South Australian Metropolitan Fire Service

Financial report for the year ended 30 June 2019

INDEPENDENT AUDITOR'S REPORT

Government of South Australia
Auditor-General's Department

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To the Chief Officer
South Australian Metropolitan Fire Service

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 52(2) of the *Fire and Emergency Services Act 2005*, I have audited the financial report of the South Australian Metropolitan Fire Service for the financial year ended 30 June 2019.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the South Australian Metropolitan Fire Service as at 30 June 2019, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

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

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of the South Australian Metropolitan Fire Service. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants* have been met.

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

Responsibilities of the Chief Officer for the financial report

The Chief Officer is responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and that is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the South Australian Metropolitan Fire Service's internal control

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Officer

- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Chief Officer about, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.

Andrew Richardson
Auditor-General
19 September 2019

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

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

comply with relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian Accounting Standards

are in accordance with the accounts and records of the South Australian Metropolitan Fire Service

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

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

Paul Fletcher
A/Chief Officer
South Australian Metropolitan Fire Service
13 September 2019

Luba Cvetanovic
Business Manager
South Australian Metropolitan Fire Service
13 September 2019

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

	Note	2019 $'000	2018 $'000
Expenses			
Employee benefits	2.3	161 908	180 045
Supplies and services	3.1	19 230	16 766
Grants and subsidies	3.2	401	291
Depreciation and amortisation	3.3	7 313	7 408
Total expenses		**188 852**	**204 510**
Income			
Fees and charges	4.2	5 525	5 158
Grants and contributions	4.3	112	97
Net gain from disposal of non-current assets	4.4	6	-
Interest revenues	4.5	49	36
Other income	4.6	554	481
Total income		**6 246**	**5 772**
Net cost of providing services		**182 606**	**198 738**
Revenues from / (payments to) SA Government			
Revenues from SA Government	4.1	150 580	143 014
Total net revenues from SA Government		**150 580**	**143 014**
Net result		**(32 026)**	**(55 724)**
Total comprehensive result		**(32 026)**	**(55 724)**

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

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

	Note	2019 $'000	2018 $'000
Current assets			
Cash and cash equivalents	6.1	2 915	3 876
Receivables	6.2	1 213	1 230
Total current assets		**4 128**	**5 106**
Non-current assets			
Property, plant and equipment	5.1	136 639	141 235
Intangible assets	5.2	201	276
Total non-current assets		**136 840**	**141 511**
Total assets		**140 968**	**146 617**
Current liabilities			
Payables	7.1	7 766	8 131
Employee benefits	2.4	17 997	16 549
Provisions	7.2	10 879	9 975
Total current liabilities		**36 642**	**34 655**
Non-current liabilities			
Payables	7.1	5 039	4 109
Employee benefits	2.4	28 638	23 842
Provisions	7.2	68 326	49 745
Total non-current liabilities		**102 003**	**77 696**
Total liabilities		**138 645**	**112 351**
Net assets		**2 323**	**34 266**
Equity			
Asset revaluation surplus		98 445	98 445
Retained earnings		(96 122)	(64 179)
Total equity		**2 323**	**34 266**

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

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

	Note	Asset revaluation surplus	Retained earnings	Total equity
		$'000	$'000	$'000
Balance at 30 June 2017		98 445	(8 455)	89 990
Net result for 2017-18		-	(55 724)	(55 724)
Total comprehensive result for 2017-18		**-**	**(55 724)**	**(55 724)**
Balance at 30 June 2018		**98 445**	**(64 179)**	**34 266**
Adjustments on initial adoption of AASB 9	9.2		83	83
Adjusted balance at 1 July 2018		**98 445**	**(64 096)**	**34 349**
Net result for 2018-19		-	(32 026)	(32 026)
Total comprehensive result for 2018-19		**-**	**(32 026)**	**(32 026)**
Balance at 30 June 2019		**98 445**	**(96 122)**	**2 323**

