

The Financial Fitness of Pennsylvania Volunteer Fire Companies

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Executive Summary

Volunteer fire companies (VFC) have a strong history in Pennsylvania. Over the past 30 years, however, the number of volunteers has dropped dramatically and VFCs have experienced a range of financial constraints.

To better understand the financial condition of Pennsylvania's VFCs, this research examined rural and urban VFCs to analyze trends in revenue, expenditures, operating budgets, capital budgets, cash reserves, and long-term savings. The research also examined the finances of recently merged/consolidated VFCs to determine if the mergers were financially beneficial.

The researcher used data from the Pennsylvania Department of Community and Economic Development (DCED), the Governor's Center for Local Government Services, Internal Revenue Service (IRS) 990 Forms, and Guidestar for the 5-year period of 2008 to 2012 to complete the analysis. The researcher also interviewed VFC personnel from five merged/consolidated companies to examine the financial impact of mergers/consolidations on VFCs. The researcher used the Center for Rural Pennsylvania's rural/urban municipal definition for the study.

According to the research, in 2012, urban municipalities spent a median of \$117,030 on fire protection, and rural municipalities spent a median of \$17,091 on fire protection.

Among urban municipalities, townships of the first class spent the most on fire protection (median of \$391,869 or 2.98 percent of total budgets) in 2012, followed by cities (median of \$340,659 or 3.22 percent of total budgets), townships of the second class (median of \$228,558 or 4.40 percent of total budgets) and boroughs (median of \$50,051 or 2.38 percent of total budgets). Per capita spending for these municipalities in 2012 was: \$27.28 for townships of the first class, \$30.20 for cities, \$23.19 for townships of the second class, and \$16.58 for boroughs.

Rural municipalities spent less on fire protection in both total dollars and per capita when compared to urban municipalities, but spent larger percentages of their budgets on fire protection. Rural cities spent a median of \$128,922 or 2.21 percent of their budgets (\$11.85 per capita), rural townships of the second class spent a median of \$27,815 or 4.83 percent of their budgets (\$14.58 per capita), and rural boroughs spent a median of \$6,109 or 2.82 percent of their budgets (\$11.29 per capita).

To more closely examine the finances of VFCs, the researcher grouped rural and urban VFCs according to their operating budgets using IRS 990 form data. The three operating budget categories were: less than \$150,000, \$150,000 to \$300,000, and more than \$300,000. According to the data, revenues decreased in all budget categories for both rural and urban VFCs, but decreased the most for small rural departments (17 percent for rural VFCs with operating budgets of less than \$150,000). VFCs with operating budgets of less than \$150,000 were heavily dependent on fundraisers; for other VFCs, this dependence decreased as their operating budgets increased.

The research also found that municipal financial support of VFCs decreased from 2008 to 2012, except among townships of the second class. While revenues dropped, expenses increased: expenditures for all VFCs, except rural VFCs in the \$150,000 - \$300,000 category, increased 3 to 20 percent. As a result of fewer revenues and more expenses, the operating budgets decreased for both urban and rural VFCs in the less than \$150,000 category and the \$150,000 to \$300,000 category. All other VFCs operating budgets increased.

Capital budgets for all VFCs in all categories decreased between 63 and 99 percent over the 5-year study period. All of these factors point to difficult financial situations for VFCs.

From the interviews with personnel from merged/consolidated VFCs, the researcher concluded that, in the majority of cases, VFC mergers were beneficial to the community from a financial standpoint, as equipment redundancies and the need to maintain multiple buildings were eliminated. There were costs involved with mergers/consolidations, however, as fire taxes were often implemented to support the reduction in fundraisers. The importance of communication with municipal leaders also was stressed by the VFCs who merged.

Based on the study results, the researcher provided several considerations for state agencies, municipalities and VFCs that may help VFCs improve or maintain their financial strength. For example, state agencies may provide VFCs with more education about service revenue billing; municipalities may provide more support for service billing or via third parties; and VFCs could work more closely with state and local officials to gather more information about fire taxes and other sources of revenue for capital purchases. The researcher also suggests that the state provide incentives for VFCs to report call data, and to develop a database of VFCs in Pennsylvania, which would include information on merged/consolidated VFCs in Pennsylvania. State agencies could also provide grant writing assistance and instruction to small rural VFCs with with operating budgets of less than \$150,000, since they did not receive as much grant monies as other VFCs.

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The Center for Rural Pennsylvania is a bipartisan, bicameral legislative agency that serves as a resource for rural policy within the Pennsylvania General Assembly. It was created in 1987 under Act 16, the Rural Revitalization Act, to promote and sustain the vitality of Pennsylvania’s rural and small communities.

Information contained in this report does not necessarily reflect the views of individual board members or the Center for Rural Pennsylvania. For more information, contact the Center for Rural Pennsylvania, 625 Forster St., Room 902, Harrisburg, PA 17120, telephone (717) 787-9555, email: info@rural.palegislature.us, www.rural.palegislature.us.

Introduction

Pennsylvania is home to the first volunteer fire company in the U.S., and continues its strong tradition of volunteer service today. Volunteers serve as the backbone of the fire service in Pennsylvania, as thousands of dedicated volunteers and career fire personnel serve Pennsylvania's 12.7 million citizens living in 2,561 municipalities.

Pennsylvania has the largest number of volunteer fire companies (VFCs) in the nation, with approximately 12 percent of the nation's 20,000 all-volunteer fire companies (VFCs) (Berks County, 2015). This may be due to Pennsylvania's early adoption of the volunteer fire service model. Another contributing factor may be the decentralized nature of local governments in Pennsylvania (US Census Bureau, 2012). Among Pennsylvania's 2,561 local governments, there are townships, boroughs, cities, and a town situated in its 67 counties. Police and fire protection, as well as a number of other services, are the responsibility of municipalities, and VFCs are certified by municipalities to provide fire service for their areas.

