

**STATE OF ALABAMA  
DEPARTMENT OF  
EXAMINERS OF PUBLIC ACCOUNTS**

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**FINANCIAL AND COMPLIANCE  
GUIDELINES  
FOR  
VOLUNTEER FIRE DEPARTMENTS**

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# **Minimum Requirements For Volunteer Fire Departments**

1. Each fire department's Board of Directors should keep minutes of all meetings.
2. Official bank accounts are to be authorized by the fire department's Board of Directors, and such authorization documented in the minutes of meetings.
3. The treasurer and/or bookkeeper of the fire department should be bonded.
4. Prenumbered receipts should be written for all funds received. Copies of receipts should be retained.
5. All funds received should be deposited in an official bank account.
6. The disbursement of fire department funds is to be supported by proper documentation, including an original invoice and authorization from the Board of Directors.
7. To provide control over cash disbursements, the checks should be prenumbered and it is recommended that checks have dual signatures. Blank checks should not be signed in advance.
8. Public records should be retained until approval for destruction is obtained from the Alabama Department of Archives and History [address your questions to Archives and History at (334) 242-4452].
9. The applicable disbursements of fire department funds should comply with provisions of the Alabama Competitive Bid Law. Bid files are to be maintained.
10. The disbursement of fire department funds should be limited to authorized purposes as set forth by state and/or local laws and the restrictive provisions of donations.
11. A separate fund should be established for restricted monies for accounting purposes.
12. Interest earned in a particular fund should be expended in that fund.
13. An inventory of all equipment owned by the Fire Department should be maintained.
14. A cashbook reflecting the receipts, disbursements and balances on hand should be maintained on a monthly basis.
15. A monthly bank reconciliation should be performed for each bank account.

16. The Board of Directors may employ a public accounting firm registered with the Alabama Board of Public Accountancy to perform audits of the fire department in accordance with generally accepted government auditing standards.
17. Public funds should not be commingled (mixed) with funds from private sources (such as fund raising activities, etc.). Commingled monies are all treated as public funds subject to state and local laws. If an accounting system is in place, either manual or computerized, that clearly segregates revenues by source and identifies expenditures by nature of expense so that the expenditure of restricted and unrestricted monies can be easily identified, then it is permissible to operate with one bank account.
18. Fund-raising activities should not be financed with restricted funds.

## **Restricted Funds**

Funds that are considered to be *restricted* are funds received from the following sources:

- State Grants
- County Appropriations
- Ad Valorem and Sales Taxes
- Fire Fees and Dues Authorized by Legislation
- Donations with Restrictive Provisions
- Interest Earned on Deposits of Restricted Funds

### **Eligible Expenditures:**

The following list is intended as a general guide to the types of expenditures that can be made from restricted funds, however; it is not intended to be all inclusive. (Each Fire Department should review the local legislation applicable which discusses how tax dollars are to be expended.)

- Acquisitions of fire trucks and fire stations
- Purchases of fire-fighting equipment
- Communications equipment and the installation of such equipment in personal vehicles
- Fire training expenses
- Fire vehicles and station insurance
- Oil, gas, and vehicle repairs
- Utilities
- Station repairs
- Lawn mower and related supplies incidental to maintaining grassy areas around fire station
- Water hoses and related supplies needed to keep vehicles clean

New or used equipment costing in excess of \$15,000.00 is subject to the provisions of the State's Competitive Bid Law. If purchases are made from a state bid list, a copy of that bid from the State Purchasing Department should be obtained for documentation.

### **Ineligible Expenditures:**

**The following items are considered to be ineligible expenditures from Restricted Funds:**

- Salaries
- Purchases of food and drink
- Expenses relating to holding fund raising activities
- Purchases of microwave ovens, coffee pots, refrigerators, and other similar type kitchen appliances (Refrigerators may be eligible if required to keep some type medical supplies stored in cool place for the rescue operations)
- Payment of magazine subscriptions unrelated to fire department and/or rescue squad operations.

CASHBOOK-RESTRICTED FUND

RECEIPTS	Date Received	Receipt Number	Total	State Grants	County Appropriator	Ad Valorem Tax	Sales Tax	Fire Assessments	Fire Dues	Donations- Restricted	Interest On Deposits
State Forestry Commission	10-10-08	501	\$2,800.00	\$2,800.00							
J.H. Smith	10-11-08	502	100.00						100.00		
Joe Blow	10-15-08	503	100.00						100.00		
John Black Grocery	10-15-08	504	500.00							500.00	
Blank County Tax Collector	10-17-08	505	2,200.00			2,200.00					
Jim Jones	10-21-08	506	100.00						100.00		
Blank County Commission	10-30-08	507	500.00		500.00						
First National Bank	10-31-08	508	52.67								52.67
Total Receipts			<u>\$6,352.67</u>	<u>\$2,800.00</u>	<u>\$500.00</u>	<u>\$2,200.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$300.00</u>	<u>\$500.00</u>	<u>\$52.67</u>

(A) (A)