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

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

Cash flows from operating activities	Note	2019 (Outflows) Inflows $'000	2018 (Outflows) Inflows $'000
Cash outflows			
Employee benefits payments		(134 153)	(127 608)
Supplies and services payments		(22 706)	(16 086)
Payments for paid Parental Leave Scheme		(49)	(19)
Grants and subsidies payments		(377)	(291)
Cash used in operations		**(157 285)**	**(144 004)**
Cash inflows			
Fees and charges		6 280	5 399
Receipts from grants and contributions		88	97
Interest received		49	36
GST recovered from the Australian Taxation Office		1 239	948
Receipts for paid Parental Leave Scheme		49	15
Other receipts		659	418
Cash generated from operations		**8 364**	**6 913**
Cash flows from SA Government			
Contributions from Community Emergency Services Fund		148 348	139 225
Other receipts from SA Government		2 232	3 789
Cash generated from SA government		**150 580**	**143 014**
Net cash provided by / (used in) operating activities	8.1	**1 659**	**5 923**
Cash flows from investing activities			
Cash outflows			
Purchase of property, plant and equipment		(2 637)	(5 757)
Cash used in investing activities		**(2 637)**	**(5 757)**
Cash inflows			
Proceeds from the sale of property, plant and equipment		17	-
Cash generated from investing activities		**17**	**-**
Net cash provided by / (used in) investing activities		**(2 620)**	**(5 757)**
Net increase / (decrease) in cash and cash equivalents		**(961)**	**166**
Cash and cash equivalents at the beginning of the reporting period		3 876	3 710
Cash and cash equivalents at the end of the reporting period	6.1	**2 915**	**3 876**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. About the South Australian Metropolitan Fire Service

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

The financial statements include all the controlled activities of MFS.

1.1. Basis of preparation

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

section 23 of the Public Finance and Audit Act 1987;

Treasurer's Instructions and Accounting Policy Statements issued by the Treasurer under the Public Finance and Audit Act 1987; and

Relevant Australian Accounting Standards

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

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

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

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

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

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

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

1.2. Objectives and programs

Objectives

The MFS is established under the Fire and Emergency Services Act 2005 (the Act) and is responsible under the Act for the following functions:

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

1.2. Objectives and programs (continued)

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

Programs

In achieving its objectives, MFS provides services within three general areas: frontline services, frontline services support and governance and public value. These services are classified under one program titled 'South Australian Metropolitan Fire Service'.

1.3. Budget performance

The budget performance table compares MFS outcomes against budget information presented to Parliament (2018-19 Budget Paper 4). The budget amounts have not been adjusted to reflect revised budgets or administrative restructures. The budget process is not subject to audit.

	Note	Original budget 2019 $'000	Actual 2019 $'000	Variance $'000
Statement of Comprehensive Income				
Expenses				
Employee benefits	a	123 804	161 908	38 104
Supplies and services		16 133	19 230	3 097
Grants and subsidies		-	401	401
Depreciation and amortisation		8 541	7 313	(1 228)
Total expenses		**148 478**	**188 852**	**40 374**
Income				
Fees and charges		4 480	5 525	1 045
Grants and contributions		-	112	112
Net gain from disposal of non-current assets		-	6	6
Interest Revenues		112	49	(63)
Other Income		312	554	242
Total income		**4 904**	**6 246**	**1 342**
Net cost of providing services		**143 574**	**182 606**	**39 032**
Revenues from / (payments to) SA government				
Revenues from SA government		148 508	150 580	2 072
Total net revenues from SA Government		**148 508**	**150 580**	**2 072**
Total comprehensive result		**4 934**	**(32 026)**	**(36 960)**

Explanations are provided for variances where the variance exceeds the greater of 10% of the original budgeted amount and 5% of original budgeted total expenses.

a The employee benefits expense was higher than the original budget primarily due to increases in the workers compensation provision and long service leave provision not budgeted for.

1.3. Budget performance (continued)

	Note	Original budget 2019 $'000	Actual 2019 $'000	Variance $'000
Investing expenditure summary				
Total new projects		-	272	272
Total existing projects	b	2 562	762	(1 800)
Total annual programs	c	7 141	1 603	(5 538)
Total investing expenditure		**9 703**	**2 637**	**(7066)**

b Actual expenditure was lower than the original budget due to timing variances relating to the construction of new structural firefighting training property. The original budget includes a DTF approved $2.4 million carry over from 2017-18. The expenditure was delayed in 2018-19.

c Annual program expenditure was lower than budget due to delays in various capital upgrades.

1.4. Significant transactions with government related entities

Significant transactions with government related entities

Significant transactions with the SA Government are identifiable throughout this financial report. In addition:

- Contributions received from the Community Emergency Services Fund (refer note 4.1).

2. Board, committees and employees

2.1. Key management personnel

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

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

- The Minister for Emergency Services. The Minister's remuneration and allowances are set by the Parliamentary Remuneration Act 1990 and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via the Department of Treasury and Finance) under section 6 the *Parliamentary Remuneration Act 1990*.

