

Statement of Financial Performance

for the year ended 30 June 2003

	NOTES	2003 \$'000	2002 \$'000
Revenue from Ordinary Activities			
Revenue from Operating Activities			
Statutory Contributions	2	165,536	160,189
Supplementary Funding	2	18,106	1,440
Sales of Goods and Services	3	2,860	3,093
Other revenue	4	8,386	6,831
Total Revenue from Operating Activities		194,888	171,553
Revenue from Non-operating Activities			
Interest		1,191	387
		196,079	171,940
Expenses from Ordinary Activities			
Employee Benefits	5	80,372	72,098
Depreciation and amortisation	7(i),11(c)	20,222	19,056
Other expenses from ordinary activities	7(ii)	69,892	57,575
Borrowing costs	8	543	725
		171,029	149,454
Net Result from Ordinary Activities			
		25,050	22,486
Net Increase in asset revaluation reserve	15(b)	18,480	9,551
Adjustment resulting from change in accounting policy (note 1(g))	15(c)	(303)	-
Total expense and valuation adjustments recognised directly in equity			
		18,177	9,551
Total changes in equity other than those resulting from transactions with the Victorian State Government in its capacity as owner.			
	15(d)	43,227	32,037

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

Statement of Financial Position

as at 30 June 2003

	NOTES	2003 \$'000	2002 \$'000
Current Assets			
Cash Assets	20,21	9,831	1,152
Receivables	9,20	11,514	5,524
Inventories	10	5,032	4,904
Prepayments		508	184
Deposits - Land Acquisitions		2,307	-
Total Current Assets		<u>29,192</u>	<u>11,764</u>
Non Current Assets			
Property, plant and equipment	11	373,316	343,762
Total Assets		<u>402,508</u>	<u>355,526</u>
Current Liabilities			
Payables	12,20	21,613	15,876
Interest bearing liabilities	13,20	0	2,500
Provisions	14	12,201	9,681
Total Current Liabilities		<u>33,814</u>	<u>28,057</u>
Non Current Liabilities			
Interest bearing liabilities	13,20	2,000	6,000
Provisions	14	16,626	14,628
Total Non Current Liabilities		<u>18,626</u>	<u>20,628</u>
Total Liabilities		<u>52,440</u>	<u>48,685</u>
Net Assets		<u>350,068</u>	<u>306,841</u>
Equity			
Contributed Capital	15(a),1(m)	182,003	182,003
Asset Revaluation Reserve	15(b)	120,832	102,352
Accumulated Surplus	15(c)	47,233	22,486
Total Equity	15(d)	<u>350,068</u>	<u>306,841</u>

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

Statement of Cash Flows

for the year ended 30 June 2003

	NOTES	2003 \$'000 Inflows (Outflows)	2002 \$'000 Inflows (Outflows)
Cash flows from Operating Activities			
Receipts :			
Insurance Company Contributions		130,408	125,069
State Government Contributions		49,961	36,560
Customer Sales and Service Fees		2,816	1,769
Interest		1,134	391
Other		5,601	3,380
		<u>189,920</u>	<u>167,169</u>
Payments :			
Salaries and Employee Support		(76,612)	(66,398)
Suppliers		(65,176)	(56,947)
Borrowing costs		(626)	(782)
		<u>(142,414)</u>	<u>(124,127)</u>
<i>Net Cash Provided by Operating Activities</i>	21	<u>47,506</u>	<u>43,042</u>
Cash flows from Investing Activities			
Payments :			
Assets (Purchased, Constructed or Under Construction)		(35,068)	(26,452)
Deposits - Land Acquisitions		(2,307)	-
Proceeds :			
Sale of Property, Plant and Equipment		5,048	2,991
<i>Net Cash Used in Investing Activities</i>		<u>(32,327)</u>	<u>(23,461)</u>
Cash flows from Financing Activities			
Payments :			
Repayment of Borrowings		(7,000)	(63,500)
Proceeds :			
Borrowings		500	44,500
<i>Net Cash Used in Financing Activities</i>		<u>(6,500)</u>	<u>(19,000)</u>
Net increase/(decrease) in cash held		8,679	581
Cash at 1st July		1,152	571
Cash at 30th June	21	<u>9,831</u>	<u>1,152</u>

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



Notes to the Financial Statements

for the year ended 30 June 2003

1 Summary of Significant Accounting Policies

This general purpose financial report has been prepared in accordance with the *Financial Management Act 1994*, Australian Accounting Standards, Statements of Accounting Concepts and other authoritative pronouncements of the Australian Accounting Standards Board, and Urgent Issues Group Consensus Views.

It is prepared in accordance with the historical cost convention using the accrual basis of accounting, except for certain assets and liabilities which, as noted, are at valuation. The accounting policies adopted, and the classification and presentation of items, are consistent with those of the previous year, except where a change is required to comply with an Australian Accounting Standard or Urgent Issues Group Consensus View, or an alternative accounting policy permitted by an Australian Accounting Standard, is adopted to improve the relevance and reliability of the financial report.

