



MANAGEMENT GUIDELINES

For Volunteer Firefighters' Relief Associations



2020 Edition

AUDITOR GENERAL EUGENE A. DEPASQUALE

www.PaAuditor.gov

NOTICE

The Department of the Auditor General is prohibited by law from offering pre-audit advice to an auditee with regard to issues that the Department may subsequently confront in an audit of that entity. However, the Department can summarize its position on particular issues based on its past audits. These guidelines are offered on that basis. They do not constitute advice or authorization to take any particular action, and the Department reserves the right to revise its past positions in future audits. Volunteer Firefighters' Relief Associations may wish to consult with legal counsel for specific guidance.



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EUGENE A. DePASQUALE
AUDITOR GENERAL

February 10, 2020

Dear Volunteer Emergency Service Personnel:

Since Ben Franklin encouraged the formation of the Union Fire Company in Philadelphia in December of 1736, volunteer emergency service organizations have provided much-needed fire protection and lifesaving services to communities across our great commonwealth. What's more, many volunteer emergency service organizations serve as community centers, offering their facilities as polling places, gathering places for senior citizens, meeting places for youth groups, fundraising sites for civic groups and even for the occasional wedding. I thank each of you for your selfless service to your communities and to Pennsylvania as a whole.

The Department of the Auditor General assists volunteer emergency service personnel through the annual distribution of the foreign fire insurance tax premium. These funds are determined by a statutory formula and are allocated through the local municipalities to nearly 1,900 volunteer firefighters' relief associations in Pennsylvania.

In 2019, state aid distributed to these relief associations totaled approximately \$60 million. These funds provide numerous benefits to you and your families and encourage other individuals to participate in the fire and emergency services. Funds are also used to pay the expenses of training emergency service personnel and to purchase equipment to protect them in the course of their hazardous duties.

Because of the Department's knowledge of professional accounting and auditing standards and with our considerable experience in auditing financial records typical to small volunteer service organizations, the Department provides explanation of various technical information for relief association officers and membership. This publication, titled *Management Guidelines*, includes applicable governing statutes and their criteria as well as a description of customary best practices over financial record-keeping. The contents of the *Management Guidelines* do not reflect advice or policy by the Department of the Auditor General, but explanation of technical information for officers having responsibility to ensure compliance over the receipt and expenditure of public tax monies. The requirements of Act 118 pertaining to record-keeping are an example of "such" content.

Please contact my office at 717-787-1308, or email us at Fire@Paauditor.gov if you have ideas for improvements to this manual. Thank you again for your service. Ben Franklin would be proud!

All the best,

A handwritten signature in black ink, appearing to read 'E. DePasquale'.

Eugene A. DePasquale
Auditor General

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Suggestions for improving this publication are welcomed.
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INTRODUCTION

The statutory authority over VFRA's is contained in Act 118 of 2010.

Volunteer firefighters' relief associations are separate legal organizations affiliated with volunteer fire companies and/or volunteer fire departments (herein referred to as fire company). The volunteer firefighters' relief association (VFRA) is a separate legal entity from the fire company. VFRA's are funded by a statutory disbursement of foreign fire insurance tax funds. Disbursements are made to the VFRA's local municipality who then will forward the funds to the VFRA. This disbursement and allocation process is detailed later in this booklet.

The purpose of the VFRA is to encourage individuals to take part in the fire service as a volunteer and to provide funds for the protection of the volunteer firefighter and their heirs. According to Act 118 of 2010, VFRA's may use their funds for the following purposes:

- To purchase investments to earn additional income (Section 7416 (c) of Act 118 of 2010)

Section 7416 (f) of Act 118 of 2010:

- To pay for such normal and reasonable running expenses as may be appropriate to the businesslike conduct of the affairs of the association
- To purchase contracts of insurance for active VFRA members against losses due to injury suffered in the fire service
- To maintain a beneficiary or death benefit fund
- To pay for costs and forwarding tokens of sympathy and goodwill to a firefighter who is ill or hospitalized
- To make cash payments to families in distressed circumstances by reason of age, infirmity or other disability suffered by one of the family members in the course of participation in fire service
- To acquire and maintain membership in any Statewide association or corporation which extends assistance to firefighters
- To contribute or purchase contracts of insurance for rehabilitating a volunteer firefighter who suffered a major impairment due to participation in fire service
- To pay for medical and surgical bills arising from injuries sustained by volunteer firefighters while engaged in activities of the fire company
- To pay reasonable expenses for firefighter training
- To purchase safeguards for preserving life, health, and safety of volunteer firefighters to ensure their ability to participate in fire service
- To secure insurance against liability for loss and expense from claims arising out of official performance of official and authorized duties
- To maintain comprehensive health, physical fitness and physical monitoring programs
- To purchase exercise and fitness equipment
- To purchase fire hoses and nozzles
- To purchase fire prevention materials for public distribution
- To pay reasonable expenses for attending bona fide emergency medical technician or paramedic training schools.

The Pennsylvania Constitution and the Fiscal Code prohibit the Auditor General from giving pre-audit advice regarding any transaction we are subsequently required to audit. In other words, since we function as a post-audit agency responsible for auditing the VFRA's, we cannot provide official opinions or guidance that might impair our ability to audit.

Therefore, prior to contacting our department, you may want to consult the following resources first:

- **Act 118 of 2010, Chapter 74, Subchapter B:**
<http://www.legis.state.pa.us/cfdocs/legis/li/uconsCheck.cfm?yr=2010&sessInd=0&act=118>.
- **The Department of Community and Economic Development (DCED) website:**
<http://www.dced.state.pa.us/local-government-services/>.
When you enter this website, go to *Volunteer Fire Relief Association (VFRA) database*, then *Report by Category* to find a list of authorized items.

If you cannot find an appropriate answer to your question after consulting the aforementioned resources, please send an email directly to the Bureau of Fire Relief Audits' inbox at fire@paauditor.gov. This is the most expeditious means for receiving a response from our department.

The following Management Guidelines are provided as prudent business practice guidance on how to conduct the affairs and business of a Volunteer Firefighters' Relief Association.

Since volunteer firefighters' relief associations receive public tax monies, the association officers have a responsibility to the public to conduct the association's financial affairs in a businesslike manner, keeping financial records which provide a documented audit trail and can easily verify the propriety of all association transactions. Relief association officials are also responsible for ensuring that their association operates in accordance with Act 118 of 2010, (Chapter 74 Subsection B), which governs the operation of volunteer firefighters' relief associations (VFRA).

The relief association and the fire company are two separate legal entities. The volunteer firefighters' relief association records may not be incorporated with those of the fire company. Relief association funds should be maintained in separate relief association accounts, and investments purchased with relief association funds should be issued solely in the name of the relief association (Sections 7415 (a) & (e) and 7416 (a) of Act 118).

Since the relief association is a separate legal entity, the organization should have a separate federal tax identification number and a separate Pennsylvania sales tax exemption number. The certificates verifying the association's tax numbers should be kept with the relief association's permanent records (Section 7415 (e) of Act 118).

Act 118 is very clear in setting specific requirements for what constitutes a Volunteer Firefighters' Relief Association and when such an organization can receive aid funds under that Act. The act requires that the relief association be formed primarily to afford financial protection to **volunteer firefighters** against consequences of misfortune suffered as a result of their participation in the fire service (Section 7412). In addition, the act defines a volunteer firefighter, in part, as a person who is a member of:

- a fire company organized and existing under the laws of the Commonwealth,
- a fire police unit, rescue squad, ambulance corps or other like organization affiliated with one or more fire companies, or
- a fire company or affiliated organization which participates in the fire service but does not look to that service as his or her primary means of livelihood (Section 7412).

Prudent business practice requires that relief association officials consult with their solicitor and evaluate their state of compliance with Act 118.

The Department of the Auditor General is required to audit the volunteer firefighters' relief associations. Section 7418 (a) of Act 118, states:

- (a) General rule.**--The Office of Auditor General shall have the power and its duty shall be to audit the accounts and records of every volunteer firefighters' relief association receiving money under Chapter 7 of the act of December 18, 1984 (P.L. 1005, No. 205), known as the Municipal Pension Plan Funding Standard and Recovery Act, as far as may be necessary to satisfy the Auditor General that the money received was or is being expended for no purpose other than that authorized by this subchapter. Copies of all audits shall be furnished to the Governor.

It is the responsibility of the treasurer to have the relief association's records available for audit during the appointed hours and to provide the auditor with an adequate place to work which is well lighted and heated.

Relief association officers should maintain records which sufficiently detail the financial transactions of the relief association. These records should describe the source and purpose of the financial transactions, and supporting documentation should be maintained to verify these transactions. This department has established adequate record-keeping procedures which include maintaining a chart of accounts, journals, ledgers, financial statements, investment roster, equipment roster, and membership roster. All records should be presented in an orderly, businesslike manner and made available for review upon request for audit. It is the responsibility of the relief association (treasurer or audit contact person) to send requested audit documents to the auditor in a timely manner (1 - 15 business days). Records may be provided in advance of any meeting with the auditor and may be provided electronically or by physical hard copies. **Relief association officials should have the following documents available at the audit site, as applicable:**

- **Financial journals**
- **Financial ledgers**
- **Financial statements**
- **Checkbook and savings account passbook**

- **Duplicate deposit slip**
- **Original invoices for all expenditures**
- **Bank statements and account reconciliations**
- **Canceled or imaged checks**
- **Training certificates**
- **Mutual fund statements**
- **Death certificates to verify death benefits paid**
- **Custodial account statements and agreements**
- **Investment roster**
- **Investment documents**
- **Loan and mortgage agreements**
- **Insurance policies**
- **Faithful performance bond policy**
- **Minutes of all relief association meetings**
- **PA Sales Tax Exemption certificate**
- **Federal Tax Identification Number certificate**
- **Vehicle titles and agreements**
- **Joint purchase agreements**
- **Current relief association bylaws**
- **Lease purchase agreements**
- **Administrative policies (i.e. credit card, gas, gym memberships)**
- **Cumulative equipment roster**
- **Cumulative membership roster of the relief association**
- **Names, email addresses and addresses of all relief association officials**

The auditor will physically examine all investments and insurance policies held by the association. The treasurer should make arrangements which will allow the auditor to examine these documents during the course of the audit.

During the course of an audit, the auditor will review the cumulative equipment roster and perform a physical inventory of selected items. The treasurer should be prepared to make arrangements which will allow the auditor to examine the equipment during the course of the audit.

This manual is published to provide guidance in the operation of the relief association and to assist in the establishment of adequate record-keeping procedures. The first part of the manual provides guidance on the operation and administration of volunteer firefighters' relief associations, while the second part provides examples and reference materials related to maintenance of adequate record-keeping. In an attempt to make it easier for association officials to maintain adequate records and to standardize the financial records of volunteer firefighters' relief associations throughout the Commonwealth, preprinted journals, ledgers, rosters, and financial statements have been included in the final section of this manual. These pages have been designed so that they can be used electronically or copied, placed in a standard three-ring binder, and utilized in recording the association's financial operations. Following the simplified accounting system outlined in this manual will provide guidance so that adequate record-keeping is maintained.

All relief association documentation should be maintained until audited. Once audited, most financial records should be maintained for seven years from its origination. It is advisable that before discarding financial records, relief association officers should ensure that a longer retention period is not required for other purposes. For example, an insurance requirement or legal matter may require that the relief association keep certain documents longer. Some documents such as minutes of meetings, bylaws, and articles of incorporation should be kept indefinitely.

Computerized financial record-keeping is an acceptable alternative to hand-kept records, provided that adequate record-keeping is maintained. However, the chart of accounts must be used to categorize expenditures.

ALLOCATION OF FOREIGN FIRE INSURANCE TAXES

The Foreign Fire Insurance Tax Distribution Law was passed as part of Act 205 of 1984, the Municipal Pension Plan Funding Standard and Recovery Act (commonly referred to as "Act 205," 53 P.S. 895.101 et. seq.). Specifically, Chapter 7 of Act 205 sets forth the provisions of the Foreign Fire Insurance Tax Distribution Law (53 P.S. 895.701-895.706). The source of the monies is a 2 percent tax on foreign fire insurance premiums. (The term "foreign fire insurance" means fire insurance written by an insurance company which is not incorporated in the Commonwealth of Pennsylvania.)

The Commonwealth allocation to volunteer firefighters' relief associations is determined by a formula based on the population and the market value of real estate for each municipality. A copy of Chapter 7 of Act 205 of 1984, which sets forth the distribution requirements, can be found at Appendix B. Three of the pertinent provisions of Act 205 are provided below.

1. The governing body of each municipality shall annually certify to the Department of the Auditor General the type of fire protection provided to that municipality (Section 7416 (a) of Act 118). Fire protection may be provided to the municipality entirely by volunteer firefighters (Section 7412 of Act 118) or entirely by paid firefighters, or the municipality may be served by both paid and volunteer firefighters. This certification shall be used to determine the ultimate distribution of the foreign fire insurance premium tax amount applicable to each municipality. Total statewide volunteer firefighter's relief association allocations from 2010 through 2019 are contained on the following table.

2. The governing body of the municipality has the responsibility of allocating the annual foreign fire insurance tax distribution which it receives to those relief associations which it has recognized. The municipality must certify to the Department of the Auditor General that it has disbursed its entire annual distribution of foreign fire insurance tax to the relief association(s). **The municipality has the discretion to allocate its annual distribution to the relief association which it recognizes as it deems appropriate.**

3. The municipality should distribute the allocation to the volunteer firefighters' relief association(s) within 60 days of the date of the receipt of the monies from the Commonwealth.

Note: It is the relief association's responsibility to monitor the receipt of the state aid. If the relief association has not received its state aid check from the municipality by December 1, the relief association officers should contact the municipality to expedite the distribution of the funds due the association.

Total statewide VFRA allocations from 2010 through 2019 are contained in the following table.

Year	Statewide Volunteer Firefighters' Relief Association Allocation
2010	\$ 71,517,475
2011	\$ 112,670,496
2012	\$ 64,007,680
2013	\$ 72,540,483
2014	\$ 68,568,188
2015	\$ 65,937,256
2016	\$ 65,669,119
2017	\$ 60,667,201
2018	\$ 55,320,399
2019	\$ 60,125,280

SAFEGUARDING ASSOCIATION ASSETS

One of the primary responsibilities of relief association officers is to make sure that proper internal controls are maintained in order to help protect relief association assets from fraud, waste, abuse, and possible misappropriation of funds.

Most relief associations have some internal control procedures established for the day-to-day operation of the organization. However, these procedures may not provide adequate protection of association assets.

The procedures and prudent business practices outlined below, if implemented, would strengthen controls to ensure the volunteer firefighters' relief association operations provide reasonable assurance that the association's assets are adequately safeguarded and expenditures are disbursed in accordance with Act 118.

