NSW RURAL FIRE SERVICE

NSW GOVERNMENT

ANNUAL REPORT
2013/14

FINANCIAL TABLES

Year ended 30 June 2014

NSW Rural Fire Service

Bush Fire Co-ordinating Committee

INDEPENDENT AUDITOR'S REPORT

New South Wales Rural Fire Service

To Members of the New South Wales Parliament

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 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows and service group statements for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

Opinion

In my opinion the financial statements:

- give a true and fair view of the financial position of the Service as at 30 June 2014, 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* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

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

The Commissioner's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Service's preparation of the financial statements that give a true and fair view 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 Service's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Commissioner, as well as evaluating the overall presentation of the financial statements.

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

My opinion does *not* provide assurance:

- about the future viability of the Service
- that it has carried out its activities effectively, efficiently and economically
- about the effectiveness of its internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about other information which may have been hyperlinked to/from the financial statements
- about the assumptions used in formulating the budget figures disclosed in the financial statements.

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. The PF&A Act further promotes independence 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, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by the possibility of losing clients or income.

David Nolan
Director, Financial Audit Services

22 September 2014
SYDNEY

NSW RURAL FIRE SERVICE

NSW GOVERNMENT

NSW RURAL FIRE SERVICE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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 2010 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 2014; 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

16 September 2014

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Statement of comprehensive income for the period ended 30 June 2014

	Notes	Actual 2014 $'000	Budget 2014 $'000	Actual 2013 (Restated) $'000
Expenses excluding losses				
Operating expenses				
Employee related	2(a)	94,698	93,085	93,182
Other operating expenses	2(b)	41,352	74,989	42,519
Depreciation and amortisation	2(c)	5,942	4,591	4,773
Grants and subsidies	2(d)	256,633	152,580	221,042
Other expenses	2(e)	13,426	5,871	14,563
Total Expenses excluding losses		**412,051**	**331,116**	**376,079**
Revenue				
Sale of goods and services	3(a)	51	427	250
Grants and contributions	3(b)	407,835	285,609	356,651
Other revenue	3(c)	14,521	8,165	13,641
Total Revenue		**422,407**	**294,201**	**370,542**
Gain / (loss) on disposal	4	**696**	**-**	**(53)**
Net Result		**11,052**	**(36,915)**	**(5,590)**
Other comprehensive income				
Items that will not be reclassified to net result				
Remeasurement of the net defined benefit liability	19	1,226	-	8,285
Total other comprehensive income		**1,226**	**-**	**8,285**
TOTAL COMPREHENSIVE INCOME		**12,278**	**(36,915)**	**2,695**

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2014

	Notes	Actual 2014 $'000	Budget 2014 $'000	Actual 2013 (Restated) $'000	Actual 1 July 2012 (Restated) $'000
ASSETS					
Current Assets					
Cash and cash equivalents	6(a)	59,390	5,350	50,702	58,228
Receivables	7	14,907	3,264	15,362	3,244
Total Current Assets		**74,297**	**8,614**	**66,064**	**61,472**
Non-Current Assets					
Property, plant and equipment	8				
- Land and buildings		375	219	779	1,336
- Plant and equipment		21,805	20,362	17,492	14,670
- Infrastructure systems		4,621	210	1,701	1,589
Total property, plant and equipment		26,801	20,791	19,972	17,595
Intangible assets	9	1,958	-	1,201	521
Total Non-Current Assets		**28,759**	**20,791**	**21,173**	**18,116**
Total Assets		**103,056**	**29,405**	**87,237**	**79,588**
LIABILITIES					
Current Liabilities					
Payables	11	30,564	18,714	30,739	17,977
Provisions	12	29,293	24,955	25,011	26,208
Other	13	85	-	76	-
Total Current Liabilities		**59,942**	**43,669**	**55,826**	**44,185**
Non-Current Liabilities					
Provisions	12	20,148	24,044	20,661	27,831
Other	13	421	-	483	-
Total Non-Current Liabilities		**20,569**	**24,044**	**21,144**	**27,831**
Total Liabilities		**80,511**	**67,713**	**76,970**	**72,016**
Net Assets		**22,545**	**(38,308)**	**10,267**	**7,572**
EQUITY					
Accumulated funds		22,545	(38,308)	10,267	7,572
Total Equity		**22,545**	**(38,308)**	**10,267**	**7,572**

The accompanying notes form part of these financial statements.

Statement of changes in equity for the period ended 30 June 2014

	Notes	Accumulated Funds $'000	Total $'000
Balance at 1 July 2013		**12,996**	**12,996**
Changes in accounting policy	1(p)(i)	(2,729)	(2,729)
Restated total equity at 1 July 2013		**10,267**	**10,267**
Net result for the period		**11,052**	**11,052**
Other comprehensive income:			
Remeasurement of net defined benefit liability	19	1,226	1,226
Total other comprehensive income		**1,226**	**1,226**
Total comprehensive income for the year		**12,278**	**12,278**
Transactions with owners in their capacity as owners			
Increase / (decrease) in net assets from equity transfers		-	-
Balance at 30 June 2014		**22,545**	**22,545**
Balance at 1 July 2012		**11,359**	**11,359**
Changes in accounting policy	1(p)(i)	(3,787)	(3,787)
Restated total equity at 1 July 2012		**7,572**	**7,572**
Net result for the year		**(5,590)**	**(5,590)**
Other comprehensive income:			
Remeasurement of net defined benefit liability	19	8,285	8,285
Total other comprehensive income		**8,285**	**8,285**
Total comprehensive income for the year		**2,695**	**2,695**
Transactions with owners in their capacity as owners			
Increase / (decrease) in net assets from equity transfers		-	-
Balance at 30 June 2013		**10,267**	**10,267**

The accompanying notes form part of these financial statements.

Statement of cash flows for the period ended 30 June 2014

	Notes	Actual 2014 $'000	Budget 2014 $'000	Actual 2013 (Restated) $'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Payments				
Employee related		(91,413)	(93,087)	(96,685)
Grants and subsidies		(256,633)	(118,291)	(221,043)
Other		(79,571)	(122,072)	(62,016)
Total Payments		**(427,617)**	**(333,450)**	**(379,744)**
Receipts				
Sale of goods and services		51	427	250
Grants and contributions		413,046	285,582	351,441
GST receipts		23,257	6,550	19,534
Other		12,783	8,192	8,875
Total Receipts		**449,137**	**300,751**	**380,100**
NET CASH FLOWS FROM OPERATING ACTIVITIES	17	**21,520**	**(32,699)**	**356**
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of plant and equipment		2,975	4,980	1,831
Purchases of plant and equipment		(15,807)	(11,963)	(9,713)
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(12,832)**	**(6,983)**	**(7,882)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Net cash provided / (used) from financing activities		-	-	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		**-**	**-**	**-**
NET INCREASE / (DECREASE) IN CASH		**8,688**	**(39,682)**	**(7,526)**
Opening cash and cash equivalents		50,702	45,032	58,228
CLOSING CASH AND CASH EQUIVALENTS	6(a)	**59,390**	**5,350**	**50,702**

The accompanying notes form part of these financial statements.

