

Financial and Compliance Guidelines
for Volunteer Fire Departments



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TO: Users of Department of Examiners of Public Accounts Financial and Compliance
Guidelines for Volunteer Fire Departments

This document sets forth financial and compliance guidelines for Volunteer Fire Departments (“VFD”) certified as such by the Alabama Forestry Commission. The objective of the guidelines provided herein is to promote better, more consistent accounting and audits of the stewardship of Alabama taxpayers’ money and to ensure that officials uphold the public trust.

Updates and revisions were made throughout this document in order to bring the standards and guidance provided current with applicable law. Suggestions for improvements to these guidelines are welcomed and may be submitted to info@examiners.alabama.gov or by calling (334) 242-9200.

Sincerely,

Rachel Laurie Riddle
CHIEF EXAMINER

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Minimum Record Keeping and Accounting Requirements for Volunteer Fire Departments

The following list is intended to serve as a guide of minimum requirements related to record keeping and accounting for VFDs. This list is not intended to be inclusive for all VFDs as local legislation may require additional record keeping and/or accounting procedures. VFDs should maintain a working knowledge of all applicable local laws which may affect their operation.

1. Each VFD's Board of Directors should keep minutes of all meetings.
2. Official bank accounts are to be authorized by the VFD's Board of Directors, and such authorization documented in the minutes of meetings. Official bank accounts should be covered under the SAFE program in accordance with *Ala. Code* § 41-14A-3.
3. The treasurer and/or bookkeeper of the VFD 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 VFD 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, checks should be prenumbered. 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 (<https://archives.alabama.gov/officials/localrda.html>).
9. Disbursements of VFD funds should comply with applicable provisions of the Alabama Competitive Bid Law and Public Works Law. Bid files are to be maintained.
10. The disbursement of VFD funds should be limited to authorized purposes as set forth by state and/or local laws and the restrictive provisions of donations. Disbursements of federal or state grants should be limited to authorized purposes as set forth by grant agreements and/or federal compliance requirements.
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 VFD 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 VFD in accordance with generally accepted government auditing standards.
17. Public funds should not be commingled (mixed) with funds from private sources (such as fundraising 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. Fundraising activities should not be financed with restricted funds.
19. VFDs should ensure compliance with applicable payroll related regulations to include completion and submission of forms as required by the IRS and the State of Alabama. Examples of these regulations and forms include, but are not limited to the following:
 - IRS Form W-2
 - IRS Form 1099
 - IRS Form I-9
 - IRS Form 941
 - IRS Form 990
 - Selective Service Registration
 - Alabama Department of Labor New Hire Reporting Form
 - Compliance with *Ala. Code* § 17-17-5 which provides that a governmental entity may not arrange by salary deduction or otherwise for payments to a political action committee or a membership organization which performs political activity as defined by *Ala. Code* § 17-17-5(b)(1).
 - E-Verify of all employeesVFDs should also ensure compliance with entity specific payroll regulations such as Board approved salary schedules/pay rates, bylaws, and policies.
20. VFDs should ensure all construction projects are in compliance with all regulations of the Alabama Department of Finance's Division of Construction Management.

Restricted Funds

Restricted funds are funds received from any of 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 from Restricted Funds:

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 any applicable local legislation which dictates 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 for department owned vehicles
- 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

The purchase of new or used equipment which exceeds \$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 from Restricted Funds:

The following items are considered to be ineligible expenditures from restricted funds. However, each Fire Department should review any applicable local legislation which dictates how tax dollars may be expended.

- 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 medical supplies stored in cool place for rescue operations.)
- Payment of magazine subscriptions unrelated to fire department and/or rescue squad operations.

CASHBOOK-RESTRICTED FUND

RECEIPTS	Date Receive	Receipt Number	Total	State Grants	County Appropriation	Ad Valorem Tax	Sales Tax	Fire Assessment	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			\$6,352.67	\$2,800.00	\$500.00	\$2,200.00	\$0.00	\$0.00	\$300.00	\$500.00	\$52.67

(A) (A)

DISBURSEMENTS

Payee	Date Paid	Check Number	Total	Station & Vehicle Insurance	Telephone & Utilities	Postage & Supplies	Station & Repairs	Fire Trucks & Vehicles	Equipment And Communications	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			\$4,767.00	\$3,000.00	\$115.00	\$32.00	\$500.00	\$750.00	\$120.00	\$125.00	\$125.00	\$0.00

(B)

(C)

Cash Balance 10-01-08

\$12,800.00

Total Receipts

6,352.67

Total Balance & Receipts

\$19,152.67

Total Disbursements

(4,767.00)

Cash Balance 10-31-08

\$14,385.67

(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 Reconciliation - 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)			
Date	Check No.	Payee	Amount
10-31-08	2109	First National Bank	(500.00)
10-31-08	2110	Ford Motor Credit	(750.00)
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.