CHARTER OR CONSTITUTION AND BYLAWS

In accordance with Act 118 of 2010 at Section 7415 (a-c), a relief association should maintain a separate charter or constitution, and bylaws that specifically address the purpose, structure, and benefits of the organization. The relief association may be an unincorporated association of individuals or an incorporated association (not-for-profit corporation). Incorporating the association may be done with the assistance of legal counsel. Incorporating the association as a not-for-profit association has certain advantages to include greater legal protection for the elected officers and the organization.

MINUTES OF MEETINGS

All relief association meetings should be held separately from the fire company's meetings (Section 7415 (a) of Act 118). Many fire companies hold the volunteer firefighters' relief association meetings directly after the monthly fire company's meeting to maximize attendance. Regardless, the minutes of the relief association meetings should be recorded separately from the minutes of the fire company's meetings, and be maintained as a permanent record of the association. The minutes should be legible, and adequately document the authorization of the expenditure of funds, approval of the association's investments, and all other business conducted at the meetings. *Note: Minutes of meetings must be signed by the recording officer/secretary.*

OFFICER'S BOND

The disbursing officer of the relief association must be bonded for the maximum amount of cash assets held by the relief association (Section 7415(c)(4) of Act 118). The relief association may also bond its other officers for the faithful performance of their duties. Additionally, while the law requires that the amount of the bond must be as great as the maximum cash balance, the relief association may bond its officers in an amount that includes both cash and investments.

DUPLICATE PAYMENTS OF INVOICES

The relief association should maintain all invoices, receipts, and other documentation to support the authorization to expend funds. These invoices and bills should be clearly marked "paid" to avoid the duplicate payment of the goods and services (Section 7415 (a) and (c)(6) of Act 118).

SIGNATORY AUTHORITY

Section 7415 (c)(3) of Act 118 requires that the signatures of at least two officers, one of whom shall be the **disbursing officer**, shall be required to bind the association by formal contract or to issue a negotiable instrument. Therefore, the signature of at least two relief association officials should appear on all negotiable instruments, such as checks and drafts payable, from relief association funds. Checking, savings, money market and other similar accounts should be maintained such that two relief association officers' signatures are needed for any withdrawals or transfers of funds. Certificates of deposit and any similar relief association assets should also bear two relief association officers' signatures. *Note: There should be only one disbursing officer except if specified differently in the relief association bylaws.*

PRE-SIGNING OF BLANK CHECKS

Relief association officials who are authorized and required to sign checks should never pre-sign an incomplete check or draft. All checks and drafts payable to an entity or individual should be properly authorized by the relief association as required by the relief association bylaws. *Note: Prudent business practice dictates that no checks should be made out to cash as the payee.*

COMMINGLING OF FUNDS

Since the fire company and the relief association are separate legal entities, the commingling of the two entities' monetary assets is not advisable. Prudent business practice dictates that the relief association maintains separate accounts from the fire company to avoid commingling of funds. This would assist in the financial record-keeping of income generating accounts and investments, and applicable income earned.

SEGREGATION OF OFFICERS' DUTIES

Prudent business practice dictates that the positions of secretary and treasurer within the relief association be held by two separate individuals. The separation of responsibilities of these two officers will ensure that the same person is not responsible for the record-keeping that authorizes a financial transaction (minutes of meeting) and the record-keeping that records a financial transaction (checkbook, journal, ledgers, etc.). This segregation of duties protects the association officers as well as the relief association assets.

FINANCIAL RECORD-KEEPING

As stated in the Introduction of this manual, the volunteer firefighters' relief association is a separate legal entity from the fire company. Consequently, all financial accounts, records, and associated operating requirements should be separate from those of the fire company. To consistently follow adequate record-keeping procedures, relief associations should maintain financial records in the form of journals and ledgers. This publication provides guidance on adequate record-keeping procedures applicable to a relief association. The relief association may require its treasurer to prepare financial statements on a monthly, quarterly, or annual basis, to keep the membership informed as to the financial position of the association, and aid the membership in decision making.

RECONCILIATION OF ACCOUNTS

Prudent business practice dictates the reconciliation of relief association bank accounts on a monthly basis. Typically, the Treasurer performs this reconciliation, however, requiring an individual other than the treasurer to reconcile the accounts would provide additional safeguards over the relief association assets. It is strongly recommended that the treasurer provide a copy of the bank statements along with the monthly reconciliation of the accounts at the regular meeting to enhance internal controls that contribute to the safeguarding of assets. These copies should be reviewed by the other officers and maintained, along with the minutes, as a part of the permanent record.

EQUIPMENT ROSTER

Prudent business practice dictates that the relief association should establish adequate internal control procedures to maintain a cumulative equipment roster of all equipment owned by the relief association. In addition, the relief association should perform an annual physical inventory of equipment to provide adequate accountability for, and safeguarding of, relief association equipment. The relief association may be required by its insurance company to provide an annual inventory listing if the equipment is insured.

PENNSYLVANIA STATE SALES TAX EXEMPTION

A volunteer firefighters' relief association is exempt from certain taxes, and may file for exemption from paying sales tax. The relief association is not authorized to use the fire company's sales tax exemption number, since the association is a separate legal entity. To apply for an exemption, the relief association should contact the Department of Revenue, Exemption Unit, and request a Form REV 72. Once granted, the exemption is permanent and does not require renewal. (The PA Department of Revenue address is provided in Appendix D.)

FEDERAL TAX IDENTIFICATION NUMBER

The volunteer firefighters' relief association should maintain separate financial accounts from the fire company (Section 7416 (b) of Act 118). When accounts are opened or investments purchased, the relief association should provide the financial institution with its federal tax Employer Identification Number (EIN). The relief association **may not use** the fire company's federal tax EIN because the two organizations are legally separate entities. If the relief association uses the fire company's federal tax EIN, the relief association may be in violation of the provisions of the Internal Revenue Code. Furthermore, the relief association may be exceeding the maximum FDIC insurance coverage at its financial institution, thereby subjecting the association's monetary assets to greater risk. If the financial institution is not provided with the relief association's EIN, the financial institution may withhold 30% of the income earned on the account as federal income tax withholding. To obtain a federal tax EIN, the relief association should complete a federal form SS-4 (Application for EIN), and submit it to the Internal Revenue Service. The relief association may also wish to file for federal income tax exemption as a not-for-profit corporation. It is advisable that the relief association obtain tax guidance from a professional tax consultant when filing for federal tax exemption status. (The Internal Revenue Service address is provided in Appendix D.)

CREDIT/DEBIT CARD PURCHASES

Prudent business practice dictates if a relief association utilizes a credit/debit card either issued in the name of the relief association or the fire company they should:

- (1) Have procedures that require pre and/or post approval of expenditures by authorized VFRA officials.
- (2) Have a credit/debit card policy regarding credit/debit card use.
- (3) Have invoices or documentation to support credit/debit card expenditures (A detailed receipt must be kept listing each item purchased, not simply the credit/debit card receipt that only contains the purchase amount and not what was purchased)
- (4) Have evidence (e.g. initials) of the proper review and approval of transactions contained on the monthly credit card statements and/or invoices for payment.
- (5) Have properly authorized and approved monthly credit/debit card payments by appropriate VFRA officials.
- (6) Have the appropriate organization name issued on the card(s), know where the card(s) are kept, and who is authorized to use the card(s).

All credit card or debit online purchases should show the item purchased, not just the order number on the credit card statement. A printed picture or description of the item purchased should be attached to the credit card statement and the printout should have two (2) signatures of approved/authorized check signers.

Prudent business practice dictates that the relief association should refrain from ATM cash withdrawals.

CONSTRUCTION OF VOLUNTEER FIREFIGHTERS' RELIEF ASSOCIATION

A primary purpose of Act 118 is to encourage individuals to take part in the fire service as volunteer firefighters by establishing criteria and standards for orderly administration and conduct of affairs of volunteer firefighters' relief associations.

Act 118 is very clear in setting specific requirements for what constitutes a Volunteer Firefighters' Relief Association and when such an organization can receive aid funds under that Act. The act requires that the relief association be formed primarily to afford financial protection to **volunteer firefighters** against consequences of misfortune suffered as a result of their participation in the fire service (Section 7412).

NOTES

In addition, the act defines a volunteer firefighter, in part, as a person who is a member of:

- a fire company organized and existing under the laws of the Commonwealth,
- a fire police unit, rescue squad, ambulance corps or other like organization **affiliated with** one or more fire companies, or
- a fire company or affiliated organization which participates in the fire service but **does not look to that service as his or her primary means of livelihood** (Section 7412).

The act further states that a person does not lose status as a volunteer firefighter solely because he or she may also be a paid firefighter, **so long as the person is acting within the scope of his or her responsibilities as a member of a volunteer fire company at the pertinent time and not within the scope of his or her responsibilities as a paid firefighter** (Section 7412).

Therefore, if a paid firefighter performs the same duties for which they are paid in their capacity as a volunteer firefighter, the individual is considered a paid employee and not a volunteer firefighter, thus losing their status as a volunteer firefighter under Act 118.

Prudent business practice requires that on an ongoing basis relief associations monitor their status for compliance as a qualifying volunteer firefighters' relief association under Act 118. As a general rule under Act 118, those providing fire service must be volunteers to qualify to receive benefits under the act. Relief officials are responsible for maintaining documentation to demonstrate that its members meet the voluntary status qualifications.

Prudent business practice also requires that relief association officials consult with their solicitor and evaluate their state of compliance with Act 118.

DISSOLUTION OF A RELIEF ASSOCIATION

A volunteer firefighters' relief association may dissolve for one of the following reasons:

- (1) The municipality may change its fire service from a volunteer fire service to a full-paid fire service. In this case, the volunteer fire company would no longer be authorized to provide fire service in the municipality and shall withdraw from the volunteer firefighters' relief association. This action would normally result in the eventual dissolution of the volunteer firefighters' relief association. The dissolution process for a volunteer firefighters' relief association under these circumstances is dictated by Section 7419 of Act 118.
- (2) If the volunteer fire company affiliated with the volunteer firefighters' relief association elects to dissolve as a result of financial or manpower constraints, the volunteer firefighters' relief association may also dissolve. In this case, the remaining volunteer firefighters' relief association members should conduct a meeting to approve the dissolution of the association and the disposition of its assets. In most circumstances, all relief association-owned equipment and monetary assets of the dissolving relief association are to be transferred to the relief association affiliated with the neighboring volunteer fire company that will be providing fire service to the municipality(ies).
- (3) If the volunteer fire company affiliated with the volunteer firefighters' relief association elects to merge with another volunteer fire company as a result of financial or manpower constraints, the volunteer firefighters' relief association may also dissolve and merge. In that case, the remaining volunteer firefighters' relief association members should conduct a meeting to approve the dissolution of the association and the disposition of its assets. In most circumstances, all relief association-owned equipment and monetary assets of the dissolving relief association are to be transferred to the new relief association affiliated with the volunteer fire company that is reestablished as a result of the merger.

Prudent business practice dictates that the relief associations contemplating dissolution should consider retaining legal counsel to provide assurance that the dissolution complies with applicable laws and regulations governing non-profit charitable organizations and that all benefits owed to active and former association members are maintained and protected. If this is the case, it would also be prudent that the remaining relief association members conduct a meeting to approve any dissolution/merger of the association and the disposition of its assets.

In preparation for a final audit of the dissolving relief association, the officers of the relief association that will be discontinuing operation should provide full documentation of the monetary assets and equipment being transferred. A complete inventory of all equipment should be performed and a listing of the equipment transferred should be completed.

Upon transfer of the equipment, a signed receipt from the relief association receiving the equipment should be obtained to verify items of equipment transferred. Those items of equipment then become assets to the recipient relief association and should be added to that relief association's equipment roster.

The Department of the Auditor General should be notified by an officer of the dissolving relief association so the department can perform a final audit of the dissolving relief association to verify the proper disposition of the relief association's monetary assets and equipment. The department will then verify the receipt of the equipment and monetary assets transferred through an audit of the recipient association.

The scenarios provided describe the more typical dissolutions of volunteer firefighters' relief associations that have occurred in the past.

As stated in Act 118 of 2010 at Section 7419 (d), when the membership of a relief association diminishes to five members, the association shall apply to the local common pleas court for dissolution.

NOTES

BYLAWS & MINUTES OF MEETINGS

Section 7415 of Act 118 requires that the relief association bylaws set forth the specific operating procedures of the association. The relief association officers should ensure that the relief association bylaws are updated and in compliance with Act 118. When operating procedures are changed and various benefits increased, relief association officers should properly amend the bylaws to provide authorization for the changes.

The relief association cannot violate bylaw provisions regardless of the enactment date. For example: the bylaws, which were adopted in 1969, provide for a death benefit payment of \$50; however, the death benefit has subsequently been increased to \$200 without proper amendment to the bylaws. Any payment in excess of the \$50 benefit would be considered a violation of the bylaws. **Consequently, it is very important that the relief association keep its bylaws updated in order to provide authorization of the current procedures and regulations followed by the association.**

The relief association bylaws are intended to demonstrate compliance with the provisions of Section 7415(c) of Act 118 as mentioned below. A sample set of bylaws which provide for these minimum requirements appears on page 11. The "sample" bylaws are intended to provide general guidance in the establishment of relief association bylaws in accordance with the provisions of Act 118.

Section 7415(c) of Act 118 requires that the bylaws **shall**:

- (1) Specify the requirements of securing membership, the voting rights of different classes of members, if any, and the conditions under which membership may be terminated.
- (2) State the notice requirements and procedure to be followed in calling meetings, as well as quorum requirements for regular and special meetings of the membership and for regular and special meetings of the body which governs the operations of the association between membership meetings, and shall designate that body, whether it be a board of directors, trustees or any similar body such as an executive committee. Unless otherwise provided for in the bylaws, powers and duties of officers, directors and trustees shall be those which normally pertain to such positions in nonprofit corporations.
- (3) Require the signatures of at least two officers, one of whom shall be the disbursing officer, in order to bind the association by formal contract or to issue a negotiable instrument.
- (4) Require the disbursing officer to be bonded by corporate surety for the faithful performance of his duties. The amount of such bond shall be at least as great as the maximum cash balance in current funds of the association at any time during the fiscal year. The premium for such a bond shall be a proper charge against funds of the association.
- (5) State the procedure to be followed in nominating and in electing officers, trustees, directors, and members of the executive committee, according to the provisions which have been made for establishment of those positions.
- (6) Establish procedures for the approval of expenditures, and for the investment of funds and the sale of investments.
- (7) Designate the procedures to be followed in amending the bylaws.
- (8) Specify the notice required with respect to proposed bylaw amendments, including the time, place, and date when any proposed amendment shall be considered.

- (9) Be faithfully preserved, along with amendments thereto and the effective date of the amendments, in permanent form.
- (10) Contain such other provisions as may, to the membership, seem appropriate or necessary to the orderly conduct of affairs of the association.

