



RURAL FIRE SERVICE ASSETS

- RECOGNITION OR NOT?

IT'S A QUESTION OF CONTROL

Individual Fire Service Level agreements between the Rural Fire Service and Councils vary significantly as a result of the negotiation process, even though the original drafts were identical. Whether a particular Council has **control** over the rural fire assets servicing its area is a question of fact, and depends on the individual Fire Service Level agreement, and the manner in which it is applied.

Statement of Accounting Concepts SAC 4 and Australian Accounting Standard AAS 27 should be read with great care in determining whether your Council has control of rural fire assets. Commonly, it comes down to a question of the ability to deny or regulate access (often transferred to the RFS) and the ability to dispose of assets at the will of the Council (usually only with RFS concurrence). The determination may be different for different classes of assets - land, buildings, plant, equipment.

Given the ongoing developments in the management and operations of RFS, you will need to review the situation each year. If you do determine that your Council no longer has control the following procedures and disclosures are recommended.

WRITING OUT OF THE BOOKS

Note 3 - Expenses

The amount should be disclosed under *Other Expenses* as a separate item described as *Rural Fire Assets written off* or a similar description. If the amount is sufficiently material (and it usually is), there should be additional disclosure as an *Individually Significant Item*. A suitable narration might be:

“Council has recognised that legislative and operational changes within the Rural Fire Service in recent years has reduced its ability to directly control the assets involved in fire-fighting operations, and the consolidated statements now exclude these assets (other than land & buildings), resulting in a write down of \$XXX,000.”

Note 9 - Property, Plant & Equipment

Use a separate column headed *Assets Write Down* or similar to disclose the amount written down. A cross-reference to Note 3 is good practice, and the total of the column should agree with that in Note 3.

Note 18 - Assets Not Recognised

Although the assets have been written out of the books, ownership of those assets is still vested in Council under the Rural Fire Services Act. Accordingly, it is necessary to disclose the existence of the assets not recognised, and a suitable narration would be:

“Council has title to, and is the registered owner of, (*number*) rural fire appliances and associated rural fire fighting equipment. These assets are under the control of the Rural Fire Services to enable that Department to provide the bushfire protection defences set out in their Service Level Agreement with Council, and accordingly have not been recognised in these reports.

“In accordance with normal Rural Fire Service funding arrangements, Council continues to contribute to the costs of maintenance of this equipment.”

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The opinions expressed in this data sheet are the professional views of the authors and are intended to promote the development of improved accounting practices in Local Government.

They may not represent the best practice for your Council, which should be determined by consultation between the Council's officers and Auditor.

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ACCOUNTING FOR ONGOING OPERATIONS

Maintenance & Operational Expenses

Treat as an ordinary expenses; include within the *Materials & Contracts* total.

Contributions to RFS

Treat as an ordinary expense; disclose as part of the *Contributions to Other Levels of Government* amount in the *Other Expenses* classification.

Maintenance Grants - "B & C"

Operating Grant; if material, separately disclose otherwise include with *Other*.

Equipment Issues

Ignore - they no longer form part of your accounting process. If the RFS chooses to issue items already under its control to your local RFS, which it controls, so be it.

We have recently seen the following equipment issues totalling \$45,582:

Uniforms, Badges & Insignia	\$11,049
Consumables & Minor Equipment <\$1,000	\$19,807
FCO Vehicle changeover	\$10,000
Computer & software	\$2,216
1 Water Tank	\$2,510

Even if you do not write off bushfire assets, be careful what you capitalise!!

Capital Grants

RFS reimbursements of Council costs where Council purchases a cab/chassis and pays the contractor who "builds it up" into a fire appliance no longer form a capital transaction from the point of view of the Council - merely a reimbursement of costs incurred. Disclose as *Other Revenue* as a *Reimbursement* (disclose separately if sufficiently material), or your Auditor may have a preference for disclosure with the "B & C" Maintenance Grants.

Note 18 Disclosure

A disclosure similar to that given above will be required in all future years.

INVOLVE YOUR AUDITOR

Usually the amounts involved are material, and if your Auditor disagrees with your interpretation of the extent of *control* over your rural fire assets, he will be **required** to qualify your Audit Report - he will have no choice in the matter. So check with him first, and agree your proposed disclosures, too.

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