



NSW RURAL FIRE SERVICE

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NSW RFS ANNUAL REPORT 2015/16

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NSW Rural Fire Service Financial Statements



INDEPENDENT AUDITOR'S REPORT

New South Wales Rural Fire Service

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements of New South Wales Rural Fire Service (the Service), which comprise the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity, statement of cash flows, service group statements and summary of compliance with financial directives for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion the financial statements:

- give a true and fair view of the financial position of the Service as at 30 June 2016, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 45E of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

My opinion should be read in conjunction with the rest of this report.

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report.

I am independent of the NSW Rural Fire Service in accordance with the auditor independence requirements of:

- Australian Auditing Standards
- ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (the Code).

I have also fulfilled my other ethical responsibilities in accordance with the Code.

The PF&A Act further promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies, but precluding the provision of non-audit services.

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

The Commissioner's Responsibility for the Financial Statements

The Commissioner is responsible for preparing financial statements that give a true and fair view in accordance with Australian Accounting Standards and the PF&A, and for such internal control as the Commissioner determines is necessary to enable the preparation of financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Commissioner must assess the Service's ability to continue as a going concern unless the Service's operations will cease as a result of an administrative restructure. The assessment must include, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

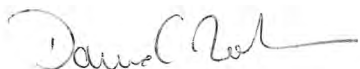
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A further description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/Home.aspx>. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Service carried out its activities effectively, efficiently and economically
- about the assumptions used in formulating the budget figures disclosed in the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented.



David Nolan
Director, Financial Audit Services

16 September 2016
SYDNEY



**NSW RURAL FIRE SERVICE
FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2016**

Statement by the Commissioner

Pursuant to section 45F of the *Public Finance and Audit Act 1983* I state that:

- (a) The accompanying financial statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the Financial Reporting Code for NSW General Government Sector Entities, the applicable clauses of the *Public Finance and Audit Regulation 2015* and the Treasurer's Directions;
- (b) The financial statements exhibit a true and fair view of the financial position and financial performance of the Service for the year ended 30 June 2016; and
- (c) At the date of this statement there are no circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

Shane Fitzsimmons AFSM
Commissioner

15 September 2016

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Statement of comprehensive income for the year ended 30 June 2016

	Notes	Actual 2016 \$'000	Budget 2016 \$'000	Actual 2015 \$'000
Expenses excluding losses				
Operating expenses				
Employee related	2(a)	97,175	102,228	94,636
Other operating expenses	2(b)	47,873	59,729	49,253
Depreciation and amortisation	2(c)	7,372	8,163	7,402
Grants and subsidies	2(d)	160,028	169,524	149,275
Other expenses	2(e)	14,142	21,957	10,619
Total Expenses excluding losses		326,590	361,601	311,185
Revenue				
Sale of goods and services	3(a)	380	-	1,340
Investment revenue	3(b)	1,992	-	2,074
Grants and contributions	3(c)	325,953	316,044	318,476
Acceptance by the Crown Entity of employee benefits	3(d)	605	688	616
Other revenue	3(e)	31,283	9,015	17,971
Total Revenue		360,213	325,747	340,477
Gain / (loss) on disposal	4	455	-	353
Net Result		34,078	(35,854)	29,645
TOTAL COMPREHENSIVE INCOME		34,078	(35,854)	29,645

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2016

	Notes	Actual 2016 \$'000	Budget 2016 \$'000	Actual 2015 \$'000
ASSETS				
Current Assets				
Cash and cash equivalents	6(a)	104,046	30,772	67,050
Receivables	7	26,594	4,201	26,549
Total Current Assets		130,640	34,973	93,599
Non-Current Assets				
Property, plant and equipment	8			
- Land and buildings		429	233	528
- Plant and equipment		25,458	25,363	27,121
- Infrastructure systems		3,821	-	3,308
Total property, plant and equipment		29,708	25,596	30,957
Intangible assets	9	3,427	4,242	1,734
Total Non-Current Assets		33,135	29,838	32,691
Total Assets		163,775	64,811	126,290
LIABILITIES				
Current Liabilities				
Payables	11	23,377	18,414	21,635
Provisions	12	33,050	31,500	31,475
Other	13	80	75	86
Total Current Liabilities		56,507	49,989	53,196
Non-Current Liabilities				
Provisions	12	1,485	900	1,310
Other	13	258	260	337
Total Non-Current Liabilities		1,743	1,160	1,647
Total Liabilities		58,250	51,149	54,843
Net Assets		105,525	13,662	71,447
EQUITY				
Accumulated funds		105,525	13,662	71,447
Total Equity		105,525	13,662	71,447

The accompanying notes form part of these financial statements.

Statement of changes in equity for the year ended 30 June 2016

	Notes	Accumulated Funds \$'000	Total \$'000
Balance at 1 July 2015		71,447	71,447
Net result for the year		34,078	34,078
Total comprehensive income for the year		<u>34,078</u>	<u>34,078</u>
Transactions with owners in their capacity as owners			
Increase / (decrease) in net assets from equity transfers	14	<u>-</u>	<u>-</u>
Balance at 30 June 2016		<u><u>105,525</u></u>	<u><u>105,525</u></u>
Balance at 1 July 2014		22,545	22,545
Net result for the year		29,645	29,645
Total comprehensive income for the year		<u>29,645</u>	<u>29,645</u>
Transactions with owners in their capacity as owners			
Increase / (decrease) in net assets from equity transfers	14	<u>19,257</u>	<u>19,257</u>
Balance at 30 June 2015		<u><u>71,447</u></u>	<u><u>71,447</u></u>

The accompanying notes form part of these financial statements.

Statement of cash flows for the year ended 30 June 2016

	Notes	Actual 2016 \$'000	Budget 2016 \$'000	Actual 2015 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Employee related		(98,237)	(103,508)	(91,533)
Grants and subsidies		(160,028)	(119,106)	(149,275)
Other		(75,923)	(136,686)	(84,227)
Total Payments		(334,188)	(359,300)	(325,035)
Receipts				
Sale of goods and services		380	3,337	1,340
Interest received		1,992	-	2,074
Grants and contributions		334,294	279,628	304,330
GST receipts		15,323	6,550	14,540
Other		26,554	42,019	21,393
Total Receipts		378,543	331,534	343,677
NET CASH FLOWS FROM OPERATING ACTIVITIES	18	44,355	(27,766)	18,642
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of plant and equipment		2,566	4,980	2,061
Purchases of plant and equipment		(9,925)	(13,338)	(13,043)
NET CASH FLOWS FROM INVESTING ACTIVITIES		(7,359)	(8,358)	(10,982)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net cash provided / (used) from financing activities		-	-	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		-	-	-
NET INCREASE / (DECREASE) IN CASH		36,996	(36,124)	7,660
Opening cash and cash equivalents		67,050	66,896	59,390
CLOSING CASH AND CASH EQUIVALENTS	6(a)	104,046	30,772	67,050

The accompanying notes form part of these financial statements.

Supplementary Financial Statements
Service group statements for the year ended 30 June 2016

	Community Safety*		Emergency Bush Fire Operations*		Operational and Administrative Support*		Not Attributable		Total	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
RURAL FIRE SERVICE'S EXPENSES & INCOME										
Expenses excluding losses										
Operating expenses										
• Employee related	5,188	5,789	69,937	66,491	22,050	22,356	-	-	97,175	94,636
• Other operating expenses	6,155	3,996	16,201	15,276	25,517	29,981	-	-	47,873	49,253
Depreciation and amortisation	59	34	4,157	4,053	3,156	3,315	-	-	7,372	7,402
Grants and subsidies	10,963	447	120,629	108,659	28,436	40,169	-	-	160,028	149,275
Other expenses	495	-	6,789	5,045	6,858	5,574	-	-	14,142	10,619
TOTAL EXPENSES EXCLUDING LOSSES	22,860	10,266	217,713	199,524	86,017	101,395	-	-	326,590	311,185
Revenue										
Sale of goods and services	-	18	7	431	373	891	-	-	380	1,340
Investment revenue	-	-	-	-	1,992	2,074	-	-	1,992	2,074
Grants and contributions	8	227	113,509	96,420	212,436	221,829	-	-	325,953	318,476
Acceptance by the Crown Entity of employee benefits	-	-	-	-	605	616	-	-	605	616
Other revenue	212	395	11,406	9,868	19,665	7,708	-	-	31,283	17,971
Total Revenue	220	640	124,922	106,719	235,071	233,118	-	-	360,213	340,477
Gain / (loss) on disposal	-	(3)	549	285	(94)	71	-	-	455	353
Net result	(22,640)	(9,629)	(92,242)	(92,520)	148,960	131,794	-	-	34,078	29,645
TOTAL COMPREHENSIVE INCOME	(22,640)	(9,629)	(92,242)	(92,520)	148,960	131,794	-	-	34,078	29,645

* The purpose of each service group is summarised in Note 5.