Discretionary benefit payments, such as stipends, death benefits and relief benefits, should be authorized by provisions set forth in the bylaws. The bylaws should state the amount of any benefits to be paid to individual members and clearly define the criteria which should be met to qualify for such benefits. In the event of any conflict, Act 118 would take precedence over provisions in the relief association's bylaws. However, the bylaws could contain a more restrictive provision than Act 118. If the membership of a relief association desires to provide benefits that are permitted by Act 118, but are prohibited by its bylaws, it is bound by their bylaws (Section 7415 (c) (10) of Act 118).

The membership of the relief association cannot adopt Act 118 as its bylaws. The clear legislative intent of the act is that the association has bylaws, and the act clearly sets forth in Section 7415 (c) what the bylaws should and may contain. Act 118 alone does not meet these provisions.

Section 7415 (a) of Act 118 requires that minutes of all relief association meetings be maintained to provide a permanent record of its business affairs. Minutes of relief association meetings should be maintained separately from those of the fire company meetings and should note the authorization given by the membership to expend any relief association monies. The minutes should also note the membership's authorization to purchase or sell association investments and should record all other pertinent business transacted at the meetings. Minutes of meetings are the **official record** of the relief association's proceedings and provide proof of the official actions of the organization. The minutes must be maintained as a permanent record under the control of the relief association's secretary. They should be dated and signed by the secretary as to the authenticity of the minutes. The "sample" meeting minutes on page 10 are intended to provide general guidance in the recording of relief association meeting minutes in accordance with the provisions of Act 118.

Section 7416 (f) (1-17) of Act 118 provides a list of expenditures which can be made with relief association funds at the discretion of the membership. A complete list of authorized expenditures can be found at the Department of Community and Economic Development's website at http://www.dced.state.pa.us/local-government-services/VFRA_Main.aspx

Listed below are some of the expenses and benefits that may be paid with relief association monies:

- Insurance
- Equipment Purchases
- Death Benefits
- Relief Benefits
- Fire Training Expenses
- Tokens of Sympathy and Goodwill
- Administrative Expenses

SAMPLE MEETING MINUTES

“Model Township Volunteer Firefighters’ Relief Association”

The regular monthly meeting of the Model Township Volunteer Fire Company Relief Association was called to order by President Fred Firefighter, Jr. at 7:30 PM on April 12, 2005.

Attendance: Fred Firefighter, Jr; *(list all attendees by name)*

The minutes of the monthly meeting on March 14, 2005 and the special meeting of March 31, 2005 were read. A motion to approve the minutes as read was made, Donna Firefighter and seconded by John Firefighter – motion passed 9 – 0.

The Treasurer’s Report was read. Balances as of 3/31/05 were:

Checking -----	\$15,198.04
Savings -----	\$10,000.52
C/D Balance -----	\$95,000.00
Mutual Fund -----	\$9,505.50

Sam Firefighter made a motion and Ted Firefighter seconded to accept the Treasurer’s Report as presented. Motion passed 9-0.

Report of Committees: The equipment committee reported that the annual inspection of the equipment owned by the relief association was inspected on March 28, 2005 and all was found to be in good order except for one portable radio, which was reportedly damaged at an emergency call on March 23, 2005. The damaged portable radio was sent in for repairs to Radio Man Company for an estimate. No further report was received.

Communications: The only correspondence received was that the County Firefighters’ Association dues are due. The dues for the year June 1, 2005 to June 1, 2006 will be \$50.00.

Expenses: County Firefighters’ Association	Annual Dues	\$50.00
Radio Man Company	Inv. # 88-45	\$45.00
Equipment Co. Inc.	Inv. # 99-05 (bunker boots)	<u>\$81.00</u>
	TOTAL	\$176.00

A motion by Donna Jones to pay the bills presented for payment was seconded by Ted Firefighter. Motion passed 9-0.

Old Business: Training certificates were obtained from those who attended the County Fire Training Weekend.

New Business: A discussion was held on the 2005 purchase of new safety related equipment for the fire department’s new engine. After a lengthy discussion a motion was made by Fred Firefighter, Sr. to commit \$30,000 toward the safety related equipment on the new engine (cost--\$300,000) as long as an agreement is written up between the fire department and the relief association which will guarantee that upon the sale of the engine the pro-rated share (10%) of the proceeds received from the sale be returned to the relief association. The motion was seconded by Ron Firefighter. Motion passed 7-2.

Good of the Association: President Fred Firefighter Jr., Treasurer Jack Firefighter, Secretary Robert Firefighter and Fire Chief John Firefighter will attend a special firefighting workshop on Wednesday April 27th.

Adjournment: A motion by Ted Firefighter at 8:15 PM to adjourn the meeting was made by Ted Firefighter and seconded by Jack Firefighter. Motion passed 9-0.

Minutes recorded by Robert M. Firefighter, Secretary

Other Important Information For Meeting Minutes

- Date, time and place of meeting
- Names of those attending
- Approval of the minutes of the previous meeting (regular and special)
- Approval of the Treasurer’s report
- Account balances
- Report of Committees
- Any correspondence or communications received by the association
- Authorization of expenditures
- Approval of investment of funds (purchases and sales)
- All motions including the name of the individual making and seconding the motion with the results of the vote
- The substance of any official action and any pertinent business discussed at the meeting
- Signed by the secretary as to the authenticity of the minutes
- Maintained separately from Fire Company meeting minutes

SAMPLE BYLAWS

“Model Township Volunteer Firefighters’ Relief Association”

ARTICLE I: PURPOSE

Section 1: The association shall be known as the Model Township Volunteer Firefighters’ Relief Association. It has been established for the purpose of providing volunteer firefighters of this township with protection from misfortune suffered as a result of their participation in the fire service.

Section 2: The membership of this association shall consist of any person who is an active firefighter or life member in good standing, of the Model Township Hose Company. They shall have all voting privileges concerning the business and the election of officers of the Model Township Volunteer Firefighters’ Relief Association.

ARTICLE II: MEETINGS

Section 1: Regular meetings of this association shall be held on the second Tuesday of each month immediately following the regular meeting of the Model Township Hose Company. Ten members shall constitute a quorum.

Section 2: Special meetings may be called by the president, or the president shall call such meetings at the written request of ten members of the association. All members must receive ample notification of any special meetings which are called.

Section 3: Order of business for meetings shall be:

1. Call to Order
2. Roll Call of Officers and Members
3. Reading of Minutes of Previous Meeting
4. Treasurer’s Report
5. Communications
6. Committee Reports
7. Old Business
8. New Business
9. Approval of Expenditures
10. For the Good of the Association
11. Adjournment

ARTICLE III: OFFICERS

Section 1: The officers of this association shall consist of a president, vice president, secretary, and treasurer. The officers shall be responsible for the management of association business upon direction received by the membership at association meetings.

Section 2: Officers shall be elected for a one-year term by a majority vote of the membership. Nomination for all officers shall be made at the association’s regular November meeting, and the election shall be held at the regular December meeting. Officers shall be installed at the regular January meeting.

Section 3: Duties of the officers shall be:

President: The president shall preside at all meetings of the association, preserve order and enforce the laws thereof, and appoint committees, as necessary.

Vice President: The vice president shall have the full power of the president in his absence.

Secretary: The secretary shall keep a true record of the proceedings of every meeting in the minutes. The minutes shall note authorization by the membership of all association financial transactions and all other pertinent business discussed at meetings. The secretary shall also maintain an updated copy of the association bylaws and make it available for review by the membership. The secretary is responsible for providing representatives of the Department of the Auditor General with the association’s minutes of meetings and bylaws in connection with their auditing duties.

Treasurer: The treasurer shall keep account of all money belonging to the association and shall not expend monies or enter into investment transactions without authorization of the membership. The treasurer shall keep journals and ledgers which detail all financial transactions of the association and shall maintain all documentation supporting the receipts and disbursements made by the association.

The treasurer shall, at least on an annual basis, present to the membership a written financial statement summarizing the financial transactions of the association. The treasurer is responsible for maintaining relief association financial records in a businesslike manner and for presenting, in an orderly fashion, all records requested by representatives of the Department of the Auditor General in connection with their auditing duties.

ARTICLE IV: RECEIPTS

Section 1: All receipts of this association shall be deposited, by the treasurer, in the name of the Model Township Volunteer Firefighters’ Relief Association. Deposits shall be made on a timely basis.

Section 2: All receipts shall be recorded in the association’s journal and ledger, and supporting documentation such as deposit slips, bank statements, etc., shall be maintained to verify the receipts.

ARTICLE V: DISBURSEMENTS

Section 1: Funds of this association shall not be expended for any purpose other than those authorized by the provisions of Act 118 of 2010 and the association bylaws. All expenditures must be approved by a majority vote at an association meeting and duly recorded in the minutes.

Section 2: All expenditures must be made through a relief association account and recorded, in detail, in the association journals and ledgers. Supporting documentation such as invoices, canceled checks, etc., shall be maintained to verify all disbursements.

Section 3: The association shall maintain an officer’s bond on the treasurer. The amount of the bond shall be at least as great as the maximum cash balance in current funds of the association at any time during the fiscal year.

ARTICLE VI: BENEFITS

Act 118 provides for various types of expenditures (see Appendix A) which can be made with relief association funds at the discretion of the membership. Any type of discretionary benefit payments, such as stipends, death benefits, and relief benefits, should be authorized by provisions set forth in the bylaws. **[The bylaws should state the amount of any benefits to be paid to individual members and clearly define the criteria which should be met to qualify for the benefits.]** Discretionary members' benefits may only be paid to individuals who are currently or have previously participated in the fire service.

ARTICLE VII: INVESTMENTS

Section 1: Funds of this association may be invested in any security authorized by the provisions of Act 118. All purchases and sales of investments should be made in a prudent manner to insure maximum investment return and authorized by a majority vote at an association meeting. The transactions should be duly recorded in the minutes.

Section 2: A detailed record shall be kept of all relief association investment transactions. The association shall also keep a full accounting of all income derived from the investments. Investment documents shall be maintained to verify investment transactions. All association securities shall be stored in a secure location.

ARTICLE VIII: MISCELLANEOUS

Section 1: The signatures of at least two officers, one of whom shall be the treasurer, shall be required for the issuance of relief association checks, withdrawal from the association savings account, redemption of any relief association investment, or on any other negotiable instrument issued by the association.

Section 2: In the event of the death, resignation, removal, or incapacity of an elected official of this association, the vacancy so created shall be filled by the appointment of a member by the president. All persons appointed to fill such a vacancy shall serve in the position for the unexpired term.

Section 3: The president shall appoint a committee of not less than three association members who shall be charged with making a physical inspection, on at least an annual basis, of all equipment owned by the relief association. Upon completion of the physical inspection, the committee shall be required to make a full report at a regular membership meeting. The findings of this report shall be documented in the minutes.

ARTICLE IX: DISSOLUTION AND DISTRIBUTION OF ASSETS

In the event of the dissolution of the relief association resulting from a referendum vote to replace the association's affiliated volunteer fire company with a full-paid fire department, the dissolution and distribution of assets will be governed by the procedures set forth in Act 118 at Section 7419. In the event of any other dissolution of the relief association, the members will take the necessary steps to (1) provide all existing benefits prescribed in the association bylaws, (2) pay all debts and expenses of the association, and (3) convey the association's remaining assets and property to the remaining relief association(s) affiliated with the volunteer fire company(ies) providing fire service to the municipality(ies). In all circumstances, the distribution will be done in accordance with the applicable federal and state laws and regulations governing non-profit charitable institutions.

ARTICLE X: AMENDMENTS

The bylaws of this association shall not be altered or amended unless proposed in writing at a regular meeting, signed by at least five members in good standing, and approved at the succeeding regular meeting by a two-thirds vote of the members present.

Recommended for Adoption:	March 12, 2015
President:	Daniel Skinney
Secretary:	W. A. Carson
Adopted:	April 9, 2015

NOTE: These sample bylaws have been presented to aid relief associations in establishing bylaws which meet the requirements of Act 118. THEY SHOULD NOT BE ADOPTED VERBATIM, but used only as a guide. In addition to the requirements outlined in the sample, relief association bylaws should also incorporate the operating procedures of each particular organization and specifically authorize any discretionary benefits which the membership has deemed payable with relief association funds.

CUMULATIVE MEMBERSHIP ROSTER

Prudent business practice dictates that the relief association should maintain a complete and current membership roster of all relief association members who qualify for association benefits to provide assurance that relief association members receive all benefits they are entitled to. The membership roster should be cumulative and include all members and former members of the relief association even if the individual is no longer a relief association member. A copy of the membership roster should be made available to this department's auditors during the course of the audit.

Simply being a member of the fire company does not in itself justify membership in a relief association. To qualify for relief association membership an individual should currently or previously have participated in the fire service. In defining fire service, Act 118 at Section 7412, states:

The service of organized groups of individuals, not only in training for and in active duty in the protection of the public against fire, but also in the training for and the performance of such other activities as are commonly undertaken by fire companies and their affiliated organizations, including, inter alia, fire prevention, first aid, rescue and salvage, ambulance service, fire police work, radio communications, assistance at accidents, control of crowds both on the fire grounds and at occasions of public or general assembly, animal rescue, abatement of conditions due to storm, flood, or general peril, abatement or removal of hazards to safety, and participation in public celebrations, parades, demonstrations, and fundraising campaigns.

Individuals who join the affiliated fire company in only a social capacity do not qualify for relief association membership. Extending any type of benefits to individuals who do not participate in the fire service as defined by Section 7412 of Act 118 is not considered authorized.

Section 7415 (b) of Act 118 states, that the relief association's constitution or charter should include the following provisions:

- (1) Shall state the name, the purposes, and the form of the organization.
- (2) Designate the class or classes of persons eligible for membership and the procedures to be followed in making amendments.

The membership roster should, at a minimum, record the name of each member and their current address. If the relief association bylaws designate different classes of members (i.e. Active, Inactive, Life, Junior, Associate, Auxiliary, etc.), **the roster should indicate the membership classification of each individual and this classification should agree with the relief association's bylaws.**

NOTE: Some relief associations have different classes of membership (i.e. Life, Junior, Auxiliary, Associate, Retired Career Paid Volunteer, Active Career Paid Volunteer, etc.) As stated previously, "Social" membership status is not an acceptable classification for relief associations. Prudent business practice requires relief associations to maintain documentation to support members' volunteer status.

A notation should be made on the membership roster in the event of a member's resignation or death (Section 7415 (c) (1) of Act 118). Social Security numbers **should not** be included on the membership rosters.

Figure 3 illustrates an example of a membership roster. A roster may be found in Appendix C which may be used electronically or used as a hard copy for listing relief association members.

Although membership rosters are not specifically addressed in Act 118, without access to an accurate membership roster, the Department of the Auditor General cannot be, and is not, satisfied that disbursements to individual members have been adequately documented.

