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Statement of Position

Fire Departments, Fire Relief Associations and Checking Accounts

Maintaining proper control over public funds is a responsibility for all city and town officials. Volunteer fire relief associations must exercise control over their funds, but the city or town must control all city or town fire department funds.

Fire Departments

The Office of the State Auditor has found that some fire departments maintain their own checking and savings accounts. The accounts are used to handle fire department expenses, and sometimes receive fees collected for firefighting services. These accounts are not authorized.

Under Minnesota law, a city or town fire department cannot have its own checking account. The city council must control its city's finances; the town board must control its town's finances. All city and town funds must be turned over to the city or town treasurer. All city and town checks must be signed by the appropriate city or town officials, and expenditures generally must be approved in advance by the governing body.

If a fire department is a city or town department and has its own checking account, ownership of its account must be transferred to the city or town, or the account must be closed.

A non-profit or a joint powers fire department may or may not have the authority to handle its own finances. A non-profit's bylaws or a joint powers agreement should be reviewed to determine the scope of the fire department's authority.

Fire Relief Associations

A volunteer fire relief association is a governmental entity separate from the city or town. One way in which a fire relief association differs from a city or town fire department is that a volunteer fire relief association is required to maintain control of its own funds. It receives and manages public money to offer retirement benefits for those providing firefighting and emergency first response services. Because fire relief associations are required to maintain control of their own funds, they should maintain their own checking and savings accounts, separate from the city or town accounts.

The finances of a volunteer fire relief association are governed by the fire relief association's articles of incorporation and bylaws, and by statutes that are different from those that govern a

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city or town. A volunteer fire relief association treasurer is the custodian of the fire relief association's assets, including the checkbook. The checking account should contain only fire relief association funds, not city or town funds.

Volunteer fire relief associations usually have two accounts, and sometimes a third, if they conduct charitable gambling. A fire relief association must establish a special fund account to pay benefits, and may establish a general fund account. Minnesota law places strict limitations on how funds in the fire relief association's special fund account may be spent. The special fund may be used only to pay benefits, certain fees, and other expenses specifically authorized by law. Any funds the fire relief association receives from the city, town or state must be deposited into the fire relief association's special fund, not into the fire relief association's general fund.

Donations not designated for the special fund and proceeds from fundraising go into the general fund. The fire relief association's general fund account is to be used to pay all other fire relief association expenses, including fundraising expenses, meeting snacks, and jackets, shirts or hats. Money from the general fund may also be given to the city or town for fire department use, such as for the purchase of new equipment.

How to Handle Combined Accounts

Each city and town should determine if its fire department has been maintaining its own checking or savings accounts. Municipal fire departments may not maintain their own accounts. In the case of a non-profit or joint powers fire department, a determination should be made about whether the account is authorized. Unauthorized accounts should be closed or transferred to the city or town.

City or town funds and fire relief association funds have sometimes been mistakenly combined into one account. Once identified, the funds in the account must be separated.

To obtain control of its fire department account, a governing body should pass a resolution to require the transfer of the account to the city or town, or its closure. Once an account is turned over for city or town control, cities and towns should maintain proper documentation to show that the transfer of funds was completed. Improper funds and payments of claims are issues of legal compliance.