Supplementary Financial Statements

Service group statements for the period ended 30 June 2014

RURAL FIRE SERVICE'S EXPENSES & INCOME	Community Safety*		Emergency Bush Fire Operations*		Operational and Administrative Support*		Not Attributable		Total	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Expenses excluding losses										
Operating expenses										
• Employee related	5,347	4,840	68,344	70,451	21,007	17,891	-	-	94,698	93,182
• Other operating expenses	4,022	4,516	12,351	15,034	24,979	22,969	-	-	41,352	42,519
Depreciation and amortisation	23	37	3,936	3,208	1,983	1,528	-	-	5,942	4,773
Grants and subsidies	404	370	129,362	128,875	126,867	91,797	-	-	256,633	221,042
Other expenses	-	-	7,276	9,117	6,150	5,446	-	-	13,426	14,563
TOTAL EXPENSES EXCLUDING LOSSES	**9,796**	**9,763**	**221,269**	**226,685**	**180,986**	**139,631**	**-**	**-**	**412,051**	**376,079**
Revenue										
Sale of goods and services	-	250	51	-	-	-	-	-	51	250
Grants and contributions	-	-	103,742	97,743	304,093	258,908	-	-	407,835	356,651
Other revenue	435	516	10,584	10,283	3,502	2,842	-	-	14,521	13,641
Total Revenue	**435**	**766**	**114,377**	**108,026**	**307,595**	**261,750**	**-**	**-**	**422,407**	**370,542**
Gain / (loss) on disposal	2	4	653	(17)	41	(40)	-	-	696	(53)
Net result	**(9,359)**	**(8,993)**	**(106,239)**	**(118,676)**	**126,650**	**122,079**	**-**	**-**	**11,052**	**(5,590)**
Other Comprehensive Income										
Superannuation actuarial gains / (losses)	-	-	-	-	-	-	1,226	8,285	1,226	8,285
Total Other Comprehensive Income	**-**	**-**	**-**	**-**	**-**	**-**	**1,226**	**8,285**	**1,226**	**8,285**
TOTAL COMPREHENSIVE INCOME	**(9,359)**	**(8,993)**	**(106,239)**	**(118,676)**	**126,650**	**122,079**	**1,226**	**8,285**	**12,278**	**2,695**

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

Supplementary Financial Statements

Service group statements (continued)

RURAL FIRE SERVICE'S ASSET & LIABILITIES	Community Safety*		Emergency Bush Fire Operations*		Operational and Administrative Support*		Not Attributable		Total	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Current Assets										
Cash and cash equivalents	-	-	-	-	-	-	59,390	50,702	59,390	50,702
Receivables	-	-	2,964	2,580	11,943	12,782	-	-	14,907	15,362
Total Current Assets	**-**	**-**	**2,964**	**2,580**	**11,943**	**12,782**	**59,390**	**50,702**	**74,297**	**66,064**
Non-Current Assets										
Property, plant and equipment	131	78	19,363	15,982	7,307	3,912	-	-	26,801	19,972
Intangibles	-	-	247	334	1,711	867	-	-	1,958	1,201
Total Non-Current Assets	**131**	**78**	**19,610**	**16,316**	**9,018**	**4,779**	**-**	**-**	**28,759**	**21,173**
TOTAL ASSETS	**131**	**78**	**22,574**	**18,896**	**20,961**	**17,561**	**59,390**	**50,702**	**103,056**	**87,237**
Current Liabilities										
Payables	-	-	17,306	22,463	13,258	8,276	-	-	30,564	30,739
Provisions	-	-	-	-	29,293	25,011	-	-	29,293	25,011
Other	-	-	-	-	85	76	-	-	85	76
Total Current Liabilities	**-**	**-**	**17,306**	**22,463**	**42,636**	**33,363**	**-**	**-**	**59,942**	**55,826**
Non-Current Liabilities										
Provisions	-	-	-	-	20,148	20,661	-	-	20,148	20,661
Other	-	-	-	-	421	483	-	-	421	483
Total Non-Current Liabilities	**-**	**-**	**-**	**-**	**20,569**	**21,144**	**-**	**-**	**20,569**	**21,144**
TOTAL LIABILITIES	**-**	**-**	**17,306**	**22,463**	**63,205**	**54,507**	**-**	**-**	**80,511**	**76,970**
NET ASSETS	**131**	**78**	**5,268**	**(3,567)**	**(42,244)**	**(36,946)**	**59,390**	**50,702**	**22,545**	**10,267**

* 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.

The financial statements for the period ended 30 June 2014 have been authorised for issue by the Commissioner on 16 September 2014.

(b) Basis of Preparation

The Service's financial statements are general purpose financial statements which have been prepared 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 2010*; 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.

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 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 retained by NSW Treasury and therefore not recognised in the financial statements.

(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 equivalent, i.e. the deferred payment amount is effectively discounted at an asset-specific rate.

(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

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.

(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 materially 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.

Asset Class	Useful Life
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 benefits.

Operating lease payments are charged to the statement of comprehensive income in the periods in which they are incurred.

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 Support 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% 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 superannuation expense for the period is measured in accordance with AASB 119 *Employee Benefits.* The expense for defined contribution schemes (eg First State Super) is calculated as a percentage of the employees' salary. For other superannuation schemes (eg State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is determined by way of an actuarial assessment in accordance with AASB 119 commissioned by the relevant schemes Trustees on behalf of all employers. Further information is provided in Note 19.

(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 Notes 18 and 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, as adjusted for section 24 of the *Public Finance and Audit Act 1983* where there has been a transfer of functions between departments. Other amendments made to the budget are not reflected in the budgeted amounts.

(n) Centralised Billing and Collecting Services

The Ministry for Police and Emergency Services (MPES) 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. MPES 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 2013-14

The accounting policies applied in 2013-14 are consistent with those of the previous financial year except as a result of the following new or revised Australian Accounting Standards that have been applied for the first time in 2013-14:

- AASB 13 *Fair Value Measurement*; and
- AASB 119 *Employee Benefits*.

The impact of these standards in the period of initial application includes:

- <u>AASB 13 *Fair Value Measurement*</u>

  The Standard requires additional disclosures (refer to Notes 1(j) and 19) however there is no financial impact on the Statements.

  In accordance with the transitional provisions contained in Appendix C of AASB 13:

  - the Standard has been applied prospectively as of the beginning of the reporting period; and

  - comparative information is not provided for reporting periods before the initial application of the Standard.

- <u>AASB 119 *Employee Benefits*</u>

  In the current year, the Service adopted AASB 119 *Employee Benefits* (2011).

  AASB 119 (2011) replaces the interest cost and expected return on plan assets under the previous version of AASB 119 with a net interest amount. The Service therefore determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the opening net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of contributions and benefit payments.