Membership rosters corroborate management's representations that benefits were provided only to individuals entitled to receive such benefits and/or that the benefit coverage obtained covered all members entitled to such coverage. Comparing the names of individuals receiving benefits paid for by the relief association to the official membership roster of the relief association enables the auditor to verify that the relief association did not provide benefits to nonmembers or ineligible individuals.

Figure 3: Membership Roster

Membership Roster					Page _____
Name	Address	Date of Birth	Membership Date	Membership Classification	Termination Date
Diane Skinner	123 Main Street Model, PA 12378	10/1/48	10/1/79	Regular	
Mike Smith	456 Cherry Street Model, PA 12378	7/4/39	7/1/50	Life	Death 12/1/93
John Jones	789 Oak Street Model, PA 12378	2/15/34	2/1/55	Life	
Dick Rand	234 Firehouse Lane Model, PA 12378	3/20/39	4/1/60	Regular	
Leo Mige	468 Railroad Avenue Model, PA 12378	4/25/44	5/1/65	Regular	

OFFICER'S BOND COVERAGE

Section 7415 (c) (4) of Act 118, states that the bylaws shall:

Require that the disbursing officer, whether designated treasurer, comptroller, financial secretary or otherwise, shall be bonded by corporate surety for faithful performance of duty. The amount of the bond shall be at least as great as the maximum cash balance in current funds of the association at any time during the fiscal year, and the premium on the bond shall be a proper charge against funds of the association.

The Department of the Auditor General interprets the term "maximum cash balance in current funds" as the combined balance of the relief association's checking, savings, money market and any other accounts which allow for the immediate disbursement or transfer of relief association funds via check, draft, withdrawal, or transfer of any type, including, but not limited to, electronic transfers.

The officer's bond coverage must be at least as great as the highest combined total balance in these accounts at any time during the year. Relief association officials should anticipate the highest amount of cash on deposit and maintain an officer's cash balance. Furthermore, the bond should cover the relief association's disbursing officer. However, the relief association may bond other applicable relief association officers as a prudent business practice. The bond should also be issued solely in the relief association's name.

Cash balances within brokerage accounts may be taken into consideration when determining adequate bond coverage. Furthermore, while Act 118 does not require the bonding of investments, prudent business practice dictates that cash or cash equivalents, including those in brokerage accounts, should be bonded. The relief association may provide bond coverage to protect these assets.

INVESTMENT POLICY

Relief association officials are responsible for the management of association assets. The prudent investment of association monies is a primary element of this responsibility. The purchase of securities by relief associations is governed by statutory legislation commonly known as the Fiduciaries Investment Act. The statute permits the purchase of a variety of investments. The purpose of this section is to provide basic information regarding the investment of association assets.

ESTABLISHING AN INVESTMENT POLICY

Before the association can decide which investments are appropriate, the governing body should first establish an investment policy with well-defined objectives and goals. The investment objective of any association is to obtain income from investments resulting in the growth of association assets to ultimately provide benefits and safeguards for volunteer firefighters. The administration of association assets by the governing body is often a difficult task, primarily because the membership's training and/or background does not provide sufficient financial management expertise. However, as a result of the diversified background and occupations which the membership provides, it is possible that their concern and experience can lead to the development of a sound investment policy.

Relief associations that have sizable investment asset portfolios may need professional investment counseling. These associations should weigh the value of such service against the cost. **When utilizing a broker or investment counselor, the relief association should obtain a fee schedule which details the charges for these services and any associated transaction fees. Relief association officials should closely monitor all charges and transaction fees to make sure that these expenses comply with the provisions of the fee schedule and are not excessive.** The services provided by investment counselors may result in sufficient yield from investments to justify their fee, but only careful monitoring of these services can determine their true value.

If the volunteer firefighters' relief association utilizes a trust, brokerage, or similar type custodial account, the relief association officers should give the custodian direction by establishing an investment policy which provides general instruction concerning types of investments and the amount of risk the relief association would like to incur when investment choices are made. The investment policy should also provide the custodian specific direction concerning the authorization for the purchase and sale of investments. The associations governing body still has the ultimate responsibility for financial management even though the authority for administration of the investments is delegated to a specialist.

When the association's governing body manages the fund assets, it has an obligation to review investments on a periodic basis. The fund should also be monitored for cash flow to make sure there is proper balance between anticipated income and expenditures. The key is to make sure that surplus funds are always invested.

INVESTMENT CHOICES

After determining that adequate assets are available for investment purposes, the association should then consider its investment choices in compliance with existing statutory regulations. The Fiduciaries Investment Act allows the association to invest in a security if it is one which "a prudent man of discretion and intelligence, who is seeking a reasonable income and preservation of capital, would buy." This discretionary authority, otherwise known as the "prudent man rule," permits the selection of a variety of investments allowing for diversity in the degree of risk and liquidity.

INVESTMENT POLICY – (Continued)

Some of the investment instruments that may be used to achieve the objectives and goals of the association are as follows:

Government Securities

- Treasury Bills
- Treasury Bonds
- Treasury Notes

Bank, Savings and Loan, and Credit Union Instruments

Corporate Securities

- Corporate Stock
- Corporate Bonds
- Mutual Funds

While this list may not be comprehensive, it does include the more commonly selected investments which give fund managers the flexibility they need to carry out investment objectives and meet the association's ultimate goal of providing sufficient funds to adequately protect volunteer firefighters. **When making investment choices, the association officials should investigate the risk factors of the potential investment and the membership should be made aware of any possible loss in the event of market decline.**

Finally, caution should be taken regarding other regulations pertinent to investment management. All purchases and sales of investments should be approved by the association's membership at an association meeting. All investment documents should be kept in a secure place such as a bank safe deposit box, and at least two signatures of association officers, one of whom shall be the disbursing officer, are required on all negotiable instruments. For additional information, please refer to the Department of Community and Economic Development's website at <http://www.dced.state.pa.us/local-government-services/>.

MORTGAGES

Section 7416 (c) (1) of Act 118, states:

- (c) **Investments.**--All or any part of the funds of a volunteer firefighters' relief association may be invested:
- (1) In any form of investment named in 20 Pa.C.S. Ch. 73 (relating to municipalities investments). First mortgages insuring repayment of loans by relief associations shall provide for a minimum interest payment of 3% and not exceed 80% of the appraised value of real property covered by the mortgage.

Relief associations may issue mortgages to volunteer firefighters or to a volunteer fire company as long as the relief association's bylaws do not prohibit this type of investment. The authorization of such mortgages should be approved by the membership at the relief association's meetings and duly recorded in the minutes (Section 7416 (d) of Act 118).

Prudent business practice dictates that in order to provide adequate protection for this type of investment, the relief association and the volunteer firefighter or fire company should enter into a formal written mortgage agreement. The mortgage should be notarized and recorded in the county Recorder of Deeds' office. The mortgagor should maintain insurance coverage on the property throughout the term of the mortgage. The mortgage should not exceed a period of thirty (30) years.

The mortgage agreement must include:

- Collateral provisions pledging the land and/or building: such collateral may not exceed 80 percent of the appraised value of the real property covered by the mortgage;
- The relief association as holder of first-lien Position of the property; and
- A reasonable rate of interest to be paid on the mortgage (minimum three percent).

The relief association should maintain full documentation of all mortgage transactions and have available for audit review. This documentation should include the mortgage agreement, **current amortization schedule** detailing mortgage principal and interest payments, and the outstanding balance of the mortgage, property appraisal, proof of first lien position, verification of fire/hazard insurance coverage and payment of property taxes (Section 7416 (c) of Act 118).

LOANS TO VOLUNTEER FIRE COMPANIES

Section 7416 (c) (3) of Act 118, states:

- (c) **Investments.**--All or any part of the funds of a volunteer firefighters' relief association may be invested:
- (3) In any obligation of an incorporated fire company, provided that the obligation is:
- (i) Secured by assets of the company having capital value equal to at least 150% of the amount of the obligation at the time it is made.
- (ii) Subject to provisions which amortize the loan at a rate ensuring that the depreciated value of the assets pledged shall continue to be at least 150% of the balance due.

Relief associations can issue loans to fire companies as long as its bylaws do not prohibit this type of transaction. The authorization of such loans should be given by the membership at the firefighters' relief association meeting and duly recorded in the minutes (Section 7416 (d) of Act 118).

Prudent business practice dictates that in order to provide adequate protection of this type of investment, the fire company and relief association should enter into a formal written loan agreement. This loan agreement should be signed by two officers of both the relief association and the fire company (4 separate individuals), and notarized. This loan agreement should include:

- Collateral provisions which pledge assets of the fire company and have a capital value equal to at least 150 percent of the amount of the loan.
- A reasonable amortization schedule for the loan.
- A reasonable rate of interest to be paid on the loan principal outstanding (minimum 3 percent).

If a vehicle is used as collateral, prudent business practice dictates that a lien should be registered with the Department of Transportation, Bureau of Motor Vehicles.

JOINT VEHICLE/EQUIPMENT AGREEMENTS

If the relief association contributes relief association funds/equipment towards the purchase of a vehicle that is titled in the name of the fire company, the relief association should execute a joint purchase agreement that details the relief association's proportional share of ownership.

If the relief association joins with the fire company and contributes toward the direct purchase (not a lease or loan) of authorized items of fire equipment (i.e. air packs, thermal imager, turnout gear, etc.) a joint purchase agreement should be executed.

Prudent business practice dictates that a joint purchase agreement should include the following (see Blank Electronic Template):

- Date of the agreement.
- Contribution amount.
- Description of item purchased.
- State VFRA membership approval of the agreement.
- Signatures of two officers of the VFRA and two officers of the fire company (4 separate officers).
- Total purchase price of vehicle and/or equipment.
- Prorated percentage.
- Responsibility for maintenance/repair/insurance.
- Assignment of ownership rights.

It is also recommended to have supporting documents which include the vehicle invoice with total purchase price, vehicle title (if applicable), copy of the lease, copy of the grant, and copy of meeting minutes.

JOINT VEHICLE PURCHASES

For information on the use and joint purchase of vehicles refer to the Department of Community and Economic Development's (DCED) website: <http://www.dced.state.pa.us/local-government-services/>.

NOTES

LEASE-PURCHASE AGREEMENTS

Relief associations are permitted to enter into arrangements with vendors whereby the relief association agrees to make regular periodic payments toward the purchase of an item or items of equipment with the understanding that the payments will be applied towards the purchase of this equipment; and will ultimately result in the relief association's ownership of the equipment upon completion of the payment schedule agreed upon by the parties. Such arrangements may be titled and/or structured as a "lease purchase" agreement or may be styled as installment sales or simple purchase by credit agreements.

Prudent business practices dictate a formal written agreement should be executed between the relief association and the vendor including the terms related to lease-purchase agreements.

The association can enter into a lease-purchase agreement as long as its bylaws do not prohibit this type of transaction. The authorization of such a transaction should be given by the membership at a relief association meeting and duly recorded in the minutes (Section 7415 (a) of Act 118). The equipment acquired should be considered an authorized purchase under the provisions of Act 118 and listed on the association's equipment roster.

The lease-purchase agreement should be issued in the name of the firefighters' relief association and not the fire company. This agreement should set forth:

- The equipment items being financed
- The principal cost of the equipment items
- The total amount of repayment (principal and interest)
- The interest rate being charged
- The payment schedule and length of agreement
- Penalty for late payment and provisions if premature termination of the agreement occurs

It is extremely important that association officers require that the interest rate be included in the agreement to make sure that the organization will not pay an excessive amount of interest during the term of the lease. It is also important that, before entering into such an agreement, the officers determine the total amount that will be expended by the relief association during the life of the lease-purchase agreement so that the membership has full knowledge of the total cost of the equipment being acquired.

BORROWING BY RELIEF ASSOCIATIONS

Relief associations are permitted under the provisions of Act 118 to borrow funds to operate the association in a businesslike manner.

Section 7416 (f) (1) of Act 118, states:

- (f) Use.** Funds of any volunteer firefighters' relief association may be spent:
- (1) To pay for such normal and reasonable running expenses as may be appropriate to the businesslike conduct of the affairs of the association, including legal fees, rental or purchase of offices, payment of reasonable compensation of employees and purchase of office equipment and supplies.

Relief associations may borrow funds as long as the relief association's bylaws do not prohibit this type of transaction. The authorization of such a transaction must be given by the membership at a relief association meeting and duly recorded in the minutes (Section 7415 (a) of Act 118).

Prudent business practices dictate that in order to provide adequate protection to the relief association for this type of transaction, the relief association and the lender should enter into a formal written loan agreement. This loan agreement should set forth:

- A specific payment schedule
- A reasonable rate of interest
- State the specific assets that have been secured as collateral for the loan

(The relief association may not collateralize the loan by a demand note, blanket judgment note, or a promissory note which does not specifically detail what has been placed as security.)

If the loan is for an authorized vehicle, the title of the vehicle should be in the name of the relief association. Loans may only be taken for authorized purposes in accordance with Act 118, and should be reported as a liability in the relief association's financial records.

CUMULATIVE EQUIPMENT ROSTER

Section 7416 (f) (11, 14, 15) of Act 118, states:

- (f) Use. Funds of any volunteer firefighters' relief association may be spent:
- (11) To purchase safeguards for preserving life, health and safety of volunteer firefighters to ensure their availability to participate in the volunteer fire service.
- (14) To purchase exercise and fitness equipment for use by volunteer firefighters, except that expenditures for exercise and fitness equipment shall not exceed \$2,000 in any two-year period.
- (15) To purchase fire hose and nozzles.

In order to provide a more effective accounting control over equipment purchases, **sound business practice would dictate that the relief association maintain a cumulative equipment roster for the items purchased by the association.** This roster should include any training, physical fitness, or office equipment purchased by the association such as, a camcorder, exercise bike, computer, etc. The roster should include:

- Type of equipment purchased
- Date of purchase
- Unit cost
- Serial number (if applicable)
- Name of supplier from which it was purchased
- Current location of the item
- Date of physical inventory

When an equipment item becomes inoperable and is disposed of or sold, a proper notation of such action should be made on the roster, recording the reason, date, and method of disposal or sale. (Note: The relief association should receive fair value for any equipment sold.) The action should be approved at a meeting and recorded in the minutes (Section 7415 (a) of Act 118). The relief association should, on at least an annual basis, conduct a physical inventory of all equipment owned by the relief association. The results of this physical inventory should be noted on the cumulative equipment roster and recorded in the minutes of relief association meetings.

Figure 4 illustrates an example of a cumulative equipment roster. A roster may be found in Appendix C which may be used electronically or used as a hard copy for listing relief association owned equipment. Furthermore, prudent business practice dictates that the relief association should maintain a complete and accurate roster of all equipment owned by the relief association. The treasurer will need to make arrangements to allow the auditor to examine equipment sometime during the course of the audit. A copy of the cumulative equipment roster should be provided to the auditor.

