statements are authorised for issue, where those events provide information about conditions that existed at 30 June 2019.

Note disclosure is made about events between 30 June 2019 and the date the financial statements are authorised for issue where the events relate to a condition which arose after 30 June 2019 and which may have a material impact on the results of subsequent years.

There were no events after the reporting period affecting the financial statements.

**11. Measurement and risk**

**11.1. Long service leave**

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

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

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 has decreased from 2018 (2.75%) to 2019 (1.25%).

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

The net financial effect of the changes in the current financial year is not material. 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. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

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**11.2. Fair value**

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

***Initial Recognition***

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

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

***Revaluation***

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

The revaluation process is reviewed by CFS each year.

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

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

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

***Fair value hierarchy***

CFS classifies the value measurement using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements, based on the data and assumptions used in the most recent revaluation:

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

Level 2: not traded in active market and are derived from inputs (inputs other than quoted prices included within level 1) that are observable for the asset, either directly or indirectly.

Level 3: not traded in active market and are derived from unobservable inputs.

CFS'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, CFS had no valuations categorised into level 1; there were no transfers of assets between level 1 and 2 fair value hierarchy levels and there were no changes in valuation technique.

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**11.2. Fair value (continued)**

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

		<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Recurring fair value measurements</b>				
Land	5.1	6 798	6 470	13 268
Buildings	5.1	9 945	27 218	37 163
Vehicles	5.1	-	89 586	89 586
Communication (Comms.) equipment	5.1	-	9 571	9 571
Computer equipment	5.1	-	10	10
Plant and equipment	5.1	-	3 716	3 716
<b>Total recurring fair value measurements</b>		<b>16 743</b>	<b>136 571</b>	<b>153 314</b>
<b>Non- recurring fair value measurements</b>				
Land held for sale	6.4	742	-	742
<b>Total non-recurring fair value measurements</b>		<b>742</b>	<b>-</b>	<b>742</b>
<b>Total fair value measurements</b>		<b>17 485</b>	<b>136 571</b>	<b>154 056</b>

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

		<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Recurring fair value measurements</b>				
Land	5.1	6 798	6 318	13 116
Buildings	5.1	10 110	28 395	38 505
Vehicles	5.1	-	87 495	87 495
Communication (Comms.) equipment	5.1	-	10 783	10 783
Computer equipment	5.1	-	36	36
Plant and equipment	5.1	-	3 464	3 464
<b>Total recurring fair value measurements</b>		<b>16 908</b>	<b>136 491</b>	<b>153 399</b>
<b>Non- recurring fair value measurements</b>				
Land held for sale	6.4	742	-	742
<b>Total non-recurring fair value measurements</b>		<b>742</b>	<b>-</b>	<b>742</b>
<b>Total fair value measurements</b>		<b>17 650</b>	<b>136 491</b>	<b>154 141</b>

**South Australian Country Fire Service**  
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**11.2. Fair value (continued)**

***Land and buildings***

An independent valuation of land and buildings was performed by a Certified Practising Valuer from Liquid Pacific, as at 1 January 2014.

Fair value of land has been determined using the market approach. The valuation was based on recent market transactions for similar land in the area and includes adjustment for factors specific to the land such as size and location. For land classified as restricted in use, adjustments were applied to reflect the restriction.

The fair value of buildings was determined using current replacement cost, due to there not being an active market. The current replacement cost considered the need for ongoing provision of government services, specialised nature and restricted use of the assets, their size, condition and location.

***Plant and equipment***

All items of plant and equipment had a fair value at the time of acquisition less than \$1.5 million and had an estimated useful life that less than three years. Plant and equipment has not been revalued in accordance with APS 116.D. The carrying value of these items are deemed to approximate fair value.

