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July 26, 2013

The Honorable Daniel Haugh
City Council Member, City of Delavan
Secretary, Delavan Fire Department
Secretary Delavan Fire Relief Association
P.O. Box 156
Delavan, Minnesota 56023-0156

Ms. Trudy Anderson
Clerk/Treasurer, City of Delavan
P.O. Box 156
Delavan, Minnesota 56023-0156

Dear Council Member Haugh and Ms. Anderson:

Thank you for discussing with me issues related to the City of Delavan's municipal Fire Department and the Delavan Fire Relief Association ("Fire Relief"), a separate non-profit organization.

It is my understanding that the Fire Department closed its separate checking and savings accounts in 2012 and transferred control of the funds to the City. The City is now accounting for the funds in the City's General Fund. The Office of the State Auditor ("OSA") commends the City for implementing this change.¹

As we discussed, the OSA has one remaining concern. You mentioned during our telephone conversation that the Delavan Fire Department sponsors a breakfast fundraiser for equipment needs and the Fire Relief sponsors two fundraisers (a dance and a steak fry) for its pension fund. However, the City has reported expenditures for all three fundraising events.² In addition, revenues from all three fundraising events are deposited with the City.³ You explained that the profits from the breakfast are deposited into the Fire Department's account in the City's General

¹ For more information on separate fire department financial accounts, see the OSA's Statement of Position on Fire Departments, Fire Relief Associations and Checking Accounts. The OSA's Statements of Position are available on the OSA's website, www.auditor.state.mn.us.

² The City's 2012 Financial Statements report 2012 City expenditures of \$1,535 for the breakfast, \$0 for the dance, and \$2,539 for the steak fry; and 2011 City expenditures of \$2,116 for the breakfast, \$5,966 for the dance, and \$3,008 for the steak fry.

³ The City's 2012 Financial Statements report revenues of \$13,273 in 2012 and \$19,021 in 2011 from Fire Department fundraisers.

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Fund, and the profits from the dance and steak fry are paid to the Fire Relief's special pension fund.

Cities and towns have no general statutory authority to hold fundraisers. More specifically, we are not aware of any statutory authority for the Fire Department to sponsor a breakfast fundraiser for equipment needs. We also question the City's authority for making expenditures and performing accounting functions for a separate non-profit organization (the Fire Relief).⁴

We recommend that, in the future, the three fundraising events be handled by the Fire Relief through its General Fund.⁵ The Fire Relief would then be able to donate the profits from the breakfast to the City for the Fire Department's equipment needs and to transfer profits from the dance and steak fry directly into the Fire Relief's special pension fund.

If you have any questions, please feel free to contact me at (651) 297-7108 or through email at Terrilyn.Diamond@osa.state.mn.us.

Sincerely,

/s/ Terrilyn Diamond

Terrilyn Diamond, Attorney
Office of the State Auditor

Enclosure

cc: The Honorable Kevin Walker, Mayor
The Honorable Lowell Borgos, City Council Member
The Honorable Roy Douglas, City Council Member
The Honorable Merlyn Ottesen, City Council Member
Mr. Todd Cory, Fire Relief's Treasurer
Mr. Michael Burkhardt, Burkhardt & Burkhardt, Ltd., City's Auditors
Mr. Thomas J. Olinger, Abdo Eick & Meyers, LLP, Fire Relief's Auditors

⁴ For additional guidance on this issue, enclosed is a copy of the OSA's Statement of Position on Fire Department and Fire Relief Association Fundraisers and Donations.

⁵ At the current time, the Fire Relief does not maintain a General Fund; it only maintains a Special (pension) Fund. Creation of a General Fund would be consistent with the Fire Relief's Bylaws. See Bylaws of the Delavan Firefighters Relief Association, Article III, section 4 (Treasurer to keep separate and distinct accounts of the Special and General Funds), and Article V, section 1 (funds received from entertainment and other miscellaneous sources shall be kept in the General Fund). For additional information about the special and general funds of a fire relief, see the OSA's Statement of Position on Fire Relief Association Funds: Special and General Funds, and Charitable Gambling Funds.