Equipment that is both nominal in cost and disposable in nature, such as batteries and gloves, need not be maintained on the cumulative equipment roster.

Figure 4: Roster of Equipment

Cumulative Equipment Roster						Page _____	
Type of Equipment	Serial Number	Date Purchased	Cost	Name of Supplier	Location	Final Disposition Date*	Physical Inventory Checklist
1. Portable 5,000 watt Generator	0143842	1/30/98	1,965 -	Emergency Supply Company	Ladder 2		✓
3. Portable Flood Light	None	1/30/98		Emergency Supply Company	Ladder 2	Broken w/after fire at Home Lumber Co.	
5. (4) Air Packs	0694 0696 0695 0697	2/1/04	3,164 -	American Fire Eq. Co.	Rescue 911		✓
6. (6) Bunker Coats			1,283 -	"	Firefighters		✓
7. (6) Pres. Boots	None		372 15	"	Firefighters		✓
8.							
9.							
10.							
11.							

AUTHORIZED AND UNAUTHORIZED EQUIPMENT

For a detailed list of authorized and unauthorized equipment, please refer to the Department of Community and Economic Development's (DCED's) website at <http://www.dced.state.pa.us/local-government-services/>.

TRAINING EXPENSES

Section 7416 (f) (10) (17) of Act 118 states:

- (f) **Use.** Funds of any volunteer firefighters' relief association may be spent:
- (10) To pay reasonable expenses actually and necessarily incurred for attending bona fide firefighters' training schools.
- (17) To pay reasonable expenses actually and necessarily incurred for attending bona fide emergency medical technician or paramedic training schools.

The cost of attending training in the area of emergency medical services, such as first responder and EMT training, is also permissible (Section 7416 (f) (17) of Act 118). However, the cost of training relating to advanced life support (ALS) is not considered an authorized expenditure.

College accredited classes consisting of advanced coursework in preparation for a career professional firefighter occupation, or closely related occupation, do not meet the criteria for reimbursement with relief association funds.

A listing of authorized expenses for training sessions and related training expenses can be found at the Department of Community and Economic Development's website: http://www.dced.state.pa.us/local-government-services/VFRA_Main.aspx.

Prudent business practice dictates the following documentation be provided by the relief association to verify the propriety of these expenditures relating to conference attendance:

- The minutes of the relief association meetings should clearly state the approval of the conference and the name of the members attending;
- A copy of the conference registration or other documentation identifying the specific costs should be maintained as supporting documentation; and
- Training certificates or written proof of training completion should be maintained to verify attendance and justify those portions of the conference which are authorized expenditures paid by the association.

Prudent business practice dictates expenses associated with training should be addressed in the relief association's bylaws or policy manuals to make sure the membership of the association understands the reimbursement criteria.

Finally, prudent business practice dictates any payment of expenses relating to training and/or attendance at conventions or conferences be approved at an association meeting by the membership. **The following supporting documentation should be kept by the relief association to verify the propriety of these expenditures:**

- The minutes of the relief association meetings should clearly state the approval for the expenditure of the funds and members attending (Section 7415 (a) of Act 118).
- A copy of the registration or other documentation identifying the specific costs should be maintained as supporting documentation. (See definition of Receipts below)
- Receipts for lodging and transportation should be maintained for reimbursement. (See definition of Receipts below)
- The amount of reimbursement for subsistence (meals) should be identified in the bylaws, or the payment verified through minutes and actual receipts. (See definition of Receipts below)
- Training certificates or written proof of training completion should be maintained to verify attendance.

A receipt is defined as 'a written or printed invoice showing the specific items purchased in detail which acknowledges that something has been paid for and that goods have been received.'

MAINTAINING JOURNALS & LEDGERS

The following are examples of accounting best practices that will aid the relief association in maintaining adequate financial records.

Every volunteer firefighters' relief association should provide maintenance of such books of account as may be necessary and appropriate to afford a permanent record of its fiscal affairs. **This can be accomplished by using financial journals and ledgers to consistently and accurately record all transactions.**

The illustrated journals and ledgers under the section "Model Township VFRA Example" in this manual are prepared on a cash basis of accounting. Income is recorded when received and expenses are recorded when paid. The cash basis of accounting is used by virtually every relief association in the state. However, it is not intended to imply that this is the only basis of accounting which can be used.

The journals should list in detail the nature of all financial transactions. Entries for receipts should note the amount and date of the deposit and the source of the receipts. Entries for disbursements should record the amount and date of the disbursement and specifically identify the nature of the disbursement. Transactions occurring in the savings and checking accounts should be kept separately in journals, maintaining a running balance of each account. Each receipt and disbursement should also be classified into the appropriate category through the use of the "Chart of Accounts" explained on the following page. The applicable classification number should be entered in the classification column of the journals.

Upon classification, each financial transaction should be posted to the appropriate column of the ledgers. No ledger entry should be made unless the transaction has been recorded in detail in the journal.

Through use of this record-keeping method, the membership can more effectively monitor the financial activity of the association because total amounts disbursed or expended for specific items can be easily determined by examining the ledgers.

Financial reports can be completed by simply totaling the categorized ledger entries for the reporting period. Utilization of this system will also allow the association's financial records to be more easily audited by representatives of this department and by the association's elected or appointed audit committee.

The recording of financial transactions should be made as soon as a transaction occurs. It is extremely important to maintain supporting documentation in order to verify transactions. Examples of supporting documents would be bank statements, canceled checks, duplicate deposit slips, invoices, training certificates, etc. **Under no circumstances should a fire company's financial accounts be used for receipt or disbursement of relief association's monies.** If the association has only a savings account or a checking account, a journal and ledger should still be maintained to record all deposits and withdrawals. Furthermore, sound business practice dictates that all accounts be reconciled periodically. All such reconciliations should be maintained as part of the relief association's permanent financial records and made available for this department's audit.

A suggested method/description of recording some common association receipts and disbursements in the journals and ledgers are included under the section "Model Township VFRA Example" in the manual, along with these sample financial records is a narrative which explains each of the entries.

The Department of the Auditor General recognizes that many relief associations do not have access to the resources, both technical and financial, to prepare financial statements. However, prudent business practice recommends at a minimum, in order to help document the receipts and disbursements, each relief association should annually prepare a statement showing a summary of the relief association's cash receipts and cash disbursements for the year and the effect of those transactions on the entity's cash balance. In addition, relief association officers should make available to the membership the bank statements of the relief association.

CHART OF ACCOUNTS

In order to make it easier for relief association officials to maintain adequate records, monitor financial activity, evaluate the effectiveness of operations, promote common terminology, and standardize financial statements throughout the Commonwealth, this department has established an example “Chart of Accounts” which classifies financial transactions into specific categories.

The most common volunteer firefighters’ relief association receipts and disbursements have been categorized and assigned classification numbers. (See sample “Chart of Accounts” under the section “Model Township VFRA Example”) Each financial transaction should be analyzed to determine the assignment of a classification number from the chart of accounts. This number is entered in the appropriate column of the journal when the receipt or disbursement is recorded and serves as a cross-reference to the appropriate ledger where the date and amount of the transaction is entered under that classification number. (See “Maintaining Journals & Ledgers” on the previous page) By reviewing the ledgers and totaling each classification column, the treasurer can, for any reporting period, easily determine the amount received or disbursed for each type of financial category. **Utilization of this system will make it easier for the treasurer to compile financial reports presented at the association’s regular meetings and also to prepare annual financial statements.**

RECEIPTS

- 100 - Commonwealth Allocation(s)**
Annual foreign fire insurance tax distribution from the municipalities.
- 110 - Interest Income**
Any interest received from relief association investments. For example: interest from a certificate of deposit, savings account, checking account, or money market account.
- 120 - Dividend Income**
Dividends received from investments such as stocks or mutual funds.
- 130 - Investments Sold (cost)**
Record the sale of the investments at the original cost. Any accrued interest received upon the sale of an investment should not be included, but separated and reported as interest income. If gain or loss occurs on a sale of an investment, the gain or loss should also be recorded.
- 140 - Investment Return (gain/loss)**
The gain or loss incurred upon the sale of an investment. The gain or loss represents the difference between the original purchase price of the investment and the proceeds received from the sale of the investment (excluding any associated interest or dividends received at the date of sale).

150 - Contributions/Donations

Contributions or donations received from any source such as a municipality, fire company, or individual.

160 - Reimbursements

Reimbursements or refunds received from any source such as a refund of an overpayment of a bill, a reimbursement of an unauthorized expenditure, etc.

170 - Proceeds from Equipment Sold

Proceeds from any items owned by the relief association that are sold.

180 - Membership Dues

Dues paid by affiliated fire company members to maintain membership in the association. (Note: Act 118 does not require relief association dues in order to maintain membership. An association may implement such a requirement; however, a bylaw provision should authorize such a charge.)

190 - Insurance Claims

Any funds received by the relief association as a result of a claim on a relief association insurance policy.

DISBURSEMENTS

500 - Investments Purchased

Any security purchased with relief association funds, including association loans and mortgages.

505 - Bond Premiums

Officer’s bond insurance coverage purchased by the association.

510 - Insurance Premiums

Any insurance coverage purchased by the association which includes accident and health insurance, errors and omissions insurance, life insurance, etc.

520 - Equipment Purchased

Equipment purchased by the relief association. This category should include “safeguard” equipment (i.e. self-contained breathing apparatus), equipment related to training (i.e. TV, VCR), and administration-related equipment (i.e. computer, copy machines).

530 - Equipment Maintenance

Cost of maintenance and repairs to equipment owned by the relief association. Payments for cellular phone service, internet provider services, and cost of a dedicated phone line for the relief association computer should be recorded under this category.

540 - Death Benefits

Payments made to the beneficiary of a deceased member.

550 - Relief Benefits

Any type of benefit paid to or on behalf of a member. For example: Medical expenses incurred as a result of a fire service injury, cost of replacing personal items of a member which were damaged or lost at an emergency scene, or any type of financial assistance paid to a member as authorized in the bylaws.

560 - Training Expenses

Payment of expenses (tuition, meals, travel, and lodging) incurred for members' attendance at fire training school, or the purchase of training materials such as books, films, etc. Payment of membership dues to firefighters' associations would also be classified as a training expense.

570 - Tokens of Sympathy and Goodwill

Expenditures for flowers, fruit baskets, or memorial contributions to charitable organizations for members who are seriously ill or who pass away.

580 - Fire Prevention Material

Fire prevention materials purchased for public distribution.

590 - Administrative Expenses

Any payments made to relief association members for service as an officer or a member of a specific association committee.

Expenditures made for professional services such as legal fees, accounting or auditing fees, or trustee or other custodial fees. Any type of bank service charges should also be reported under this category.

Any normal and reasonable expenses incurred for supplies required for the operation of the association, such as the purchase of various office supplies, printing expenses, postage, etc.

Any type of rental expenses incurred by the relief association should be included under this category. These expenses may include hall rental, rental of office space, safe deposit box rental, and post office box rental.

600 - Principal Payments on Loan

Principal payments made on a loan to the relief association.

610 - Interest Payments on Loan

Interest payments made on a loan to the relief association.

A chart of accounts should be maintained with the relief association's financial records to identify the classification numbers. If a financial transaction does not fall into one of the established categories, the treasurer should establish a new account title and assign it a sequential classification number. This new title should be added to the association's chart of accounts and the corresponding column included in the ledgers.

MODEL TOWNSHIP VFRA EXAMPLE

To provide some guidance to relief officials, we have provided an example of a Model Township VFRA that includes examples of a chart of accounts, the journals for checking and savings accounts, a receipt ledger and a disbursement ledger. The descriptions and guidance for the transactions are available on the following pages.

Figure 5: Sample Chart of Accounts

CHART OF ACCOUNTS

RECEIPTS:

No.	Classification
100	Commonwealth Allocation(s)
110	Interest Income
120	Dividend Income
130	Investments Sold (cost)
140	Investment Return (gain/loss)
150	Contributions/Donations
160	Reimbursements
170	Proceeds from Equipment Sold
180	Membership Dues
190	Insurance Claims
200	_____
210	_____
220	_____
230	_____
240	_____
250	_____
260	_____
270	_____
280	_____
290	_____

DISBURSEMENTS:

No.	Classification
500	Investments Purchased
505	Bond premiums
510	Insurance Premiums
520	Equipment Purchased
530	Equipment Maintenance
540	Death Benefits
550	Relief Benefits
560	Training Expenses
570	Tokens of Sympathy and Goodwill
580	Fire Prevention Material
590	Administrative Expenses
600	Principal Payments on Loan
610	Interest Payments on Loan
620	_____
630	_____
640	_____
650	_____
660	_____
670	_____
680	_____
690	_____

DESCRIPTION OF TRANSACTIONS FOR MODEL TOWNSHIP VFRA EXAMPLE

- A)** This entry records the receipt of funds from the sale of a certificate of deposit. When recording the sale of investments in the journal, the treasurer should note the type of investment sold, the certificate number, the date of sale, and proceeds received from the sale. By referring to the chart of accounts, it can be determined that the investments sold classification number is 130, which is entered in the appropriate column of the journal. The transaction is then posted to the investment sold column of the ledger. It should also be posted to the investment roster.
- B)** Entry “B” records certificate of deposit interest deposited into the checking account. The journal entry should indicate the date, amount of deposit, and clearly identify the certificate number of the investment from which the interest was derived. The interest income chart of accounts number is 110, which is also entered in the journal. The transaction is then posted to column 110 of the ledger.
- C)** Entry “C” records an expenditure made for the purchase of protective fire equipment. Journal entries of this nature should note the date and amount of the expenditure, check number, name of the company to which the check was issued, and a detailed description of the items of equipment purchased. Reference to the chart of accounts indicates that classification number 520 is assigned to all expenditures for protective equipment and is entered in the journal. The amount and date of this transaction is also entered in the ledger. Furthermore, equipment purchases should be posted to the equipment roster.
- D)** The journal should note all transfers between the relief association’s checking and savings accounts, indicating the date and amount of the transfer. Transfers between cash accounts are not classified in the chart of accounts since they are not reported on the financial statement. No classification number is recorded for this type of transaction, and it is not posted to the ledger.
- E)** This entry records the purchase of a certificate of deposit. When recording investment purchases, the journal should note the date, check number, and amount of purchase, and also detail the type of investment purchased, certificate number, the depository from which the investment was purchased, interest rate, date of maturity, and the chart of accounts classification number for the investments purchased category, which is 500. The transaction amount is also posted under classification number 500 in the ledger. The security information should then be entered on the investment roster.
- F)** Entry “F” records an insurance premium payment. Journal entries for insurance expenditures should note the date and amount of the expenditure, check number, name of the insurance company, type of policy, policy number, term of policy, and appropriate classification number. Insurance premium payments should also be posted to the ledger.
- G)** The receipt of interest is again recorded in entry “G.” When recording interest income, the journal should always detail the date, amount of deposit, certificate number of the investment from which the interest was derived, and the chart of accounts classification number 110. The receipt is then posted to the appropriate column of the ledger.
- H)** This entry records the reimbursement made to a firefighter for expenses incurred while attending fire school. The journal entry for fire school expenses should record the date, amount, check number, and chart of accounts classification number. It should also note the name and date of the course attended, and it should itemize the expenses incurred. The date and total amount of the reimbursement is also posted to the training expense column of the ledger.
- I)** Entry “I” records a bank charge for check printing. No check number is indicated since it was deducted directly from the checking account by a bank debit memo. Often the association overlooks bank service charges deducted on the bank statements. Bank statements should be closely reviewed to make sure that all bank debits and credits are recorded. Bank charges should be recorded under administrative expenses. The chart of accounts classification number for that category, 590, should be posted to the journal. Bank charges are also posted to the administrative expense column of the ledger.
- J)** This entry records the payment of an officer’s bond premium. Journal entries of this type should include the amount and date of expenditure, check number, name of insurance company, amount of coverage, officers covered, term, and classification number 510. The transaction should also be posted to column 510 in the ledger.
- K)** Entry “K” records the purchase of flowers for the funeral of a deceased firefighter. Along with the date, check number, and amount of the expenditure, the journal entry should name the individual for whom the purchase was made and the store to which the check was issued. The purchase of flowers falls under the chart of accounts category, “Tokens of Sympathy and Goodwill.” The classification number for this category, 570, should also be included in the journal, and the transaction amount should be posted to column 570 in the ledger.
- L)** This entry notes the payment made to the treasurer for his approved stipend. The date, check number, officer’s name, and stipend amount is noted in the journal. Officers’ stipends are considered an administrative expense. The corresponding classification number, 590, is entered in the journal, and the transaction is posted to that column in the ledger.