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(a) Recognition of Revenue

(i) *Statutory Contributions, Government Grants and Transport Accident Commission*

Statutory contributions, Government grants and monies due from the Transport Accident Commission are recognised as revenue when they are received or receivable.

(ii) *Sales of Goods or Services Revenue*

Sales of Goods and Services comprise revenue earned (net of returns, discounts and allowances) from the provision of goods or services to external entities and are recognised when the goods or services are provided.

(iii) *Interest Income*

Interest income is recognised as it accrues.

(b) Receivables

Trade receivables, including GST Input Tax credits, are due within 30 days or other negotiated business terms and are carried at nominal amounts due less any provision for doubtful debts. The collectibility of debts is assessed at balance date and a specific provision is made for any doubtful amounts.

(c) Inventories

All inventories and consumable stores were physically counted and valued as at 30th June 2003 at the lower of cost and net realisable value. Second-hand stores have been included at net realisable value.

Consumable Stores are not held for resale, but to provide a service to the volunteer brigades and ensure equipment etc. is readily available.

(d) Property, Plant and Equipment

(i) *Acquisition of Assets*

All assets acquired are initially recorded at their cost of acquisition. Cost is measured as the fair value of the assets given up or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

Costs incurred on fixed assets subsequent to initial acquisition are capitalised when it is probable that future economic benefits, in excess of the originally assessed performance, will flow to the Authority in future years. Where these costs represent separate components they are accounted for as separate fixed assets and are separately depreciated over their useful lives to the Authority.

The cost of capital work in progress is carried at cost of materials, external services, direct labour and appropriate proportion of fixed and variable overheads recognised to date based on the value of work completed.

(ii) *Revaluations of Non-current Assets*

Subsequent to initial recognition as assets, non-current physical assets, other than plant and equipment, are measured at fair value. Revaluations are made with sufficient regularity to ensure that the carrying amount of each asset does not differ materially from its fair value at the reporting date. Independent assessments are obtained at least every three years by dividing the State of Victoria on a geographical basis. Revaluations are conducted in accordance with the Victorian Government Policy, Revaluation of Non-Current Physical Assets.

Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the net result, the increment is recognised immediately as revenue in the net result.

Revaluation decrements are recognised immediately as expenses in the net result, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to the asset revaluation reserve.

Revaluation increments and decrements are offset against one another within a class of non-current assets.

Land & Buildings

The Authority has embarked on a three year revaluation program. Commencing in the year 2000/2001 valuations have been undertaken annually by the Valuer-General Victoria using a combination of sampling and indexation based on previous assessments. The methodology used is in accordance with the Victorian Government Policy, *Revaluation of Non-Current Physical Assets*.

Volunteer Brigade Land and Buildings

The Authority acknowledges the significant contributions made by Volunteer Brigades to the capital value of their fire stations. It has over 1,200 Volunteer Brigades and many of these have made substantial improvements to their fire stations and property over a number of decades. The value of these improvements is taken into account when the three yearly Valuer General's valuation occurs and the aggregate amount is then included in future financial statements. Where practical the value of major community funded projects is taken up at fair value when the improvement is carried out.

Brigade Owned Vehicles

The Authority fully recognises the major community contribution by bringing to account at cost fire fighting vehicles acquired by volunteer brigades (Brigade Owned Vehicles). Brigade Owned Vehicles are defined as any fire fighting or support vehicles, including transport vehicles owned by a registered brigade or group which comes under the control of the Authority for operational purposes.

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Other Non Current Assets

All other non-current assets appear at original cost less accumulated depreciation. See also note 1(i)

(iii) Depreciation

Depreciation is calculated on a straight line method at rates appropriate to the Assets estimated useful life to the Authority. A review of all rates was conducted during the year, and no changes were deemed necessary.

	Expected useful life	Depreciation Rate Per Annum
Buildings at Cost	52 to 67 years	1.5%
Buildings at Valuation	52 to 67 years	1.9%
Vehicles :		
Fire fighting		
Vehicles up to 30 June 1992	15 years	6.8%
All other vehicles after 30 June 1992	20 years	5.0%
Transport	10 years	10.0%
Trailers	20 years	5.0%
Plant, Machinery and Equipment, Communications Equipment and minor items	10 years	10.0%
Office Furniture	10 years	10.0%
Computer Hardware/Software	3 years	33.33%

(iv) Leasehold Improvements

The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement to the Authority, whichever is the shorter. Leasehold improvements held at the reporting date are being amortised over periods ranging from 3 to 45 years.

(e) Trade and Other Creditors

These amounts represent liabilities for goods and services provided to the Authority prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(f) Interest Bearing Liabilities

Loans are carried at historical cost. Interest is accrued over the period it becomes due and is recorded as part of Other Creditors and Accruals.