State Legislation Applicable to Volunteer Fire Departments

Ala. Code § 9-3-17 provides for the certification of volunteer fire departments.

Ala. Code § 9-3-18 authorizes the state and any department, office, or agency of the state, and any county, any municipality, any fire, water, sewer, garbage, or school district, or any other public governmental entity or political subdivision to donate money, property, equipment, etc. to volunteer fire departments or volunteer rescue squads. This statute further provides that unless the donating agency or entity specifies otherwise, the volunteer fire department receiving donations may dispose of the property pursuant to *Ala. Code* § 41-16-120 through 41-16-125, inclusive.

Ala. Code § 10A-3-1.01 through 10A-3-8.02 contains provisions related to nonprofit corporations.

Ala. Code § 10A-3-2.32 provides that nonprofit 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.

Ala. Code § 40-9-13 provides that volunteer fire departments are exempt from all state, county and municipal taxes, licenses, fees and charges, including any privilege or excise tax levied by the State of Alabama or any county or municipality.

Ala. Code § 41-16-50 through 41-16-79 contain provisions of the Alabama Competitive Bid Law applicable to volunteer fire departments.

Ala. Code § 39-1-1 through 39-1-5 contain provisions of the Public Works Law applicable to volunteer fire departments.

Ala. Code § 40-12-250 relates to license plates for state, county and municipal owned motor vehicles.

Note: This list is not all inclusive. Volunteer fire departments should maintain a working knowledge of changes in legislation and of local laws applicable in their specific cities or counties.

Attorney General Opinions Applicable to Volunteer Fire Departments

Opinion Number 1979-394

Fire Districts organized pursuant to *Ala. Code* § 11-89-1 are entitled to a county tag under the provisions of *Ala. Code* § 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. *Ala. Code* § 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

Ala. Code § 40-9-13(a) exempts a volunteer fire department from the payment of a special events retail liquor license fee.

Opinion Number 1997-039

Ala. Code § 40-9-13(a) exempts a volunteer fire department from payment of permit and entertainment fees.

Opinion Number 1999-085

Ala. Code § 40-9-13(a) exempts a volunteer fire department from paying utility taxes.

Opinion Number 2002-261

Ala. Code § 40-9-13(a) does not require that property or services offered by a county or municipal government for sale or rent to the public be provided free to volunteer fire departments.

Opinion Number 2004-044

Ala. Code § 40-9-13(a) exempts a volunteer fire department from building inspection fees levied by the county.

Opinion Number 2005-190

Hospital funds can be disbursed to volunteer fire departments and municipal fire departments if used strictly for health care purposes.

Opinion Number 2007-111

A town council may require its municipally sanctioned volunteer fire department to provide the town with unredacted copies of fire and emergency medical services reports to keep on file for use in determining the reimbursement of expenses of department personnel making fire and medical calls.

Opinion Number 2009-063

Volunteer firemen at the scene of a vehicle accident do not have arrest powers other than those of private citizen. A volunteer firefighter's privately-owned vehicle is not an authorized emergency vehicle unless designated as such by the chief of police or the Director of Public Safety. No vehicle other than an authorized emergency vehicle may use red lights visible from the front of such vehicle or flashing white lights other than signal lights and emergency flashers authorized by *Ala. Code* § 32-5-241(d)(3).

Opinion Number 2010-037

Volunteer fire department may be used as a polling place if the members of the board of directors choose to allow the county commission to use the station as a polling place.

Opinion Number 2011-054

Ala. Code § 40-9-13(a) exempts volunteer fire department from solid waste disposal fees.

Opinion Number 2012-016

A volunteer fire department is subject to the Competitive Bid and Public Works Laws. The business records of a volunteer fire department are subject to disclosure under the Open Records

Law except when specific records or portions thereof can be demonstrated by the department to fall within a recognized exception.

Opinion Number 2012-034

Volunteer fire department may respond to calls in a county adjacent to its home county if authorized by its bylaws and no funds from county taxes are used on such calls for equipment, materials, personnel compensation, or otherwise.

Opinion Number 2012-066

County E-911 Board may provide matching funds to a volunteer fire department to improve the emergency communications system. Board must comply with Competitive Bid Law in the purchase of equipment for volunteer fire department.

Opinion Number 2013-033

County Commission may improve a private road providing access to a site housing volunteer fire department communications equipment if the Commission determines that a public purpose is served. The Commission or volunteer fire department association should obtain an easement from the private property owner before making the improvement.

Opinion Number 2015-058

If a town has the authority to make expenditures to provide for a volunteer fire department, said town may expend funds to raise money for the fire department if the town council determines the expenditure serves a public purpose.

Opinion Number 2020-016

Volunteer fire departments are exempt from the payment of fees for applications for certificates of titles so long as the property in question is used in accordance with the requirements of *Ala. Code* § 40-9-12 (in and about the conducting, maintaining, operating, and carrying out of the program, work, principles, objectives, and policies of such nonprofit).

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