

COMPLIANCE AUDIT

Kimberton Firemen's Relief Association Chester County, Pennsylvania For the Period January 1, 2013 to December 31, 2015

August 2016



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General



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**EUGENE A. DePASQUALE
AUDITOR GENERAL**

Mr. John Jay Pollinger, President
Kimberton Firemen's Relief Association
Chester County

We have conducted a compliance audit of the Kimberton Firemen's Relief Association (relief association) pursuant to authority derived from Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania, Section 403 of The Fiscal Code, Act of April 9, 1929, (P.L. 343, No. 176), and mandated by the Volunteer Firefighters' Relief Association Act, as consolidated by the Act of November 23, 2010 (P.L. 1181, No. 118), at 35 Pa.C.S. § 7411 *et seq.*, for the period January 1, 2013 to December 31, 2015.

The objective of the audit was to determine if the relief association received state aid and expended state aid and accumulated relief funds in compliance with applicable state laws, contracts, bylaws, and administrative procedures. Our audit was limited to the areas related to the objective identified above.

Relief association officers are responsible for establishing and maintaining effective internal controls to provide reasonable assurance that the relief association's administration of state aid and accumulated relief funds complies with applicable state laws, contracts, bylaws, and administrative procedures, including the safeguarding of assets. Relief association officers are responsible for complying with applicable state laws, contracts, bylaws, and administrative procedures. It is our responsibility to perform procedures to obtain sufficient, appropriate evidence to the extent necessary to satisfy the audit objective. We believe that our audit provides a reasonable basis for our conclusions.

Based on our audit procedures, we conclude that, for the period January 1, 2013 to December 31, 2015, the relief association, in all significant respects, received state aid and expended state aid and accumulated relief funds in compliance with applicable state laws, contracts, bylaws, and administrative procedures.

The supplementary financial information contained in this report is presented for purposes of additional disclosure and analysis. We performed only limited procedures on the supplementary financial information and, accordingly, express no form of assurance on it.

West Pikeland Township completed and returned reporting Certification Form AG 385 for the year 2015; which enabled it to receive its foreign fire insurance premium tax state aid allocation, per Section 706(b)(2) of the Act of December 18, 1984, (P.L. 1005, No. 205) for the year 2015. However, a distribution error was made by the township and the relief association did not receive its entire foreign fire tax distribution for the year 2015 from this municipality until January 14, 2016. Consequently, these funds were not available to the relief association for general operating expenses or for investment purposes during 2015. In addition, according to the reporting Form 706 – B, Receipt and Distribution of Foreign Fire Insurance Premium Tax, submitted by the township on January 23, 2016, showing the distributions made to the two relief associations of the fire companies providing actual fire protection services to the township, West Pikeland Township distributed state aid amounting to \$42,433 of the total 2015 state aid allocation of \$42,533 originally received by the township in 2015. West Pikeland Township should disburse the remaining \$100 of 2015 state aid remaining in its general fund to the relief association(s). Moreover, West Pikeland Township should ensure the accuracy and timeliness of future state aid distributions to its relief associations and timely and accurately prepare and submit reporting Form 706-B showing the distribution of its state aid to its relief associations within 60 days of receipt of the annual state aid allocation in subsequent periods.

The contents of this report were discussed with the management of the relief association. We would like to thank the relief association officials for the cooperation extended to us during the conduct of the audit.

August 16, 2016



EUGENE A. DEPASQUALE
Auditor General

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BACKGROUND

Pursuant to Article VIII, Section 10 of the Constitution of the Commonwealth of Pennsylvania, Section 403 of The Fiscal Code, Act of April 9, 1929, (P.L. 343, No. 176), and the Volunteer Firefighters' Relief Association Act, as consolidated by the Act of November 23, 2010, (P.L. 1181, No. 118), at 35 Pa.C.S. § 7411 *et seq.*, the Department of the Auditor General's duty is to audit the accounts and records of every volunteer firefighters' relief association to determine that funds received under the Foreign Fire Insurance Tax Distribution Law, Act of December 18, 1984, (P.L. 1005, No. 205), as amended, 53 P.S. § 895.701 *et seq.* (commonly referred to as Act 205), are properly expended.

The relief association is a charitable organization that was formed primarily to afford financial protection to volunteer firefighters and to encourage individuals to participate in volunteer fire service.

