



STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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Statement of Position Fire Departments, Fire Relief Associations, and Checking Accounts

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This Statement of Position is not legal advice and is subject to revision.

Maintaining proper control over public funds, including funds used for fire department purposes and fire relief association funds, is a responsibility for public officials. In order to ensure proper handling and control of such funds, it is important to understand the difference between public funds used for fire departments and public funds held by a relief association.

Fire Departments

Under Minnesota law, a city or town fire department is a part of the city or town. It is not a separate governmental entity, and therefore, it 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, such an account is not authorized. Ownership of the 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.

Relief Associations

A fire relief association is a governmental entity separate from the city or town. One way in which a relief association differs from a city or town fire department is that a 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 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 relief association are governed by the relief association's articles of incorporation and bylaws, and by statutes that are different from those that govern a city or town.

Relief associations usually have two accounts, and sometimes a third, if they conduct charitable gambling. A relief association must establish a special fund account to pay benefits and may establish a general fund account. A relief association treasurer is the custodian of the relief association's assets. Minnesota law places strict limitations on how funds in the 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. Funds the relief association receives from the municipality and state must be deposited into the relief association's special fund, not into the relief association's general fund. This is true even if the funds were intended to reimburse the general fund for municipal fire department expenses paid by the relief association. If a relief association chooses to use its general fund to cover expenses that would otherwise be the city's or town's obligation, it must absorb those expenses as the city or town cannot reimburse the relief association's general fund.

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

How to Review and Correct (If Necessary) Unauthorized or 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 under its bylaws or joint powers agreement. Unauthorized accounts should be closed or transferred to the city or town.

City or town funds and 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. After 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.

If a relief association discovers that funds intended for the municipal fire department have been deposited into the relief association's special fund in error, the relief association should contact the Office of the State Auditor (OSA) right away. Funds cannot be transferred from the special fund unless and until a relief association obtains written authority from the OSA.