



BROWNSTOWN VOLUNTEER FIREMENS' RELIEF ASSOCIATION

HEREIN REFERRED TO AS:

BROWNSTOWN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION

CAMBRIA COUNTY

AUDIT REPORT

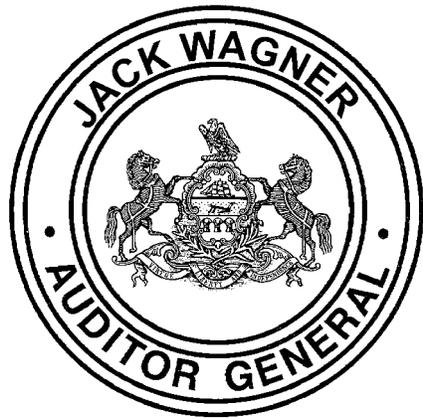
FOR THE PERIOD

JANUARY 1, 2003 TO FEBRUARY 13, 2006



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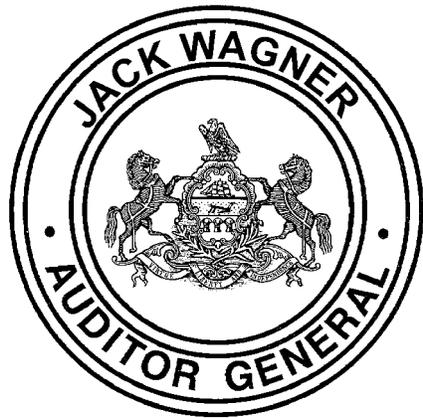
BACKGROUND

This audit report is a public record, which must be available for examination by all interested citizens and volunteer firefighters' relief association (VFRA) members.

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, Act of June 11, 1968, (P.L. 149, No. 84), as amended, 53 P.S. § 8501 et seq. (commonly referred to as Act 84), 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.

This department conducts its audits of volunteer firefighters' relief associations in accordance with generally accepted auditing standards. Representations contained in the accompanying financial statements are the responsibility of the relief association's management. This department's responsibility for those statements is confined solely to an expression of our opinion as to the fairness of management's representation of the financial statements taken as a whole.

Act 84 requires that the relief association be governed in accordance with bylaws, which establish the association's operating procedures. Act 84 provides that the primary purpose of a relief association is to afford financial protection to volunteer firefighters against misfortunes suffered during fire service participation. To fulfill this purpose, Act 84 authorizes specific types of expenditures and outlines appropriate relief association investment options. Within the parameters established by Act 84, it is the responsibility of the volunteer firefighters' relief association to choose investments in a proper and prudent manner.



Independent Auditor's Report

Mr. Phillip Christofes, President
BROWNSTOWN VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
Cambria County

We have audited the accompanying Statement of Monetary Assets Arising From Cash Transactions as of February 13, 2006, and the related Statement of Cash Receipts, Disbursements, and Changes in Cash of the Brownstown Volunteer Firefighters' Relief Association for the period January 1, 2003 to February 13, 2006. These financial statements are the responsibility of the relief association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Department of the Auditor General is mandated by state statute to calculate state aid provided to volunteer firefighters' relief associations and to audit volunteer firefighters' relief associations having received such aid. State aid is calculated by an administrative unit that is not involved in the audit process. The Department's Comptroller Office then pre-audits the calculation and submits requests to the Commonwealth's Treasury Department for the disbursement of state aid to the municipality. The Department has implemented procedures to ensure that Department audit personnel are not directly involved in the calculation and disbursement processes. The Department's mandatory responsibilities are being disclosed in accordance with *Government Auditing Standards*.

Independent Auditor's Report (Continued)

As described in Note 2, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the monetary assets arising from cash transactions of the Brownstown Volunteer Firefighters' Relief Association as of February 13, 2006, and the cash receipts, disbursements, and changes in cash for the period January 1, 2003 to February 13, 2006, on the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2006, on our consideration of the Brownstown Volunteer Firefighters' Relief Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

June 2, 2006

JACK WAGNER
Auditor General

BROWNSTOWN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
STATEMENT OF MONETARY ASSETS ARISING FROM CASH TRANSACTIONS
FEBRUARY 13, 2006

ASSETS:

Cash	<u>\$ -</u>
Total Monetary Assets (note 4)	<u>\$ -</u>

Notes to financial statements are an integral part of this report.