(g) Employee Benefits

(i) Wages and salaries

Liabilities for wages and salaries are recognised, and are measured as the amount unpaid at the reporting date at current pay rates and on-costs in respect of employees' services up to that date.

Change in Accounting Policy for Employee Benefits (Annual Leave).

In the reporting periods prior to 30 June 2003, provisions for employee benefits (annual leave) were measured using remuneration rates current at reporting date. For the period ended 30 June 2003, the Authority is required by AASB 1028 'Employee Benefits' to measure provisions for employee benefits at remuneration rates expected to apply when the obligation is settled, including the expected future increase in remuneration rates. The transitional arrangements of AASB 1028 on adoption at 1 July 2002 give rise to an adjustment to opening annual leave liabilities and a corresponding change to accumulated surplus/(deficit).

The impact of this change is:-

Decrease	Accumulated Surplus/(Deficit)	\$303K
Increase	Annual Leave Provision	\$(303)K



(ii) Long service leave

A liability for long service leave which includes current pay rates and on-costs is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

Expected future payments are discounted using interest rates on national Government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows. The amount anticipated to be paid during the next 12 months is shown as a current liability.

(iii) Superannuation

The amount charged to the statement of financial performance in respect of superannuation represents the contributions made by the Authority to the superannuation funds (also refer note 6).

(h) Goods and Services tax.

Revenues, expenses and assets are recognised net of GST except where the amount of GST incurred is not recoverable, in which case it is recognised as part of the cost of acquisition of an asset or part of an item of expense. The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as part of receivables or payables in the statement of financial position. The GST component of a receipt or payment is recognised on a gross basis in the statement of cash flows in accordance with Accounting Standard AAS 28 *Statement of Cash Flows*.

(i) Volunteer Compensation

The Provision for Volunteer Compensation is the accrued liability after allowing for anticipated recovery from insurance in respect of all outstanding registered Volunteer Compensation claims at 30 June 2003. The portion of the liability which is expected to be paid later than 12 months after balance date has been classified as Non Current. The amount of the provision has been calculated using the principles established by independent actuarial review and on the same basis as at 30th June 2002.

(j) Joint Venture Operation

The Joint Agreement between the Country Fire Authority and the Metropolitan Fire and Emergency Services Board (MFESB) to jointly use and manage the facilities at the South Eastern Training Ground, involves CFA retaining legal ownership of the asset and MFESB retaining a right to hold property with CFA as tenants in common. The agreement is in the nature of a Joint Venture Operation and has been accounted for accordingly. Details of the Joint Venture Operation are set out in Note 17.

(k) Contributed Capital

Consistent with UIG Abstract 38 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* appropriations for additions to net assets have been designated as contributed capital. Other transfers that are in the nature of contributions or distributions have also been designated as contributed capital.

(l) Rounding of amounts

Amounts in the financial statements have been rounded to the nearest thousand dollars.

(m) Comparatives

There are no changes to the comparative figures unless otherwise stated.

2 Statutory Contributions

Under Section 76 of the *Country Fire Authority Act 1958*, the net annual estimated expenditure of the Authority is funded 22.5% from the State Government and 77.5% from the insurance companies insuring against fire in respect of property situated within the country area of Victoria. Where a property in the country area of Victoria is insured against fire with a company other than a company referred to above which is required to make a return under Section 77, that Company is required to contribute to the Authority a portion of the insurance premium collected as calculated under Section 80A of the *Country Fire Authority Act 1958*.

In summary, contributions were :

	2003 \$'000	2002 \$'000
State Government Contribution	35,128	35,120
Insurance Companies Contributions	120,998	120,971
Companies Contributing under Section 80A	9,410	4,098
Total Statutory Contributions	<u>165,536</u>	<u>160,189</u>
State Government Supplementary Funding	<u>18,106</u>	<u>1,440</u>
Total Funding	<u>183,642</u>	<u>161,629</u>
Total Funding can be subdivided as follows;		
General Funding	137,920	126,529
State Government Special Resource Initiative	19,467	35,100
Emergency Alerting System	11,422	-
North East Fire Reimbursement	14,833	-
	<u>183,642</u>	<u>161,629</u>

	2003	2002
	\$'000	\$'000
3 Sales of Goods and Services		
Provision of External Training Services	1,129	1,090
Other Goods and Services	1,731	2,003
	<u>2,860</u>	<u>3,093</u>
4 Other Revenues		
Commonwealth Government	385	330
Transport Accident Commission	1,211	1,192
Firefighting costs reimbursed - NSWRFSS	1,701	-
Other	2,710	1,698
Brigade owned vehicles recognised*	2,379	3,611
	<u>8,386</u>	<u>6,831</u>

* Year end 2003 includes \$728K Government Grants (2002, \$1,646K) received for the building of fire fighting vehicles under the Community Safety Emergency Support Program (CSESP).