Supplementary Financial Statements
Service group statements (continued)

	Community Safety*		Emergency Bush Fire Operations*		Operational and Administrative Support*		Not Attributable		Total	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
RURAL FIRE SERVICE'S ASSET & LIABILITIES										
Current Assets										
Cash and cash equivalents	-	-	-	-	-	-	104,046	67,050	104,046	67,050
Receivables	-	-	1,457	1,723	25,137	24,826	-	-	26,594	26,549
Total Current Assets	-	-	1,457	1,723	25,137	24,826	104,046	67,050	130,640	93,599
Non-Current Assets										
Property, plant and equipment	176	142	19,975	22,452	9,557	8,363	-	-	29,708	30,957
Intangibles	1,127	-	182	185	2,118	1,549	-	-	3,427	1,734
Total Non-Current Assets	1,303	142	20,157	22,637	11,675	9,912	-	-	33,135	32,691
TOTAL ASSETS	1,303	142	21,614	24,360	36,812	34,738	104,046	67,050	163,775	126,290
Current Liabilities										
Payables	-	-	13,108	13,336	10,269	8,299	-	-	23,377	21,635
Provisions	-	-	-	-	33,050	31,475	-	-	33,050	31,475
Other	-	-	-	-	80	86	-	-	80	86
Total Current Liabilities	-	-	13,108	13,336	43,399	39,860	-	-	56,507	53,196
Non-Current Liabilities										
Provisions	-	-	-	-	1,485	1,310	-	-	1,485	1,310
Other	-	-	-	-	258	337	-	-	258	337
Total Non-Current Liabilities	-	-	-	-	1,743	1,647	-	-	1,743	1,647
TOTAL LIABILITIES	-	-	13,108	13,336	45,142	41,507	-	-	58,250	54,843
NET ASSETS	1,303	142	8,506	11,024	(8,330)	(6,769)	104,046	67,050	105,525	71,447

* The purpose of each service group is summarised in Note 5.

1. Summary of Significant Accounting Policies

(a) Reporting Entity

The NSW Rural Fire Service is a NSW government entity. The Service is a not-for-profit entity (as profit is not its principal objective) and it has no cash generating units. The reporting entity is consolidated as part of the NSW Total State Sector Accounts.

The NSW Rural Fire Service as a reporting entity has no controlling or controlled entities.

These financial statements for the year ended 30 June 2016 have been authorised for issue by the Commissioner on 15 September 2016.

(b) Basis of Preparation

The Service's financial statements are general purpose financial statements which have been prepared on an accruals basis and in accordance with:

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations);
- the requirements of the *Public Finance and Audit Act 1983* and *Public Finance and Audit Regulation 2015*; and
- the Financial Reporting Directions published in the Financial Reporting Code for NSW General Government Sector Entities or issued by the Treasurer.

Plant and equipment is measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention except where specified otherwise.

Judgements, key assumptions and estimations management has made are disclosed in the relevant notes to the financial statements.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

(c) Statement of Compliance

The financial statements and notes comply with Australian Accounting Standards, which include Australian Accounting Interpretations.

(d) Funding – NSW Rural Fire Service

Under the *Rural Fires Act 1997* the Rural Fire Fighting Fund consists of contributions from Local Government (11.7%), the NSW Government (14.6%) and the Insurance Industry (73.7%).

Contributions are recognised in accordance with AASB 1004.

(e) Insurance

With the exception of insurance coverage for volunteers, the Service's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self-insurance for Government agencies. The expense (premium) is determined by the Fund Manager based on past claims experience. Insurance coverage for volunteers is provided through the Bush Fire Fighters Compensation Fund managed by Insurance and Care NSW (icare) (formerly WorkCover NSW), with an annual premium paid.

(f) Accounting for the Goods and Services Tax (GST)

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

- the amount of GST incurred by the Service as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense; and
- receivables and payables are stated with the amount of GST included.

Cash flows are included in the statement of cash flows on a gross basis. However, the GST components of cash flows arising from investing and financing activities which is recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

(g) Income Recognition

Income is measured at the fair value of the consideration or contribution received or receivable. In addition to the Rural Fire Fighting Fund, other grants and contributions are received from the Commonwealth and State Governments.

Additional comments regarding the accounting policies for the recognition of income are discussed below.

(i) Contributions

Contributions are received from local government councils (11.7%), insurance companies (73.7%), and NSW Treasury (14.6%). All contributions are reported as grants and contributions revenue for the purposes of income recognition.

Contributions from other bodies (including grants and donations) are generally recognised as income when the Service obtains control over the assets comprising the contributions. Contributions are recognised in accordance with AASB 1004 *Contributions*.

In accordance with the *Rural Fires Act 1997*, any unspent grants and contributions made towards estimated rural fire brigades expenditure are to remain within the Rural Fire Fighting Fund.

(ii) Sale of Goods

Revenue from the sale of goods is recognised as revenue when the Service transfers the significant risks and rewards of ownership of the assets.

(iii) Rendering of Services

Revenue is recognised when the service is provided or by reference to the stage of completion (based on labour hours incurred to date).

(iv) Investment Revenue

Interest revenue is recognised using the effective interest method as set out in AASB 139 *Financial Instruments: Recognition and Measurement*.

(h) Assets

(i) Acquisitions of Assets

Assets acquired are initially recognised at cost. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Australian Accounting Standards.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition.

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at measurement date.

Where payment for an item is deferred beyond normal credit terms, its cost is the cash price equivalent, i.e. the deferred payment amount is effectively discounted over the period of credit.

(ii) Capitalisation Thresholds

Plant and equipment and intangible assets costing \$5,000 and above individually (or forming a part of a network costing more than \$5,000) are capitalised.

(iii) Revaluation of Property, Plant and Equipment

Physical non-current assets are valued in accordance with the 'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper (TPP 14-01). This policy adopts fair value in accordance with AASB 13 *Fair Value Measurement*, AASB 116 *Property, Plant and Equipment* and AASB 140 *Investment Property*.

Property, plant and equipment is measured at the highest and best use by market participants that is physically possible, legally permissible and financially feasible. The highest and best use must be available at a period that is not remote and take into account the characteristics of the asset being measured, including any socio-political restrictions imposed by Government. In most cases, after taking into account these considerations, the highest and best use is the existing use. In limited circumstances, the highest and best use may be a feasible alternative use, where there are no restrictions on use or where there is a feasible higher restricted alternative use.

Fair value of property plant and equipment is based on a market participants' perspective, using valuation techniques (market approach, cost approach, income approach) that maximise relevant observable inputs and minimise unobservable inputs.

The Service does not revalue assets because the carrying value approximates fair value. The plant and equipment of the Service consists primarily of motor vehicles and ICT equipment, and as non-specialised assets with short useful lives they are measured at depreciated historical cost as a surrogate for fair value. The Service has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

(iv) Impairment of Property, Plant and Equipment

As a not-for-profit entity with no cash generating units, impairment under AASB 136 *Impairment of Assets* is unlikely to arise. As plant and equipment is carried at fair value, impairment can only arise in the rare circumstances where the costs of disposal are material. Specifically, impairment is unlikely for not-for-profit entities given AASB 136 modifies the recoverable amount test for non-cash generating assets of not-for-profit

entities to the higher of fair value less costs of disposal and depreciated replacement costs, where depreciated replacement cost is also fair value.