BROWNSTOWN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH
FOR THE PERIOD JANUARY 1, 2003 TO FEBRUARY 13, 2006

RECEIPTS:

Support:		
State aid (note 3)	\$	10,386
Other Receipts:		
Interest income		33
Reimbursements		2,523
		<hr/>
Total Receipts		12,942
		<hr/>

DISBURSEMENTS:

Fire Services:		
Equipment purchased		2,761
Equipment maintenance		2,881
Training expenses		249
Benefit Services:		
Insurance premiums		2,590
Relief benefits		597
Other Disbursements:		
Transfer of monetary assets (note 4)		6,124
		<hr/>
Total Disbursements		15,202
		<hr/>
Net Increase or (Decrease) In Cash	(2,260)
Cash Balance, January 1, 2003		2,260
		<hr/>
Cash Balance, February 13, 2006	\$	<u>-</u>

Notes to financial statements are an integral part of this report.

BROWNSTOWN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ORGANIZATION

Pursuant to the Act of June 11, 1968, (P.L. 149, No. 84), as amended, the Brownstown Volunteer Firefighters' Relief Association is a charitable organization that was formed to afford financial protection to volunteer firefighters and to encourage individuals within the community to participate in volunteer fire service.

Act 84 governs the overall operation of the volunteer firefighters' relief association. The relief association's bylaws regulate the specific procedures by which the association assets are managed.

The Brownstown Volunteer Firefighters' Relief Association was affiliated with Brownstown Volunteer Fire Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. The relief association's records were maintained on a cash basis, and the statement of cash receipts and disbursements reflect only cash received and disbursed. Therefore, receivables and payables, long-lived assets, accrued income and expenses, and depreciation, which would otherwise be recognized under accounting principles generally accepted in the United States of America (GAAP) and which may be material in amount, were not recognized in the accompanying financial statements.
- B. Fixed assets were recognized as expenditures at the time of purchase, rather than being capitalized and depreciated over their estimated useful lives.
- C. The relief association did not adopt Statement of Financial Accounting Standard (SFAS) No. 117 since they do not follow GAAP.
- D. The nature of the relief association's monetary assets is considered to be unrestricted.

BROWNSTOWN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
NOTES TO FINANCIAL STATEMENTS

3. STATE AID

Chapter 7 of the Act of December 18, 1984, (P.L. 1005, No. 205), as amended, 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 relief association of the fire department or departments, which is or are recognized as providing service to the municipality.

During the years 2003, 2004, and 2005, the Brownstown Volunteer Firefighters' Relief Association received state aid from Brownstown Borough in Cambria County.

4. RELIEF ASSOCIATION DISSOLUTION/TRANSFER OF MONETARY ASSETS

Effective February 13, 2006, the Brownstown Volunteer Firefighters' Relief Association dissolved its organization. As a result of the dissolution, the monetary assets of the Brownstown Volunteer Firefighters' Relief Association, in the amount of \$6,124, were transferred to the Westmont Volunteer Firefighters' Relief Association. The Westmont Volunteer Firefighters' Relief Association has since changes its name and is now known as the West Hills Regional Volunteer Firefighters' Relief Association.

5. RELATED PARTY SITUATIONS

A related party situation existed because the volunteer firefighters' relief association was affiliated with the fire service organization disclosed in Note 1. The relief association was a distinct separate legal entity that was established primarily for the purpose of affording financial protection to the volunteer firefighters against the consequences of misfortune suffered as a result of their participation in the fire service.

Another related party situation existed because certain officers of the relief association held offices in the fire service organization. Also, an officer of the relief association was an elected official of the municipality from which the relief association received its state aid.

The relief association membership were aware of these situations and all transactions were approved by the relief association membership.

**Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed in Accordance With
*Government Auditing Standards***

Mr. Phillip Christofes, President
BROWNSTOWN VOLUNTEER FIREFIGHTERS'
RELIEF ASSOCIATION
Cambria County

We have audited the financial statements (cash basis) of the Brownstown Volunteer Firefighters' Relief Association as of February 13, 2006, and for the period January 1, 2003 to February 13, 2006, and have issued our report thereon dated June 2, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

The Department of the Auditor General is mandated by state statute to calculate state aid provided to volunteer firefighters' relief associations and to audit volunteer firefighters' relief associations having received such aid. State aid is calculated by an administrative unit that is not involved in the audit process. The Department's Comptroller Office then pre-audits the calculation and submits requests to the Commonwealth's Treasury Department for the disbursement of state aid to the municipality. The Department has implemented procedures to ensure that Department audit personnel are not directly involved in the calculation and disbursement processes. The Department's mandatory responsibilities are being disclosed in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Brownstown Volunteer Firefighters' Relief Association's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the association's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the association's internal control over financial reporting.

**Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of Financial Statements Performed in Accordance With
Government Auditing Standards (Continued)**

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described above and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Brownstown Volunteer Firefighters' Relief Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the relief association's members and management, and the officials of the municipalities that grant the foreign fire insurance tax monies to the volunteer firefighters' relief association. It is not intended to be and should not be used by anyone other than these specified parties.