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**11.2. Fair value (continued)**

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

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

	Land	Buildings	Vehicles	Comms. equipment	Computer equipment	Plant and equipment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance at the beginning of the period	6 318	28 395	87 495	10 783	36	3 464	136 491
Acquisitions	-	-	11	-	-	37	48
Capitalised asset transfers	152	549	9 403	514	-	794	11 412
Disposals	-	-	(319)	-	-	-	(319)
Gains/(losses) for the period recognised in net result:							
Depreciation	-	(1 726)	(7 004)	(1 726)	(26)	(579)	(11 061)
Total gains/(losses) recognised in net result	-	(1 726)	(7 004)	(1 726)	(26)	(579)	(11 061)
<b>Carrying amount at the end of the period</b>	<b>6 470</b>	<b>27 218</b>	<b>89 586</b>	<b>9 571</b>	<b>10</b>	<b>3 716</b>	<b>136 571</b>

**Reconciliation of level 3 recurring fair value measurement at 30 June 2018**

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

	Land	Buildings	Vehicles	Comm equipment	Computer equipment	Plant and equipment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance at the beginning of the period	6 318	28 677	86 565	12 017	63	3 527	137 167
Acquisitions	-	1 347	8 188	507	-	475	10 517
Disposals	-	-	(304)	-	-	-	(304)
Gains/(losses) for the period recognised in net result:							
Depreciation	-	(1 629)	(6 954)	(1 741)	(27)	(538)	(10 889)
Total gains/(losses) recognised in net result	-	(1 629)	(6 954)	(1 741)	(27)	(538)	(10 889)
<b>Carrying amount at the end of the period</b>	<b>6 318</b>	<b>28 395</b>	<b>87 495</b>	<b>10 783</b>	<b>36</b>	<b>3 464</b>	<b>136 491</b>

# South Australian Country Fire Service

## Notes to and forming part of the financial statements

### for the year ended 30 June 2019

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#### 11.3. Financial instruments

##### Financial risk management

Risk management is managed by CFS corporate services section. Risk management policies are in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer and the principles established in the Australian Standard *Risk Management Principles and Guidelines*.

The exposure of CFS 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

CFS is funded principally from the Fund. CFS works with the Fund to determine the cash flows associated with its Government approved program of work and to ensure funding meets the expected cash flows.

Refer to note 7.1 for further information.

##### Credit risk

CFS 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 CFS.

##### Impairment of financial assets

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

The expected credit loss for CFS for non-government debtors at 30 June 2019 was \$8,000.

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 180 days past due.

Receivables with a contractual amount of \$1,000 written off during the year are still subject to enforcement activity.

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**11.3. Financial instruments (continued)**

CFS 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***

CFS does not trade in foreign currency, nor enter into transactions for speculative purposes, nor for hedging. CFS does not undertake any hedging in relation to interest or foreign currency risk and manages its risk as per the government's risk management strategy articulated in *TI 23 Management of Foreign Currency Exposures*.

There is no exposure to foreign currency or other price risks.

***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***

CFS 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).

***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.

CFS measures all financial instruments at amortised cost.

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**11.3. Financial instruments (continued)**

Category of financial asset and financial liability	Note	Carrying amount / fair value \$'000	2019 Contractual maturities			
			Current \$'000	Within 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
<b>Financial assets</b>						
<b>Cash and cash equivalents</b>						
Cash and cash equivalents	6.1	21 811	21 811	-	-	-
<b>Financial assets at amortised cost</b>						
Receivables		3 757	3 757	-	-	-
Other financial assets	6.3	2 178	2 178	-	-	-
<b>Total financial assets</b>		<b>27 746</b>	<b>27 746</b>	-	-	-
<b>Financial liabilities</b>						
<b>Financial liabilities at amortised cost</b>						
Payables		9 997	9 991	-	-	6
<b>Total financial liabilities</b>		<b>9 997</b>	<b>9 991</b>	-	-	<b>6</b>

Category of financial asset and financial liability	Note	Carrying amount / fair value \$'000	2018 Contractual maturities			
			Current \$'000	Within 1 year \$'000	1-5 years \$'000	More than 5 years \$'000
<b>Financial assets</b>						
<b>Cash and cash equivalents</b>						
Cash and cash equivalents	6.1	11 687	11 687	-	-	-
<b>Loans and receivables</b>						
Receivables		2 083	2 083	-	-	-
<b>Held to maturity</b>						
Other financial assets	6.3	2 417	2 417	-	-	-
<b>Total financial assets</b>		<b>16 187</b>	<b>16 187</b>	-	-	-
<b>Financial liabilities</b>						
Payables		6 947	6 947	-	-	-
<b>Total financial liabilities</b>		<b>6 947</b>	<b>6 947</b>	-	-	-

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**11.3. Financial instruments (continued)**

***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 amortised cost.

The receivables amount disclosed here excludes prepayments as they are not financial assets. Prepayments are presented in note 6.2.