(v) Depreciation of Property, Plant and Equipment

Depreciation is provided for on a straight-line basis for all depreciable assets so as to write off the depreciable amount of each asset as it is consumed over its useful life to the NSW Rural Fire Service.

All material identifiable components of assets are depreciated separately over their useful lives.

In accordance with AASB 116, the table below illustrates the useful life of applicable asset categories.

<u>Asset Class</u>	<u>Useful Life</u>
Infrastructure systems	3 – 10 Years
Land and buildings	Period of the Lease
Plant and equipment	3 – 20 Years

(vi) Maintenance

Day-to-day servicing costs or maintenance are charged as expenses as incurred, except where they relate to the replacement of a part or a component of an asset, in which case the costs are capitalised and depreciated.

(vii) Leased Assets

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased assets, and operating leases under which the lessor does not transfer substantially all the risks and rewards.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

There are no finance lease arrangements.

(viii) Intangible Assets

The Service recognises intangible assets only if it is probable that future economic benefits will flow to the Service and the cost of the asset can be measured reliably. Intangible assets are measured initially at cost. Where an asset is acquired at no or nominal cost, the cost is its fair value as at the date of acquisition.

All research costs are expensed. Development costs are only capitalised when certain criteria are met.

The useful lives of intangible assets are assessed as finite.

Intangible assets are subsequently measured at fair value only if there is an active market. As there is no active market for the Service's intangible assets, the assets are carried at cost less any accumulated amortisation.

The Service's intangible assets are amortised using the straight line method over their useful lives.

Intangible assets are tested for impairment where an indicator of impairment exists. If the recoverable amount is less than its carrying amount the carrying amount is reduced to recoverable amount and the reduction is recognised as an impairment loss.

(ix) Rural Fire Fighting Equipment

The ownership of all fire fighting equipment purchased by the Rural Fire Fighting Fund is vested in the relevant local government council. The cost of such equipment is therefore expensed by the Service in the year of purchase.

The exception to this is fire fighting equipment purchased for the State Mitigation Service which is recorded on the Service's asset register.

(x) Loans and Receivables

Loans and Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest rate method, less an allowance for impairment of receivables. Any changes are recognised in the net result for the year when impaired, derecognised or through the amortisation process.

Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

(i) Liabilities

(i) Payables

These amounts represent liabilities for goods and services provided to the Service and other amounts. Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

(ii) Employee Benefits and other Provisions

(a) Salaries and Wages, Annual Leave, Sick Leave and On-Costs

Salaries and wages (including non-monetary benefits) and paid sick leave that are due to be settled wholly within twelve months after the end of the period in which the employees render the service are recognised and measured at the undiscounted amount of the benefits.

Annual leave is not expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the service. As such, it is required to be measured at present value in accordance with AASB 119 *Employee Benefits* (although short cut methods are permitted). Actuarial advice obtained by Treasury has confirmed that the use of a nominal approach plus the annual leave on annual leave liability (using 7.9% (2014-15: 7.9%) of the nominal value of annual leave) can be used to approximate the present value of the annual leave liability. The Service has assessed the actuarial advice based on the Service's circumstances and has determined that the effect of discounting is immaterial to annual leave.

Unused non-vesting sick leave does not give rise to a liability as it is not considered probable that sick leave taken in the future will be greater than the benefits accrued in the future.

(b) Long Service Leave and Superannuation

The Service recognises liabilities for long service leave for all employees.

Long service leave is measured at present value in accordance with AASB 119 *Employee Benefits*. This is based on an annual actuarial review conducted by Mercer and is considered to approximate present value.

The Service's liability for defined benefit superannuation is assumed by the Crown Entity from 1 July 2014. The Service accounts for the liability as having been extinguished, resulting in the amount assumed being shown as part of the non-monetary revenue item described as 'Acceptance by the Crown Entity of employee benefits'.

The superannuation expense for the financial year is determined by using the formulae specified in the Treasurer's Directions. The expense for certain superannuation schemes (ie Basic Benefit and First State Super) is calculated as a percentage of the employee's salary. For other superannuation schemes (ie State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the employee's superannuation contributions. Further information is provided in Note 20.

(c) Consequential On-Costs

Consequential costs to employment are recognised as liabilities and expenses where the employee benefits to which they relate have been recognised. This includes outstanding amounts of payroll tax, workers' compensation insurance premiums and fringe benefits tax.

(j) Fair Value Hierarchy

A number of the Service's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring fair value, the valuation technique used maximises the use of relevant observable inputs and minimises the use of unobservable inputs. Under AASB 13, the Service categorises, for disclosure purposes, the valuation techniques based on the inputs used in the valuation techniques as follows:

- Level 1 – quoted prices in active markets for identical assets/liabilities that the entity can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.
- Level 3 – inputs that are not based on observable market data (unobservable inputs).

The Service recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Physical non-current assets measured at depreciated historical cost as a surrogate for fair value do not require fair value hierarchy disclosures under AASB 13 *Fair Value Measurement*. As the Service's property, plant and equipment are non-specialised short lived assets they are valued at depreciated historical cost as a surrogate for fair value and not categorised against the fair value hierarchy.

Refer to Note 19 for further disclosures regarding fair value measurements of financial and non-financial assets.

(k) Equity and Reserves

The category 'Accumulated Funds' include all current and prior period retained funds.

(l) Equity Transfers

The transfer of net assets between agencies as a result of an administrative restructure, transfers of programs/functions and parts thereof between NSW public sector entities and 'equity appropriations' are designated or required by Accounting Standards to be treated as contributions by owners and recognised as an adjustment to 'Accumulated Funds'. This treatment is consistent with AASB 1004 *Contributions* and Australian Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities*.

Transfers arising from an administrative restructure involving not-for-profit entities and for-profit government departments are recognised at the amount at which the assets and liabilities were recognised by the transferor immediately prior to the restructure. Subject to below, in most instances this will approximate fair value.

All other equity transfers are recognised at fair value, except for intangibles. Where an intangible has been recognised at (amortised) cost by the transferor because there is no active market, the entity recognises the asset at the transferor's carrying amount. Where the transferor is prohibited from recognising internally generated intangibles, the entity does not recognise that asset.

(m) Budgeted Amounts

The budgeted amounts are drawn from the original budgeted financial statements presented to Parliament in respect of the reporting period. Subsequent amendments to the original budget (eg adjustment for transfer of functions between entities as a result of Administrative Arrangements Orders) are not reflected in the budgeted amounts. Major variances between the original budgeted amounts and the actual amounts disclosed in the primary financial statements is explained in Note 17.

(n) Centralised Billing and Collecting Services

The Office of Emergency Management (OEM) within the NSW Department of Justice is responsible for the centralised billing and collection of legislated contributions for the funding of Emergency Service Agencies from the insurance industry and Local Councils. OEM acts as agent for the Service, Fire and Rescue NSW and the State Emergency Service.

(o) Comparative Information

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements.

(p) Changes in Accounting Policy, including New or Revised Australian Accounting Standards

(i) Effective for the first time in 2015-16

The accounting policies applied in 2015-16 are consistent with those of the previous financial year except as a result of new or revised Australian Accounting Standards that have been applied for the first time in 2015-16, being:

- AASB 2013-9 Part C, AASB 2014-1 (Part E) and AASB 2014-8 regarding financial instruments
- AASB 2015-3 regarding materiality
- AASB 2015-4 regarding financial reporting requirements for Australian Groups with a foreign parent
- AASB 2015-7 *Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities*. AASB 2015-7, applicable for reporting periods beginning on or after 1 July 2016, relieves not-for-profit public sector entities from making certain disclosures for Level 3 property, plant and equipment that are held primarily for their current service potential rather than to generate future net cash inflows. This Standard has been early adopted with the approval of NSW Treasury.

The impact of these Standards, where applicable to the NSW Rural Fire Service, in the period of initial application is not material.

(ii) Issued but not yet effective

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless Treasury determines otherwise.