According to various sources, there are 2,448 fire companies in Pennsylvania: 22 career (paid) companies, 72 combination career/volunteer companies, and 2,354 volunteer companies (Pennsylvania Office of the State Fire Commissioner, 2014). However, after examining data from 911 call centers, Pennsylvania municipalities and the Pennsylvania Office of the State Fire Commissioner, the researcher estimated that there are approximately 2,215 fire companies in the state: 28 career (paid) companies, 92 combination career/volunteer companies, and 2,095 volunteer companies. It is interesting to note that while the total number of fire companies and VFCs has declined from previously reported data, the number of career and combination departments increased.

Survey data from Governor's Center for Local Government Services (GCLGS) on municipal fire companies indicated there were 1,863 fire companies in Pennsylvania in 2014; 28 career companies, 92 combination companies, and 1,743 volunteer companies. It should be noted that all municipalities did not respond to this survey, so the number is less than the 2,215 Pennsylvania fire companies determined by the researcher. Of the 1,863 companies, 241 had a paid fire chief; 124 fire chiefs were full-time and 117 were part-time. The companies with a paid fire chief were considered volunteer companies, not combination companies.

The researcher also found that VFCs serve much of Pennsylvania, particularly rural areas, as there are 1,210 rural VFCs (55 percent) and 1,005 urban VFCs (45 percent). This determination was based on the address of the station and the Center for Rural Pennsylvania's rural definition.

According to the Governor's Center for Local Government Services, an estimated 150 to 200 mergers for fire, rescue, emergency management and EMS programs have occurred in the past 10 years (Foreman, 2011). In addition to mergers, some VFCs have closed for a number of reasons. While there are no known data sources on the number of VFCs that have closed their doors in Pennsylvania, various sources cite

two primary reasons for their closure: a lack of volunteers and a lack of money (Accurti, 2013; D’Intino, 2006; Rowe, 2005; Waters, 2010).

The number of volunteer firefighters has declined from more than 300,000 in the 1970s to approximately 50,000 in 2012 (University of Pittsburgh, 2012). Volunteers are fewer now for many reasons, including mobility and moving from the area, family commitments, job commitments, and lost interest in fire service (The Center for Rural Pennsylvania, 2012).

The lack of funds also continues to plague VFCs in Pennsylvania. Contrary to what many people may believe, 60 percent of VFCs operate on budgets of less than \$100,000 (The Center for Rural Pennsylvania, 2012). Many fire companies are struggling to survive at this level of funding as operating costs and capital costs continue to increase. A new fire engine, for example, can cost \$500,000 or more, and self-contained breathing apparatus (SCBA) can cost \$5,000 per firefighter (Department of Community and Economic Development, 2012).

VFC sources of revenues generally include fundraising, gaming, state and federal grants, municipal support, and money from the VFC relief association. Fundraising can include dinners, dances, and fairs, while gaming may include small games of chance like raffles and bingo. VFCs generally must apply for state and federal grants every year, and while municipalities are not required to support the VFC in their area, they may provide cash assistance or assistance with fuel, insurance, mortgage or equipment payments.

Each VFC also can establish a fire relief association, which may receive funds from taxes paid by insurance companies from outside of Pennsylvania (so-called “foreign” insurance). These taxes are then distributed to each municipality, and then to the VFC relief association. These funds can then be used to buy a limited number of items for the VFC, such as new fire gear. The funds cannot be used to purchase new equipment or pay day-to-day expenses (Pennsylvania State Attorney General, 2010).

Goals and Objectives

One of the key issues for Pennsylvania VFCs is limited financial resources. Therefore, the goal of this research was to analyze the financial fitness of VFCs, particularly rural fire companies, as well as examine the impact of mergers and consolidations on the finances of these companies. Financial fitness for non-profits has been defined as operating results that are consistently positive, full costs that are regularly covered by reliable revenue, reinvestment in fixed assets to offset depreciation, evidence of ability to manage debt, and liquidity sufficient to withstand risk and pursue new opportunities (Guidestar, 2015).

According to a survey by the Non-Profit Finance Fund, nonprofits in Pennsylvania rarely break even (Lindstrom, 2015). VFCs are often organized as nonprofits and share the financial fitness measures of

positive operating results, maintaining reliable revenue sources to cover costs, reinvestment in fixed assets, managing debt, and liquidity issues.

To analyze the financial fitness of VFCs, this study examined the following and their trends: revenue sources; expenditures; operating budgets; capital budgets; cash reserves; and long-term savings. The study attempted to gather data on the number of service calls answered and the service calls that VFCs were unable to respond to due to the lack of volunteers or funding.

The study also examined the finances of recently merged/consolidated VFCs to determine if and how the merger was financially beneficial. Finally, the study used the data collected to identify relevant policy considerations.

Methodology

The researcher used secondary data and interviews with fire personnel for the study. Initially, the researcher intended to collect financial information from VFCs through an online/mail survey. However, the survey did not yield a significant number of responses (156), so the results could not be used for the financial analysis. The results were useful in providing additional reference data in terms of service call volumes, missed service calls, municipal support and mergers/consolidations. Respondents noted that the survey was time-consuming and required them to provide financial information that was not easily accessible. Some also noted that financial information was not released to non-members.

To complete the financial analysis, the researcher obtained financial data from Guidestar, the organization that gathers and provides data on nonprofit organizations that report to the Internal Revenue Service (IRS). The researcher worked with GuideStar to identify Pennsylvania VFCs that completed a 990 Form, as required by the IRS for nonprofit 501(c) organizations with more than \$25,000 in gross revenues (note that this amount was increased to \$50,000 in 2010). The IRS 990 requires detailed data on revenues, expenses, assets, and liabilities. The data provided 1,938 records over the 5-year study period of 2008 to 2012, and included fire companies that reported 990 data over multiple years (but not necessarily all 5 years for every fire company).

