

FINANCIAL REPORTING ISSUES FOR VOLUNTEER FIRE DEPARTMENTS

Entity Determination in Accordance with GASB Statement 14

Prepared by Local Government Audit Review Section, Georgia Department of Audits and Accounts

Entity: Volunteer Fire Departments

1. Is the entity legally separate?

An organization has separate legal standing if it is created as a body corporate or a body corporate and politic, or if it otherwise possesses the corporate powers that would distinguish it as being legally separate from the primary government. Generally, corporate powers give an organization the capacity to have a name; the right to sue and be sued in its own name without recourse to a state or local governmental unit; and the right to buy, sell, lease, and mortgage property in its own name.

Volunteer fire departments are not expressly created through provisions of the Official Code of Georgia Annotated. OCGA 25-3-22 states that "(i)n order for a fire department to be legally organized to operate in the State of Georgia, the chief administrative officer of the fire department shall notify the executive director (of the Georgia Firefighter Standards and Training Council) that the organization meets the minimum requirements." Other references to creation of volunteer fire departments include OCGA 51-1-30, relating to liability of officers and agents for acts performed while fighting fires or performing duties at the scene of emergencies. This Code section indicates that the term "fire department" includes "volunteer fire departments established pursuant to local act, ordinance, or resolution or established as nonprofit corporations pursuant to private subscription and any fire department established as a department, bureau, or agency of a municipality, county, fire district, or authority of this state." Similarly, OCGA 51-1-20.1 addresses liability of volunteers, employees, or officers of nonprofit associations conducting safety programs. This Code section defines "nonprofit association" as "any entity which is organized as a nonprofit corporation or a nonprofit unincorporated association under the laws of this state, including, but not limited to ... volunteer fire associations ... or any separately chartered auxiliary of the foregoing, if organized and operated on a nonprofit basis."

CONCLUSION: Based upon the above, independent auditors of local governments should determine the legal means by which a volunteer fire department was created in order to determine if it is legally separate. Once this determination is made, the GASB 14

criteria should be applied to establish whether the volunteer fire department is a component unit of the primary government, a joint venture, or not a part of the primary government.

The Local Government Audit Review Section of the Georgia Department of Audits and Accounts requests the assistance of independent auditors and finance officials of local governments on this entity determination issue. In order to provide comprehensive guidance on the entity determination for volunteer fire departments, we are requesting that auditors and finance officials provide us with details of specific situations which they encounter when applying the GASB 14 criteria to these entities. Based upon these actual circumstances, it is our intent to address these specific issues in future revisions to this entity determination. Your assistance would be greatly appreciated. Also, comments or suggestions on any aspect of this exposure draft would be welcomed. Please mail to:

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