	2019 $'000	2018 $'000
Salaries and other short term employee benefits	463	477
Post-employment benefits	62	78
Total related party transaction	**525**	**555**

Transactions with key management personnel and other related parties

There are no material transactions or balances to disclose with key management personnel or related parties

2.2. Remuneration of board and committee members

Members of boards and committees during 2019 were:

South Australian Metropolitan Fire Service Disciplinary Committee
L D P Holland
P L Kilsby*
S J Smithson*
J L Virgo* (appointed 29 November 2018)
M Vander-Jeugd * (term expired 28 November 2018)

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

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

	2019	2018
$nil	4	3
$1 - $19 999	1	1
	5	4

Remuneration of members reflects all costs of performing board/committee member duties including sitting fees, superannuation contributions, salary sacrifice benefits and fringe benefits and any FBT paid or payable in respect of those benefits. The total remuneration received or receivable by members was $5 512 (2018: $7 060).

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

2.3. Employee benefits expenses

	2019 $'000	2018 $'000
Salaries and wages	94 955	89 628
Workers' compensation	23 421	39 713
Employment on-costs - superannuation	14 311	15 385
Annual leave	12 586	11 438
Long service leave	7 321	4 417
Payroll Tax	6 416	5 999
Skills and experience retention leave	1 272	864
Additional compensation	1 245	12 187
Board fees	5	6
Other employment related expenses	376	408
Total employee benefits expenses	**161 908**	**180 045**

Employment on-costs – superannuation

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

Remuneration of employees

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

	2019 Number	2018 Number
$149 000 to $151 000*	N/A	17
$151 001 to $171 000	117	82
$171 001 to $191 000	30	15
$191 001 to $211 000	4	-
$211 001 to $231 000	2	-
$231 001 to $251 000	1	-
$251 001 to $271 000	-	1
$291 001 to $311 000	1	1
Total	**155**	**116**

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

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

Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits and fringe benefits and any FBT paid or payable in respect of those benefits. The total remuneration received by these employees for the year was $25.81 million (2018: $18.80 million).

2.4. Employee benefits liability

	2019 $'000	2018 $'000
Current		
Annual leave	10 939	9 999
Accrued salaries and wages	2 656	2 442
Long service leave	2 777	2 836
Skills and experience retention leave	1 625	1 272
Total current employee benefits	**17 997**	**16 549**
Non-current		
Long service leave	28 638	23 842
Total non-current employee benefits	**28 638**	**23 842**
Total employee benefits	**46 635**	**40 391**

These benefits accrue for employees as a result of services provided up to the reporting date that remain unpaid. Long-term employee benefits are measured at present value and short-term employee benefits are measured at nominal amounts.

Salaries and wages, annual leave skills and experience retention leave (SERL) and sick leave

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

The annual leave liability and the SERL liability in full is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid

No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees is estimated to be less than the annual entitlement of sick leave.

Long service leave

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

3. Expenses

Employee benefits expenses are disclosed in note 2.3.

3.1. Supplies and services

	2019 $'000	2018 $'000
Property costs	3 170	3 261
Vehicles	2 517	2 065
Government radio network	2 304	1 979
Uniforms and protective clothing	2 039	2 078
Consultancy, contractors and legal fees	1 902	935
Computing costs	1 767	1 383
Operational costs	1 315	1 103
Travel and training	1 053	929
Communications	804	714
Operating lease costs	557	591
Insurance premiums	226	311
Shared Services SA payments	7	10
Other expenses	1 569	1 407
Total supplies and services	**19 230**	**16 766**

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

Operating leases

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

Other

Audit fees paid/payable to the Auditor-General's Department (AGD) relating to work performed under the *Public Finance and Audit Act* were $29 000 (2018: $29 000). These costs are recognised in 'Other expenses' above. No other services were provided by the Auditor-General's Department.

Consultants

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

	2019 Number	2019 $'000	2018 Number	2018 $'000
Below $10 000	3	10	3	9
$10 000 or above	2	730	1	18
Total	**5**	**740**	**4**	**27**

3.2. Grants and subsidies

	2019 $'000	2018 $'000
Recurrent grant	401	291
Total grants and subsidies	**401**	**291**

3.3. Depreciation and amortisation

	2019 $'000	2018 $'000
Depreciation		
Vehicles	4 017	4 139
Buildings	2 493	2 488
Plant	314	311
Communications	288	291
Computers	126	125
Total depreciation	**7 238**	**7 354**
Amortisation		
Software	75	54
Total amortisation	**75**	**54**
Total depreciation and amortisation	**7 313**	**7 408**

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

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

Review of Accounting Estimates

Assets' residual values, useful lives and amortisation methods are reviewed and adjusted if appropriate, on an annual basis.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or method, as appropriate.