DESCRIPTION OF TRANSACTIONS FOR MODEL TOWNSHIP VFRA EXAMPLE - (Continued)

- M)** Entry “M” records a reimbursement received as a result of an overpayment of a relief association insurance premium. The entry notes the date, specific source of the receipt, account classification number, amount deposited in the journal, and the amount and date of deposit in the ledger.
- N)** When recording the sale of investments in the journal, the treasurer should be sure to note the type of investment sold and certificate number, the date of sale, the investment sold classification number, and the proceeds received from the sale. The appropriate posting should also be made in the ledger and the investment roster.
- O)** This entry records interest received from a certificate of deposit which was deposited into the relief association’s savings account. Posted to the journal is the date, certificate number of the security from which the interest was earned, applicable account classification number, and the amount of deposit. The transaction amount and date are also posted in the ledger.
- P)** Entry “P” records a transfer from the association’s savings account and notes that the purpose of the transfer is for the purchase of a certificate of deposit. NOTE: All transfers between cash accounts should be recorded in the journal but are not shown on the financial statement; therefore, no chart of accounts classification number is assigned and transfers are not recorded in the ledger.
- Q)** Interest income earned on the savings account is also recorded in the journal noting the date of interest posting, amount, and account classification number. The amount of interest received is also posted under the interest income column in the ledger. The treasurer should periodically take the savings account passbook to the bank to have the interest posted, particularly at the end of the year.
- R)** Entry “R” shows the proceeds from association equipment sold being deposited into the savings account. Any revenue generated from the sale of equipment originally purchased by the relief association should be deposited into the relief association account. The journal entry indicates the date, amount, and source of the deposit. The appropriate posting should also be made in the ledger and to the equipment roster.
- S)** This journal entry notes the receipt of a donation made to the relief association. By referring to the chart of accounts, it is determined that donations to the relief association from any source are categorized under “Contributions/Donations,” account classification number 150. The journal entry for this particular transaction, like all receipts, should indicate the date, exact source of the receipt, classification number, and the amount deposited. The date and transaction amount are recorded in the ledger.
- T)** This entry records the receipt of the Commonwealth allocation. The journal entry should note the date the allocation was deposited into the relief association account, amount, the name of the municipality from which the allocation was received, and the date the association received the allocation check from the municipality. The chart of accounts classification number for “Commonwealth Allocation(s)” is 100. The ledger entry records the date and amount received under classification 100.
- U)** Entry “U” records another receipt of certificate of deposit interest. It is extremely important that the certificate number of the investment from which the interest was derived is recorded in the journal, along with all the other pertinent information. The ledger should record the date and amount of interest received.
- V)** This entry records the receipt of a Commonwealth allocation from a second municipality. The posting is made in the same manner as outlined in entry “T.”
- W)** Entry “W” represents the year end interest posting to the savings account. The journal entry records the posting date, amount, and chart of accounts classification number. The receipt is also recorded in the appropriate column of the ledger.

Figure 6: Journal Detailing Checking Account Transactions

Checking Account No: 201-4041							Page 1
DATE	CHECK NO.	NATURE OF TRANSACTION	CLASSIFICATION NO.	RECEIPTS	DISBURSEMENTS	BALANCE	
		BALANCE BROUGHT FORWARD				274 97	1.
1/27/09	—	SOLD CERT. OF DEPOSIT #08341	130	10,000 -		10,274 97	2.
1/27/09	—	INTEREST FROM CD #08341	110	457 10		10,732 57	3.
2/7/09	326	AMERICAN FIRE EQUIP. Co. INVOICE #2784 4 AIR PACKS \$3.16 1 BUNKER BOATS \$4,283 6 PR BOATS \$72.15	520		4,819 15	5,913 42	4.
2/10/09	—	TRANSFER FROM SAVINGS #1024	—	7,000 -		12,913 42	5.
2/10/09	327	1ST NATIONAL BANK PURCHASED CD #09137 @ 8.95% MATURES 8/10/09	500		12,000 -	913 42	6.
4/13/09	328	HURST INS. Co. ACCIDENT POLICY POLICY #200-1-2102 TERM: 4/30/09 to 4/30/10	510		474 81	438 11	7.
5/1/09	—	INTEREST FROM CD #8046-21	110	107 50		546 11	8.
7/19/09	329	DAN SKINNEY-REIMBURSEMENT HAZARDOUS MATERIALS COURSE LEWISTOWN 11/23-24/09 Room \$32.00 MEALS \$25.00 MILEAGE \$12.00	560		69 -	477 11	9.
9/4/09	DEBIT MEMO	BANK CHARGE FOR CHECKS	590		3 -	474 11	10.
10/22/09	330	RELIANCE INSURANCE #210,000 ON TREASURER TERM 11/1/09 to 11/1/10	510		72 -	402 11	11.
12/4/09	331	UNION FLOWERS - FUNERAL MIKE SMITH	570		15 -	387 11	12.
12/14/09	332	JOHN JONES - 2009 TREASURER'S SALARY			100 -	287 11	13.

Figure 7: Journal Detailing Savings Account Transactions

Savings Account No: 6024						Page 1	
DATE	NATURE OF TRANSACTION	CLASSIFICATION NO.	RECEIPTS	DISBURSEMENTS	BALANCE		
	BALANCE BROUGHT FORWARD				1,428.66	1.	
M 2. 1/20/09	REIMBURSEMENT OF INSURANCE	1100	216 -		1,644.66	2.	
3.	PREMIUM OVERPAYMENT-POLICY 4129-A					3.	
4.						4.	
N 5. 2/10/09	SOLD CERTIFICATE #9385-21	130	6,000 -		7,644.66	5.	
6.						6.	
O 7. 2/10/09	INTEREST RECEIVED ON CD #9385-21	110	1,373.47		9,018.13	7.	
8.						8.	
P 9. 2/10/09	TRANSFERRED TO CIA #201-4041			7,000 -	2,018.13	9.	
10.	FOR PURCHASE OF CD #09137					10.	
11.						11.	
Q 12. 7/2/09	SAVINGS ACCOUNT INTEREST	110	32.37		2,050.50	12.	
13.						13.	
R 14. 8/10/09	2 AIR PACKS SOLD	170	1,076.50		3,127.00	14.	
15.						15.	
S 16. 9/10/09	DONATION FROM LADIES AUXILIARY	150	100 -		3,227.00	16.	
17.						17.	
T 18. 10/31/09	STATE ALLOCATION RECEIVED	100	1,254.49		4,481.49	18.	
19.	FROM MODEL TOWNSHIP 10/29/09					19.	
20.						20.	
U 21. 11/4/09	INTEREST RECEIVED CD #80410-21	110	107.50		4,588.99	21.	
22.						22.	
V 23. 11/4/09	STATE ALLOCATION RECEIVED	100	210.50		4,799.49	23.	
24.	FROM WASHINGTON TOWNSHIP 11/1/09					24.	
25.						25.	
W 26. 12/31/09	SAVINGS ACCOUNT INTEREST	110	41.04		4,840.53	26.	
27.						27.	
28.						28.	
29.						29.	
30.						30.	
31.						31.	
32.						32.	
33.						33.	
34.						34.	

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Figure 8: Ledger of Receipts

Page 1

RECEIPT LEDGER

Acct #:	Class:	100 Commonwealth Allocation	110 Interest Income	120 Dividend Income	130 Investments Sold (cost)	140 Investment Return (gain/loss)	150 Contribu- tions/ Donations	160 Reimburse- ments	170 Proceeds from Equip- ment Sold	180 Membership Dues	190 Insurance Claims
Date											
1. 1/20/09	M							211			
2. 1/27/09	A				10,000						
3. 1/27/09	B		457 60								
4. 2/10/09	N				6,000						
5. 2/10/09	O		1,373 47								
6. 5/1/09	G		107 50								
7. 7/2/09	Q		3237								
8. 8/10/09	R								1,076 50		
9. 9/10/09	S						100				
10. 10/31/09	T	1,254 49									
11. 11/4/09	U		107 50								
12. 11/4/09	V	210 86									
13. 12/31/09	W		41 04								
14.											
15. Total 2009		1,465 05	2,119 49		16,000		100	211	1,076 50		
16.											
17.											
18.											
19.											
20.											
21.											
22.											
23.											
24.											

Figure 9: Ledger of Disbursements

DISBURSEMENT LEDGER

Acct #:	500	510	520	530	540	550	560	570	580	590
Class:	Investments Purchased	Insurance Payments	Equipment Purchased	Equipment Maintenance	Death Benefits	Relief Benefits	Training Expenses	Tokens of Sympathy & Goodwill	Fire Prevention Material	Admin. Expenses
Date										
C1. 2/7/09			4,819.15							
E2. 2/10/09	12,000.00									
F3. 4/13/09		474.81								
H4. 7/19/09							609.00			
I5. 9/4/09										3.00
J6. 10/22/09		72.00						15.00		
K7. 12/4/09										100.00
L8. 12/14/09										
10. Total 2009	12,000.00	546.81	4,819.15				609.00	15.00		103.00
11.										
12.										
13.										
14.										
15.										
16.										
17.										
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22.										
23.										
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RECORDING INVESTMENT TRANSACTIONS

Record-keeping inadequacies occur most often with investment transactions. Problems arise when the relief association fails to maintain a detailed list of its investment holdings. Many times an investment will be purchased and sold within a short period of time; upon auditing the relief association, the auditor will need a record of such investment transactions.

Problems can be alleviated by maintaining an investment roster which records all investments, and by listing the specific terms of each investment. Prudent business practice dictates that the roster should provide the following information for each investment:

- Type of investment
- Certificate number
- Date purchased
- Cost of investment purchased
- Maturity date
- Interest rate
- Date of sale of investment
- Proceeds from sale of investment

When the relief association purchases an investment, in addition to recording the transaction in the journal and ledger, the treasurer should immediately record the pertinent information concerning the investment on the investment roster. When an investment is sold, the treasurer should note the date of sale and the amount received from the sale of the investment on the roster.

Any renewal of an investment, such as a certificate of deposit, should also be recorded on the roster. In most cases, interest earned on the certificate is reinvested at the date of renewal. Although the certificate number remains the same, the cost value at the date of renewal, the maturity date, and the interest rate changes. This information should be posted as a new entry on the investment roster. The last two entries in Figure 10 illustrate how to record the renewal of a certificate of deposit.

A copy of the investment roster should be provided to the auditor during the audit of your relief association's financial records.

Figure 10: Roster Detailing Investment Holdings

Investment Roster								Page
Type of Investment	Certificate Number	Date Purchased	Cost	Maturity Date	Interest Rate	Date Sold	Proceeds From Sale	
1. U.S. SAVINGS BOND	201-166214	4/12/06	500 -	4/12/13	7%			1.
2.								2.
3.								3.
4.								4.
5. CERTIFICATE OF DEPOSIT	9385-21	8/10/05	6,000 -	2/10/09	4.5%	2/10/09	6,000 -	5.
6. (EAST PENN BANK)							* INTEREST \$1,373.47	6.
7.								7.
8. CERTIFICATE OF DEPOSIT	80410-21	5/4/08	2,000 -	11/4/10	10.75%			8.
9. (1ST NATIONAL BANK)								9.
10.								10.
11. CERTIFICATE OF DEPOSIT	08341	7/27/08	10,000 -	1/27/09	9.15%	1/27/09	10,000 -	11.
12. (1ST NATIONAL BANK)							* INTEREST \$457.00	12.
13.								13.
14. CERTIFICATE OF DEPOSIT	09137	2/10/09	12,000 -	8/10/09	8.95%	* (RENEWED AT MATURITY \$1,098 INTEREST REINVESTED)		14.
15. (1ST NATIONAL BANK)								15.
16.								16.
17.								17.
18. CERTIFICATE OF DEPOSIT	*09137	8/10/09	13,098 -	12/10/10	9.20%			18.
19. (1ST NATIONAL BANK)	* (RENEWED)							19.
20.								20.
21.								21.
22.								22.
23.								23.
24.								24.
25.								25.
26.								26.
27.								27.
28.								28.
29.								29.
30.								30.
31.								31.
32.								32.
33.								33.
34.								34.

Act 118 of 2010

Chapter 74 Subchapter B

(The Act of November 23, 2010, as amended, 35 Pa.C.S.A. § 7411 *et seq.*)

The following is a reproduction of the provisions of Act 118 referenced in these guidelines which is provided for ease of reference to relief association officials. A relief association should always consult with its legal counsel for reference to the official versions of this legislation and any questions of interpretation.

§ 7411. Scope of subchapter

This subchapter relates to relief associations.

§ 7412. Definitions

The following words and phrases when used in this subchapter shall have the meanings given to them in this section unless the context clearly indicates otherwise:

“Fire service.” The service of organized groups of individuals, not only in training for and in active duty in the protection of the public against fire, but also in the training for and the performance of such other activities as are commonly undertaken by fire companies and their affiliated organizations, including, but not limited to, fire prevention, first aid, rescue and salvage, ambulance service, fire police work, radio communications, assistance at accidents, control of crowds both on the fire grounds and at occasions of public or general assembly, animal rescue, abatement of conditions due to storm, flood or general peril, abatement or removal of hazards to safety and participation in public celebrations, parades, demonstrations and fundraising campaigns.