Under AASB 119 (2011), taxes payable on future investment income of the plan are included in the return on plan assets and therefore charged to other comprehensive income as part of the excess or shortfall of the overall plan assets over the amount included in net interest on the net defined benefit liability. A contribution tax provision has been included in the net defined benefit liability / (asset) and the defined benefit obligation. The contribution tax provision is calculated based on grossing up the deficit less the allowance for past service expenses and insurable death and disability liabilities at a contribution tax rate of 15%. Previously a contribution tax provision of zero was included as a contribution tax rate of zero was assumed.

The Service has applied the standard retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, except that, in accordance with the transitional provisions of the Standard:

- the carrying amount of assets outside the scope of the Standard have not been adjusted for changes in employee benefit costs that were included in the carrying amount before the date of initial application; and

- comparative information for the disclosures about the sensitivity of defined benefit obligations (paragraph 145) is not presented.

Consequently, the comparative figures and opening statement of financial position of the earliest comparative period presented have been restated.

The quantitative impact of the change is set out below:

Impacts to the statement of financial position

1 July 2012	**As previously reported**	**Impact of change in accounting policy**	**As restated**
	$'000	**$'000**	**$'000**
Unfunded superannuation	23,155	3,787	26,942
Provisions (Non-Current)	24,044	3,787	27,831
Total Non-Current Liabilities	**24,044**	3,787	**27,831**
Total Liabilities	**68,229**	**3,787**	**72,016**
Net assets	**11,359**	**(3,787)**	**7,572**
Accumulated funds	11,359	(3,787)	7,572
Total equity	**11,359**	**(3,787)**	**7,572**

30 June 2013	**As previously reported**	**Impact of change in accounting policy**	**As restated**
	$'000	**$'000**	**$'000**
Unfunded superannuation	16,993	2,729	19,722
Provisions (Non-Current)	17,932	2,729	20,661
Total Non-Current Liabilities	**18,415**	2,729	**21,144**
Total Liabilities	**74,241**	**2,729**	**76,970**
Net assets	**12,996**	**(2,729)**	**10,267**
Accumulated funds	12,996	(2,729)	10,267
Total equity	**12,996**	**(2,729)**	**10,267**

For the year ended 30 June 2014	Impact of change in accounting policy $'000
Increase / (Decrease) in Unfunded superannuation	2,677
Increase / (Decrease) in Provisions (Non-Current)	2,677
Increase / (Decrease)Total Non-Current Liabilities	**2,677**
Increase / (Decrease) in Total liabilities	**2,677**
Increase / (Decrease) in Net assets	**(2,677)**
Increase / (Decrease) in Accumulated funds	(2,677)
Increase / (Decrease) in Total equity	**(2,677)**

Impact on statement of comprehensive income

For the year ended 30 June 2013	As previously reported $'000	Impact of change in accounting policy $'000	As restated $'000
Superannuation – defined benefit plans	799	1,969	2,768
Employee related expenses	91,213	1,969	93,182
Total expenses excluding losses	**374,110**	**1,969**	**376,079**
Net result	**(3,621)**	**(1,969)**	**(5,590)**
Remeasurement of net defined benefit liability	5,258	3,027	8,285
Total other comprehensive income	**5,258**	**3,027**	**8,285**
Total comprehensive income	**1,637**	**1,058**	**2,695**

For the year ended 30 June 2014	Impact of change in accounting policy $'000
Superannuation – defined benefit plans	1,910
Employee related expenses	1,910
Total expenses excluding losses	**1,910**
Net result	**(1,910)**
Remeasurement of net defined benefit liability	1,962
Total other comprehensive income	**1,962**
Total comprehensive income	**52**

There is no impact on the statement of cash flows.

(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, AASB 2010-7 and AASB 2012-6 regarding financial instruments
- AASB 10 *Consolidated Financial Statements*
- AASB 11 *Joint Arrangements*
- AASB 12 *Disclosure of Interests in Other Entities*
- AASB 127 *Separate Financial Statements*
- AASB 128 *Investments in Associates and Joint Ventures*
- AASB 1031 *Materiality*
- AASB 1055 and AASB 2013-1 regarding budgetary reporting
- AASB 2011-7 regarding consolidation and joint arrangements
- AASB 2012-3 regarding offsetting financial assets and financial liabilities
- AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets
- AASB 2013-4 regarding financial instruments – Novation of Derivatives and Continuation of Hedge Accounting
- AASB 2013-5 regarding accounting for Investment Entities
- AASB 2013-6 regarding Reduced Disclosure Requirements
- AASB 2013-7 regarding accounting for life insurance contracts
- AASB 2013-8 regarding Australian Implementation Guidance for Not-for-Profit Entities – Control and Structured Entities
- AASB 2013-9 regarding the Conceptual Framework, Materiality and Financial Instruments (Parts B and C).

The initial application of these Standards will have no known material impact on the financial statements.

2. Expenses Excluding Losses

(a) Employee related expenses

	2014 $'000	2013 $'000
Salaries and wages (including recreation leave)	77,546	77,953
Superannuation – defined benefit plans*	2,357	2,768
Superannuation – defined contribution plans	6,067	5,611
Long service leave	2,758	665
Workers' compensation insurance	923	1,127
Payroll tax	4,931	4,892
Fringe benefit tax	116	166
	94,698	93,182

* Refer Note 19. Superannuation actuarial gain of $1.226m in 2013-14 ($8.285m in 2012-13) is recognised as other comprehensive income.

	2014 $'000	2013 $'000
(b) Other operating expenses include the following:		
Advertising	1,559	2,426
Audit Fees – Internal	198	275
Auditor's remuneration		
- audit of financial statements	147	126
Buildings - all outgoings	1,139	1,095
Computer software	496	887
Consultants	123	126
Consumables	141	297
Contractors	1,624	3,043
Electricity	559	562
Equipment – Computer	2,340	2,707
Equipment – General	4,613	4,005
Fees for service	6,725	5,365
Legal Fees	439	443
Maintenance *	292	372
Operating lease rental expense		
- minimum lease payments	4,601	4,721
Other Expenses	4,519	4,903
Printing and stationery	995	1,121
Staff training	1,278	876
Telephony	2,805	2,977
Travel	3,120	2,599
Vehicle operation	3,639	3,593
	41,352	42,519
Reconciliation – Total maintenance		
Maintenance expense – contracted labour and other (non-employee related), as above	292	372
Employee related maintenance expense included in Note 2(a)	-	-
Total maintenance expenses included in Note 2(a) + 2(b)	292	372
(c) Depreciation and amortisation expense		
Depreciation		
Infrastructure systems	736	612
Plant and equipment	4,136	3,322
Land and buildings	560	557
	5,432	4,491
Amortisation		
Intangibles	510	282
	5,942	4,773

	2014 $'000	2013 $'000
(d) Grants and subsidies		
Fire mitigation works	6,877	10,226
Payments for Council costs associated with rural fire fighting activities and equipment	111,681	108,612
Emergency fund – natural disasters	134,355	96,361
Other	3,720	5,843
	256,633	221,042
(e) Other expenses		
Workers' compensation insurance – volunteers	2,000	2,000
Public liability and other insurance	8,486	7,245
Aerial support	2,940	5,318
	13,426	14,563

3. Revenue

	2014 $'000	2013 $'000
(a) Sale of goods and services		
Rendering of services	51	250
	51	250
(b) Grants and contributions		
Insurance company contributions	209,490	193,986
Local Government contributions	33,222	31,284
Natural disaster relief contributions *	121,352	87,729
Other Commonwealth and State Government grants	2,275	5,145
Department of Attorney General and Justice grants:		
Recurrent grant	40,635	37,953
Capital grant	861	554
	407,835	356,651

* 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.