Useful life

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

Class of asset	Useful life (years)
Buildings	50
Vehicles	15
Communications equipment	10
Plant and equipment	10
Computer equipment	5
Intangibles	5

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

4. Income

4.1. Revenues from SA Government

	2019 $'000	2018 $'000
Revenues from SA Government		
Contributions from Community Emergency Services Fund	148 348	139 225
Commonwealth grants received via Treasury and Finance	1 136	1 097
Other revenues from SA Government	1 096	2 692
Total revenues from SA Government	**150 580**	**143 014**
Net revenues from SA Government	**150 580**	**143 014**

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

Revenues from SA Government consist of $143.14 million (2018: $137.36 million) for operational funding and $7.44 million (2018: $5.65 million) for capital projects.

For details on the expenditure associated with the operational funding and capital funding refer note 2.3, 3.1, 3.2 and 5.1.

4.2. Revenues from fees and charges

	2019 $'000	2018 $'000
Fire alarm attendance fees	2 131	2 234
Fire alarm monitoring fees	2 276	2 191
Rent of premises	419	398
Fire safety fees	343	311
Incident cost recoveries	356	22
Other recoveries	-	2
Total revenues from fees and charges	**5 525**	**5 158**

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

4.3. Grants and contributions

	2019 $'000	2018 $'000
State Government	112	91
Private industry and local government	-	6
Total grants and contributions	**112**	**97**

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

Commonwealth grant funding for MFS relates to the cost of providing fire and emergency services to Commonwealth Properties. There is a Memorandum of Understanding in relation to these Commonwealth contributions. All contributions received from the Commonwealth are contributions with unconditional stipulations.

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

	2019 $'000	2018 $'000
Vehicles		
Proceeds from disposal	17	-
Less carrying amount of assets disposed	-	-
Net gain / (loss) from disposal of vehicles	**17**	**-**
Plant and equipment		
Proceeds from disposal	-	-
Less carrying amount of assets disposed	(11)	-
Net gain / (loss) from disposal of plant and equipment	**(11)**	**-**
Total assets		
Total proceeds from disposal	17	-
Less total carrying amount of assets disposed	(11)	-
Total net gain / (loss) from disposal of non-current assets	**6**	**-**

Gains/losses on disposal are recognised at the date which control of the asset is passed to the buyer and are determined after deducting the cost of the asset from the proceeds at that time. When revalued assets are sold, the revaluation surplus is transferred to retained earnings.

4.5. Interest revenues

	2019 $'000	2018 $'000
Interest on deposit accounts	49	36
Total interest revenues	**49**	**36**

4.6. Other income

	2019 $'000	2018 $'000
Insurance recoveries	19	16
Donations	10	-
Salary recoveries	9	63
Sundry revenues	474	316
Other	42	86
Total other income	**554**	**481**

5. Non-financial assets

5.1. Property, plant and equipment

	2019 $'000	2018 $'000
Land		
Land at fair value	48 385	48 385
Total land	**48 385**	**48 385**
Buildings		
Buildings at fair value	68 030	67 597
Accumulated depreciation	(13 532)	(11 039)
Total buildings	**54 498**	**56 558**
Vehicles		
Vehicles at fair value	49 714	48 517
Accumulated depreciation	(23 686)	(19 669)
Total vehicles	**26 028**	**28 848**
Communications (Comms.) equipment		
Communications equipment at fair value	2 793	2 745
Accumulated depreciation	(1 097)	(809)
Total communication equipment	**1 696**	**1 936**
Computer equipment		
Computer equipment at fair value	633	633
Accumulated depreciation	(466)	(340)
Total computer equipment	**167**	**293**
Plant and equipment		
Plant and equipment at valuation	3 638	3 272
Accumulated depreciation	(1 340)	(1 034)
Total plant and equipment	**2 298**	**2 238**
Capital work in progress		
Capital work in progress at cost (deemed fair value)	3 567	2 977
Total capital work in progress	**3 567**	**2 977**
Total property, plant and equipment	**136 639**	**141 235**

Acquisition and recognition

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

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

5.1. Property, plant and equipment (continued)

Impairment

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

Movement reconciliation of property, plant and equipment

	Land	Buildings	Vehicles	Comms. Equipment	Computer Equipment	Plant & equipment	Work in progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amount at 1 July 2018	48 385	56 558	28 848	1 936	293	2 238	2 977	141 235
Acquisitions	-	-	10	-	-	-	2 627	2 637
Transfers from capital WIP	-	433	1 187	48	-	385	(2 053)	-
Depreciation	-	(2 493)	(4 017)	(288)	(126)	(314)	-	(7 238)
Disposals	-	-	-	-	-	(11)	-	(11)
Other	-	-	-	-	-	-	16	16
Carrying amount at 30 June 2019	**48 385**	**54 498**	**26 028**	**1 696**	**167**	**2 298**	**3 567**	**136 639**