Act 118 governs the overall operation of volunteer firefighters' relief associations. The relief association's bylaws define the specific operational procedures by which the relief association conducts business. To fulfill its primary purpose, Act 118 authorizes specific types of expenditures and prescribes appropriate volunteer firefighters' relief association investment options. Within the parameters established by Act 118, it is the responsibility of the relief association to choose investments in a proper and prudent manner.

Volunteer firefighters' relief associations receive public tax monies, and the association officers therefore have a responsibility to the public to conduct the association's financial affairs in a businesslike manner and to maintain sufficient financial records to support the propriety of all association transactions. Volunteer firefighters' relief association officers are also responsible for ensuring that the association operates in accordance with applicable state laws, contracts, bylaws and administrative procedures.

Act 205 sets forth the computation of the Foreign Fire Insurance Tax Distribution paid to each applicable municipality throughout the Commonwealth of Pennsylvania. The amount of the distribution is based upon the population of each municipality and the market value of real estate within the municipality. Upon receipt of this distribution, the municipality must allocate the funds to the volunteer firefighters' relief association of the fire service organization or fire service organizations that is or are recognized as providing the service to the municipality.

BACKGROUND – (Continued)

The relief association was allocated state aid from the following municipalities:

<u>Municipality</u>	<u>County</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Charleston Township	Chester	\$23,956	\$22,469	\$21,804
East Pikeland Township	Chester	\$63,548	\$60,353	\$57,899
East Vincent Township	Chester	\$ 2,816	\$ 1,229	\$ 1,180
West Pikeland Township	Chester	\$19,270	\$18,078	\$17,398*
West Vincent Township	Chester	\$13,632	\$12,882	\$12,326

* The amount of state aid received from West Pikeland Township for 2015 reported above reflects the total amount of state aid received by the relief association during 2015 and also includes the additional 2015 state aid amount distributed to the relief association during 2016 by the township correcting a distribution error made previously in 2015 as discussed earlier in this report.

The volunteer firefighters’ relief association and the affiliated fire service organization are separate, legal entities. The relief association is affiliated with the following fire service organization:

Kimberton Fire Company

KIMBERTON FIREMEN'S RELIEF ASSOCIATION
SUPPLEMENTARY FINANCIAL INFORMATION
CASH AND INVESTMENT BALANCES
AS OF DECEMBER 31, 2015

Cash	\$ 177,192
Fair Value of Investments	156,510
Book Value of Other Investment	<u>112,918</u>
Total Cash and Investments	<u>\$ 446,620</u>

KIMBERTON FIREMEN'S RELIEF ASSOCIATION
 SUPPLEMENTARY FINANCIAL INFORMATION
 SUMMARY OF EXPENDITURES
 FOR THE PERIOD JANUARY 1, 2013 TO DECEMBER 31, 2015

Expenditures:

Benefit Services:

Insurance premiums	\$ 77,354
Death benefits	7,500
Relief benefits	280
Tokens of sympathy and goodwill	4,763
Total Benefit Services	<u>\$ 89,897</u>

Fire Services:

Equipment purchased	\$ 243,513
Equipment maintenance	47,612
Training expenses	48,426
Fire prevention materials	281
Total Fire Services	<u>\$ 339,832</u>

Administrative Services:

Other administrative expenses	\$ 483
Bond premiums	501
Total Administrative Services	<u>\$ 984</u>

Other Expenditures:

Payments on loan	<u>\$ 195,629</u>
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Total Expenditures	<u><u>\$ 626,342</u></u>
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KIMBERTON FIREMEN'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Tom W. Wolf
Governor
Commonwealth of Pennsylvania

Kimberton Firemen's Relief Association Governing Body:

Mr. John Jay Pollinger
President

Mr. Glenn Deery
Vice President

Mr. Kenneth Gordon
Secretary

Ms. Catherine Lang
Treasurer

The following municipalities allocated foreign fire insurance tax monies to this relief association and received a copy of this report:

Ms. Linda M. Csete
Secretary
Charleston Township

Ms. Kimberly B. Moretti
Secretary
East Pikeland Township

Ms. Mary E. Flagg
Secretary
East Vincent Township

Secretary
West Pikeland Township

Ms. Tammy Swavely
Secretary
West Vincent Township

KIMBERTON FIREMEN'S RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

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