DISBURSEMENTS

Payee	Date Paid	Check Number	Total	Station & Vehicle Insurance	Telephone & Utilities	Postage & Supplies *	Station & Repairs	Fire Trucks & Vehicles	Equipment And Communication:	Fire Training	Gas, Oil & Repairs	Miscellaneous Expenses **
USF&B Insurance Co.	10-01-08	2101	\$3,000.00	\$3,000.00								
Municipal Utilities Board	10-05-08	2102	70.00		70.00							
Regional Telephone Co.	10-08-08	2103	45.00		45.00							
Joe's Garage	10-10-08	2104	35.00								35.00	
John's Service Station	10-15-08	2105	90.00								90.00	
Fire Equipment Co.	10-16-08	2106	120.00						120.00			
State Fire College	10-31-08	2107	125.00							125.00		
U.S. Post Office	10-31-08	2108	32.00			32.00						
First National Bank	10-31-08	2109	500.00				500.00					
Ford Motor Credit Corp.	10-31-08	2110	750.00					750.00				
Total Disbursements			<u>\$4,767.00</u>	<u>\$3,000.00</u>	<u>\$115.00</u>	<u>\$32.00</u>	<u>\$500.00</u>	<u>\$750.00</u>	<u>\$120.00</u>	<u>\$125.00</u>	<u>\$125.00</u>	<u>\$0.00</u>

(B)

(C)

Cash Balance 10-01-08	\$12,800.00
Total Receipts	<u>6,352.67</u>
Total Balance & Receipts	<u>\$19,152.67</u>
Total Disbursements	<u>(4,767.00)</u>
Cash Balance 10-31-08	<u>\$14,385.67</u>

(A) Fire Assessments/Fire Dues - mandatory assessments or dues authorized by local legislation.

(B) Postage & Supplies - supplies incidental to operation and maintenance of station and equipment as allowed by law.

(C) MISCELLANEOUS EXPENSES - any other expenses allowable under local laws which establish funding sources that are not categorized above.

**Community VFD  
Blank County**

**Bank Reconcilement - Restricted Fund  
October 31, 2008**

Bank Balance 10-31-08				\$15,135.67
Add: Deposit In Transit (a)				<u>500.00</u>
Sub-total				\$15,635.67
Less: Outstanding Checks (b)				
	<u>Date</u>	<u>Check No.</u>	<u>Payee</u>	<u>Amount</u>
	10-31-08	2109	First National Bank	(500.00)
	10-31-08	2110	Ford Motor Credit	<u>(750.00)</u>
Total O/S Checks				<u>(1,250.00)</u>
Book Balance 10-31-08				<u><u>\$14,385.67</u></u>

(a) Deposits In Transit are any deposits recorded on the ledger which have not been posted to the bank statement at the statement ending date (preferably the last day of the month). Note that interest earned on deposits is recorded after your last deposit which has not cleared, this is because the interest will have been added to your account by the bank as of the statement date.

(b) Outstanding checks are any checks which have been recorded on the ledgers and sent to the payee but the check has not cleared the bank statement as of the ending date of the statement.

## **LEGISLATION APPLICABLE TO FIRE DEPARTMENTS**

The *Code of Alabama 1975*, Section 9-3-17, provides for the certification of fire departments of political subdivisions as “volunteer fire departments.”

The *Code of Alabama 1975*, Section 9-3-18, authorizes counties, municipalities, etc., to donate money, property, etc. to volunteer fire department or volunteer rescue squad. Identifies entities authorized to donate money, property, etc. and requires that if disposed of it will return to the agency where it was obtained.

The *Code of Alabama 1975*, Sections 10-3A-1 through 10-3A-225, contains provisions related to nonprofit corporations.

The *Code of Alabama 1975*, Section 10-3A-43 provides that corporations must maintain complete books and records of accounts, and minutes of the proceedings of its members, board of directors and committees having any of the authority of the board of directors.

The *Code of Alabama 1975*, Section 40-9-13 addresses the tax exempt status of volunteer fire departments.

The *Code of Alabama 1975*, Sections 41-16-50 through 41-16-79 contain provisions of the Alabama Competitive Bid Law applicable to volunteer fire departments.

The *Code of Alabama 1975*, Sections 39-1-1 through 39-6-2 contain provisions of the Public Works Law applicable to volunteer fire departments.

The *Code of Alabama 1975*, Section 40-12-250 relates to license plates for state, county and municipal owned motor vehicles.

**Act Number 94-414, Acts of Alabama**-requires all entities receiving or disbursing public funds to forward a copy of every audit report issued on the entity to the Department of Examiners of Public Accounts.

**Note: This list is not all inclusive. Volunteer fire departments should keep abreast of changes in legislation and of local laws applicable only in specific cities or counties.**

## **Attorney General Opinions Applicable to Volunteer Fire Departments**

### **Opinion Number 1979-394**

Fire Districts organized pursuant to the *Code of Alabama 1975*, Section 11-89-1 are entitled to a county tag under the provisions of the *Code of Alabama 1975*, Section 40-12-250.

### **Opinion Number 1989-297**

A Judge of Probate may not charge a volunteer fire department any fees for filing articles of incorporation. The *Code of Alabama 1975*, Section 40-9-13(A) exempts volunteer fire departments from payment of any state, county and municipal taxes, licenses, fees and charges of any nature whatsoever.

### **Opinion Number 1994-083**

Tax funded revenues received by volunteer fire departments sanctioned by municipalities are subject to audit as are other municipal funds.

### **Opinion Number 1993-224**

The *Code of Alabama 1975*, Section 40-9-13 exempts a volunteer fire department from the payment of a special events liquor license fee.

**Note: This list is not all inclusive. Opinions of the Attorney General may be researched or read on the Attorney General's official web site <http://www.ago.state.al.us>.**