	Land	Buildings	Vehicles	Comms. Equipment	Computer Equipment	Plant & equipment	Work in progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Carrying amount at 1 July 2017	48 362	57 275	28 548	1 794	382	2 237	4 372	142 970
Acquisitions	-	-	-	-	-	-	5 757	5 757
Transfers from capital WIP	-	1 771	4 439	433	36	312	(7 101)	(110)
Depreciation		(2 488)	(4 139)	(291)	(125)	(311)	-	(7 354)
Capital WIP - expensed in current period	-	-	-	-	-	-	(51)	(51)
Other	23	-	-	-	-	-	-	23
Carrying amount at 30 June 2018	**48 385**	**56 558**	**28 848**	**1 936**	**293**	**2 238**	**2 977**	**141 235**

5.2. Intangible assets

	2019 $'000	2018 $'000
Software		
Computer software	449	687
Accumulated amortisation	(248)	(411)
Total software	**201**	**276**
Total intangible assets	**201**	**276**

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

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

Reconciliation 2018-19	**Computer Software $'000**
Carrying amount at 1 July 2018	276
Amortisation	(75)
Carrying amount at 30 June 2019	**201**

Reconciliation 2017-18	**Computer Software $'000**
Carrying amount at 1 July 2017	220
Transfers from capital WIP	110
Amortisation	(54)
Carrying amount at 30 June 2018	**276**

6. Financial assets

6.1. Cash and cash equivalents

	2019 $'000	2018 $'000
Cash on hand	6	5
Deposits with the Treasurer	2 909	3 871
Total cash and cash equivalents	**2 915**	**3 876**

Cash is measured at nominal amounts.

Deposits with the Treasurer

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

Interest rate risk

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

6.2. Receivables

	2019 $'000	2018 $'000
Current		
Receivables	569	589
Less allowance for doubtful debts	(8)	(91)
Prepayments	146	129
Accrued revenues	123	56
GST input tax recoverable	383	547
Total current receivables	**1 213**	**1 230**
Total receivables	**1 213**	**1 230**

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

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

Refer to note 11.3 for further information on risk management.

Impairment of receivables	2019 $'000	2018 $'000
Balance at 30 June 2018 under AASB 139	91	-
Adjustments on initial adoption of AASB 9	(83)	-
Carrying amount at the beginning of the period	**8**	**68**
Increase/(decrease) in the allowance	1	74
Amounts written off	(1)	(10)
Amounts recovered during the year	-	(41)
Carrying amount at the end of the period	**8**	**91**

Refer to note 11.310.3 for details regarding credit risk and the methodology for determining impairment.

7. Liabilities

Employee benefits are disclosed in note 2.4

7.1. Payables

	2019 $'000	2018 $'000
Current		
Creditors	1 142	1 190
Accrued expenses	2 859	3 411
Employment on-costs	3 765	3 530
Total current payables	**7 766**	**8 131**
Non-current		
Creditors	2	2
Employment on-costs	5 037	4 107
Total non-current payables	**5 039**	**4 109**
Total payables	**12 805**	**12 240**

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

Employment on-costs

Employment on-costs include payroll tax, workers' compensation levies and superannuation contributions and are settled when the respective employee benefits that they relate to is discharged.

MFS makes contributions to several State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at reporting date relates to any contributions due but not yet paid to the South Australian Superannuation Board.

As a result of an actuarial assessment performed by the Department of Treasury and Finance (DTF) has resulted in the percentage of the proportion of long service leave taken as leave has changed from the 2018 rate 86% to 89% and the average factor for the calculation of employer superannuation cost on-cost is 13.5% (2018: 13.5%). These rates are used in the employment on-cost calculation.

The estimated impact on future periods is not expected to be materially different to the effect on the current period as shown above.

7.2. Provisions

	2019 $'000	2018 $'000
Current		
Provision for workers' compensation	10 430	9 601
Additional compensation	449	374
Total current provisions	**10 879**	**9 975**
Non-current		
Provision for workers' compensation	55 822	37 932
Additional compensation	12 504	11 813
Total non-current provisions	**68 326**	**49 745**
Total provisions	**79 205**	**59 720**

Movement In Provisions

	2019 $'000	2018 $'000
Workers' compensation:		
Carrying amount at the beginning of the period	47 533	12 165
Additional provisions recognised	23 421	39 682
Reductions arising from payments	(4 702)	(4 314)
Carrying amount at the end of the period	**66 252**	**47 533**
Additional compensation:		
Carrying amount at the beginning of the period	12 187	-
Additional provisions recognised	1 244	12 187
Reductions arising from payments	(478)	-
Carrying amount at the end of the period	**12 953**	**12 187**

Workers' Compensation

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

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

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

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

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

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

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

7.2. Provisions (continued)

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

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

The Additional Compensation provision is based on an actuarial assessment of the outstanding liability as at 30 June 2019 provided by a consulting actuary engaged by the Office for the Public Sector. The liability was calculated in accordance with Australian Accounting Standard *AASB 137 'Provisions, Contingent Liabilities and Contingent Assets'* as the present value of the expenditures expected to be required to settle obligations incurred as at 30 June. The liability comprises an estimate for known claims and an estimate of incurred but not reported (IBNR) applications. No risk margin is included in the estimate.