There are three forms of the IRS 990 Form: the 990, 990 EZ, and the 990N or postcard filing. This analysis used the regular 990 Form since nonprofits are required to file the 990 when their gross receipts are greater than \$200,000 or their total assets greater than \$500,000. Most VFCs have assets greater than \$500,000, based on the large amounts invested in land, buildings, and equipment, so it would seem that most VFCs would be filing a 990 Form.

The IRS does require 501(c) organizations with less than \$25,000 in gross revenues (\$50,000 beginning in 2010) to file a 990N or postcard filing. The researcher reviewed the 990N database made available by the IRS and noted 296 fire-related organizations that reported gross receipts under \$50,000 in 2012. Note that the 990N data do not provide any detailed financial information and were not used in this research.

The total number of 990s, 990 EZs and 990Ns filed for 2012 were substantially fewer than the 2,215 VFCs in Pennsylvania. It is apparent that not all fire companies filed a 990, 990 EZ or a 990N. Several reasons for this may be that the fire company is not organized as a 501(c), the fire company was aware but failed to file the form, the fire company was unaware of the requirement to file the form, and the fire company misinterpreted the 990 reporting requirements.

The IRS 990 data analyzed included 1,938 records for 2008 to 2012, representing 508 unique fire companies from 64 of Pennsylvania's 67 counties. Cameron (two fire companies), Forest (three fire companies), and Juniata (nine fire companies) were not included in the analysis since they did not have any fire companies in the 990 data used for this analysis. The IRS 990 data included 335 urban fire companies and 173 rural fire companies. Companies that were strictly ambulance services were excluded, which resulted in a total of 305 urban VFCs and 173 rural VFCs. Note that some companies did not file a 990 form consistently: this could be due to a variety of reasons, including changes to the 990 requirements for filing in 2008 and 2009, and then the gradual tightening of requirements beginning in 2010, or misunderstanding of the filing requirements (Guidestar, 2012). The data were not adjusted for inflation.

The IRS 990 data from Guidestar were coded by the researcher to identify each VFC in the data set as urban or rural. The researcher used the Center for Rural Pennsylvania's definition of a rural municipality to categorize VFCs as rural or urban and based the designation on where the fire company/station was physically located. VFCs that served more than one municipality were classified based on the physical address of the fire company. The Center's definition of a rural municipality is based on the population density: a municipality is rural when its population density is less than the statewide density of 284 persons per square mile, or the total population is less than 2,500, unless more than 50 percent of the population lives in an urbanized area as defined by the U.S. Census Bureau.

The number of fire calls for the study period was obtained by the researcher from each fire company's website, if available.

In addition, the researcher used data collected by Governor's Center for Local Government Services, which included the number of fire companies per municipality, whether it was a career, combination or all-volunteer company, if the fire chief was full- or part-time, and if the chief was paid. The researcher also used data collected by Department of Community and Economic Development (DCED), which included municipal expenditures and expenditures for fire service for the 5-year study period.

Finally, the researcher accessed the Pennsylvania Office of the State Fire Commissioner's PENNFIRS database to examine the types of calls reported by fire companies.

To analyze the financial impact of mergers/consolidations, the researcher interviewed personnel from five merged/consolidated VFCs from different regions of the state: two VFCs in Adams County, one in Allegheny County, one in Chester County, and one in Lycoming County.

Results

Municipal Analysis

Table 1 provides a summary of the number of fire companies per municipality. Note that the data are for 2,558 municipalities as reported by DCED. Fifty-eight percent of municipalities have one fire company in their municipality, 13 percent have two or more companies in their area and 27 percent have none.

Table 1 - Number of Fire Companies in Pennsylvania Municipalities

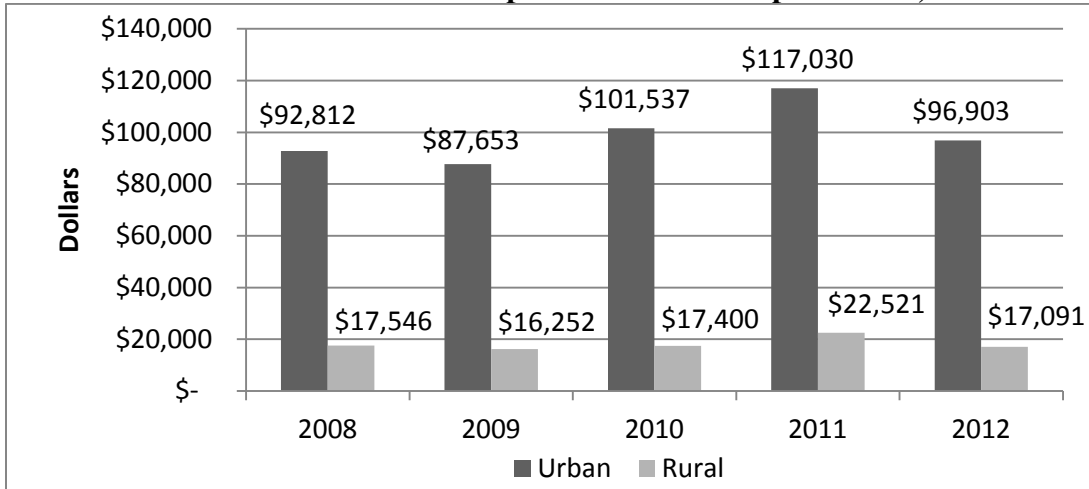
Number of Fire Companies in the Municipality	Number of Municipalities	Percentage
0	696	27%
1	1,493	58%
2	210	8%
3	83	3%
4	31	1%
5	28	1%
6	9	--
7	6	--
8	1	--
9	2	--
Total	2,558	100%

Source: DCED.

In terms of municipal expenditures for fire service, the analysis indicated a range of expenditures for urban municipalities from a median of \$87,653 to a median of \$117,030. In 2012, urban municipalities spent a median of \$96,903 on fire protection (See Chart 1).

Rural municipal expenditures for fire service ranged from a median of \$16,252 to a median of \$22,521. In 2012, rural municipalities spent a median of \$17,091 on fire protection.