The following new Accounting Standards have not been applied and are not yet effective:

- AASB 9 and AASB 2014-7 regarding financial instruments
- AASB 14 and AASB 2014-1 (Part D) regarding Regulatory Deferral Accounts
- AASB 15, AASB 2014-5 and AASB 2015-8 regarding Revenue from Contracts with Customers
- AASB 16 *Leases*
- AASB 1056 *Superannuation Entities*
- AASB 1057 and AASB 2015-9 *Application of Australian Accounting Standards*
- AASB 2014-3 regarding accounting for acquisitions of interests in joint operations
- AASB 2014-4 regarding acceptable methods of depreciation and amortisation
- AASB 2014-6 regarding bearer plants
- AASB 2014-9 regarding the equity method in separate financial statements
- AASB 2014-10 and AASB 2015-10 regarding sale or contribution of assets between an investor and its associate or joint venture
- AASB 2015-1 regarding annual improvements to Australian Accounting Standards 2012-2014 cycle
- AASB 2015-2 regarding amendments to AASB 101 (disclosure initiative)
- AASB 2015-5 *Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception*
- AASB 2015-6 *Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities*
- AASB 2016-1 regarding recognition of deferred tax assets for unrealised losses
- AASB 2016-2 regarding amendments to AASB 107 (disclosure initiative)

The initial application of these Standards will have no known material impact on the financial statements, with the exception of AASB 16 *Leases*.

Upon initial application of AASB 16 *Leases* the Service anticipates recognising a 'right-of-use' asset and a lease liability in respect of operating leases, particularly the lease of buildings. The quantum of these transactions is unable to be reliably measured at this time, with the Standard first applicable to the 2019-20 reporting period.

	2016	2015
	\$'000	\$'000
2. Expenses Excluding Losses		
(a) Employee related expenses		
Salaries and wages (including recreation leave)	81,111	78,416
Superannuation – defined benefit plans (Refer Note 20)	1,459	1,472
Superannuation – defined contribution plans	6,509	6,257
Long service leave	1,496	2,794
Workers' compensation insurance	1,474	786
Payroll tax	5,040	4,777
Fringe benefit tax	86	134
	97,175	94,636

NSW RURAL FIRE SERVICE

Notes to the financial statements for the year ended 30 June 2016

	2016 \$'000	2015 \$'000
(b) Other operating expenses include the following:		
Advertising	2,399	2,105
Audit Fees – Internal	403	492
Auditor's remuneration		
- audit of financial statements	140	140
Buildings - all outgoing	1,010	1,090
Computer software	350	440
Consultants	115	320
Consumables	309	42
Contractors	1,498	1,134
Electricity	309	509
Equipment – Computer	5,798	5,097
Equipment – General	5,025	4,739
Fees for service	8,426	10,425
Legal Fees	712	988
Maintenance *	460	217
Operating lease rental expense		
- minimum lease payments	4,461	4,555
Other Expenses	4,390	4,301
Printing and stationery	1,381	883
Staff training	1,783	1,235
Telephony	1,909	2,793
Travel	3,717	3,884
Vehicle operation	3,278	3,864
	<u>47,873</u>	<u>49,253</u>
<i>*Reconciliation – Total maintenance</i>		
Maintenance expense – contracted labour and other (non-employee related), as above	460	217
Employee related maintenance expense included in Note 2(a)	-	-
Total maintenance expenses included in Note 2(a) + 2(b)	<u>460</u>	<u>217</u>
(c) Depreciation and amortisation expense		
Depreciation		
Infrastructure systems	1,925	1,842
Plant and equipment	4,559	4,346
Land and buildings	282	191
	<u>6,766</u>	<u>6,379</u>
Amortisation		
Intangibles	606	1,023
	<u>7,372</u>	<u>7,402</u>

NSW RURAL FIRE SERVICE

Notes to the financial statements for the year ended 30 June 2016

	2016 \$'000	2015 \$'000
(d) Grants and subsidies		
Fire mitigation works	5,724	4,253
Payments for Council costs associated with rural fire fighting activities and equipment	102,907	95,465
Emergency fund – natural disasters	46,483	46,202
Other	4,914	3,355
	<u>160,028</u>	<u>149,275</u>
(e) Other expenses		
Workers' compensation insurance – volunteers	3,500	2,000
Public liability and other insurance	6,375	6,618
Aerial support	4,267	2,001
	<u>14,142</u>	<u>10,619</u>

3. Revenue

(a) Sale of goods and services		
Rendering of services	380	1,340
	<u>380</u>	<u>1,340</u>
(b) Investment revenue		
Interest revenue	1,992	2,074
	<u>1,992</u>	<u>2,074</u>
(c) Grants and contributions		
Insurance company contributions	231,867	210,373
Local Government contributions	36,809	33,397
Natural disaster relief contributions *	10,413	28,917
Other Commonwealth and State Government grants	931	4,114
Department of Attorney General and Justice grants:		
Recurrent grant	44,278	40,527
Capital grant	1,655	1,148
	<u>325,953</u>	<u>318,476</u>

* Natural disaster relief contributions included above consist of emergencies declared under section 44 of the *Rural Fires Act 1997* exceeding the claims threshold of \$240,000.

NSW RURAL FIRE SERVICE

Notes to the financial statements for the year ended 30 June 2016

	2016 \$'000	2015 \$'000
(d) Acceptance by the Crown Entity of employee benefits		
The following liabilities and/or expenses have been assumed by the Crown Entity:		
Superannuation – defined benefit	605	616
	<u>605</u>	<u>616</u>
(e) Other Revenue		
Sale of equipment ¹	1,251	1,283
Comcover – protection of Commonwealth property	1,956	379
Aviation – use of contract by other agencies	8,181	8,352
Natural disaster recoups (interstate and overseas deployments) ²	13,312	3,938
TMF hindsight premium receipts	3,143	27
Workers' compensation receipts	495	584
Insurance claims proceeds	936	1,717
Development applications	600	558
Other	1,409	1,133
	<u>31,283</u>	<u>17,971</u>

¹ In accordance with section 119(4)(b) of the *Rural Fires Act 1997*, distribution of proceeds from the sale by Councils of fire fighting equipment is allocated between the Service and the Councils in the same proportion as each entity's contribution to the purchase of the equipment. The Service's share of such proceeds totalled \$1.251m in 2015-16 (\$1.283m in 2014-15).

² Natural disaster recoups were higher than usual in 2015-16 due to a large number of deployments including to Canada, Indonesia, USA, Victoria, Western Australia and Tasmania.

4. Gain / (Loss) on Disposal

Gain / (Loss) on disposal of plant and equipment		
Proceeds from disposal	2,566	2,060
Written down value of assets disposed	(2,111)	(1,707)
	<u>455</u>	<u>353</u>

5. Service Groups of the Entity

(a) Service Group 1	Community Safety
Purpose:	The protection of the Community through measures that enhance community awareness of and participation in fire risk reduction while reducing environmental impact on the NSW Rural Fire Service's incident management activities.

Service Group 2	Emergency Bush Fire Operations
Purpose:	To cover the rapid and effective emergency response to incidents in bushfire prone areas to minimise injury and loss to the community.
Service Group 3	Operational and Administrative Support
Purpose:	Covers the management and administrative support functions of the Service including financial, human resource and operational support, fire fighting fleet maintenance and the strategy and policy development roles.

2016	2015
\$'000	\$'000

6. Current Assets – Cash and Cash Equivalents

(a) Cash

Cash at bank and on hand	104,046	67,050
	<u>104,046</u>	<u>67,050</u>

For the purpose of the statement of cash flows, cash and cash equivalents include cash at bank, cash on hand, short-term deposits and bank overdraft.

Cash and cash equivalent assets recognised in the statement of financial position are reconciled at the end of financial year to the statement of cash flows as follows:

Cash and cash equivalents (per statement of financial position)	104,046	67,050
Closing cash and cash equivalents (per statement of cash flows)	<u>104,046</u>	<u>67,050</u>

Refer to Note 19 for details regarding credit risk, liquidity risk and market risk arising from financial instruments.

(b) Financing facilities available

The Service has a financing facility still required and available through NSW Treasury Corporation to facilitate cash flow until statutory contributions are received. During the year there were no borrowings. The Service has NSW Treasury approval to borrow a maximum of \$30.0m.

A cheque cashing facility of \$0.01m, a credit card facility of \$2.5m and a transaction negotiation authority of \$21.0m are held with the Government's banker, Westpac Banking Corporation, to facilitate routine transactions.