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5 Employee Benefits

Salaries	69,965	61,866
Superannuation : (See also note 6)		
Employer Contribution to Superannuation	1,849	1,520
State Superannuation Fund - Unfunded Liability	627	(18)
Payroll Tax	3,268	2,647
Workcover Premium	339	1,590
Employee Support	4,324	4,493
	<u>80,372</u>	<u>72,098</u>

6 Superannuation

As at 30 June 2003, the number of active members (employees) who belong to the following schemes :-

	No. of Members 30th June 2003	No. of Members 30th June 2002
Defined Benefits Schemes		
State Superannuation Fund (SSF)	4	2
Emergency Services Superannuation (ESSS)	745	676
Accumulation Schemes		
Emergency Services Superannuation Plan (ESS Plan)	652	639
Other	4	3

This note should not be taken to refer to the total number of CFA employees, because a) a person can be a member of more than one scheme and b) this table includes all current employees including casual staff on whose behalf contributions were made.

Contributions payable by CFA towards each scheme are based on the following rates.

		Rate 2003	Rate 2002
State Superannuation Fund	- New Scheme	9% - 9.5%	8.5%
	- Revised Scheme	15.5%	15.5%
ESSS		0.0%	0.0%
All Accumulation Schemes (as above)		9.0%	8.0%
		2003	2002
		\$'000	\$'000

Employer contributions paid to each scheme were as follows :

State Superannuation Fund	34	11
Emergency Services Superannuation - ESSS*	0	0
All Accumulation Schemes	1,815	1,509
	<u>1,849</u>	<u>1,520</u>

* During the year there were no employer contributions to the ESSS defined benefits scheme as it is in a surplus position.



2003 **2002**
\$'000 **\$'000**

Actuarial Assessment - Defined Benefits Schemes

Emergency Services Superannuation (ESSS)

Net Assets	153,377	152,551
Accrued Benefit Liabilities	(135,420)	(118,010)
Surplus	17,957	34,541

State Superannuation Fund

Net Assets	931	417
Accrued Benefit Liabilities	(2,354)	(1,212)
Contributions to Consolidated Fund	263	262
Net Unfunded Liability	(1,160)	(533)

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In accordance with requirements of the Financial Management Act 1994 the liability for unfunded superannuation has been included in the statement of financial position.

7 Result from Ordinary Activities

(i) Depreciation

Buildings at Cost	290	76
Buildings at Valuation	2,753	2,531
Leasehold Improvements	506	493
Vehicles		
Firefighting	9,499	8,959
Firefighting - BOV	1,843	1,698
Transport	1,151	1,112
Plant, Machinery and Equipment, Communications Equipment	3,067	2,853
Computer Hardware/Software	1,113	1,334
	20,222	19,056

(ii) Other Expenses

Buildings Operating and Maintenance	4,354	4,446
Motor Vehicle	7,166	4,677
Cost of Goods Sold / Services Provided	952	1,514
Operating Lease payments	2,149	1,897
Other Operating and Maintenance	8,124	7,622
Communications and Alarms	7,896	7,768
Volunteer Compensation and Insurance	3,747	4,733
Training and Skills Maintenance	3,316	3,374
Uniforms and Equipment	5,760	6,677
Other Volunteer and Brigade Support	2,401	2,646
Audit Fees (note 19)	289	187
Bad Debts	(12)	3
Consultants Fees	341	209
Aircraft Hire	9,461	2,864
Hire Fees - Other	1,185	185
Legal Fees	1,496	1,158
CFA Share of Commissioner of Emergency Services	1,319	1,048
Grants to Volunteer Associations	90	81
Printing and Stationery	1,284	1,489
Publicity/Advertising	1,093	1,274
General Expenses	6,606	2,491
Loss on Disposal of Fixed Assets - see also Note 11(b)	875	1,232
	69,892	57,575