	2014 $'000	2013 $'000
(c) Other Revenue		
Sale of equipment	714	588
Comcover – protection of Commonwealth property	301	354
Business development – overseas training	-	5
Salary recoups	-	1,998
Aviation – use of contract by other agencies	8,644	6,772
TMF hindsight premium receipts	1	96
Workers' compensation receipts	730	143
Insurance claims proceeds	2,288	2,097
Development applications	517	385
Other	1,326	1,203
	14,521	13,641

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 $0.714m in 2013-14 ($0.588m in 2012-13).

4. Gain / (Loss) on Disposal

	2014 $'000	2013 $'000
Gain / (Loss) on disposal of plant and equipment		
Proceeds from disposal	2,975	1,831
Written down value of assets disposed	(2,279)	(1,884)
	696	(53)

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.

(b) **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.

(c) **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.

6. Current Assets – Cash and Cash Equivalents

(a) Cash

	2014 $'000	2013 $'000
Cash at bank and on hand	59,390	50,702
	59,390	50,702

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:

	2014 $'000	2013 $'000
Cash and cash equivalents (per statement of financial position)	59,390	50,702
Closing cash and cash equivalents (per statement of cash flows)	59,390	50,702

Refer to Note 18 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 $30m.

A cheque cashing facility of $0.01m, a credit card facility of $2.5m and a transaction negotiation authority of $21m are held with the Government's banker, Westpac Banking Corporation, to facilitate routine transactions.

7. Current Assets – Receivables

	2014 $'000	2013 $'000
Fees for service	7,324	5,669
Less: Allowance for impairment	(17)	(5)
Other receivables	2,629	5,681
GST receivable	2,965	2,580
Prepayments	2,006	1,437
	14,907	15,362
Movement in allowance for impairment		
Balance at 1 July	5	19
Amounts written off during the year	-	(17)
Amounts recovered during the year	-	-
Increase/(decrease) in allowance recognised in profit or loss	12	3
Balance at 30 June	17	5

Details regarding credit risk, liquidity risk and market risk, including financial assets that are either past due or impaired, are disclosed in Note 18.

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

	Land and Buildings $'000	Plant and Equipment $'000	Infrastructure Systems $'000	Total $'000
At 1 July 2013 – fair value				
Gross carrying amount	5,146	26,064	4,644	35,854
Accumulated depreciation and impairment	(4,367)	(8,572)	(2,943)	(15,882)
Net carrying amount	779	17,492	1,701	19,972
At 30 June 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

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
Period ended 30 June 2014				
Net carrying amount at start of year	779	17,492	1,701	19,972
Additions	156	10,728	3,656	14,540
Disposals	-	(2,279)	-	(2,279)
Depreciation expense	(560)	(4,136)	(736)	(5,432)
Prior year adjustment	-	-	-	-
Net carrying amount at end of period	375	21,805	4,621	26,801

	Land and Buildings $'000	Plant and Equipment $'000	Infrastructure Systems $'000	Total $'000
At 1 July 2012 – fair value				
Gross carrying amount	5,146	21,666	3,920	30,732
Accumulated depreciation and impairment	(3,810)	(6,996)	(2,331)	(13,137)
Net carrying amount	1,336	14,670	1,589	17,595
At 30 June 2013 – fair value				
Gross carrying amount	5,146	26,064	4,644	35,854
Accumulated depreciation and impairment	(4,367)	(8,572)	(2,943)	(15,882)
Net carrying amount	779	17,492	1,701	19,972

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 2013				
Net carrying amount at start of year	1,336	14,670	1,589	17,595
Additions	-	8,030	724	8,754
Disposals	-	(1,884)	-	(1,884)
Depreciation expense	(557)	(3,322)	(612)	(4,491)
Prior year adjustment	-	(2)	-	(2)
Net carrying amount at end of year	779	17,492	1,701	19,972

9. Intangible Assets

	Software $'000	Total $'000
At 1 July 2013		
Cost (gross carrying amount)	2,888	2,888
Accumulated amortisation and impairment	(1,687)	(1,687)
Net carrying amount	1,201	1,201
At 30 June 2014		
Cost (gross carrying amount)	3,267	3,267
Accumulated amortisation and impairment	(1,309)	(1,309)
Net carrying amount	1,958	1,958
Year ended 30 June 2014		
Net carrying amount at start of year	1,201	1,201
Additions (acquired separately)	179	179
Additions (internally developed)	1,088	1,088
Disposals	-	-
Amortisation (recognised in 'depreciation and amortisation')	(510)	(510)
Net carrying amount at end of year	1,958	1,958

	Software $'000	Total $'000
At 1 July 2012		
Cost (gross carrying amount)	1,926	1,926
Accumulated amortisation and impairment	(1,405)	(1,405)
Net carrying amount	521	521
At 30 June 2013		
Cost (gross carrying amount)	2,888	2,888
Accumulated amortisation and impairment	(1,687)	(1,687)
Net carrying amount	1,201	1,201
Year ended 30 June 2013		
Net carrying amount at start of year	521	521
Additions (acquired separately)	962	962
Additions (internally developed)	-	-
Disposals	-	-
Amortisation (recognised in 'depreciation and amortisation')	(282)	(282)
Net carrying amount at end of year	1,201	1,201

10. Restricted Assets

	2014 $'000	2013 $'000
Cash held as part of the ICT Reinvestment Pool	489	488
	489	488

The Service 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*.

11. Current Liabilities – Payables

	2014 $'000	2013 $'000
Accrued salaries, wages and on-costs	2,089	2,175
Accrued payables	13,565	10,492
Creditors	14,910	18,072
	30,564	30,739

Details regarding credit risk, liquidity risk and market risk, including a maturity analysis of the above payables, are disclosed in Note 18.