7. Current Assets – Receivables

Fees for service	12,894	4,715
Less: Allowance for impairment	(23)	(27)
Other receivables	9,411	18,445
GST receivable	1,458	1,722
Prepayments	2,854	1,694
	<u>26,594</u>	<u>26,549</u>

	2016 \$'000	2015 \$'000
Movement in allowance for impairment		
Balance at 1 July	27	17
Amounts written off during the year	(12)	-
Amounts recovered during the year	-	-
Increase/(decrease) in allowance recognised in profit or loss	8	10
Balance at 30 June	<u>23</u>	<u>27</u>

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired, are disclosed in Note 19.

8. Non-Current Assets – Property, Plant and Equipment

	Land and Buildings \$'000	Plant and Equipment \$'000	Infrastructure Systems \$'000	Total \$'000
At 1 July 2015 – fair value				
Gross carrying amount	5,646	36,062	6,736	48,444
Accumulated depreciation and impairment	(5,118)	(8,941)	(3,428)	(17,487)
Net carrying amount	<u>528</u>	<u>27,121</u>	<u>3,308</u>	<u>30,957</u>
At 30 June 2016 – fair value				
Gross carrying amount	5,828	35,894	8,894	50,616
Accumulated depreciation and impairment	(5,399)	(10,436)	(5,073)	(20,908)
Net carrying amount	<u>429</u>	<u>25,458</u>	<u>3,821</u>	<u>29,708</u>

Reconciliation

A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the current reporting period is set out below:

	Land and Buildings \$'000	Plant and Equipment \$'000	Infrastructure Systems \$'000	Total \$'000
Year ended 30 June 2016				
Net carrying amount at start of year	528	27,121	3,308	30,957
Additions	182	4,963	2,483	7,628
Disposals	-	(2,066)	(45)	(2,111)
Depreciation expense	(281)	(4,560)	(1,925)	(6,766)
Prior year adjustment	-	-	-	-
Net carrying amount at end of year	<u>429</u>	<u>25,458</u>	<u>3,821</u>	<u>29,708</u>

NSW RURAL FIRE SERVICE

Notes to the financial statements for the year ended 30 June 2016

	Land and Buildings \$'000	Plant and Equipment \$'000	Infrastructure Systems \$'000	Total \$'000
At 1 July 2014 – fair value				
Gross carrying amount	5,302	28,734	6,653	40,689
Accumulated depreciation and impairment	(4,927)	(6,929)	(2,032)	(13,888)
Net carrying amount	375	21,805	4,621	26,801
At 30 June 2015 – fair value				
Gross carrying amount	5,646	36,062	6,736	48,444
Accumulated depreciation and impairment	(5,118)	(8,941)	(3,428)	(17,487)
Net carrying amount	528	27,121	3,308	30,957

Reconciliation

A reconciliation of the carrying amount of each class of property, plant and equipment at the beginning and end of the prior reporting period is set out below:

	Land and Buildings \$'000	Plant and Equipment \$'000	Infrastructure Systems \$'000	Total \$'000
Year ended 30 June 2015				
Net carrying amount at start of year	375	21,805	4,621	26,801
Additions	344	11,441	664	12,449
Disposals	-	(1,572)	(135)	(1,707)
Depreciation expense	(191)	(4,346)	(1,842)	(6,379)
Prior year adjustment	-	(207)	-	(207)
Net carrying amount at end of year	528	27,121	3,308	30,957

9. Intangible Assets

	Software \$'000	Total \$'000
At 1 July 2015		
Cost (gross carrying amount)	4,067	4,067
Accumulated amortisation and impairment	(2,333)	(2,333)
Net carrying amount	1,734	1,734
At 30 June 2016		
Cost (gross carrying amount)	6,198	6,198
Accumulated amortisation and impairment	(2,771)	(2,771)
Net carrying amount	3,427	3,427

NSW RURAL FIRE SERVICE

Notes to the financial statements for the year ended 30 June 2016

	Software \$'000	Total \$'000
Year ended 30 June 2016		
Net carrying amount at start of year	1,734	1,734
Additions (acquired separately)	1,886	1,886
Additions (internally developed)	413	413
Disposals	-	-
Amortisation (recognised in 'depreciation and amortisation')	(606)	(606)
Net carrying amount at end of year	<u>3,427</u>	<u>3,427</u>
	Software \$'000	Total \$'000
At 1 July 2014		
Cost (gross carrying amount)	3,267	3,267
Accumulated amortisation and impairment	(1,309)	(1,309)
Net carrying amount	<u>1,958</u>	<u>1,958</u>
At 30 June 2015		
Cost (gross carrying amount)	4,067	4,067
Accumulated amortisation and impairment	(2,333)	(2,333)
Net carrying amount	<u>1,734</u>	<u>1,734</u>
Year ended 30 June 2015		
Net carrying amount at start of year	1,958	1,958
Additions (acquired separately)	799	799
Additions (internally developed)	-	-
Disposals	-	-
Amortisation (recognised in 'depreciation and amortisation')	(1,023)	(1,023)
Net carrying amount at end of year	<u>1,734</u>	<u>1,734</u>
	2016 \$'000	2015 \$'000

10. Restricted Assets

Cash held as part of the Rural Fire Fighting Fund	104,046	66,561
Cash held as part of the ICT Reinvestment Pool	-	489
	<u>104,046</u>	<u>67,050</u>

The Service holds funds that form the NSW Rural Fire Fighting Fund which is a special deposits account established under section 102 of the *Rural Fires Act 1997*. Funds in the Rural Fire Fighting Fund can only be expended for the purposes defined in the Act.

From time to time, the Service also holds funds that form part of the Information and Communications Technology (ICT) Reinvestment Pool which can only be expended in accordance with the requirements of NSW Treasury Policy Paper 12-05 *Information and Communications Technology (ICT) Reinvestment Pool*.

	2016 \$'000	2015 \$'000
11. Current Liabilities – Payables		
Accrued salaries, wages and on-costs	548	2,884
Accrued payables	8,389	8,952
Creditors	14,440	9,799
	<u>23,377</u>	<u>21,635</u>

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables, are disclosed in Note 19.

12. Current / Non-Current Liabilities - Provisions

Employee benefits and related on-costs

Recreation leave - short term benefit	6,744	6,518
Recreation leave - long term benefit	3,030	3,184
Long service leave	24,221	22,725
Provisions for Fringe Benefits Tax	65	64
	<u>34,060</u>	<u>32,491</u>

Other provisions

Restoration costs	475	294
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Total provisions

	<u>34,535</u>	<u>32,785</u>
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Aggregate employee benefits and related on-costs

Provisions - current	33,050	31,475
Provisions - non-current	1,010	1,016
Accrued salaries, wages and on-costs (Note 11)	548	2,884
	<u>34,608</u>	<u>35,375</u>

13. Current / Non-Current Liabilities – Other

Lease incentive - current	80	86
Lease incentive - non-current	258	337
	<u>338</u>	<u>423</u>

14. Increase/Decrease in Net Assets from Equity Transfers

Acceptance of defined benefit superannuation by the Crown Entity	-	19,257
	<u>-</u>	<u>19,257</u>

On 1 July 2014 the Crown Entity accepted the liability for State defined benefit superannuation schemes that previously resided with the NSW Rural Fire Service.

	2016	2015
	\$'000	\$'000

15. Commitments for Expenditure

(a) Capital Commitments

Aggregate capital expenditure for the acquisition of plant and equipment and infrastructure systems contracted for at balance date and not provided for:

Not later than one year	493	932
Later than one year and not later than five years	-	-
Later than five year	-	-
Total (including GST)	493	932

Capital commitments include goods and services tax credits of \$0.045m in 2015-16 (2014-15 \$0.085m) that are expected to be recovered from the Australian Taxation Office.

(b) Operating Lease Commitments

Future non-cancellable operating lease rentals not provided for and payable:

Not later than one year	4,863	4,858
Later than one year and not later than five years	12,149	16,420
Later than five year	-	583
Total (including GST)	17,012	21,861

Operating lease commitments include goods and services tax credits of \$1.547m in 2015-16 (\$1.987m in 2014-15) that are expected to be recovered from the Australian Taxation Office.