8 Borrowing Costs

Interest paid to :		
- Treasury Corporation of Victoria (TCV)	543	725
	543	725

	2003 \$'000	2002 \$'000
9 Receivables		
Current:		
Trade Debtors	3,195	3,125
Less: Provision for Doubtful Debts	(36)	(59)
	<u>3,159</u>	<u>3,066</u>
Other Debtors	4,205	1,477
Net GST Recoverable	4,150	981
	<u>11,514</u>	<u>5,524</u>
10 Inventories		
Inventory - at lower of cost and net realisable value	5,061	4,947
Provision for Obsolete Stock	(29)	(43)
	<u>5,032</u>	<u>4,904</u>
11 Property, plant and equipment		
(a) Value and Depreciation		
Freehold Land		
At cost	1,816	1,793
At independent valuation 2001	26,624	27,335
At independent valuation 2002	8,205	8,306
At independent valuation 2003	8,935	-
Total	<u>45,580</u>	<u>37,434</u>
Buildings		
At cost	19,586	12,267
Less: Accumulated Depreciation	(346)	(76)
At independent valuation 2001	89,712	90,706
Less: Accumulated Depreciation	(3,409)	(1,690)
At independent valuation 2002	55,635	54,991
Less: Accumulated Depreciation	(1,040)	-
At independent valuation 2003	9,546	-
Total	<u>169,684</u>	<u>156,198</u>
Leasehold Improvements - at cost	9,675	9,614
Less: Accumulated amortisation	(4,802)	(4,296)
Total	<u>4,873</u>	<u>5,318</u>
Vehicles		
At cost	170,054	165,148
Less: Accumulated Depreciation	(84,311)	(76,178)
Brigade Owned Vehicles - at Cost	19,784	18,443
Less: Accumulated Depreciation	(2,977)	(1,457)
Total	<u>102,550</u>	<u>105,956</u>
Plant, Machinery & Equipment - at cost	50,665	44,373
Less: Accumulated Depreciation	(27,952)	(22,988)
Total	<u>22,713</u>	<u>21,385</u>
Capital Work in Progress	27,916	17,471
Total Property, plant and equipment	<u>373,316</u>	<u>343,762</u>
(b) Profit/(Loss) on disposal of property, plant and equipment		
Gross Proceeds from the disposal of property, plant and equipment	5,013	3,128
Written-down value of disposals*	5,888	4,360
Net gain/(loss) on disposal of property, plant and equipment	<u>(875)</u>	<u>(1,232)</u>

* Includes Written-down value of Brigade Owned Vehicles disposed of by brigades however the gross proceeds are retained by the brigades.

(c) Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below.

	Freehold Land	Buildings	Leasehold Improve'ts	Vehicles	Plant, Mach. & Equipment	Work in Progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2003							
Carrying amount at the start of year	37,434	156,198	5,318	105,956	21,385	17,471	343,762
Additions	0	0	0	31	0	34,772	34,803
Disposals	(812)	(793)	0	(4,276)	(5)	0	(5,886)
Revaluation Increments (Note 15(b))	8,935	9,545	0	0	0	0	18,480
Transfers to Fixed Assets	23	7,778	61	10,952	5,513	(24,327)	0
Brigade Owned Vehicles Recognised (Note 4)	0	0	0	2,379	0	0	2,379
Depreciation/amortisation expense (Note 7)	0	(3,044)	(506)	(12,492)	(4,180)	0	(20,222)
Carrying amount at the end of year	45,580	169,684	4,873	102,550	22,713	27,916	373,316

	2003 \$'000	2002 \$'000
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12 Payables

Trade Creditors	13,098	9,099
Other Creditors and Accruals	8,515	6,777
	<u>21,613</u>	<u>15,876</u>

13 Interest-Bearing Liabilities

Current

Secured*

Treasury Corporation of Victoria Loans	0	2,500
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Non Current

Secured*

Treasury Corporation of Victoria Loans	2,000	6,000
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Total Interest-Bearing Liabilities

	<u>2,000</u>	<u>8,500</u>
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Repayment Analysis

Not later than 1 year	0	2,500
Later than 1 year not later than 2 years	0	1,500
Later than 2 years not later than 5 years	2,000	4,500
Later than 5 years	0	0
	<u>2,000</u>	<u>8,500</u>

* In accordance with Section 82(3) of the Country Fire Authority Act 1958, the amounts borrowed by the Authority with interest thereon shall be a first charge upon all property and revenue, of the Authority, whether accrued or to accrue.

14 Provisions

Current

Employee Benefits	10,876	8,639
Volunteer Compensation	1,325	1,042
	<u>12,201</u>	<u>9,681</u>

Non Current

Employee Benefits	12,829	11,067
Volunteer Compensation	3,797	3,561
	<u>16,626</u>	<u>14,628</u>

Aggregate carrying amount of provisions

Employee Benefits	23,705	19,706
Volunteer Compensation	5,122	4,603
	<u>28,827</u>	<u>24,309</u>

As explained in Note 1(g)(ii), the amount for long service leave is measured at present values. The following assumptions were adopted in measuring present values:

	2003	2002
Long Service Leave		
Weighted average rates of increase in annual employee benefits to settlement of the liabilities	4.75%	6.90%
Weighted average discount rates	4.72%	5.65%
Weighted average terms to settlement of the liabilities	12 years	12 years