“Volunteer firefighter.” A person who is a member of:

- (1) a fire company organized and existing under the laws of this Commonwealth;
- (2) a fire police unit, rescue squad, ambulance corps or other like organization affiliated with one or more fire companies; or
- (3) a fire company or affiliated organization which participates in the fire service but does not look to that service as his or her primary means of livelihood.

A person does not lose status as a volunteer firefighter solely because he or she may also be a paid firefighter, so long as the person is acting within the scope of his or her responsibilities as a member of a volunteer fire company at the pertinent time and not within the scope of his or her responsibilities as a paid firefighter.

“Volunteer firefighters' relief association.” An organization formed primarily to afford financial protection to volunteer firefighters against the consequences of misfortune suffered as a result of their participation in the fire service. The organization may contain within its membership the members of one or more fire companies and may serve secondary purposes, as set forth in this subchapter, but only if adequate provisions have been first made to serve the primary purpose.

§ 7413. Statement of purpose

The purpose of this subchapter is to encourage individuals to take part in the fire service as volunteer firefighters by establishing criteria and standards for orderly administration and conduct of affairs of firefighters' relief associations to ensure, as far as circumstances will reasonably permit, that funds shall be available for the protection of volunteer firefighters and their heirs in order to provide:

- (1) Financial assistance to volunteer firefighters who may suffer injury or misfortune by reason of their participation in the fire service.
- (2) Financial assistance to the widow, children and other dependents of volunteer firefighters who lose their lives as a result of their participation in the fire service.
- (3) For payment, either by insurance or by operation of a beneficial fund, of a sum certain to designated beneficiaries of a participating member following the death of a member for any cause and to establish criteria which members should meet in order to qualify as participants in a death benefit fund.
- (4) Safeguards for preserving life, health and safety of volunteer firefighters to ensure their availability to participate in the fire service.
- (5) Financial assistance to volunteer firefighters who, after having actively participated in the fire service for a specified minimum term, are no longer physically able to continue participation and are in need of financial assistance.
- (6) Funds to aid rehabilitation of volunteer firefighters who have suffered an impairment of their physical capacity to continue to perform their normal occupations.
- (7) Sufficient funds to ensure the efficient and economic handling of the business of firefighters' relief associations in accomplishing the objectives of this section.

§ 7414. Construction

This subchapter shall be:

- (1) Construed, applied and interpreted, so far as circumstances permit, as justifying the actions of the officers and members of volunteer firefighters' relief associations affected by it, when the actions appear to have been taken in good faith and in a bona fide belief that they were in furtherance of the purposes of this subchapter.
- (2) Strictly construed and applied against persons responsible:
 - (i) for actions taken in willful disregard of the purposes of this subchapter or with reckless indifference to those purposes; and
 - (ii) if an action which has been called into question results, has resulted or was likely to result in an unmerited personal benefit to one or more of the persons responsible for taking that action.

§ 7415. Structure

(a) General rule.--A volunteer firefighters' relief association may be a body corporate, governed by a charter and bylaws or an unincorporated association of individuals governed by bylaws and a constitution. In either case, it should provide for taking and preserving minutes of all meetings and maintenance of such books of account as may be necessary and appropriate to afford a permanent record of its fiscal affairs.

(b) Constitution or charter.--The constitution or charter shall:

- (1) State the name, purposes and form of the organization.
- (2) Designate the class or classes of persons eligible for membership and procedures to be followed in making amendments.

(c) Bylaws.--The bylaws shall:

- (1) Specify the requirements for securing membership, voting rights of different classes of members, if there be different classes, and conditions under which membership may be terminated.
- (2) State the notice requirements and procedure to be followed in calling meetings, as well as quorum requirements for regular and special meetings of the membership and for regular and special meetings of the body which governs the operations of the association between membership meetings, and shall designate that body, whether it be a board of directors, trustees or any similar body such as an executive committee. Unless otherwise provided for in the bylaws, powers and duties of officers, directors and trustees shall be those which normally pertain to such positions in nonprofit corporations.

(3) Require that the signatures of at least two officers, one of whom shall be the disbursing officer, shall be required to bind the association by formal contract or to issue a negotiable instrument.

(4) Require that the disbursing officer, whether designated treasurer, comptroller, financial secretary or otherwise, shall be bonded by corporate surety for faithful performance of duty. The amount of the bond shall be at least as great as the maximum cash balance in current funds of the association at any time during the fiscal year, and the premium on the bond shall be a proper charge against funds of the association.

(5) State the procedure to be followed in nominating and electing officers, trustees, directors and members of the executive committee, according to the provisions which have been made for establishment of those positions.

(6) Establish procedures for the approval and payment of expenditures, investment of funds and sale of investments.

(7) Set out the procedure to be followed in amending bylaws.

(8) Specify notice required with respect to proposed bylaw amendments, including the time, place and date when the proposed amendments shall be considered.

(9) Be faithfully preserved, along with amendments thereto and the effective date of the amendments, in permanent form.

(10) Contain such other provisions as may, to the membership, seem appropriate or necessary to the orderly conduct of affairs of the association.

(d) Standing procedures.--In addition to adopting bylaws, an association may adopt standing procedures, which shall be such matters as the membership may regard to be of a routine nature. Standing procedures may be adopted, modified or repealed by motion and majority vote but shall not be inconsistent with the bylaws, and they shall be recorded as an appendix to the bylaws.

(e) Charitable corporation.--A volunteer firefighters' relief association organized or conducted in accordance with the requirements of this section shall be regarded as a charitable corporation for all purposes, including the right to establish exemption from the operation of certain taxes.

§ 7416. Funds

(a) General rule.--A volunteer firefighters' relief association may solicit and receive gifts and contributions from any source, including municipal corporations, but shall not have the right to receive any portion of the money distributed to political subdivisions of this Commonwealth under Chapter 7 of the act of December 18, 1984 (P.L. 1005, No. 205), known as the Municipal Pension Plan Funding Standard and Recovery Act, unless and until the governing body of at least one political subdivision shall have certified to the Auditor General that the association is a bona fide volunteer firefighters' relief association, affiliated with a fire company which affords protection against fire to all or a portion of the political subdivision.

(b) Deposit.--Funds of a volunteer firefighters' relief association may be deposited in any bank, trust company or other banking establishment accredited by the Commonwealth or insured by the Government of the United States.

(c) Investments.--All or any part of the funds of a volunteer firefighters' relief association may be invested:

- (1) In any form of investment named in 20 Pa.C.S. Ch. 73 (relating to municipalities investments). First mortgages insuring repayment of loans by relief associations shall provide for a minimum interest payment of 3% and not exceed 80% of the appraised value of real property covered by the mortgage.
- (2) In any obligation of a political subdivision, having the power to levy or collect taxes.
- (3) In any obligation of an incorporated fire company, provided that the obligation is:
 - (i) Secured by assets of the company having capital value equal to at least 150% of the amount of the obligation at the time it is made.
 - (ii) Subject to provisions which amortize the loan at a rate ensuring that the depreciated value of the assets pledged shall continue to be at least 150% of the balance due.

(d) Limitation.--No investment shall be acquired, encumbered or sold except pursuant to resolution duly enacted by the governing body of the association.

(e) Income from investments.--Income from investments may be invested or spent in the same way as any other income.

(f) Use.--Funds of any volunteer firefighters' relief association may be spent:

- (1) To pay for such normal and reasonable running expenses as may be appropriate to the businesslike conduct of the affairs of the association, including legal fees, rental or purchase of offices, payment of reasonable compensation of employees and purchase of office equipment and supplies.
- (2) To purchase contracts of insurance which, at a minimum, shall 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 may also provide, in the order named:
 - (i) for payments to the surviving spouse or other dependents of a member in the event of the member's death;
 - (ii) for protection of active firefighters against disease;
 - (iii) for replacement or purchase of prosthetic devices such as visual aids, hearing aids, dentures, braces, crutches and the like, where those devices have been lost or damaged while the owner was engaged in the fire service or where the need for those devices arose because of functional impairment attributable to participation in the fire service;
 - (iv) for repair or replacement, if necessary, of articles of clothing or pocket pagers damaged or lost 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.
- (3) To maintain a beneficiary or death benefit fund and to pay a sum certain from that fund to the beneficiary of a participant in that fund upon death. If a beneficiary is not designated or a designated one has predeceased the participant, the sum certain shall be paid to the estate of the participant.
- (4) To pay in full or in part for damage or loss in any of the categories mentioned in paragraph (2) in a specific case where:
 - (i) no policy of insurance is in force covering the risk; or
 - (ii) the amount payable under insurance policies in force is inadequate to cover the loss.
- (5) To pay the cost of procuring and forwarding tokens of sympathy and goodwill to a volunteer firefighter who may be ill or hospitalized as a result of participation in the fire service or who may die or who may be seriously ill for any reason.
- (6) To make cash payments to families in distressed circumstances by reason of age, infirmity or other disability suffered by one of the family members in the course of participation in the fire service as a volunteer firefighter.

APPENDIX A

- (7) To acquire and to maintain membership in any Statewide association or corporation which extends advice and assistance to firefighters' relief associations and to pay to a duly elected delegate the reasonable expenses of travel and maintenance for attending a meeting of the Statewide association or corporation.
- (8) To contribute to or to purchase contracts of insurance which will contribute to the cost of rehabilitating and retraining volunteer firefighters who, by reason of their participation in the fire service, have suffered a major impairment of the ability to continue their vocation.
- (9) To pay for medical and surgical bills arising from injuries sustained by volunteer firefighters while engaged in activities of a fire company to the extent that the bills are not covered by insurance provided by the relief association.
- (10) To pay reasonable expenses actually and necessarily incurred for attending bona fide firefighters' training schools.
- (11) To purchase safeguards for preserving life, health and safety of volunteer firefighters to ensure their availability to participate in the volunteer fire service.
- (12) To secure insurance against legal liability of volunteer firefighters for loss and expense from claims arising out of performance of official and authorized duties while going to, returning from or attending fires or performing their duties as special fire police.
- (13) To maintain comprehensive health, physical fitness and physical monitoring programs that provide for physical fitness activities, nutrition education and instruction and health and fitness evaluation and monitoring, provided that the programs have been approved by the nearest State-licensed health care facility which is authorized to provide that service.
- (14) To purchase exercise and fitness equipment for use by volunteer firefighters, except that expenditures for exercise and fitness equipment shall not exceed \$2,000 in any two-year period.
- (15) To purchase fire hoses and nozzles.
- (16) To purchase fire prevention materials for public distribution.
- (17) To pay reasonable expenses actually and necessarily incurred for attending bona fide emergency medical technician or paramedic training schools.

§ 7417. Cooperation agreements

Two or more volunteer firefighters' relief associations may jointly cooperate to enter into agreements to make expenditures that are authorized under this subchapter. A joint cooperation agreement may be enforced by and against a volunteer firefighters' relief association.

§ 7418. Audits

(a) General rule.--The Office of Auditor General shall have the power and its duty shall be to audit the accounts and records of every volunteer firefighters' relief association receiving money under Chapter 7 of the act of December 18, 1984 (P.L. 1005, No. 205), known as the Municipal Pension Plan Funding Standard and Recovery Act, as far as may be necessary to satisfy the Auditor General that the money received was or is being expended for no purpose other than that authorized by this subchapter. Copies of all audits shall be furnished to the Governor.

(b) Findings.--If the Auditor General finds that any money received by a volunteer firefighters' relief association has been expended for a purpose other than one authorized by this subchapter, the Auditor General shall immediately notify the Governor and shall decline to approve further requisitions calling for payment to the volunteer firefighters' relief association until the improperly expended amount has been reimbursed to the relief association fund.

§ 7419. Dissolution

(a) Withdrawal.--If the voters elect to replace a volunteer fire company with a full-paid fire department or company and the volunteer company which has been replaced ceases to render fire service to any community, the volunteer company shall withdraw from the volunteer firefighters' relief association which had extended protection to its membership.

(b) Continuation.--Notwithstanding withdrawal of a company under subsection (a), the volunteer firefighters' relief association shall continue granting financial assistance to its remaining members and their families in death, sickness and distress suffered through the unfortunate elements of life.

(c) New members prohibited.--A volunteer firefighters' relief association continuing under subsection (b) shall not receive any new members.

(d) Application.--When the membership of a relief association functioning under subsection (b) diminishes to five members, the association shall apply to the local common pleas court for dissolution.

(e) Determination.--Upon receipt of an application under subsection (d), the court shall direct that:

- (1) all bills, including the costs of dissolution, be paid; and
- (2) the balance of funds in the treasury of the volunteer firefighters' relief association subject to dissolution be paid to the pension fund of the paid fire department created as set forth in subsection (a).

Chapter 7 of Act 205 of 1984

The Foreign Fire Insurance Tax Distribution Law

(53 P.S.895.701895.707)

The following is a reproduction of the provisions of Act 205 referenced in these guidelines which is provided for ease of reference to relief association officials. A relief association should always consult with its legal counsel for reference to the official versions of this legislation and any questions of interpretation.

Chapter 7 Foreign - Fire Insurance Tax Distribution

Section 701. Short title

This chapter shall be known and may be cited as the Foreign Fire Insurance Tax Distribution Law.

Section 702. Definitions

The following words and phrases when used in this chapter shall have the meanings given to them in this section unless the context clearly indicates otherwise:

“Fund.” The net amount received by the Commonwealth from the tax on gross premiums paid by foreign fire insurance companies pursuant to section 902 of the act of March 4, 1971 (P.L. 6, No. 2), known as the Tax Reform Code of 1971.

“Governing body.” The council of a city, borough or incorporated town, the commissioners of a township of the first class, the supervisors of a township of the second class or any similar body in home rule charter municipalities.

“Municipality.” Any city, borough, incorporated town, township or other similar unit of government created pursuant to the act of April 13, 1972 (P.L. 184, No. 62), known as the Home Rule Charter and Optional Plans Law, and the act of April 21, 1949 (P.L. 665, No. 155), known as the First Class City Home Rule Act.

“Treasurer.” The elected or appointed treasurer in any city, borough, incorporated town, township or other similar officer in home rule charter municipalities.

Section 703. Payment by State Treasurer to municipalities

Moneys in the fund shall be paid by the State Treasurer to the treasurer of each municipality in the Commonwealth in accordance with sections 704 and 705.

Section 704. Distribution formula

Except as provided in section 705, the amount to be paid to each municipality shall be determined as follows:

- (1) fifty percent of the fund shall be distributed based on the population of each municipality in proportion to the population of the entire Commonwealth, based upon the latest national population census as reported by the United States Bureau of Census; and
- (2) fifty percent of the fund shall be distributed based on the market value of real estate of each municipality in proportion to the market value of real estate for the entire Commonwealth, based upon the most recent statistics from the State Tax Equalization Board.