12. Current / Non-Current Liabilities - Provisions

	2014 $'000	2013 $'000
Employee benefits and related on-costs		
Recreation leave	10,189	8,772
Long service leave	19,931	17,173
Unfunded superannuation (refer Note 19)	19,257	19,722
Provisions for Fringe Benefits Tax	64	5
	49,441	45,672
Other provisions	-	-
Total provisions	**49,441**	**45,672**
Aggregate employee benefits and related on-costs		
Provisions – current	29,293	25,011
Provisions – non-current	20,148	20,661
Accrued salaries, wages and on-costs (Note 11)	2,089	2,175
	51,530	47,847

13. Current / Non-Current Liabilities – Other

	2014 $'000	2013 $'000
Lease incentive	506	559
	506	**559**

14. 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:

	2014 $'000	2013 $'000
Not later than one year	2,242	1,133
Later than one year and not later than five years	-	-
Later than five year	-	-
Total (including GST)	2,242	1,133

Capital commitments include income tax credits of $0.204m in 2013-14 (2012-13 $0.103m) that are expected to be recovered from the Australian Taxation Office.

(b) Operating Lease Commitments

	2014 $'000	2013 $'000
Future non-cancellable operating lease rentals not provided for and payable:		
Not later than one year	4,897	5,669
Later than one year and not later than five years	17,287	10,592
Later than five year	2,902	3,798
Total (including GST)	25,086	20,059

Operating lease commitments include income tax credits of $2.281m in 2013-14 ($1.824m in 2012-13) 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.

15. 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 19(m).

Contingent assets

The Service has no contingent assets.

16. Budget Review

Net result

The Net Result of the Service was $48.0m better than budget for the reporting period.

Major reasons for this variation were:

- Grants and subsidies expenses and grants and contributions revenue were both significantly impacted by natural disaster response in the reporting period. Expenses are incurred by the Service which are reimbursed from the NSW Government Disaster Response Account where the expenses exceed the Service's allocated budget and meet defined criteria. These costs were $127.4m above the allocated budget and reimbursements were $121.4m (refer Note 3(b)) in the reporting period;
- Over-expenditure of employee related expenses was anticipated during the year, and an adjustment to the Employee related expenses target was approved during the year with an offsetting reduction in Other expenses;
- Under-expenditure on the Private Radio Network and Paging project due to delays outside of the Service's control. The project will be completed in future periods and funds have been approved to be carried forward;
- Delays in the completion of fire fighting infrastructure by Local Councils which will be completed in future periods; and
- Higher than anticipated revenue.

Assets and liabilities

The Service's Net Assets were $60.9m higher than budget for the reporting period.

Major reasons for improvements in the asset position were:

- An improved cash and receivables position resulting from under-expenditure and improved revenue referred to above, along with a higher level of creditors at the end of the reporting period meaning that higher levels of cash were held at period end; and
- Additional expenditure on non-current assets compared to the budget, with an enhancement to the capital program having been approved during the period, and the variance to budget largely results from the budget having been based on forecast opening balances which differed to those actually experienced.

This was partly offset by a higher than budgeted liabilities position consisting of a higher than expected level of creditors, which is offset by a higher than budget level of cash.

Cash flows

The Service's cash position was $54.0m higher than budget due to:

- A change in the opening cash position compared to budget of $5.7m; and
- Under-expenditure and improved revenue referred to above.

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

	2014 $'000	2013 $'000
Net cash from operating activities	21,520	356
Depreciation	(5,942)	(4,773)
Decrease/(increase) in provisions	(3,769)	8,367
Decrease/(increase) in other liabilities	53	(559)
Increase/(decrease) in prepayments and other assets	(455)	12,118
Decrease/(increase) in creditors	175	(12,761)
(Gain)/loss on remeasurement of net defined benefit superannuation liability	(1,226)	(8,285)
Net gain/(loss) on sale of plant and equipment	696	(53)
Net result	11,052	(5,590)

18. 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 2014 $'000	Carrying Amount 2013 $'000
Class:				
Cash and cash equivalents	6(a)	N/A	59,390	50,702
Receivables[1]	7	Loans and receivables (at amortised cost)	9,936	11,001

Financial Liabilities	Note	Category	Carrying Amount 2014 $'000	Carrying Amount 2013 $'000
Class:				
Payables[2]	11	Financial liabilities (at amortised cost)	28,475	28,564

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 earned on the Service's cash is retained by 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 (2013-14: $5.201m; 2012-13: $0.553m) and less than 3 months past due (2013-14: $1.531m; 2012-13: $4.737m) are not considered impaired. Together, these represent 92% 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**
2014			
< 3 months overdue	1,531	1,531	-
3 months – 6 months overdue	522	522	-
>6 months overdue	70	53	17
2013			
< 3 months overdue	4,737	4,737	-
3 months – 6 months overdue	372	372	-
>6 months overdue	7	2	5

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 period's 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 10.63% (2012-13: 12.37%).

The table below summaries 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: Fixed Interest Rate $'000	Interest Rate Exposure: Variable Interest Rate $'000	Interest Rate Exposure: Non-Interest Bearing $'000	Maturity Dates: <1 year $'000	Maturity Dates: 1-5 years $'000	Maturity Dates: > 5 years $'000
2014								
Payables	Nil	28,475	-	-	28,475	28,475	-	-
		28,475	-	-	28,475	28,475	-	-
2013								
Payables	Nil	28,564	-	-	28,564	28,564	-	-
		28,564	-	-	28,564	28,564	-	-

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 2013. 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	**-1%**		**1%**	
	Amount	**Profit**	**Equity**	**Profit**	**Equity**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
2014					
Financial assets					
Cash and cash equivalents	59,390	(594)	(594)	594	594
Receivables	9,936	(99)	(99)	99	99
Financial liabilities					
Payables	28,475	285	285	(285)	(285)
2013					
Financial assets					
Cash and cash equivalents	50,702	(507)	(507)	507	507
Receivables	11,001	(110)	(110)	110	110
Financial liabilities					
Payables	28,564	286	286	(286)	(286)

(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.

19. Superannuation – Defined Benefit Plans

Fund Information

The Pooled Fund holds in trust the investments of the closed NSW public sector superannuation schemes:

- State Superannuation Scheme (SSS)
- State Authorities Superannuation Scheme (SASS)
- State Authorities Non-Contributory Superannuation Scheme (SANCS)

These schemes are all defined benefit schemes – at least a component of the final benefit is derived from a multiple of member salary and years of membership. Members receive lump sum or pension benefits on retirement, death, disablement and withdrawal.

All the schemes are closed to new members.

Description of the regulatory framework

The schemes in the Pooled Fund are established and governed by the following NSW legislation: *Superannuation Act 1916*, *State Authorities Superannuation Act 1987*, *State Authorities Non-Contributory Superannuation Scheme Act 1987*, and their associated regulations.

The Schemes in the Pooled Fund are exempt public sector superannuation schemes under the Commonwealth *Superannuation Industry (Supervision) Act 1993* (SIS). The SIS legislation treats exempt public sector superannuation funds as complying funds for concessional taxation and superannuation guarantee purposes.

Under a Heads of Government agreement, the New South Wales Government undertakes to unsure that the Pooled Fund will conform with the principles of the Commonwealth's retirement incomes policy relating to preservation, vesting and reporting to members and that members' benefits are adequately protected.