Key assumptions in the estimate include:

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

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

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

8. Other disclosures

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

8.1. Cash flow reconciliation

	2019 $'000	2018 $'000
Reconciliation of cash and cash equivalents at the end of the reporting period		
Cash and cash equivalents disclosed in the Statement of Financial Position	2 915	3 876
Balance as per the Statement of Cash Flows	2 915	3 876
Reconciliation of net cash provided by / (used in) operating activities to net cost of providing services		
Net cash provided by/(used in) operating activities	1 659	5 923
Less revenues from SA Government	(150 580)	(143 014)
Add / (less) non-cash items		
Depreciation and amortisation	(7 313)	(7 408)
Adjustments on initial adoption of AASB 9	(83)	-
Assets acquired at no cost	-	23
Capital work-in-progress expensed	-	(51)
Net gain/(loss) from disposal of non-current assets	6	-
Movement in assets and liabilities		
Increase/(decrease)in receivables	(17)	429
(Increase)/decrease in payables	(549)	(5 004)
(Increase)/decrease in employee benefits	(6 244)	(2 081)
(Increase)/decrease in provisions	(19 485)	(47 555)
Net cost of providing services	**(182 606)**	**(198 738)**

9. Changes in accounting policy

9.1. Treasurer's Instructions (Accounting Policy Statement)

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

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

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

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

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

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

9.2. AASB 9 Financial Instruments

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

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

- *AASB 7 Financial Instruments: Disclosures* requires amended disclosures due to changes arising from AASB 9, these disclosures have been provided for the current year because the comparatives have not been restated.

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

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

9.2. AASB 9 Financial Instruments (continued)

The total impact on MFS retained earnings as at 1 July 2018 is as follows:

	2018 $'000
Closing retained earnings 30 June 2018 – AASB 139	(64 179)
Adjustment to retained earnings from adoption of AASB 9	83
Opening retained earnings 1 July 2018 – AASB 9	(64 096)

On 1 July 2018, MFS has assessed and reclassified its financial assets into the appropriate AASB 9 categories depending on the business model and contractual cash flow characteristics applying to the asset. AASB 9 eliminates the AASB 139 categories of held to maturity, loans and receivables and available for sale.

Reclassification of financial instruments on adoption of AASB 9

On the date of initial application, MFS financial instruments were as follows, with any reclassifications noted.

	Measurement category AASB 139	Measurement category AASB 9	AASB 139 at 30 June 2018 $'000	Carrying amount re-measurement $'000	AASB 9 at 1 July 2018 $'000
Current financial assets					
Receivables	Loans and receivables	Amortised cost	511	83	594
Current financial liabilities					
Payables	Amortised cost	Amortised cost	4 574	-	4 574

Impairment of financial assets

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

- receivables from provision of services

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

Receivables

New impairment requirements result in a provision being applied to all receivables rather than only on those receivables that are credit impaired. MFS has adopted the simplified approach under AASB 9 Financial Instruments and measured lifetime expected credit losses on all trade receivables using a provision matrix approach as a practical expedient to measure the impairment provision. This resulted in a decrease of the loss allowance on 1 July 2018 of $83 000 for trade receivables external to Government.

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

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

10. Outlook

10.1. Unrecognised contractual commitments

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

Unrecognised contractual commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the Australian Taxation Office. If GST is not payable to, or recoverable from, the Australian Taxation Office, the commitments and contingencies are disclosed on a gross basis.

Operating lease commitments

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

	2019	2018
	$'000	$'000
Within one year	522	337
Later than one year but not later than five years	637	372
Later than five years	700	-
Total operating lease commitments	**1 859**	**709**

These non-cancellable leases relate to vehicle leases and the Mt Barker Fire Station lease.

Capital commitments

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

	2019	2018
	$'000	$'000
Within one year	2 476	-
Total capital commitments	**2 476**	**-**

These capital commitments are for vehicles.

Expenditure commitments

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

	2019	2018
	$'000	$'000
Within one year	1 619	853
Later than one year but not later than five years	600	979
Total expenditure commitments	**2 219**	**1 832**

Contractual commitments relate to information technology and fire appliance modifications.

10.2. Contingent assets and liabilities

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

MFS is not aware of any contingent assets or liabilities.