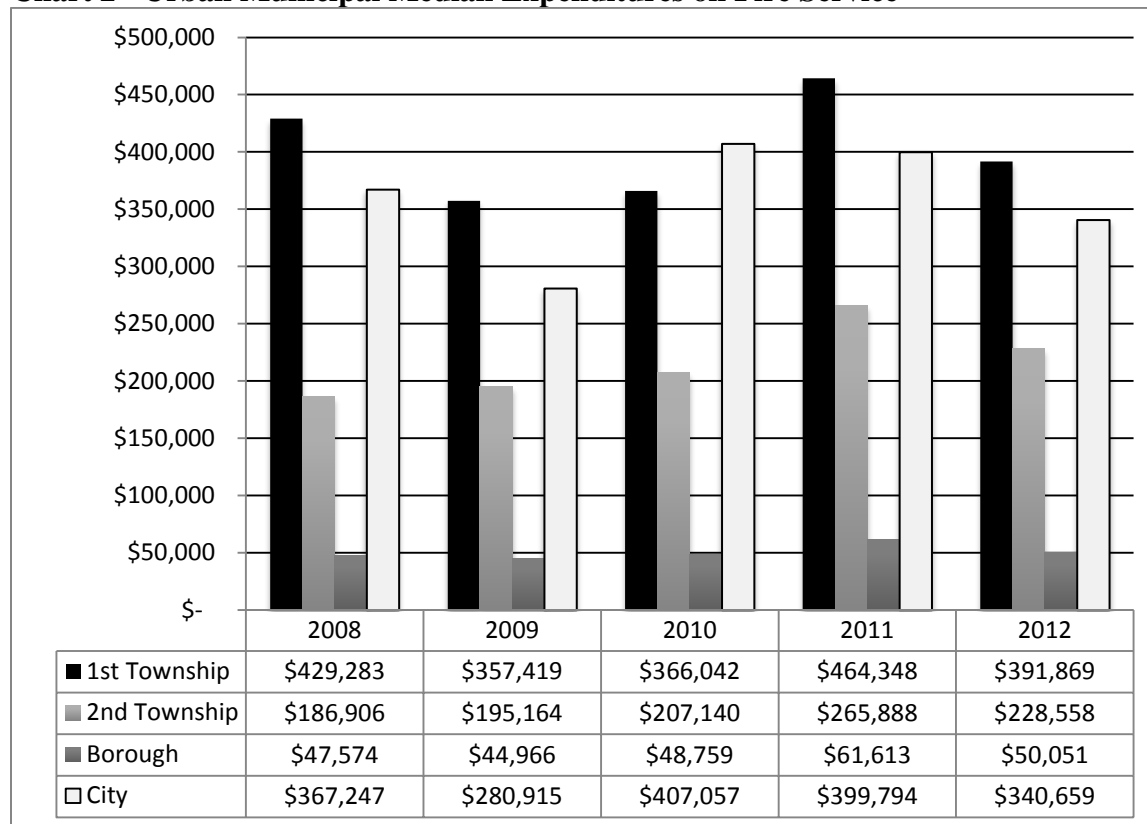
Chart 1 - Urban and Rural Municipal Median Fire Expenditures, 2008-2012



Source: DCED.

Among all urban municipalities (excluding Philadelphia, Pittsburgh, Erie and Bloomsburg), boroughs spent the least on fire service, with a median amount of \$50,051 in 2012. Townships of the second class spent a median of \$228,558, cities spent a median of \$340,659, and townships of the first class spent the most, with a median of \$391,859, in 2012. It is interesting to note that 18 percent of cities have career (paid) companies, 52 percent have combination companies, and 30 percent have volunteer companies. The cities with career fire companies fully support these departments (i.e., no fundraisers, gaming), which is not the case for urban municipalities with volunteer or combination departments. Expenditures in 2012 were down from 2011 amounts among all urban municipalities, and, in the case of townships of the first class and cities, were below 2008 spending levels by 9 percent and 7 percent, respectively. Over the 5-year study period, expenditures increased 22 percent among townships of the second class and 5 percent among boroughs. These amounts were not adjusted for inflation.

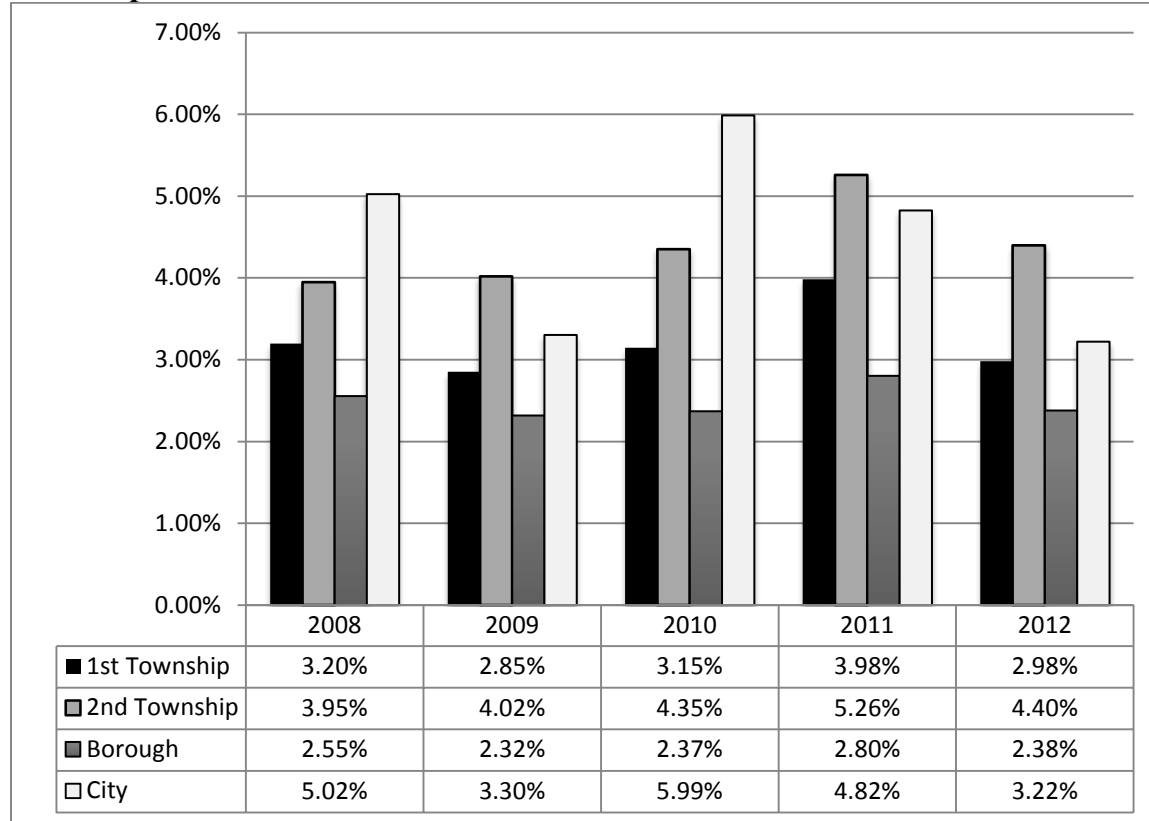
Chart 2 - Urban Municipal Median Expenditures on Fire Service