Operating lease commitments comprise of properties for the NSW Rural Fire Service Headquarters, Regional Offices and a warehouse at Glendenning and motor vehicles.

16. Contingent Assets and Contingent Liabilities

Contingent liabilities

At balance date the Service was a party to litigation that may result in the payment of minor amounts to settle legal claims. As the Service is insured through the Treasury Managed Fund in respect of the majority of legal claims, any residual amounts are considered to be immaterial. It is not practicable to quantify these amounts due to their nature. Contingent liabilities associated with the Local Government Superannuation Scheme are disclosed at Note 20(b)(v).

Contingent assets

The Service has no contingent assets.

17. Budget Review

The 2015-16 budget represents the initial budget as allocated by Government at the time of the 2015-16 State Budget.

Net result

The actual Net Result was \$69.9m more favourable than budget. The major factors are:

	\$'000
Employee related expenses under budget by \$5.1m – primarily attributable to higher vacancy and turnover rates than estimated, and lower than budgeted long service leave and fringe benefits tax.	5,053
Other operating expenses under budget by \$11.9m – primarily due to lower than budgeted expenditure on consultants, fees for service, other expenses and telephony. Under-expenditure was planned to allow the Service to request carry forward of funds to 2016-17 for expenditure on critical projects including planning for the State Headquarters relocation and the emergency logistics project.	11,856
Depreciation and amortisation under budget by \$0.8m – primarily resulting from a timing difference in the completion of capital projects, which will now be completed in the next financial year.	791
Grants and subsidies under budget by \$9.5m – primarily due to a timing difference in the delivery of fire fighting appliances, brigade stations and fire control centres which will be delivered in future years (\$35.8m) and a timing difference in the delivery of fire mitigation works (\$14.0m). This has been partially offset by higher than budgeted expenditure on natural disaster combat operations for which a nominal budget allocation is made in each financial year, with the balance of the expense met by the Crown Disaster Relief Account or recoveries for interstate and overseas deployments (\$39.5m).	9,496
Other expenses under budget by \$7.8m - due to deployment of aircraft interstate and overseas.	7,815
Sale of goods and services over budget by \$0.4m - due to higher than budgeted receipts.	380
Investment revenue over budget by \$2.0m - resulting from an expectation interest would not be receivable at the time of framing the budget.	1,992
Grants and contributions over budget by \$9.9m – predominantly due to the receipt of grants from the Crown Disaster Relief Account to reimburse the net cost of natural disaster combat operations (\$10.4m) and lower than budgeted other State and Commonwealth Government grants (\$0.5m).	9,909
Acceptance by the Crown Entity of employee benefits under budget by \$0.1m – due to lower than budgeted defined benefit superannuation.	(83)
Other Revenue over budget by \$22.3m – particularly due to higher than budgeted revenue for interstate and overseas deployments (\$13.3), other agency use of aviation resources (\$4.9m) and insurance hindsight adjustments (\$3.1m).	22,268
Gain on disposal favourable to budget by \$0.5m – resulting from sale proceeds above expectation.	455
Variation from budgeted Net Result	69,932

NSW RURAL FIRE SERVICE

Notes to the financial statements for the year ended 30 June 2016

Assets and liabilities

The actual Net Assets exceeded budget by \$91.9m. The major factors are:

	\$'000
Cash and cash equivalents higher than budget by \$73.3m – primarily due to lower than budget expenditure and higher than budget revenue as described above.	73,274
Receivables above budget by \$22.4m – predominantly due to outstanding recoups from the Crown Disaster Relief Account for natural disaster combat operations; and outstanding National Aerial Firefighting Company and Tasmanian interstate assistance recoups.	22,393
Property, plant and equipment above budget by \$4.1m – mainly attributable to higher than budgeted expenditure on infrastructure systems.	4,112
Intangible assets under budget by \$0.8m – due to a timing difference for the Guardian project.	(815)
Payables over budget by \$5.0m - due predominantly to increased creditors.	(4,963)
Provisions over budget by \$2.1m – predominantly due to higher than budgeted long service.	(2,135)
Other liabilities approximated budget.	(3)
Variation from budgeted Net Assets	91,863

Cash flows

The actual Closing Cash and Cash Equivalents exceeded budget by \$73.3m. The major factors are:

	\$'000
Net cash flows from operating activities higher than budget by \$72.1m – resulting from lower than budget expenditure and higher than budget revenue as described above.	72,121
Net cash flows from investing activities higher than budget by \$1.0m – resulting from lower than budget proceeds from sale of plant and equipment (\$2.4m), and lower than budgeted expenditure on plant and equipment purchases (\$3.4m).	999
Opening cash and cash equivalents above budget by \$0.2m – represented by additional cash than projected being held at year end in 2014-15.	154
Variation from budgeted Closing Cash and Cash Equivalents	73,274

	2016	2015
	\$'000	\$'000

18. Reconciliation of Cash Flows from Operating Activities to Net Result

	2016	2015
	\$'000	\$'000
Net cash from operating activities	44,355	18,642
Depreciation and amortisation	(7,372)	(7,402)
Decrease/(increase) in provisions	(1,750)	16,656
Decrease/(increase) in other liabilities	86	82
Increase/(decrease) in prepayments and other assets	46	11,642
Decrease/(increase) in creditors	(1,742)	8,929
(Increase)/Decrease in net assets from equity transfers	-	(19,257)
Net gain/(loss) on sale of plant and equipment	455	353
Net result	34,078	29,645

19. Financial Instruments

The Service's principal financial instruments are outlined below. These financial instruments arise directly from the Service's operations or are required to finance the Service's operations. The Service does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Service's main risks arising from financial instruments are outlined below, together with the Service's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

The Commissioner has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing each of these risks. Risk management policies are established to identify and analyse the risks faced by the Service, to set risk limits and controls and to monitor risks. Compliance with policies is reviewed by the Audit and Risk Committee.

(a) Financial instrument categories

Financial Assets	Note	Category	Carrying Amount	Carrying Amount
			2016	2015
			\$'000	\$'000
Class:				
Cash and cash equivalents	6(a)	N/A	104,046	67,050
Receivables ¹	7	Loans and receivables (at amortised cost)	22,282	23,133
Financial Liabilities	Note	Category	Carrying Amount	Carrying Amount
			2016	2015
			\$'000	\$'000
Class:				
Payables ²	11	Financial liabilities (at amortised cost)	22,829	18,751

Notes

¹ Excludes statutory receivables and prepayments (ie not within the scope of AASB 7)

² Excludes statutory payables and unearned revenue (ie not within the scope of AASB 7)

(b) Credit risk

Credit risk arises when there is the possibility of the Service's debtors defaulting on their contractual obligations, resulting in a financial loss to the Service. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any allowance for impairment).

Credit risk arises from the financial assets of the Service, including cash, receivables, and authority deposits. No collateral is held by the Service. The Service has not granted any financial guarantees.

Cash

Cash comprises cash on hand and bank balances within the NSW Treasury Banking System. Interest is earned on the Service's daily bank balances at the NSW Treasury Corporation (TCorp) 11am unofficial cash rate, adjusted for a management fee to NSW Treasury.

Receivables – trade debtors

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Procedures as established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectible are written off. An allowance for impairment is raised when there is objective evidence that the entity will not be able to collect all amounts due. This evidence includes past experience, and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors. Sales are made on 30 day terms.

The Service is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. Based on past experience, debtors that are not past due (2015-16: \$9.032m; 2014-15: \$4.538m) and less than 3 months past due (2015-16: \$3.740m; 2014-15: \$0.035m) are not considered impaired. Together, these represent 99% of the total trade debtors.

The only financial assets that are past due or impaired are 'fees for service' in the 'receivables' category of the statement of financial position.

	Total	Past due but not impaired^{1,2}	Considered Impaired^{1,2}
	\$'000	\$'000	\$'000
2016			
< 3 months overdue	3,740	3,740	-
3 months – 6 months overdue	-	-	-
>6 months overdue	122	99	23
2015			
< 3 months overdue	35	35	-
3 months – 6 months overdue	17	17	-
>6 months overdue	125	98	27

Notes

1. Each column in the table reports 'gross receivables'
2. The ageing analysis excludes statutory receivables, as these are not within the scope of AASB 7 and excludes receivables that are not past due and not impaired. Therefore the 'total' will not reconcile to the receivables total recognised in the statement of financial position.