10.3. Impact of standards and statements not yet effective

MFS has assessed the impact of new and changed Australian Accounting Standards Board Standards and Interpretations not yet effective.

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

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

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

Objective

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

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

Impact on 2019-20 financial statements

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

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

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

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

AASB 16 – Leases

MFS will adopt *AASB 16 – Leases* from 1 July 2019.

Objective

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

Impact on 2019-20 financial statements

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

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

AASB 16 is expected to have a material impact on the Statement of Financial Position. MFS has estimated the impact of this change and the results as at 1 July 2019.

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

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

The estimated impact is set out below.

	as at 1 July 2019 $'000
Assets	
Right-of-use assets	1 399
Liabilities	
Lease liabilities	1 399
Net impact on equity	-

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

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

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

	2020 $'000
Depreciation and amortisation	296
Supplies and services	(313)
Borrowing costs	29
Net impact on net cost of providing services	**12**

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

Related accounting policies

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

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

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

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

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

10.4. Events after the reporting period

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

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

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

11. Measurement and risk

11.1. Long service leave

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

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

AASB 119 *Employee Benefits* requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long-term Commonwealth Government bonds has decreased from 2018 (2.75%) to 2019 (1.25%).

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

The net financial effect of the changes in the current financial year is not material. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of assumptions - a key assumption is the long-term discount rate.

The actuarial assessment performed by DTF left the salary inflation rate at 4% for long service leave liability. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

The unconditional portion of the long service leave provision is classified as current as MFS does not have an unconditional right to defer settlement of the liability for at least 12 months after reporting date. The unconditional portion of long service leave relates to an unconditional legal entitlement to payment arising after 10 years of service.

11.2. Fair value

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

Initial Recognition

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

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

Revaluation

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

The revaluation process is reviewed by MFS each year.

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

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

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

Fair value hierarchy

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

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

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

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

MFS's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period.

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

11.2. Fair value (continued)

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

	Note	Level 2	Level 3	Total
Recurring fair value measurements		**$'000**	**$'000**	**$'000**
Land	5.1	5 310	43 075	48 385
Buildings	5.1	3 042	51 456	54 498
Vehicles	5.1	-	26 028	26 028
Communication equipment	5.1	-	1 696	1 696
Computer equipment	5.1	-	167	167
Plant and equipment	5.1	-	2 298	2 298
Total recurring fair value measurements		**8 352**	**124 720**	**133 072**
Total fair value measurements		**8 352**	**124 720**	**133 072**

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

	Note	Level 2	Level 3	Total
Recurring fair value measurements		**$'000**	**$'000**	**$'000**
Land	5.1	5 310	43 075	48 385
Buildings	5.1	2 887	53 671	56 558
Vehicles	5.1	-	28 848	28 848
Communication equipment	5.1	-	1 936	1 936
Computer equipment	5.1	-	293	293
Plant and equipment	5.1	-	2 238	2 238
Total recurring fair value measurements		**8 197**	**130 061**	**138 258**
Total fair value measurements		**8 197**	**130 061**	**138 258**

11.2. Fair value (continued)

Land and buildings

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

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

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

Plant and equipment

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

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

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

	Land	Buildings	Vehicles	Comms. equipment	Computer equipment	Plant & equipment	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Opening balance at the beginning of the period	43 075	53 671	28 848	1 936	293	2 238	130 061
Acquisitions	-	-	10	-	-	-	10
Capitalised asset transfers	-	196	1 187	48	-	385	1 816
Disposals	-	-	-	-	-	(11)	(11)
Gains/(losses) for the period recognised in net result:							
Depreciation	-	(2 411)	(4 017)	(288)	(126)	(314)	(7 156)
Total gains/(losses) recognised in net result	-	(2 411)	(4 017)	(288)	(126)	(314)	(7 156)
Carrying amount at the end of the period	**43 075**	**51 456**	**26 028**	**1 696**	**167**	**2 298**	**124 720**

11.2. Fair value (continued)

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

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

	Land	Buildings	Vehicles	Comms. equipment	Computer equipment	Plant & equipment	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Opening balance at the beginning of the period	43 052	56 049	28 548	1 794	382	2 237	132 062
Acquisitions	-	-	-	-	-	-	-
Other	23	-	-	-	-	-	23
Capitalised asset transfers	-	85	4 439	433	36	312	5 305
Gains/(losses) for the period recognised in net result:							
Depreciation	-	(2 463)	(4 139)	(291)	(125)	(311)	(7 329)
Total gains/(losses) recognised in net result	**-**	**(2 463)**	**(4 139)**	**(291)**	**(125)**	**(311)**	**(7 329)**
Carrying amount at the end of the period	**43 075**	**53 671**	**28 848**	**1 936**	**293**	**2 238**	**130 061**

11.3. Financial instruments

Financial risk management

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

The exposure of MFS financial risk (liquidity risk, credit risk and market risk) is low due to the nature of the financial instruments held. There have been no changes in risk exposure since the last reporting period.

