



Municipal Funds and Relief Associations: Pitfalls to Avoid

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Sometimes, the Office of the State Auditor (OSA) sees problems related to municipal funds being incorrectly deposited into the affiliated volunteer fire relief association's accounts. This article describes two common pitfalls and provides suggestions on how to avoid them.

Reimbursement for Fire Department Expenses

Minnesota law is clear that all money that a relief association receives from a city or town must be deposited into the relief association's special fund. The special fund is the relief association's restricted pension fund. This requirement ensures that municipal funds given to a relief association are used only for the payment of service pensions and benefits, and certain authorized administrative expenses.

Most relief associations also maintain a general fund, which is where non-public funds are deposited. A city or town cannot deposit money into the relief association's general fund even if the money was intended to reimburse the general fund for municipal fire department expenses paid by the relief association.

For example, some relief associations use their general fund to purchase equipment that they donate to the city or town fire department or to pay for firefighter training. While a relief association can pay (from its general fund) for such expenses that normally might be the city's or town's obligation, the relief association cannot then be reimbursed for those expenditures.

To avoid the problems of impermissible reimbursements to a relief association or of the relief association paying for expenses it did not intend to bear responsibility for, the city or town should pay the expense directly. Alternatively, the firefighters themselves can pay the expenses and then be reimbursed by the city or town.

Deposit of Funds Intended for the Fire Department

All assets intended for use by a municipal fire department must be controlled by the city or town. Donations made to a municipal fire department are donations to the city or town. To accept the donation, the city council or town board must pass a resolution by a two-thirds majority. The resolution should identify any limitations on how the funds or equipment may be used, including whether the donation is limited to the fire department.

Donations to the fire department cannot be deposited into a relief association's special fund or general fund.



For example, some relief associations host fundraising events and advertise that proceeds from the events will benefit the fire department. All money raised from these events must be donated to the city or town. If a relief association would like to keep some or all of the fundraising proceeds, the event must be held for the relief association and all advertisements for the event must indicate that the relief association, and not the fire department, is the benefactor of the funds being raised.

As another example, some fire departments perform services, such as controlled burns. All payments for services provided by a municipal fire department must be paid to the city or town. The relief association cannot accept payments for services performed by the fire department.

Additional Information

Further information about fundraisers and donations is provided in a Statement of Position entitled “Fundraiser and Donations for Fire Departments and Fire Relief Associations” on the OSA website. Go to www.auditor.state.mn.us. Choose the “For Local Officials” menu option, and then select “Statements of Position.” The Statement is posted under the “Pensions” heading.