Section 705. Conditions on first five payments

For the first five years of distributions pursuant to this chapter, payments shall, notwithstanding the formula contained in section 704 be subject to the following conditions:

- (1) No municipality shall receive less than an amount equal to the average of the distribution which it received in 1981, 1982 and 1983.
- (2) Municipalities entitled under section 704 to an amount larger than the average referred to in paragraph (1) shall receive the former amount, reduced by such uniform percentage as is necessary to avoid any deficit in the fund.
- (3) Notwithstanding any other provisions of this section, if tax revenues in any year are insufficient to fund all municipalities in at least the amount referred to in paragraph (1), then payments to all municipalities shall be reduced by such uniform percentage as is necessary to avoid any deficit in the fund.

Section 706. Use of foreign fire insurance tax moneys

(a) Certification of service to municipalities by paid and volunteer firefighters.--

- (1) Each municipality served solely by paid firefighters shall annually certify that fact to the Auditor General in order to determine the ultimate distribution of the foreign fire insurance premium tax amount applicable to that municipality pursuant to subsection (b)(1).

- (2) Each municipality served solely by volunteer firefighters shall annually certify that fact to the Auditor General in order to determine the distribution of the foreign fire insurance premium tax pursuant to subsection (b)(2).
- (3) Each municipality served by both paid firefighters and volunteer firefighters shall annually certify to the Auditor General the proportion of the actual fire protection service in the municipality provided by the paid firefighters and the proportion of the actual fire protection service in the municipality provided by the volunteer firefighters in order to determine the distribution of the foreign fire insurance premium tax pursuant to subsection (b)(3).
- (4) The certification to the Auditor General shall be by an action initiated or ratified by the governing body of the municipality and shall be in a form prescribed by the Auditor General.

(b) Distribution of foreign fire insurance tax moneys.-

- (1) The foreign fire insurance premium tax amount applicable to a municipality served solely by paid firefighters shall be allocated no later than September 30 to the General Municipal Pension System State Aid Program established pursuant to Chapter 4 for ultimate distribution pursuant to section 402.
- (2) The foreign fire insurance premium tax amount applicable to a municipality served solely by volunteer firefighters shall be paid to the municipality, which shall within 60 days of the date of the receipt of the moneys from the State Treasurer pay the amount received to the relief association fund of the fire department or departments, or fire company or companies, now existing or hereafter organized, inside or outside of the municipality, which is or are actively engaged in the service of the municipality and duly recognized by the governing body of the municipality.
- (3) The foreign fire insurance premium tax amount applicable to a municipality served by both paid firefighters and volunteer firefighters shall be divided into the portion applicable to paid firefighters and the portion applicable to volunteer firefighters. The division of the amount shall be based on the proportion of the actual fire protection service in the municipality provided by each type of firefighter as certified by the municipality, except that in no event shall the portion applicable to paid firefighters be less than the smaller of the amount of foreign fire insurance premium tax applicable to the municipality or \$1,100 per paid firefighter. The ultimate distribution of the portion applicable to paid firefighters shall be governed by paragraph (1). The distribution of the portion applicable to volunteer firefighters shall be governed by paragraph (2).

Section 707. Warrants for payment

Warrants for the purposes of making payments pursuant to this chapter shall be drawn by the State Treasurer, payable to the treasurers of the several cities, incorporated towns, townships and boroughs, in accordance with this act, no later than the first business day occurring in the month of October.

NOTES

BLANK TEMPLATES FOR FINANCIAL RECORDS

The following templates have been designed as an option to be used electronically by the relief association in maintaining its financial records; however, hard copies may also be utilized (see Auditor General's website for specific individual forms and directions below). Use of this modified accounting system will help to ensure that adequate record-keeping procedures are established and consistently being followed by the relief associations. The use of the chart of accounts, journals, ledgers, and rosters presented will make it easier for the treasurer to maintain an adequate accounting system.

- i. **Chart of Accounts**
- ii. Recording Checking Account Transactions – **Checking Account**
- iii. Recording Savings Account Transactions – **Savings Account**
- iv. Recording Receipts – **Receipt Ledger**
- v. Recording Disbursements – **Disbursement Ledger**
- vi. Summary of Cash Receipts and Disbursements – **Financial Statement**
- vii. Recording Investments – **Investment Roster; Investment Roster-CDs; Loans-Mortgages**
- viii. Recording Equipment Purchased - **Cumulative Equipment Roster**
- ix. Recording Members of the Relief Association - **Cumulative Membership Roster**
- x. **Donation of Equipment Agreement**
- xi. Agreement Issued When Relief Association Pays for Equipment Being Purchased Through a Fire Company Loan/Lease – **Lease Purchase-Loan Agreement**
- xii. Agreement When Relief Association Pays Partial Cost of a Fire Company Owned Vehicle – **Vehicle Agreement**
- xiii. Loans given to Relief Association – **Liabilities**

Relief officials may obtain these forms and Management Guidelines on the Auditor General's website at www.PaAuditor.gov by using the following directions:

1. Select 'NEWS AND RESOURCES'
2. Select 'Municipal Pension/VFRA Info'
3. Select 'VFRA Information'
4. Scroll down under 'VFRA Information'
5. For VFRA Forms – Select specific form and 'Click here to view'
6. For VFRA Management Guidelines – Select 'VFRA Management Guidelines' and 'Click here to view'

Name of Relief Association:

CHART OF ACCOUNTS

RECEIPTS:

No. –	Classification
100 –	Commonwealth Allocation(s)
110 –	Interest Income
120 –	Dividend Income
130 –	Investments Sold (cost)
140 –	Investment Return (gain/loss)
150 –	Contributions/Donations
160 –	Reimbursements
170 –	Proceeds from Equipment Sold
180 –	Membership Dues
190 –	Insurance Claims

200 –
210 –
220 –
230 –
240 –
250 –
260 –
270 –
280 –
290 –
300 –

DISBURSEMENTS:

No. –	Classification
500 –	Investments Purchased
505 –	Bond Premiums
510 –	Insurance Premiums
520 –	Equipment Purchased
530 –	Equipment Maintenance
540 –	Death Benefits
550 –	Relief Benefits
560 –	Training Expenses
570 –	Tokens of Sympathy and Goodwill
580 –	Fire Prevention Material
590 –	Administrative Expenses
600 –	Principal Payments on Loan
610 –	Interest Payments on Loan

620 –
630 –
640 –
650 –
660 –
670 –
680 –
690 –

[illegible]

(Name of Relief Association)

42

(Name of Relief Association)

43

(Name of Relief Association)

44

(Name of Relief Association)

45

Name of Relief Association:				
FINANCIAL STATEMENT				
SUMMARY OF CASH RECEIPTS AND DISBURSEMENTS				
FOR THE PERIOD JANUARY 1, 20__ TO DECEMBER 31, 20__				
	BALANCE JANUARY 1, 20__, Cash Accounts			\$
RECEIPTS				
	100	Commonwealth Allocation	\$	
	110	Interest Income		
	120	Dividend Income		
	130	Investments Sold (cost)		
	140	Investment Return (gain/loss)		
	150	Contributions/Donations		
	160	Reimbursements		
	170	Proceeds from Equipment Sold		
	180	Membership Dues		
	190	Insurance Claims		
	200			
	210			
	220			
	230			
	240			
	250			
	260			
	270			
	280			
	290			
		Total Receipts	\$	
DISBURSEMENTS				
	500	Investments Purchased		
	505	Bond Payments		
	510	Insurance Payments		
	520	Equipment Purchased		
	530	Equipment Maintenance		
	540	Death Benefits		
	550	Relief Benefits		
	560	Training Expenses		
	580	Fire Prevention Materials		
	590	Administrative Expenses		
	600	Principal Payments on Loan		
	610	Interest Payments on Loan		
	620			
	630			
	640			
	650			
	660			
	670			
	680			
	690			
		Total Disbursements	\$	
	BALANCE DECEMBER 31, 20__, Cash Accounts			\$

[illegible]

CUMULATIVE EQUIPMENT ROSTER

(Name of Relief Association)

(County)

[illegible]

Physical inventory completed by:	
Date completed:	

--	--

(County)

[illegible]

Physical inventory completed by:	
Date completed:	

CUMULATIVE MEMBERSHIP ROSTER

		Note: All members should be included and maintained on the cumulative membership roster. (Does not matter how long the individual was a member)
(Name of Relief Association)	(County)	

NAME	ADDRESS	EMAIL ADDRESS	DATE OF BIRTH	MEMBERSHIP DATE	MEMBERSHIP CLASSIFICATION (Volunteer, Paid, fire police, social, active, retired, etc.)	TERMINATION DATE

To qualify for relief association membership, an individual should currently or previously have participated in fire service related activities as defined by Section 7412 of Act 118. Simply being a member of a fire company does not, in itself, justify membership in the relief association.

Membership Classifications: **Active** - The individual actively participates as an active firefighter or is active in fire service related functions.
Inactive - The individual had previously participated as an active firefighter or in fire service related functions for a specified minimum period.

Note: Some relief associations have different classes of membership (i.e. Life, Junior, Auxiliary, Associate, Retired Career Paid Volunteer, Active Career Paid Volunteer etc.) "Social" membership status is not an acceptable classification for relief associations. Prudent business practice requires relief associations to maintain documentation to support members' volunteer status.

[illegible]

DONATION OF EQUIPMENT AGREEMENT

(Date)

--	--

(Name of Donating Relief Association)

(County)

--	--

(Name of Receiving Relief Association)

(County)

Effective date of ownership transfer:

--

The following is a list of equipment that the donating relief association has agreed to donate:

Description	Quantity	Serial No.	Original Purchase Date (Best Estimate)	Original Purchase Price (Best Estimate)	Current Value (Estimated)

FOR DONATING RELIEF ASSOCIATION:

We certify that the member of this relief association has agreed to transfer all ownership rights of the equipment stated above. We also certify that membership approval of this donation is documented in the official meeting minutes.

(Signature of Relief Association Official)	(Title of Official)	(Date)

(Signature of Relief Association Official)	(Title of Official)	(Date)

FOR RECEIVING RELIEF ASSOCIATION:

We certify that the equipment described above has been received, and will be recorded on the cumulative equipment roster of the receiving relief association.

(Signature of Relief Association Official)	(Title of Official)	(Date)

(Signature of Relief Association Official)	(Title of Official)	(Date)

LEASE PURCHASE/LOAN AGREEMENT

(Date)

--	--

(Name of Relief Association)

(County)

The _____ Fire Company agrees to assign all ownership rights of equipment financed under the lease purchase/loan agreement dated _____ to the _____ Volunteer Firefighters' Relief Association. (See attached description of equipment)

In return for making the lease purchase/loan payments, the _____ Volunteer Firefighters' Relief Association agrees to accept all liabilities and responsibilities of the _____ Fire Company under the lease purchase/loan agreement dated _____ with the _____ (Financial Institution). (See agreement attached)

We, the officers' of the relief association, certify that the equipment described has been recorded on the cumulative equipment roster of the relief association.

(Signature of Relief Association President)

(Signature of Fire Company President)

(Signature of Relief Association Treasurer)

(Signature of Fire Company Treasurer)

NOTE: Signatures required for four (4) different individuals.

VEHICLE AGREEMENT

(Date)

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(Name of Relief Association)

(County)

The _____ Volunteer Firefighters' Relief Association
 agrees to contribute \$ _____ towards the purchase of a _____
 VIN No. _____ titled in the name of the _____

The total purchase price of the vehicle is \$ _____. In the event this vehicle is ever sold,
 a prorated share of the proceeds from the sale equating to _____ percent shall revert to the relief
 association.

It is agreed that the maintenance and repair costs associated with this vehicle shall be the
 responsibility of the _____.

This agreement has been presented and formally approved by the membership of the relief
 association at a meeting held on _____.

 (Signature of Relief Association President)

 (Signature of Fire Company President)

 (Signature of Relief Association Treasurer)

 (Signature of Fire Company Treasurer)

NOTE: Signatures required for four (4) different individuals.

Governmental Fire Service Directory

Federal Agencies

Firefighters' Death Benefit Program

U. S. Department of Justice
Bureau of Justice Assistance
Public Safety Officers' Benefit Program
633 Indiana Avenue, NW
Washington, DC 20531
(202) 307-0635
1-88-744-6513
www.psob.gov

(Federal Public Safety Officers' Benefit program for those killed in the line of duty, approximately \$365,670)

Internal Revenue Service

Philadelphia, PA 19255
1-800-829-4933
www.irs.ustreas.gov
(For forms to obtain a Federal Tax Identification Number or Federal Tax Exemption Number)

U.S. Department of Homeland Security

Office of Domestic Preparedness
810 Seventh Street
Washington, DC 20531
1-866-274-0960
(For information relating to the Assistance to Firefighters' Grant Program)

State Agencies

Department of Community and Economic Development

Center for Local Government Services
4th Floor, Commonwealth Keystone Building
Harrisburg, PA 17120-0225
1-888-223-6837
Fax: (717) 783-1402
Email: ssanderson@pa.gov
Online database: <http://www.dced.state.pa.us/local-government-services/>

State Fire Commissioner

Office of the State Fire Commissioner
1310 Elmerton Avenue
Harrisburg, PA 17110
1-800-670-3473
Fax: (717) 651-2210
Email: osfc@pa.gov

Volunteer Loan Assistance Program

1310 Elmerton Avenue
Harrisburg, PA 17110
1-800-670-3473
Fax: (717) 651-2210
Email: RA-VLAP@pa.gov

Department of Revenue

Bureau of Business Trust Fund Taxes
Registration and Taxpayer Services Division
Harrisburg, PA 17128-0909
(717) 783-5473
www.revenue.pa.gov
(For state sales tax exemption number)

Department of the Auditor General

Bureau of Fire Relief Audits
Room 327, Finance Building
Harrisburg, PA 17120-0018
(717) 787-1308
www.PaAuditor.gov
Email: fire@PaAuditor.gov
(For information pertaining to audits of relief associations)
Facebook: Pennsylvania Auditor
General Twitter: [@PaAuditorGen](https://twitter.com/PaAuditorGen)

Department of Health

Bureau of Emergency Medical Services
Health & Welfare Building
Harrisburg, PA 17108
(717) 787-8740

Line of Duty Death Benefits

Department of General Services
Bureau of Finance & Risk Management
401 North St., North Office Bldg
Room 406
Harrisburg, PA 17120
(717) 787-2492
www.dgs.pa.gov/insurance/Line-of-Duty-Death-benefits



Department of the Auditor General

Bureau of Fire Relief Audits
327 Finance Building
Harrisburg, PA 17120-0018