Liquidity risk

MFS is funded principally from the Fund. MFS works with the Fund to determine the cash flows associated with its Government approved program of work to meet the expected cash flows.

Refer to note 7.1 for further information.

Credit risk

MFS has policies and procedures in place to ensure that transactions occur with customers with appropriate credit history.

No collateral is held as security and no credit enhancements related to financial assets held by MFS.

Impairment of financial assets

Loss allowances for receivables are measured at an amount equal to lifetime expected credit loss using the simplified approach in AASB 9. MFS uses an allowance matrix to measure the expected credit loss of receivables from non-government debtors which comprise a large number of small balances.

To measure the expected credit losses, receivables are grouped based on shared risks characteristics and the days past due. When estimating expected credit loss, MFS considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on MFS' historical experience and informed credit assessment, including forward-looking information.

11.3. Financial instruments (continued)

The maximum period considered when estimating expected credit losses is the maximum contractual period over which MFS is exposed to credit risk.

The expected credit loss of government debtors is considered to be nil based on the external credit ratings and nature of the counterparties

Loss rates are calculated based on the probability of a receivable progressing through stages to write off based on the common risk characteristics of the transaction and debtor.

The expected credit loss for non-government debtors is $8,000.

Loss rates are based on actual history of credit loss, these rates have been adjusted to reflect differences between previous economic conditions, current conditions and the department's view of the forecast economic conditions over the expected life of the receivables.

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

Receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the failure of a debtor to enter into a payment plan with the Department and a failure to make contractual payments for a period of greater than 180 days past due.

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

MFS considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties and therefore the expected credit loss is nil.

In the comparative period, the impairment of receivables was assessed based on the incurred loss model. The allowance was recognised when there was objective evidence that a receivable was impaired. The allowance for impairment was recognised in other expenses for specific debtors and debtors assessed on a collective basis for which such evidence existed.

11.3. Financial instruments (continued)

Market risk

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

Exposure to interest rate risk may arise through its interest bearing liabilities, including borrowings. MFS' interest bearing liabilities are managed through the South Australian Government Financing Authority (SAFA) and any movement in interest rates are monitored on a daily basis. There is no exposure to foreign currency or other price risks.

Categorisation of financial instruments

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

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

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

- Loan and receivables
- Financial liabilities measured at cost.

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

- The carrying value less impairment provisions of receivables and payables is a reasonable approximation of their fair values due to the short-term nature of these (refer notes 6.2 and 7.1).

Classification applicable from 1 July 2018 under AASB 9 Financial Instruments

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

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

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

MFS measures all financial instruments at amortised cost.

11.3. Financial instruments (continued)

Table 11.3 Categorisation of financial asset and financial liability

Category of financial asset and financial liability	Note	Carrying amount / fair value $'000	2019 Contractual maturities Current $'000	Within 1 year $'000	1-5 years $'000	More than 5 years $'000
Financial assets						
Cash and equivalent						
Cash and cash equivalent	6.1	2 915	2 915	-	-	-
Financial assets at amortised cost						
Receivables		596	596	-	-	-
Total financial assets		**3 511**	**3 511**	-	-	-
Financial liabilities						
Financial liabilities at amortised cost						
Payables		3 093	3 091	-	-	2
Total financial liabilities		**3 093**	**3 091**	-	-	**2**

Category of financial asset and financial liability	Note	Carrying amount / fair value $'000	2018 Contractual maturities Current $'000	Within 1 year $'000	1-5 years $'000	More than 5 years $'000
Financial assets						
Cash and equivalent						
Cash and cash equivalents	6.1	3 876	3 876	-	-	-
Loans and receivables						
Receivables		511	511	-	-	-
Total financial assets		**4 387**	**4 387**	-	-	-
Financial liabilities						
Payables		4 574	4 574	-	-	-
Total financial liabilities		**4 574**	**4 574**	-	-	-

Receivables and payables

The receivable and payable amounts disclosed here exclude amounts relating to statutory receivables and payables (e.g. Commonwealth, State and Local Government taxes, fees and charges; Auditor-General's Department audit fees). In government, certain rights to receive or pay cash may not be contractual and therefore, in these situations, the requirements will not apply. Where rights or obligations have their source in legislation such as levies, tax and equivalents, they would be excluded from the disclosure. The standard defines contract as enforceable by law. All amounts recorded are carried at amortised cost.

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