Source: DCED.

Chart 3 shows municipal expenditures for urban fire companies as a percentage of total municipal expenditures. Municipal fire expenditures ranged from a median of 2.32 percent of total borough expenditures in 2009 to a median percentage of 5.99 of total city expenditures in 2010. In 2012, the median percentages ranged from 2.38 percent to 4.40 percent for townships of the second class. The median spent on fire protection in 2012 was lower than the median spent in 2008 in all types of municipalities except townships of the second class.

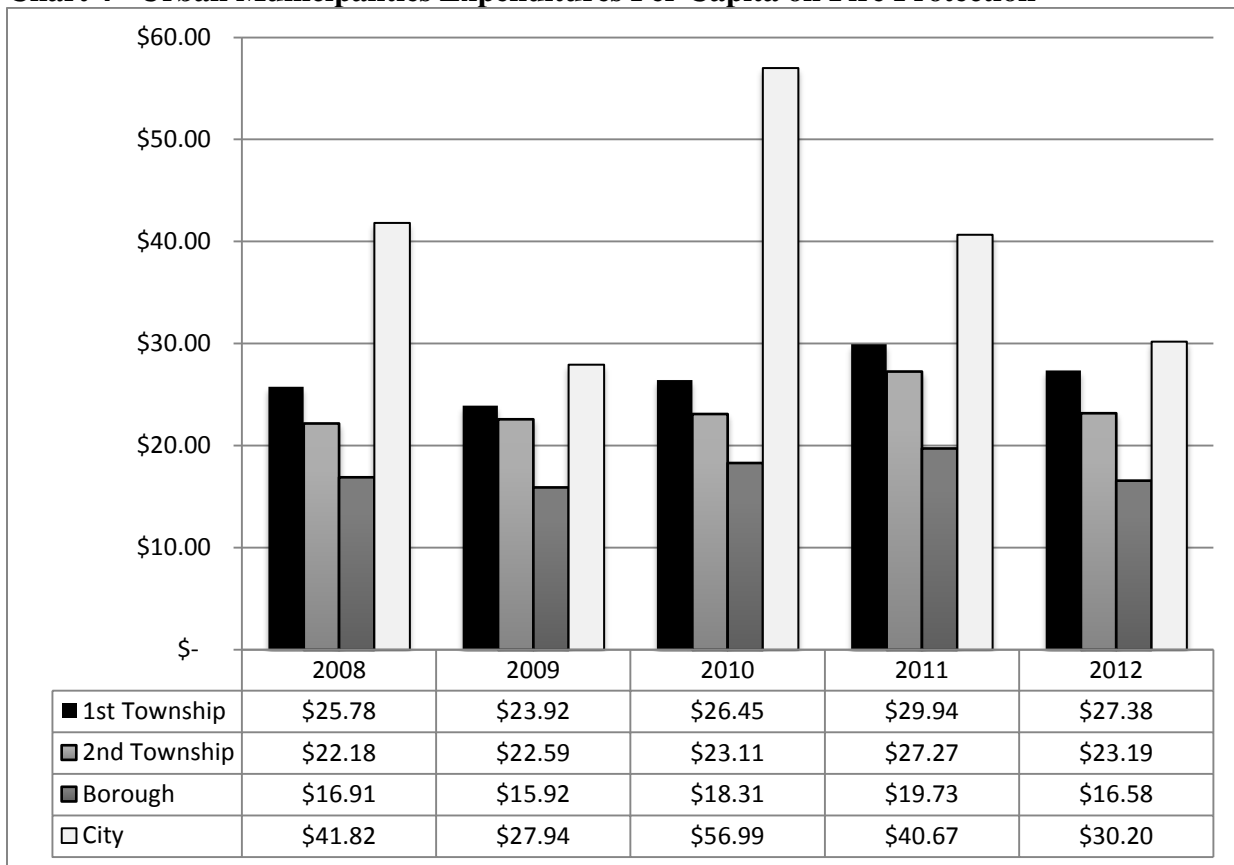
Chart 3 - Median Municipal Expenditures for Urban Fire Companies as a Percentage of Total Expenditures



Source: DCED.

Chart 4 shows per capita municipal expenditures for urban fire companies. Cities spent the most per capita, with a median of \$30.20 in 2012. As noted earlier, 18 percent of cities have fully paid companies and their expenditures cover the entire budget for the fire company. It is interesting to note that the per capita expenditures by cities dropped more than \$10 per capita from \$41.82 to \$30.20 over the 5-year study period, with a spike in 2010. Boroughs spent the least per capita (\$16.58) in 2012, and the lowest amount over the 5-year period (\$15.92 in 2009). The per capita amount spent by townships of the second class has been slowly rising, with an overall increase of \$1 per capita over the 5-year study period. Townships of the first class had an overall per capita increase over the 5-year study period of \$1.60.