	2003 \$'000	2002 \$'000
15 Equity and movements in equity		
(a) Contributed Capital		
Balance 1 July	182,003	0
Amount transferred from Accumulated Surplus (note 1(m))	0	181,992
Contribution from Victorian Government	0	11
Balance 30 June	<u>182,003</u>	<u>182,003</u>
(b) Reserve		
Asset Revaluation Reserve	<u>120,832</u>	<u>102,352</u>
Movements		
Asset revaluation reserve		
Balance 1 July	102,352	92,801
Net Increment on revaluation of freehold land and buildings during the year.	18,480	9,551
Balance 30 June	<u>120,832</u>	<u>102,352</u>
Nature and purpose of reserve		
Asset revaluation reserve		
The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets, as described in accounting policy note 1(d).		
(c) Accumulated Surplus		
Accumulated Surplus at the beginning of the financial year	22,486	181,992
Amount transferred to Contributed Capital Opening Balance (note 1(m))	0	(181,992)
Adjustment resulting from change in accounting policy (note 1 (g))	(303)	0
Adjusted beginning Balance	<u>22,183</u>	<u>0</u>
Net Result from Ordinary Activities	25,050	22,486
Accumulated surplus at the end of the financial year	<u>47,233</u>	<u>22,486</u>
(d) Change in Equity		
Total equity at the beginning of the financial year	306,841	274,793
Total changes in equity recognised in the statement of financial performance	43,227	32,037
Contributions of equity (note 15(a))	0	11
Total equity at the end of the financial year	<u>350,068</u>	<u>306,841</u>

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16 Commitments for expenditure and Contingent Liabilities

Capital commitments

Contracts in excess of \$100,000 for the acquisition of plant and equipment committed to at 30 June 2003 but not recognised as liabilities, payable:

Not later than 1 year	11,742	5,101
Later than 1 year, not later than 5 years	0	0
	<u>11,742</u>	<u>5,101</u>

Lease commitments

Commitments for minimum lease payments in relation to non-cancellable operating leases contracted for at 30 June 2003 but not recognised as liabilities, payable:

Not later than 1 year	2,071	1,894
Later than 1 year not later than 5 years	6,465	4,502
Later than 5 years	2,560	4,213
	<u>11,096</u>	<u>10,609</u>

Other commitments

Contracts in excess of \$100,000 in relation to other recurrent expenditure committed to at 30 June 2003 but not recognised as liabilities, payable:

Not later than 1 year	2,153	384
Later than 1 year, not later than 5 years	8,011	0
	<u>10,164</u>	<u>384</u>

Contingencies

In the context of CFA's business and recognising the Authority's existing insurance arrangements, there are some matters which may be subject to judicial process. None of those items are considered likely to have a material effect on the financial statements at 30 June 2003.

17 Joint Venture Operation

CFA is involved in a Joint Venture Operation with the Metropolitan Fire and Emergency Services Board (MFESB) at the South Eastern Training Ground - Carrum Downs. The joint venture operation involves resource sharing between the CFA and MFESB, primarily to provide core training needs to operational personnel of both agencies and CFA volunteers. Each agency had an equal interest in the output of the Joint Venture Operation during the year ended 30 June 2003.

The following current assets and non-current assets, which are included in Property, Plant and Equipment at Note 11, arise from CFA's share in each of the items employed in the Joint Venture Operation.

	2003 \$'000	2002 \$'000
Current assets		
Cash	93	74
Other	117	109
Total current assets	<u>210</u>	<u>183</u>
Non-current assets		
Land & Buildings - at Cost	714	94
- at Valuation 2001	816	816
Less Accumulated Depreciation	(42)	(16)
Vehicles	60	12
Less: Accumulated depreciation	(31)	(3)
Plant, Machinery & Equipment	786	770
Less: Accumulated depreciation	(408)	(321)
Work in Progress	2	525
Total Non-current assets	<u>1,897</u>	<u>1,877</u>
Share of assets employed in Joint Venture	<u><u>2,107</u></u>	<u><u>2,060</u></u>

At balance date, there are no significant commitments for expenditure and contingent liabilities.

18 Responsible Persons (as defined in the *Financial Management Act 1994*)

The names of the people who were "Responsible Persons" at any time during the financial year are :

Responsible Minister

Minister for Police and Emergency Services The Hon. A Haermeyer MP

Authority Members

L R Foster (Chairman)
 S P Heron (Deputy Chairman)
 P R Bishop
 J E Boynton
 W E Davies (Tenure expired - 31/12/02)
 E A Fairhall
 R J Hale
 R W Hill (Commenced 15/4/03)
 G C Lang
 R J MacLennan (Deceased 28/5/03)
 B M Maher
 H McGowan (Tenure expired - 31/3/03)
 F P Zeigler

Accountable Officer

R G Seiffert (To 8/10/02) N G Bibby (From 9/10/02)

Remuneration of Responsible Persons (other than the Responsible Minister)

The numbers of Responsible Persons are shown below in their relevant income bands:

Income Band	2003 No.	2002 No.
\$0 - \$9,999	6	3
\$10,000 - \$19,999	6	8
\$30,000 - \$39,999	1	1
Total Numbers	<u>13</u>	<u>12</u>
Total Amount \$'000	<u>142</u>	<u>140</u>

There were no other transactions between the Country Fire Authority and the Authority Members or Member related entities.