June 2, 2006

JACK WAGNER
Auditor General

BROWNSTOWN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
OBSERVATION

Observation – Unauthorized Expenditures

Condition: The relief association expended funds for the following items, which are not authorized by Act 84:

Date	Check No.	Description	Amount
02/20/04	240101036	Reimbursement of member's-lost wages	\$ 33
02/20/04	240101037	Reimbursement of member's-lost wages	200
11/16/05	240102058	Reimbursement of member's-lost wages	160
11/23/05	240102068	Reimbursement of member's-lost wages	203
Total			<u>\$ 596</u>

While the relief association may expend funds to reimburse members for personal effects lost in the course of participation in fire service and make cash payments to members in distressed circumstances, reimbursements to members for wages lost while responding to fire calls are not considered authorized expenditures as defined by Act 84.

Criteria: Act 84 at 53 P.S. § 8506(e)(2 and 6) states:

The funds of any volunteer firefighters' relief association may be spent:

- (2) To purchase contracts of insurance which shall at the least afford financial assistance to active members of the fire service represented by the association against losses due to injury suffered in the fire service and which may also provide in the order named, (i) for payments to the widow or other dependents of a member in the event of his death, (ii) for protection of active firefighters against disease, (iii) for the replacement or purchase of prosthetic devices such as visual aids, hearing aids, dentures, braces, crutches, and the like, where such devices have been lost or damaged while the owner was engaged in the fire service or where the need for such devices arises because of functional impairment attributable to participation in the fire service, (iv) for the repair or replacement if necessary of articles of clothing or pocket pagers damaged in the course of participation in the fire service, and (v) for disability incurred after service for a minimum of 20 years as a volunteer firefighter.

- (6) To make cash payments to families in distressed circumstances by reason of age, infirmities or other disabilities suffered by one of the family in the course of his participation in the fire service as a volunteer firefighter.

BROWNSTOWN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
OBSERVATION

Observation – (Continued)

Since the Department of the Auditor General is legislatively prohibited from giving pre-audit advice, an interagency agreement with the Department of Community and economic Development (DCED) had been established whereby the DCED provided interpretation of Act 84 of 1968, “the Volunteer Firefighters’ Relief Association Act.” Reimbursements to members for wages lost while responding to fire calls have been determined by DCED to not qualify under Act 84.

Cause: Relief association officials were unaware that the aforementioned expenditures were not authorized by Act 84.

Effect: As a result of these improper expenditures, relief association funds were not available for investment purposes, or to pay for expenditures authorized by Act 84.

However, subsequent to the audit exit conference, on September 26, 2006, the West Hills Regional Volunteer Firefighters’ Relief Association received reimbursement in the amount of \$596 for the unauthorized expenditures noted above.

BROWNSTOWN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
COMMENTS

PRIOR AUDIT RECOMMENDATIONS

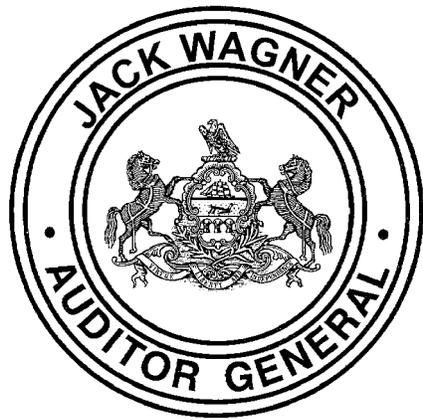
The relief association has complied with the following prior audit recommendations:

- Inadequate Minutes of Meetings

By maintaining detailed minutes of all relief association meetings.

- Unauthorized Expenditures

By receiving reimbursements on June 23, 2003 and June 2, 2004, in amounts totaling \$1,492 for payments made on a fire company owned vehicle, maintenance paid on a fire company owned vehicle, and computer supplies for a fire company owned computer, all of which were considered unauthorized expenditures.



BROWNSTOWN VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION
REPORT DISTRIBUTION LIST

This report was initially distributed to the following:

The Honorable Edward G. Rendell
Governor
Commonwealth of Pennsylvania

Brownstown Volunteer Firefighters' Relief Association Officers:

Mr. Phillip Christofes, President

Ms. Mary Ann Pentrack, Secretary

Ms. Annett Kristofco, Treasurer

Reports were also distributed to each municipality, which allocated foreign fire insurance tax monies to this relief association.

Ms. Sandra L. Rohde, Secretary
Brownstown Borough

This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, 318 Finance Building, Harrisburg, PA 17120. If you have any questions regarding this report or any other matter, you may contact the Department of the Auditor General by accessing our website at www.auditorgen.state.pa.us.