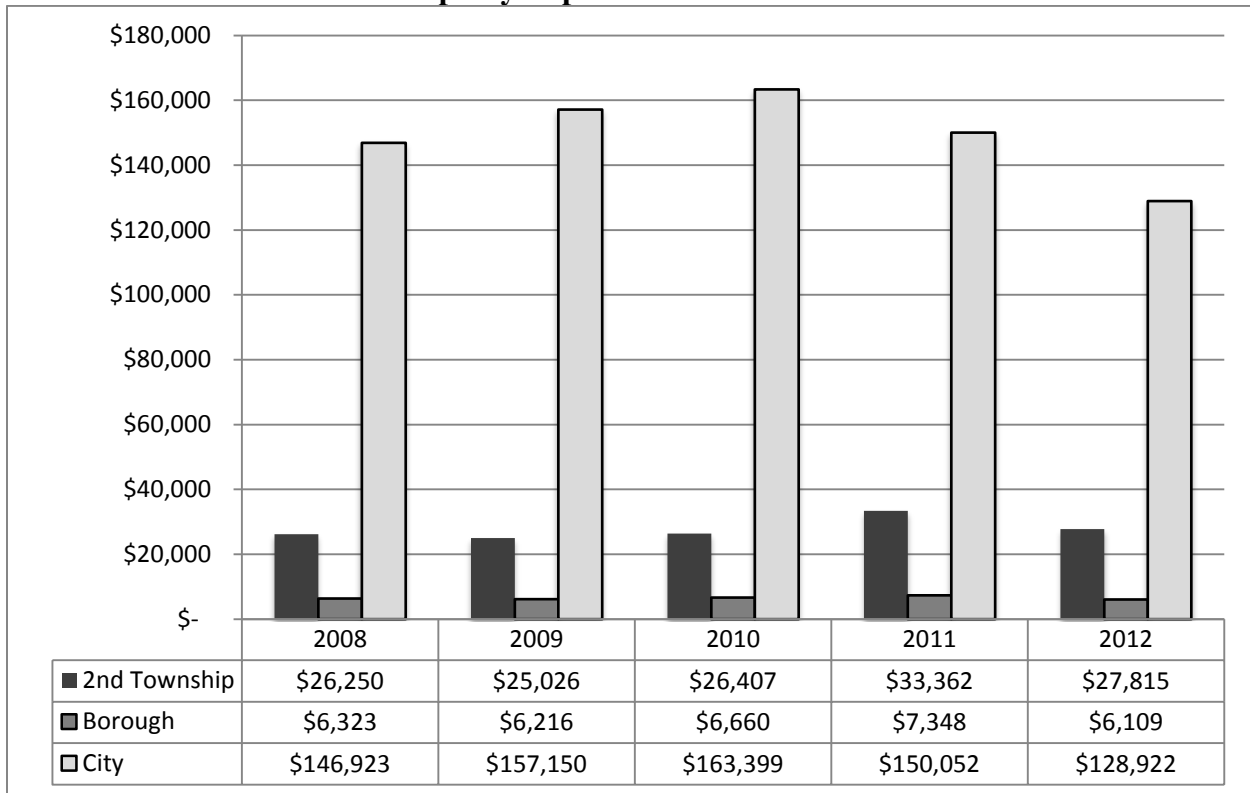
Chart 4 - Urban Municipalities Expenditures Per Capita on Fire Protection



Source: DCED.

Chart 5 shows the median expenditures for fire services among rural municipalities. Rural boroughs spent the least on fire service, with a median of \$6,109 in 2012. Townships of the second class spent a median of \$27,815 and cities spent a median of \$128,922 in 2012. Neither of the two rural cities had a fully paid department (Parker and St. Marys). Note that expenditures in 2012 were down from 2011 among all rural municipalities, and in the case of boroughs and cities, were below the 2008 spending levels. Expenditures on fire services decreased 3 percent among boroughs and 12 percent among cities, while they increased 6 percent among townships of the second class. These amounts were not adjusted for inflation.

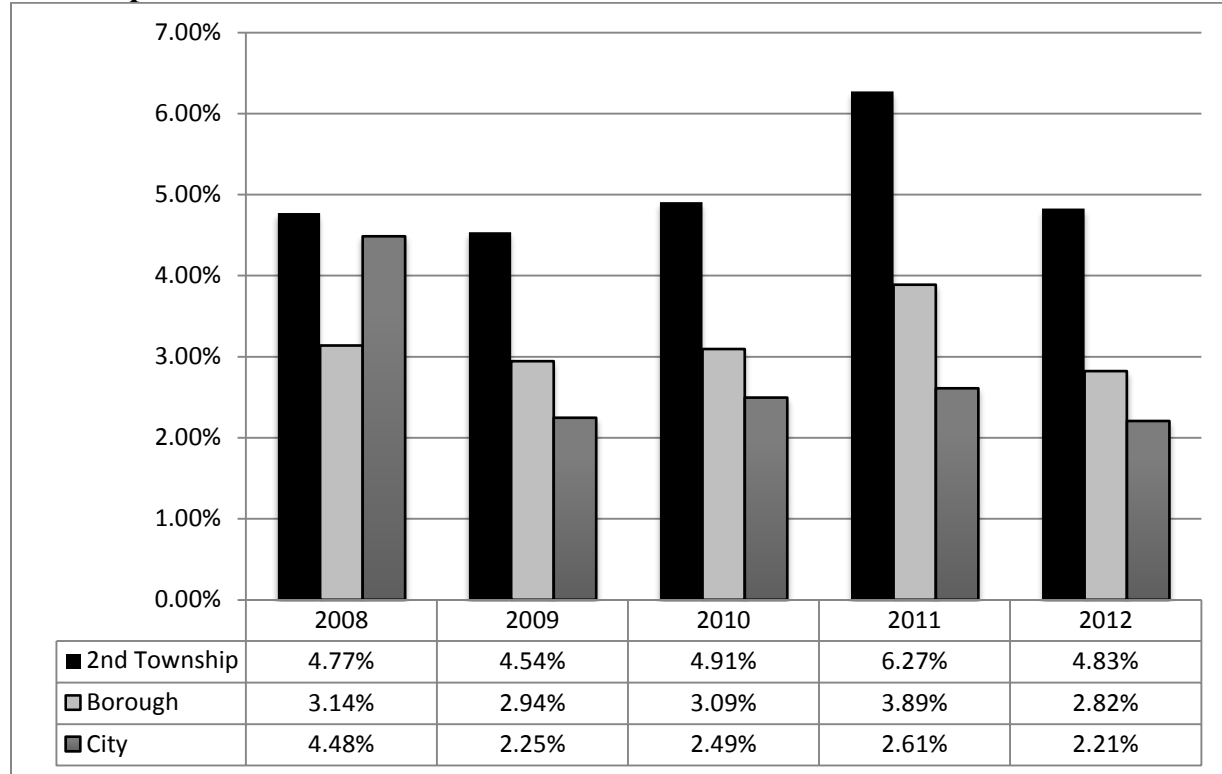
Chart 5 - Median Rural Municipality Expenditures on Fire Service



