

October 28, 2002

The Honorable C.E. Johnson
Mayor
Town of Huntland
P.O. Drawer H
Huntland, TN 37345

Dear Mayor Johnson:

This letter is in response to your request for an opinion as to how your volunteer fire department should relate to the Town of Huntland.

First of all, there is nothing in the Huntland Town Charter that specifically mentions a fire department. I am assuming that the volunteer fire department functioned as a city department prior to June 2001. I am also assuming that the fire department's budget was a part of the town budget. If the volunteer fire department is included in the town budget, as a department and not as a general contribution, then the fire department should function as a general fund activity that is accounted for in the general fund under the financial control of the Recorder and general oversight by the Board of Mayor and Aldermen. A separate fund is an exception to generally accepted standards and is a violation of the Internal Control and Compliance Manual for Tennessee Municipalities published by the Comptroller of the Treasury of the State of Tennessee. In addition to these violations, a separate account presents the opportunity for abuse without safeguards that are provided for by well-established accounting and management principles.

It is understandable that the fire department wants money that it has raised to be spent on fire related activities. This can easily be accomplished by setting up a reserve account within the general fund, under the control of the Recorder and the Board of Mayor and Aldermen, and subject to annual audit.

If the volunteer fire department functions separately from the Town of Huntland, then its budget should not be a part of the town budget. The only connection with the Town of Huntland would then be that the town could make contributions to the volunteer fire department. Equipment that is currently owned by the town

could be contributed to the volunteer fire department, but all of the insurance, maintenance, and other related expenses would no longer be town responsibilities.

The question of how the fire department is organized needs to be settled. The Town of Huntland and its volunteer fire department need to decide whether (1) the department is to function as a city department, or (2) a volunteer fire department completely divorced from the town. If it is going to function as a department of the town, then the building and real property need to be deeded to the town and all finances handled by the town. If the fire service is not going to function as a department of the town, then the town needs to turn its fire equipment and all related expenses over to the volunteer department. In this instance the town can decide whether to make an annual contribution to the volunteer department and how much.

If the Huntland Volunteer Fire Department is to function as a town department, the Board of Mayor and Aldermen need to enact an ordinance creating the department and providing for its organization and operation. MTAS can assist you in that effort.

Please contact me if I may provide further assistance.

Sincerely,

Don Darden
Municipal Management Consultant