(c) Liquidity risk

Liquidity risk is the risk that the Service will be unable to meet its payment obligations when they fall due. The Service continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets. The objective is to maintain a balance between continuity of funding and flexibility through the use of overdrafts, loans and other advances.

During the current and prior years, there were no defaults on any loans payable. No assets have been pledged as collateral. The Service's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW TC 11/12. For small business suppliers, where terms are not specified, payment is made not later than 30 days from date of receipt of a correctly rendered invoice. For other suppliers, if trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received. For small business suppliers, where payment is not made within the specified time period, simple interest must be paid automatically unless an existing contract specifies otherwise. For payments to other suppliers, the Head of an authority (or a person appointed by the Head of an authority) may automatically pay the supplier simple interest. The rate of interest applied during the year was 10.28% (2014-15: 10.36%).

No interest was paid to suppliers in 2015-16 (\$Nil 2014-15).

The table below summarises the maturity profile of the Service's financial liabilities, together with the interest rate exposure.

Maturity analysis and interest rate exposure of financial liabilities

	Weighted Average Effective Int. Rate	Nominal Amount ¹ \$'000	Interest Rate Exposure			Maturity Dates		
			Fixed Interest Rate \$'000	Variable Interest Rate \$'000	Non- Interest Bearing \$'000	<1 year \$'000	1-5 years \$'000	> 5 years \$'000
2016								
Payables	Nil	22,829	-	-	22,829	22,829	-	-
		22,829	-	-	22,829	22,829	-	-
2015								
Payables	Nil	18,751	-	-	18,751	18,751	-	-
		18,751	-	-	18,751	18,751	-	-

Notes:

1. The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities based on the earliest date on which the entity can be required to pay. The tables include both interest and principal cash flows and therefore will not reconcile to statement of financial position.

(d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Service has no exposure to foreign currency risk and does not enter into commodity contracts.

The effect on profit and equity due to a reasonably possible change in risk variable is outlined in the information below, for interest rate risk and other price risk. A reasonably possible change in risk variable has been determined after taking into account the economic environment in which the Service operates and the time frame for the assessment (i.e. until the end of the next annual reporting period). The sensitivity analysis is based on risk exposures in existence at the statement of financial position date. The analysis is performed on the same basis as for 2015. The analysis assumes that all other variables remain constant.

Interest rate risk

Exposure to interest rate risk arises primarily through the entity's interest bearing liabilities. The entity does not account for any fixed rate financial instruments at fair value through profit or loss or as available-for-sale. Therefore for these financial instruments, a change in interest rates would not affect profit or loss or equity. A reasonably possible change of +/- 1% is used, consistent with current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. The entity's exposure to interest rate risk is set out below.

	Carrying Amount	-1%		1%	
	\$'000	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
2016					
<i>Financial assets</i>					
Cash and cash equivalents	104,046	(1,040)	(1,040)	1,040	1,040
Receivables	22,282	(223)	(223)	223	223
<i>Financial liabilities</i>					
Payables	22,829	228	228	(228)	(228)
2015					
<i>Financial assets</i>					
Cash and cash equivalents	67,050	(671)	(671)	671	671
Receivables	23,133	(231)	(231)	231	231
<i>Financial liabilities</i>					
Payables	18,751	188	188	(188)	(188)

(e) Fair value compared to carrying amount

Financial instruments are generally recognised at cost. The amortised cost of financial instruments recognised in the statement of financial position approximates the fair value because of the short term nature of many of the financial instruments.

20. Superannuation – Defined Benefit Plans

(a) NSW Government Defined Benefit Superannuation Schemes

The Crown Entity assumed responsibility for the closed NSW public sector superannuation schemes on 1 July 2014. The Service accounts for the liability as having been extinguished, resulting in the amount assumed being shown as part of the non-monetary revenue item described as 'Acceptance by the Crown Entity of employee benefits'. Refer Notes 1(i)(b) and 14.

(b) The Local Government Superannuation Scheme

Fund Information

The Service has a number of employees who are members of the Local Government Superannuation Scheme Pool B (the Scheme) as a result of the transfer of local government employees to the Service.

The Scheme consists of three Divisions. Division B and Division C comprise of both a defined benefit component and a defined contribution component, whilst Division D is a defined benefit scheme. All divisions are closed to new members, except for members of eligible entities who can transfer their entitlements into the Scheme.

The Scheme is deemed to be a "multi-employer defined benefit plan" for the purpose of AASB 119 as:

- Assets are not segregated within the sub-group according to the employees of each sponsoring employer;
- The contribution rates have been the same for all sponsoring employers. That is, contribution rates have not varied for each sponsoring employer according to the experience relating to the employees of that sponsoring employer;
- Benefits for employees of all sponsoring employers are determined according to the same formulae and without regard to the sponsoring employer; and
- The same actuarial assumptions are currently used in respect of the employees of each sponsoring employer.

Given the factors set out above, each sponsoring employer is exposed to the actuarial risk associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses (to the extent that they are not borne by members). As such, there is insufficient reliable information to allow each sponsoring employer to account for its proportionate share of the defined benefit obligation, sub-group assets and costs associated with the sub-group in the same way as it would for a single employer sponsored defined benefit plan.

As a result, the Service accounts for the Scheme as a defined contribution plan.

(i) Funding arrangements

Pooled employers are required to pay standard employer contributions and additional lump sum contributions to the Scheme.

The standard employer contributions were determined using the new entrant rate method under which a contribution rate sufficient to fund the total benefits over the working life-time of a typical new entrant is calculated. The current standard employer contribution rates, which applied to both 2015-16 and 2014-15, are:

- Division B - 1.9 times employee contributions;
- Division C - 2.5% salaries; and
- Division D - 1.64 times employee contributions.

NSW RURAL FIRE SERVICE

Notes to the financial statements for the year ended 30 June 2016

The trustees have determined that each pooled employer will contribute additional contributions to fund the deficit of assets to accrued liabilities at 30 June 2015. The total additional contributions of \$48.7m for the year to 30 June 2016, and \$40.0 million per annum from 1 July 2016 for the 4 years to 30 June 2020, are apportioned according to each employer's share of the accrued liabilities as at 30 June 2015.

The adequacy of contributions is assessed at each triennial actuarial investigation and monitored annually between triennials. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 24 February 2016, relating to the period ending 30 June 2015.

(ii) Liability for other entities obligations

Each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares the associated gains and losses.

However, there is no relief under the Scheme's trust deed for employers to walk away from their obligations. Under limited circumstances an employer may withdraw from the plan (ie when there are no active members and on full payment of outstanding additional contributions). There is no provision for allocation of any surplus which may be present at the date of withdrawal of the entity.

(iii) Allocation of deficit or surplus

There are no specific provisions under the Scheme's trust deed dealing with a deficit or surplus on wind up of the Scheme.

There is no provision for allocation of any surplus which may be present at the date of withdrawal of an employer.

(iv) Expected contributions

The expected standard employer contributions for the next financial year are \$0.763m (2014-15 \$0.817m) and the expected additional contribution is \$0.324m (2014-15 \$0.377m).

(v) Deficit or surplus of the Scheme

The estimated employer reserves financial position for the pooled employers is:

	30 June 2016		30 June 2015	
	\$'000	Asset Coverage	\$'000	Asset Coverage
Assets	1,665,200		1,707,430	
Past service liabilities	1,739,300	95.7%	1,729,460	98.7%
Vested benefits	1,796,000	92.7%	1,761,550	96.9%

Note: employer reserves only. Excludes member accounts and reserves in both assets and liabilities.

The key economic long term assumptions used to calculate the present value of accrued benefits are:

	2016	2015
Investment return	6.5% per annum	7.0% per annum
Salary inflation*	3.5% per annum	4.0% per annum
Increase in CPI	2.5% per annum	2.5% per annum

* Plus promotional increases

NSW RURAL FIRE SERVICE

Notes to the financial statements for the year ended 30 June 2016

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program; however any adjustment to the funding program would be the same for all sponsoring employers in the pooled employers.