Source: DCED.

Chart 6 shows that rural expenditures for fire services as a percentage of total municipal expenditures ranged from a median of 2.21 percent for cities to a median of 4.83 percent for townships of the second class in 2012. Among rural boroughs and cities, expenditures for fire services were lower in 2012 than those in 2008. For townships of the second class, the percentage was slightly higher.

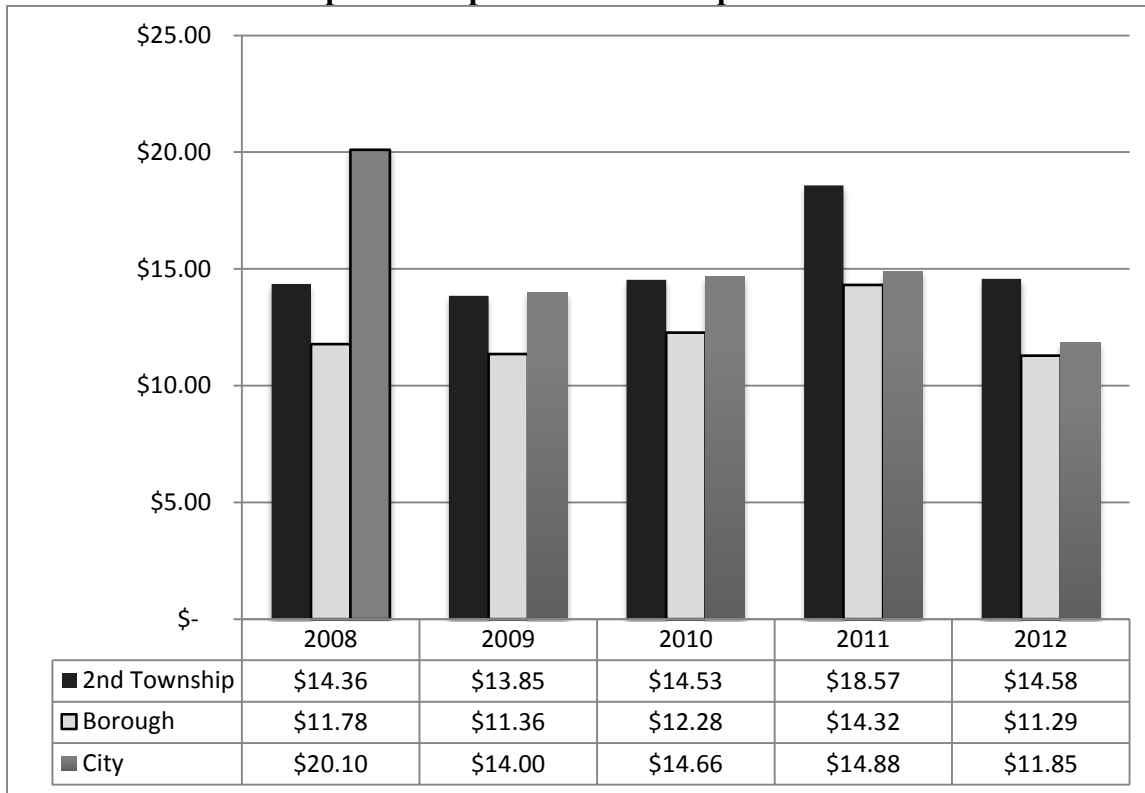
Chart 6 - Median Municipal Expenditures for Rural Fire Companies as a Percentage of Total Expenditures



Source: DCED.

Per capita, cities spent the most, with a median of \$20.10 per capita in 2012. Boroughs spent the least, with a median of \$11.29 in 2012: this was also the lowest amount over the 5-year period. Per capita spending for rural townships of the second class increased slowly, with an overall increase of \$.22 per capita over the 5-year study period. Borough and city fire expenditures declined over the 5-year period (See Chart 7).

Chart 7 - Rural Municipalities Expenditures Per Capita on Fire Protection



Source: DCED.

Table 2 shows a comparison of rural and urban municipal spending, by municipality type, for 2012.

Table 2 – 2012 Rural and Urban Municipal Spending on Fire Protection, by Municipality Type

	Urban 2012			Rural 2012		
	Median Amount	Median Percentage	Median Per Capita	Median Amount	Median Percentage	Median Per Capita
Townships 1 st Class	\$391,869	2.98%	\$27.38	--	--	--
Townships 2 nd Class	\$228,558	4.40%	\$23.19	\$27,815	4.83%	\$14.58
Borough	\$340,659	2.38%	\$16.58	\$6,109	2.82%	\$11.29
City	\$340,659	3.22%	\$30.20	\$128,922	2.21%	\$11.85

Source: DCED.