Remuneration of Executive Officers

The numbers of executive officers, other than Responsible Persons included under "Remuneration of Responsible Persons" above, whose total remuneration exceeded \$100,000 during the reporting period are shown below in their relevant income bands:

Income Band	2003 No.	2002 No.
\$100,000 - \$109,999	7	2
\$110,000 - \$119,999	1	3
\$120,000 - \$129,999*	6	2
\$130,000 - \$139,999	-	-
\$140,000 - \$149,999	4	3
\$150,000 - \$159,999	-	2
\$160,000 - \$169,999	1	-
\$170,000 - \$179,999	1	-
\$180,000 - \$189,999	-	1
Total Numbers**	20	13
Total Amount \$'000	2,512	1,742

*2003 figures include payments for accumulated leave and other entitlements upon resignation.

** The increase in Executive Officers is attributable to the changed classification of existing Area Manager positions.

19 Remuneration of auditors

Audit fees paid or payable to the Victorian Auditor-General's Office for audit of the Authority's financial statements pursuant to the Audit Act 1994.

	2003 \$'000	2002 \$'000
Paid as at 30 June 2003	37	0
Payable as at 30 June 2003	35	64
 Audit fees - Internal Audit : Paid as at 30 June 2003	 217	 123

20 Financial Instruments

(a) Terms, conditions and accounting policies

The Authority's accounting policies, including the terms and conditions of each class of financial asset and financial liability, at the balance date, are as follows:

Recognised Financial Instruments	Notes	Accounting Policies	Terms and Conditions
<i>(i) Financial assets</i>			
Receivables	9	Trade receivables are carried at nominal amounts due less any provision for doubtful debts. A provision for doubtful debts is recognised when collection of the full nominal amount is no longer probable. Receivables includes accrued interest calculated on bank deposits at balance date.	Credit sales are on 30 day terms.
Cash and Term Deposits		Cash and Term Deposits are carried at the principal amount.	Cash is invested as funds permit.
<i>(ii) Financial liabilities</i>			
Payables	1(d) 12	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not invoiced to the Authority.	Trade Liabilities are generally settled within 30 days.
Interest bearing	13	Loans are carried at the principal amount. Interest is charged as it accrues	Non-Current loans are due 15 October 2006 to 15 October 2007. Interest is charged every 6 months at rates varying between 5.21% and 6.20%.

(b) Interest rate risk

The Authority's exposure to interest rate risks and the effective interest rates of financial liabilities, at the balance date, are as follows:

Financial Instruments	Floating Interest Rate	Fixed interest rate maturing in			Non-interest bearing	Total carrying amount as per balance sheet	Weighted average effective interest rate
		one year or less	Over 1 to 5 years	More than 5 years			
2003	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	%
(i) Financial assets							
Cash and Term Deposits		9,814			17	9,831	4.91
Receivables					11,514	11,514	N/A
Total financial assets	0	9,814	0	0	11,531	21,345	-
(ii) Financial liabilities							
Trade creditors and accruals					21,613	21,613	N/A
Interest bearing liabilities - Non-current			2,000			2,000	5.82
Total financial liabilities	0	0	2,000	0	21,613	23,613	-

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Financial Instruments	Floating Interest Rate	Fixed interest rate maturing in			Non-interest bearing	Total carrying amount as per balance sheet	Weighted average effective interest rate
		one year or less	Over 1 to 5 years	More than 5 years			
2002	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	%
(i) Financial assets							
Cash and Term Deposits		1,137			15	1,152	3.70
Receivables					5,524	5,524	N/A
Total financial assets	0	1,137	0	0	5,539	6,676	-
(ii) Financial liabilities							
Trade creditors and accruals					15,876	15,876	N/A
Interest bearing liabilities - Current		2,500				2,500	6.11
Interest bearing liabilities - Non-current			6,000			6,000	6.81
Total financial liabilities	0	2,500	6,000	0	15,876	24,376	-

(c) Net fair values

The aggregate net fair values of financial assets and financial liabilities, at the balance date, are as follows:

	2003	2002
	\$'000	\$'000
Financial assets		
Cash and Term Deposits	9,831	1,152
Receivables	11,514	5,524
Total financial assets	21,345	6,676
Financial liabilities		
Trade creditors and accruals	21,613	15,876
Interest bearing liabilities - Current	0	2,500
Interest bearing liabilities - Non-current	2,098	6,230
Total financial liabilities	23,711	24,606

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities:

Recognised financial instruments

Cash and cash equivalents:	The carrying amount approximates fair value because of their short-term to maturity.
Trade receivables and payables:	The carrying amount approximates fair value.
Non-current investments:	The carrying amount approximates fair value.
Short-term borrowings:	The carrying amount approximates fair value because of their short-term to maturity.
Long-term borrowings:	The net fair value of long-term borrowings are at their quoted market price.