The Service has a contingent liability with respect to the deficit in the Scheme which it needs to continue to pay in future periods, and it is currently estimated \$1.296m in additional contributions remain.

(vi) Participation in the Scheme

The Service is estimated to represent 0.81% (2014-15: 0.77%) of the Scheme at 30 June 2016 based on the Service's additional lump sum contributions per annum as a percentage of the total additional lump sum contributions for all pooled employers.

21. Events after the Reporting Period

There are no events which occurred after the reporting period which affect the financial statements.

End of audited financial statements

Bush Fire Co-ordinating Committee Financial Statements



INDEPENDENT AUDITOR'S REPORT

Bush Fire Co-ordinating Committee

To Members of the New South Wales Parliament

Opinion

I have audited the accompanying financial statements Bush Fire Co-ordinating Committee (the Committee), which comprise the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion the financial statements:

- give a true and fair view of the financial position of the Committee as at 30 June 2016, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- are in accordance with section 41B of the *Public Finance and Audit Act 1983* (PF&A Act) and the Public Finance and Audit Regulation 2015.

My opinion should be read in conjunction with the rest of this report.

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report.

I am independent of the Committee in accordance with the auditor independence requirements of:

- Australian Auditing Standards
- ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (the Code).

I have also fulfilled my other ethical responsibilities in accordance with the Code.

The PF&A Act further promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of public sector agencies, but precluding the provision of non-audit services.

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

The Committee's Responsibility for the Financial Statements

The members of the Committee are responsible for preparing financial statements that give a true and fair view in accordance with Australian Accounting Standards and the PF&A, and for such internal control as the Committee determines is necessary to enable the preparation of financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Committee must assess the Committee's ability to continue as a going concern unless the Committee's operations will cease as a result of an administrative restructure. The assessment must include, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

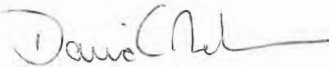
Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements.

Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A further description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/Home.aspx>. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Committee carried out its activities effectively, efficiently and economically
- about the assumptions used in formulating the budget figures disclosed in the financial statements
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented.



David Nolan
Director, Financial Audit Services

16 September 2016
SYDNEY



Please Address Correspondence to:

The Executive Officer
Bush Fire Co-ordinating Committee
NSW Rural Fire Service
Locked Mail Bag 17
GRANVILLE NSW 2142

**BUSH FIRE CO-ORDINATING COMMITTEE
FINANCIAL STATEMENTS FOR THE YEAR
ENDED 30 JUNE 2016**

Statement by the Chairman

Pursuant to section 41C of the *Public Finance and Audit Act 1983* I state that:

- (a) The accompanying financial statements have been prepared in accordance with the provisions of the *Public Finance and Audit Act 1983*, the applicable clauses of the *Public Finance and Audit Regulation 2015* and the Treasurer's Directions;
- (b) The financial statements exhibit a true and fair view of the financial position and financial performance of the Committee for the year ended 30 June 2016; and
- (c) At the date of this statement there are no circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

Shane Fitzsimmons AFSM
Chairman

15 September 2016

BUSH FIRE CO-ORDINATING COMMITTEE

Statement of comprehensive income for the year ended 30 June 2016

	Notes	Actual 2016 \$'000	Actual 2015 \$'000
Expenses excluding losses			
Personnel services	2	25	25
TOTAL EXPENSES EXCLUDING LOSSES		<u>25</u>	<u>25</u>
Revenue			
Grants and contributions	2	25	25
Total Revenue		<u>25</u>	<u>25</u>
Net Result		<u>-</u>	<u>-</u>
Total other comprehensive income		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2016

	Notes	Actual 2016 \$'000	Actual 2015 \$'000
Total Assets		<u>-</u>	<u>-</u>
Total Liabilities		<u>-</u>	<u>-</u>
Net Assets		<u>-</u>	<u>-</u>
EQUITY			
Accumulated funds		<u>-</u>	<u>-</u>
Total Equity		<u>-</u>	<u>-</u>

BUSH FIRE CO-ORDINATING COMMITTEE

Statement of changes in equity for the year ended 30 June 2016

	Notes	Actual 2016 \$'000	Actual 2015 \$'000
Balance at 1 July		-	-
Net result for the year		-	-
Total other comprehensive income		-	-
Total comprehensive income for the year		-	-
Balance at 30 June		-	-

The accompanying notes form part of these financial statements.

Statement of cash flows for the year ended 30 June 2016

	Notes	Actual 2016 \$'000	Actual 2015 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net cash provided / (used) from operating activities		-	-
NET CASH FLOWS FROM OPERATING ACTIVITIES		-	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash provided / (used) from investing		-	-
NET CASH FLOWS FROM INVESTING ACTIVITIES		-	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash provided / (used) from financing activities		-	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		-	-
NET INCREASE / (DECREASE) IN CASH			
Opening cash and cash equivalents		-	-
CLOSING CASH AND CASH EQUIVALENTS		-	-

The accompanying notes form part of these financial statements.

BUSH FIRE CO-ORDINATING COMMITTEE

Notes to the financial statements for the year ended 30 June 2016

1. Summary of Significant Accounting Policies

(a) Reporting Entity

The Bush Fire Co-ordinating Committee is a corporation constituted under section 46 of the *Rural Fires Act 1997*. The Committee is the peak planning body for bush fire management in New South Wales.

The Committee is a not-for-profit entity (as profit is not its principal objective) and it has no cash generating activities.

The financial statements for the period ended 30 June 2016 have been authorised for issue by the Bush Fire Co-ordinating Committee on xx September 2016.

(b) Basis of Preparation

The Committee's financial statements are general purpose financial statements which have been prepared in accordance with:

- applicable Australian Accounting Standards (which include Australian Accounting Interpretations); and
- the requirements of the *Public Finance and Audit Act 1983* and Regulation.

Financial statement items are prepared in accordance with the historical cost convention.

Judgements, key assumptions and estimations management has made are disclosed in the relevant notes to the financial statements.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency.

(c) Statement of Compliance

The financial statements and notes comply with Australian Accounting Standards, which include Australian Accounting Interpretations.

(d) Income Recognition

Income is measured at the fair value of the consideration or contribution received or receivable. Revenue (in the form of a grant from the NSW Rural Fire Service) is recognised as income when the Committee gains control over the assets comprising the grant / contribution.

(e) Administrative Support

The NSW Rural Fire Service provides miscellaneous goods and services as administrative support to the Committee at no charge. The value of this minor administrative support is not material.

(f) Personnel Services

Committee members are engaged and remunerated by the NSW Rural Fire Service and their services are provided to the Committee for a fee, which includes a component for relevant on-costs.

(g) Equity and Reserves

The Committee does not hold its own insurance coverage as it does not have any employees, hold any assets or have any potential liability exposure.

BUSH FIRE CO-ORDINATING COMMITTEE

Notes to the financial statements for the year ended 30 June 2016

(h) Comparative Information

Except when an Australian Accounting Standard permits or requires otherwise, comparative information is disclosed in respect of the previous period for all amounts reported in the financial statements.

(i) New Australian Accounting Standards issued but not effective

NSW public sector entities are not permitted to early adopt new Australian Accounting Standards, unless Treasury determines otherwise. At the reporting date there are a number of new Accounting Standards that have not been applied and are not yet effective. The initial application of these standards will have no known material impact on the financial performance or position.

	2016 \$'000	2015 \$'000
2. Revenue and Expenses		
Revenue		
Grants from the NSW Rural Fire Service	25	25
	<u>25</u>	<u>25</u>
Expenses		
Personnel services provided by the NSW Rural Fire Service	25	25
	<u>25</u>	<u>25</u>

3. Contingent Assets and Contingent Liabilities

As at 30 June 2016 the Committee had no contingent assets or contingent liabilities (Nil in 2014-15).

4. Financial Instruments

The Committee does not hold any financial instruments.

5. Events after the Reporting Period

There are no events which occurred after the reporting period which affect the financial statements.

End of audited financial statements