The New South Wales Government prudentially monitors and audits the Pooled Fund and the Trustee Board activities in a manner consistent with the prudential controls of the SIS legislation. These provisions are in addition to other legislative obligations on the Trustee Board and internal processes that monitor the Trustee Board's adherence to the principles of the Commonwealth's retirement incomes policy.

An actuarial investigation of the Pooled Fund is performed every three years. The last actuarial investigation was performed as at 30 June 2012.

Description of other entities responsibilities for the governance of the fund

The Fund's Trustee is responsible for the governance of the Fund. The Trustee has a legal obligation to act solely in the best interests of fund beneficiaries. The Trustee has the following roles:

- Administration of the fund and payment to the beneficiaries from fund assets when required in accordance with fund rules;
- Management and investment of the fund assets; and
- Compliance with other applicable regulations.

Description of risks

There are a number of risks to which the Fund exposes the Employer. The more significant risks relating to the defined benefits are:

- **Investment risk** – the risk that investment returns will be lower than assumed and the Employer will need to increase contributions to offset this shortfall.
- **Longevity risk** – the risk that pensioners live longer than assumed, increasing future pensions.
- **Pension indexation risk** – the risk that pensions will increase at a rate greater than assumed, increasing future pensions.
- **Salary growth risk** – the risk that wages or salaries (on which future benefit amounts for active members will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions.
- **Legislative risk** – the risk is that legislative changes could be made which increase the cost of providing the defined benefits.

The defined benefit fund assets are invested with independent fund managers and have a diversified asset mix. The Fund has no significant concentration of investment risk or liquidity risk.

Description of significant events

There were no fund amendments, curtailments or settlements during the year (2012-13: Nil).

(a) Reconciliation of the net defined benefit liability / (asset)

A reconciliation of the net defined benefit liability / (asset) as at 30 June 2014 is as follows:

	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Net defined benefit liability/(asset) at start of the year	**2,185**	**178**	**17,358**	**19,721**
Current service cost	408	108	319	835
Net interest on the net defined benefit liability/(asset)	76	5	653	734
Past service cost	-	-	-	-
(Gains) / losses arising from settlements	-	-	-	-
Actual return on Fund assets less interest income	(845)	(184)	(2,003)	(3,032)
Actuarial (gains)/losses arising from changes in demographic assumptions	-	-	-	-
Actuarial (gains)/losses arising from changes in financial assumptions	531	175	1,748	2,454
Actuarial (gain)/losses arising from liability experience	46	(106)	(587)	(647)
Adjustment for effect of asset ceiling	-	-	-	-
Employer contributions	(355)	(108)	(345)	(808)
Net defined benefit liability/(asset) at end of year	**2,046**	**68**	**17,143**	**19,257**

Comparative information as at 30 June 2013 is as follows:

	SASS	SANCS	SSS	Total
	$'000	$'000	$'000	$'000
Net defined benefit liability/(asset) at start of year	**3,291**	**763**	**22,888**	**26,942**
Current service cost	465	125	335	925
Net interest on the net defined benefit liability/(asset)	96	22	696	814
Past service cost	-	-	-	-
(Gains) / losses arising from settlements	-	-	-	-
Actual return on Fund assets less interest income	(777)	(264)	(2,888)	(3,929)
Actuarial (gains)/losses arising from changes in demographic assumptions	47	(6)	1,695	1,736
Actuarial (gains)/losses arising from changes in financial assumptions	(708)	(224)	(5,619)	(6,551)
Actuarial (gain)/losses arising from liability experience	86	(146)	520	460
Adjustment for effect of asset ceiling	-	-	-	-
Employer contributions	(315)	(92)	(269)	(676)
Net defined benefit liability/(asset) at end of year	**2,185**	**178**	**17,358**	**19,721**

(b) Reconciliation of the fair value of fund assets

A reconciliation of the fair value of fund assets as at 30 June 2014 is as follows:

	SASS	SANCS	SSS	Total
	$'000	$'000	$'000	$'000
Fair value of Fund assets at beginning of the year	**8,329**	**2,233**	**22,729**	**33,291**
Interest income	303	81	847	1,231
Actual return on Fund assets less interest income	845	184	2,003	3,032
Employer contributions	355	108	345	808
Contributions by participants	180	-	194	374
Benefits paid	(986)	(298)	(1,267)	(2,551)
Taxes, premiums and expenses paid	20	32	8	60
Transfers in	-	-	-	-
Contributions to accumulation section	-	-	-	-
Settlements	-	-	-	-
Exchange rate changes	-	-	-	-
Fair value of Fund assets at end of the year	**9,046**	**2,340**	**24,859**	**36,245**

Comparative information as at 30 June 2013 is as follows:

	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Fair value of Fund assets at beginning of the year	**7,807**	**1,998**	**19,768**	**29,573**
Interest income	225	57	592	874
Actual return on Fund assets less interest income	777	264	2,888	3,929
Employer contributions	315	92	269	676
Contributions by participants	189	-	203	392
Benefits paid	(912)	(237)	(1,074)	(2,223)
Taxes, premiums and expenses paid	(72)	59	83	70
Transfers in	-	-	-	
Contributions to accumulation section	-	-	-	
Settlements	-	-	-	
Exchange rate changes	-	-	-	
Fair value of Fund assets at end of the year	**8,329**	**2,233**	**22,729**	**33,291**

(c) Reconciliation of the defined benefit obligations

A reconciliation of the fair value of fund assets as at 30 June 2014 is as follows:

	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Present value of defined benefit obligations at beginning of the year	**10,514**	**2,411**	**40,087**	**53,012**
Current service costs	408	108	319	835
Interest cost	378	87	1,500	1,965
Contributions by participants	180	-	194	374
Actuarial (gains)/losses arising from changes in demographic assumptions	-	-	-	-
Actuarial (gains)/losses arising from changes in financial assumptions	531	175	1,748	2,454
Actuarial (gains)/losses arising from liability experience	46	(106)	(587)	(647)
Benefits paid	(986)	(298)	(1,267)	(2,551)
Taxes, premiums and expenses paid	20	32	8	60
Transfers in	-	-	-	-
Contributions to accumulations section	-	-	-	-
Past service cost	-	-	-	-
Settlements	-	-	-	-
Exchange rate changes	-	-	-	-
Present value of defined benefit obligations at end of the year	**11,091**	**2,409**	**42,002**	**55,502**

Comparative information as at 30 June 2013 is as follows:

	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Present value of defined benefit obligations at beginning of the year	**11,098**	**2,761**	**42,656**	**56,515**
Current service costs	465	125	335	925
Interest cost	321	79	1,288	1,688
Contributions by participants	189	-	203	392
Actuarial (gains)/losses arising from changes in demographic assumptions	47	(6)	1,695	1,736
Actuarial (gains)/losses arising from changes in financial assumptions	(708)	(224)	(5,619)	(6,551)
Actuarial (gains)/losses arising from liability experience	86	(146)	520	460
Benefits paid	(912)	(237)	(1,074)	(2,223)
Taxes, premiums and expenses paid	(72)	59	83	70
Transfers in	-	-	-	
Contributions to accumulations section	-	-	-	
Past service cost	-	-	-	
Settlements	-	-	-	
Exchange rate changes	-	-	-	
Present value of defined benefit obligations at end of the year	**10,514**	**2,411**	**40,087**	**53,012**