(d) Credit risk exposures

The Authority's maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the statement of Financial Position.

The Authority minimises concentrations of credit risk in relation to trade accounts receivable by undertaking transactions with a large number of customers. All our customers are based in Australia. Other than trade debtors, the major amounts owing at any point in time are from Government (no credit risk considered), and the pool of Insurance Industry contributors. There is not considered to be any major risk with this latter class as, in the event of one contributor failing, the amount so lost can be collected from the rest of the pool in a subsequent period.

Credit risk in trade receivables is managed in the following ways:

- payment terms are 30 days from date of invoice.
- statements are issued on all debts outstanding, five working days after the end of each month.
- debtors outstanding after 60 days are contacted and a record made of reason for delay in payment. Follow up statements continue to be issued.
- debts outstanding after 90 days are referred to a debt collection agency.

21 Notes to the Statement of Cash Flows

Reconciliation of Cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at banks and short term investments. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2003 \$'000	2002 \$'000
Cash at Bank and on Hand.	(169)	1,152
Short Term Investments.	10,000	-
	<u>9,831</u>	<u>1,152</u>

Reconciliation of net result from ordinary activities to net cash provided by operating activities

Net Result from Ordinary Activities	25,050	22,486
Adjustments to reconcile the net result to net cash provided by Operating Activities :-		
Depreciation and Amortisation	20,222	19,056
Brigade Owned Vehicles Recognised	(2,379)	(3,611)
Provision for Doubtful Debts and obsolete stock	(65)	-
Resources received free of charge	-	5
(Gain) / Loss on sale of non-current assets	875	1,232
Changes in Assets and Liabilities		
(Increase) Decrease in Receivables and Prepayments	(6,316)	(1,492)
(Increase) Decrease in Inventory	31	(121)
(Decrease) Increase in Payables	5,873	274
(Decrease) Increase in Employee Entitlements	3,696	2,621
(Decrease) Increase in Volunteer Compensation	519	2,592
Total Adjustments	<u>22,456</u>	<u>20,556</u>
Net Cash provided by operating activities	<u>47,506</u>	<u>43,042</u>

22 Subsequent Events

There were no events occurring after balance date, but prior to the time of completion of these financial statements, which may have a significant effect on the operations of CFA in subsequent years.

Certification of Accounts

In accordance with a duly recorded resolution of the Members of the Country Fire Authority we state that in our opinion :

(a) the information set out in the statement of financial performance, statement of financial position, statement of cash flows and the accompanying notes, presents fairly the financial transactions during the year ended 30 June 2003 and financial position of the Authority as at 30th June 2003;

(b) the Financial Statements have been prepared in accordance with Part 9 of the Directions of the Minister for Finance under the Financial Management Act 1994, applicable Australian Accounting Standards and other mandatory professional reporting requirements;

(c) at the date of signing these statements we are not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

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Chairman
L R Foster

27 August 2003



Chief Executive Officer
N G Bibby

27 August 2003



Director Finance & Administration
M J Wootten

27 August 2003



AUDITOR GENERAL VICTORIA

AUDITOR-GENERAL'S REPORT

To the Members of the Parliament of Victoria, the responsible Ministers and the Members of the Country Fire Authority

Matters relating to the electronic presentation of the Audited Financial Report

This audit report relates to the financial report of the Country Fire Authority for the financial year ended 30 June 2003 included on the Country Fire Authority's web site. The Chief Executive Officer is responsible for the integrity of the Country Fire Authority's web site. I have not been engaged to report on the integrity of the Country Fire Authority's web site. The audit report refers only to the statements named below. An opinion is not provided on any other information which may have been hyperlinked to or from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

Audit Scope

The accompanying financial report of the Country Fire Authority for the financial year ended 30 June 2003, comprising a statement of financial performance, statement of financial position, statement of cash flows and notes to the financial statements, has been audited. The Members of the Authority are responsible for the preparation and presentation of the financial report and the information it contains. An independent audit of the financial report has been carried out in order to express an opinion on it to the Members of the Parliament of Victoria, responsible Ministers and Members of the Authority as required by the *Audit Act 1994*.

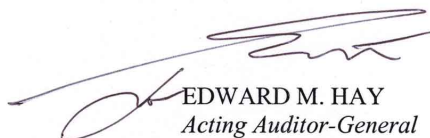
The audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. The audit procedures included an examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia, and the financial reporting requirements of the *Financial Management Act 1994*, so as to present a view which is consistent with my understanding of the Authority's financial position, and its financial performance and cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In my opinion, the financial report presents fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia, and the financial reporting requirements of the *Financial Management Act 1994*, the financial position of the Country Fire Authority as at 30 June 2003 and its financial performance and cash flows for the year then ended.

MELBOURNE
1 September 2003



EDWARD M. HAY
Acting Auditor-General

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Auditing in the Public Interest