(d) Reconciliation of the effect of the asset ceiling

A reconciliation of the effect of the asset ceiling as at 30 June 2014 is as follows:

	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Adjustment for the effect of the asset ceiling at the beginning of the year	**-**	**-**	**-**	**-**
Change in the effect of the asset ceiling	-	-	-	-
Adjustment for the effect of the asset ceiling at the end of the year	**-**	**-**	**-**	**-**

Comparative information as at 30 June 2013 is as follows:

	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Adjustment for the effect of the asset ceiling at the beginning of the year	**-**	**-**	**-**	**-**
Change in the effect of the asset ceiling	-	-	-	-
Adjustment for the effect of the asset ceiling at the end of the year	**-**	**-**	**-**	**-**

(e) Fair value of fund assets

All Pooled Fund assets are invested by STC at arm's length through independent fund managers and assets are not separately invested for each entity and it is not possible or appropriate to disaggregate and attribute fund assets to individual entities. As such, the disclosures below relate to total assets of the Pooled Fund.

Fair value as at 30 June 2014 is as follows:

Asset category	**Level 1** **$'000**	**Level 2** **$'000**	**Level 3** **$'000**	**Total Fair Value** **$'000**
Short term securities	1,572,615	880,140	-	2,452,755
Australian fixed interest	10,928	2,354,086	-	2,365,014
International fixed interest	-	880,529	-	880,529
Australian equities	11,494,549	241,423	2,664	11,738,636
International equities	8,172,677	2,780,531	121	10,953,329
Property	894,113	692,296	1,686,577	3,272,986
Alternatives	565,401	4,897,152	866,857	6,329,410
	22,710,283	12,726,157	2,556,219	37,992,659

Note: Additional to the assets disclosed above, at 30 June 2014 the Pooled Fund has provisions for receivables/(payables) estimated to be around $2.2 billion, giving estimated assets totalling around $40.2 billion.

Comparative information as at 30 June 2013 is not available and not required to be presented under the transitional provisions of AASB 13 (refer Note 1(p)(i)).

The percentage invested in each asset class at the reporting date is:

	30 June 2014	**30 June 2013**
Short term securities	6.5%	-
Australian fixed interest	6.2%	6.9%
International fixed interest	2.3%	2.2%
Australian equities	30.9%	30.4%
International equities	28.8%	26.1%
Property	8.6%	8.3%
Alternatives	16.7%	-
Cash	-	13.1%
Other	-	13.0%
Total	100.0%	100.0%

Level 1 – quoted prices in active markets for identical assets or liabilities. The assets in this level are listed shares; listed unit trusts.

Level 2 – inputs other than quoted prices observable for the asset or liability either directly or indirectly. The assets in this level are cash; notes; govern, semi-government and corporate bonds; unlisted trusts where quoted prices are available in active markets for identical assets or liabilities.

Level 3 – inputs for the asset or liability that are not based on observable market data. The assets in this level are unlisted property; unlisted shares; unlisted infrastructure; distressed debt; hedge funds.

Derivatives, including futures and options, can be used by investment managers. However, each manager's investment mandate clearly states that derivatives may only be used to facilitate efficient cash flow management or to hedge the portfolio against market movements and cannot be used for speculative purposes or gearing of the investment portfolio. As such managers make limited use of derivatives.

(f) Fair value of the entities own financial instruments

The disclosures below relate to total assets of the Pooled Fund.

The fair value of the Pooled Fund assets include as at 30 June 2014 $173.9m in NSW government bonds. Comparative information for the period ended 30 June 2013 is not available and not required to be presented under the transitional provisions of AASB 13 (refer Note 1(p)(i)).

(g) Significant actuarial assumptions at the reporting date

	30 June 2014	**30 June 2013**
Salary increase rate (excluding promotional increases)		
2013-14 to 2014-15	2.27% per annum	2.25% per annum
2015-16 to 2017-18	2.5% per annum	2.0% per annum
2018-19 to 2019-20	3.0% per annum	2.0% per annum
2020-21 to 2022-23	3.0% per annum	2.5% per annum
2023-24 onwards	3.5% per annum	2.5% per annum
Rate of CPI increase	2.5% per annum	2.5% per annum
Discount rate	3.57% per annum	3.80% per annum
Pensioner mortality	As per the 2012 Actuarial Investigation of the Pooled Fund	As per the 2012 Actuarial Investigation of the Pooled Fund

(h) Sensitivity analysis

The Service's total defined benefit obligation at 30 June 2014 under several scenarios is presented below. The total defined benefit obligation disclosed is inclusive of the contribution tax provision which is calculated based on the asset level at 30 June 2014.

Scenarios A to F relate to sensitivity of the total defined benefit obligation to economic assumptions, and scenario G and H relate to sensitivity to demographic assumptions.

	Base Case	**Scenario A -1.0% discount rate**	**Scenario B +1.0% discount rate**
Discount rate	3.57%	2.57%	4.57%
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	as above	as above
Defined benefit obligation ($'000)	55,502	64,299	48,441

	Base Case	Scenario C +0.5% rate of CPI increase	Scenario D -0.5% rate of CPI increase
Discount rate	as above	as above	as above
Rate of CPI increase	2.5%	3.0%	2.0%
Salary inflation rate	as above	as above	as above
Defined benefit obligation ($'000)	55,502	58,976	52,357

	Base Case	Scenario E +0.5% salary Increase rate	Scenario F -0.5% salary increase rate
Discount rate	as above	as above	as above
Rate of CPI increase	as above	as above	as above
Salary inflation rate	as above	Above rate plus 0.5% pa	Above rate less 0.5% pa
Defined benefit obligation ($'000)	55,502	56,180	54,856

	Base Case	Scenario G +5% pensioner mortality rate	Scenario F -5% pensioner mortality rate
Defined benefit obligation ($'000)	55,502	55,036	55,996

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

(i) Asset-Liability matching strategies

The Trustee monitors its asset-liability risk continuously in setting its investment strategy. It also monitors cash flows to manage liquidity requirements.

(j) Funding arrangements

Funding arrangements are reviewed at least every three years following the release of the triennial actuarial review and was last reviewed following completion of the triennial review as a 30 June 2012. Contributions rates are set after discussions between the employer, STC and NSW Treasury.

Funding positions are reviewed annually and funding arrangements may be adjusted as required after each annual review.

(i) (Surplus) / Deficit

A summary of the 30 June 2014 financial position of the Fund calculated in accordance with AAS 25 *Financial Reporting by Superannuation Plans* is as follows:

	SASS $'000	**SANCS $'000**	**SSS $'000**	**Total $'000**
Accrued benefits*	9,150	1,934	22,268	33,352
Net market value of fund assets	(9,046)	(2,340)	(24,859)	(36,245)
Net (surplus) / deficit	**104**	**(406)**	**(2,591)**	**(2,893)**

* There is no allowance for contribution tax provision within the Accrued Benefits figure for AAS 25. Allowance for contributions tax is made when setting the contribution rates.

Comparative information as at 30 June 2013 is as follows:

	SASS $'000	SANCS $'000	SSS $'000	Total $'000
Accrued benefits*	8,900	2,030	21,661	32,591
Net market value of fund assets	(8,329)	(2,233)	(22,729)	(33,291)
Net (surplus) / deficit	**571**	**(203)**	**(1,068)**	**(700)**

* There is no allowance for contribution tax provision within the Accrued Benefits figure for AAS 25. Allowance for contributions tax is made when setting the contribution rates.

(ii) Contribution recommendations

Recommended contribution rates for the Service as at 30 June 2014 are:

SASS	SANCS	SSS
Multiple of member contributions	% member salary	Multiple of member contributions
1.9	2.5	1.6

Comparative information as at 30 June 2013 is as follows:

SASS	SANCS	SSS
Multiple of member contributions	% member salary	Multiple of member contributions
1.9	2.5	1.6

(iii) Economic assumptions

The economic assumptions adopted for the 2012 actuarial review of the fund are:

	30 June 2014	30 June 2013
Weighted Average Assumptions		
Expected rate of return on fund assets backing current pension liabilities	8.3% per annum	8.3% per annum
Expected rate of return on fund assets backing other liabilities	7.3% per annum	7.3% per annum
Expected salary increase rate (excluding promotional salary increases)	2.7% per annum to 30 June 2018 then 4.0% per annum thereafter	2.7% per annum to 30 June 2018 then 4.0% per annum thereafter
Expected rate of CPI increase	2.5% per annum	2.5% per annum

(k) Expected contributions

Expected employer contributions to be paid in the next reporting period are:

	SASS Period to 30 June 2015 $'000	SANCS Period to 30 June 2015 $'000	SSS Period to 30 June 2015 $'000	Total Period to 30 June 2015 $'000
Expected employer contributions	342	100	311	753

Comparative information as at 30 June 2013 is as follows:

	SASS Year to 30 June 2014 $'000	SANCS Period to 30 June 2014 $'000	SSS Period to 30 June 2014 $'000	Total Period to 30 June 2014 $'000
Expected employer contributions	359	105	325	789

(l) Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation is 14.1 years (2012-13: 13.9 years).

(m) 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 are:

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

As at 30 June 2009, the Scheme had a deficit of assets to accrued liabilities, and the trustees determined that each pooled employer would contribute an additional lump sum contribution, apportioned according to each employer's share of the accrued liabilities as at 30 June 2009. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2009.

The adequacy of contributions is assessed at each triennial actuarial investigation and monitored annually between triennials.

(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 $0.811m and the expected additional lump sum contribution is $0.377m.

(v) Deficit or surplus of the Scheme

The estimated employer reserves financial position for the pooled employers at 30 June 2014 is:

	$'000	**Asset Coverage**
Assets	1,603,600	
Past service liabilities	1,726,900	92.9%
Vested benefits	1,758,200	91.2%

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:

Investment return	7.0% per annum
Salary inflation*	4.0% per annum
Increase in CPI	2.5% per annum

* Plus promotional increases

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, however these payments are not recognised in the accounts as the amount cannot be reliably measured.

(vi) Participation in the Scheme

The Service is estimated to represent 0.79% of the Scheme 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.

20. Events after the Reporting Period

Subsequent to the reporting period, the Treasurer has approved the Crown acceptance of the NSW public sector defined benefit superannuation obligations of the Service. It is expected that this will result in a reduction in the Service's liabilities of $19.257m (refer Notes 12 and 19(a)).

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

End of audited financial statements

INDEPENDENT AUDITOR'S REPORT

Bush Fire Co-ordinating Committee

To Members of the New South Wales Parliament

I have audited the accompanying financial statements of Bush Fire Co-ordinating Committee (the Committee), which comprise the statement of financial position as at 30 June 2014, the statement of comprehensive income and statement of changes in equity and statement of cash flows, for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information.

Opinion

In my opinion, the financial statements:

- give a true and fair view of the financial position of the Committee as at 30 June 2014, 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* (the PF&A Act) and the Public Finance and Audit Regulation 2010.

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

The Committee's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with Australian Auditing Standards. Those Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Committee's preparation of the financial statements that give a true and fair view 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 Committee's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Committee, as well as evaluating the overall presentation of the financial statements.

Level 15, 1 Margaret Street, Sydney NSW 2000 | GPO Box 12, Sydney NSW 2001 | **t** 02 9275 7101 | **f** 02 9275 7179 | **e** mail@audit.nsw.gov.au | **audit.nsw.gov.au**

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

My opinion does *not* provide assurance:

- about the future viability of the Committee
- that it has carried out its activities effectively, efficiently and economically
- about the effectiveness of its internal control
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about other information that may have been hyperlinked to/from the financial statements.

Independence

In conducting my audit, I have complied with the independence requirements of the Australian Auditing Standards and other relevant ethical pronouncements. The PF&A Act further promotes independence 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, thus ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by the possibility of losing clients or income.

David Nolan
Director, Financial Audit Services

22 September 2014
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 2014

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 2010 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 2014; 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

16 September 2014

Statement of comprehensive income for the period ended 30 June 2014

	Notes	Actual 2014 $'000	Actual 2013 $'000
Expenses excluding losses			
Personnel services	2	24	27
TOTAL EXPENSES EXCLUDING LOSSES		**24**	**27**
Revenue			
Grants and contributions	2	24	27
Total Revenue		**24**	**27**
Net Result		**-**	**-**
Total other comprehensive income		**-**	**-**
TOTAL COMPREHENSIVE INCOME		**-**	**-**

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2014

	Notes	Actual 2014 $'000	Actual 2013 $'000
Total Assets		**-**	**-**
Total Liabilities		**-**	**-**
Net Assets		**-**	**-**
EQUITY			
Accumulated funds		-	-
Total Equity		**-**	**-**

The accompanying notes form part of these financial statements.

Statement of changes in equity for the period ended 30 June 2014

	Notes	Actual 2014 $'000	Actual 2013 $'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 period ended 30 June 2014

	Notes	Actual 2014 $'000	Actual 2013 $'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.

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 2014 have been authorised for issue by the Bush Fire Co-ordinating Committee on 16 September 2014.

(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.

(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.

2. Revenue and Expenses

	2014 $'000	2013 $'000
Revenue		
Grants from the NSW Rural Fire Service	24	27
	24	27
Expenses		
Personnel services provided by the NSW Rural Fire Service	24	27
	24	27

3. Contingent Assets and Contingent Liabilities

As at 30 June 2014 the Committee had no contingent assets or contingent liabilities (Nil in 2012-13).

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

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