Analysis of IRS 990 Data

The analysis of IRS Form 990 data covered the 2008 to 2012 time period and included 305 urban VFCs and 173 rural VFCs. The researcher further categorized VFC's according to their total operating expenses/budget as follows: operating expenses of less than \$150,000, \$150,000 to \$300,000, and greater than \$300,000. These categories were selected to balance the larger expenditures of urban VFCs to the smaller expenditures of rural VFCs. The number and percentage of urban and rural VFCs in each category are presented in Table 3. The data were not adjusted for inflation.

Table 3 –Rural and Urban VFCs by Operating Expenses Category

Category	% of Urban	# of Urban	% of Rural	# of Rural
Under \$150,000 in expenses	20%	59	44%	76
\$150,000 to \$299,999 in expenses	35%	108	37%	63
Over \$300,000 in expenses	45%	138	19%	34
Total		305		173

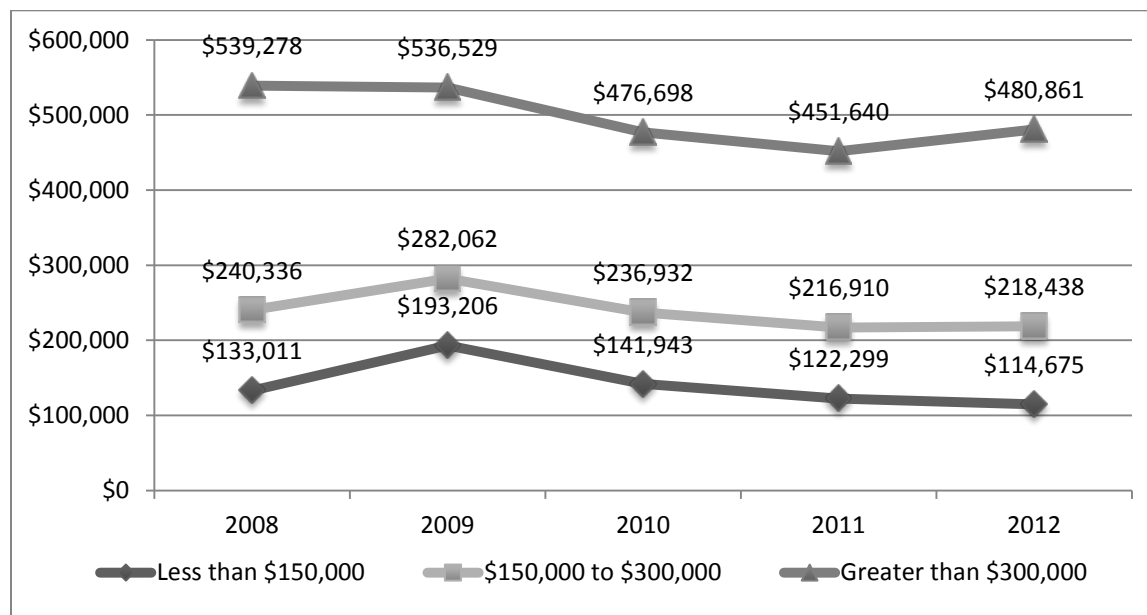
Source: IRS 990 Data (478 VFCs).

Revenue Sources and Trends

The revenue categories used in this researcher mirror those in the IRS 990 Form. Typical major revenue sources for fire companies include service revenue, government grants, contributions, fundraising, and net gaming income. Service revenue is revenue received by an organization while charging for the services for which it received a tax-exemption. Government grants include money obtained from federal, state and local grants. Contributions include cash and non-cash contributions other than grants, fundraising and membership dues. Fundraising revenues and expenses include publicizing and conducting fundraising campaigns; maintaining donor mailing lists; conducting special fundraising events; preparing and distributing fundraising manuals, instructions and other materials; and conducting other activities involved with soliciting contributions from individuals, foundations, government agencies, and others (FASB Statement 117, 1993). Net gaming income is the income from gaming events, such as bingo and other small games of chance, after expenses are deducted. Small games of chance are regulated by the Pennsylvania Department of Revenue under Pennsylvania's Local Option Small Games of Chance Act of 1988, as amended in 2012 and 2013 (Pennsylvania Department of Revenue, 2014). Small games of chance could include pull-tab games, punchboards, raffles, daily drawings, weekly drawings, 50-50 drawings, race night games, and pools. Bingo is another small game of chance but is regulated by the Bingo Law (Pennsylvania Department of Revenue, 2014). Revenue sources could also include membership dues, related organizations, net rental income, net sales income, net special income, and net inventory sales.

The researcher compared median revenue for all VFCs by the operating budget categories identified previously. In most cases, the lowest revenue year was 2011 and the highest revenue year was 2009. Further research is needed to determine why revenue and expenses peaked in 2009. One possible cause is the temporary changes made to the IRS 990 reporting regulations that resulted in fewer VFCs reporting data in 2009. Median revenues for all VFCs with operating budgets of less than \$150,000 were close to \$200,000 in 2009, but were more realistically around \$130,000 and declined to \$114,675 in 2012. Over the 5-year study period, this amounted to a 14 percent decline, the largest decline of any of the three categories. Median revenues for all VFCs with operating budgets between \$150,000 and \$300,000 were close to \$250,000 in 2008 and exceeded that in 2009. However, the median revenues for this group dropped in 2010 and 2011 and were \$218,438 in 2012. Over the 5-year period, this amounted to a 9 percent decline. Median revenues for VFCs with operating budgets greater than \$300,000 exceeded \$500,000 in 2008 and 2009, and then dropped below \$500,000 in 2010 to 2012. This was an 11 percent decline over the 5-year study period (See Chart 8).

Chart 8 – Median Revenues for All VFCs

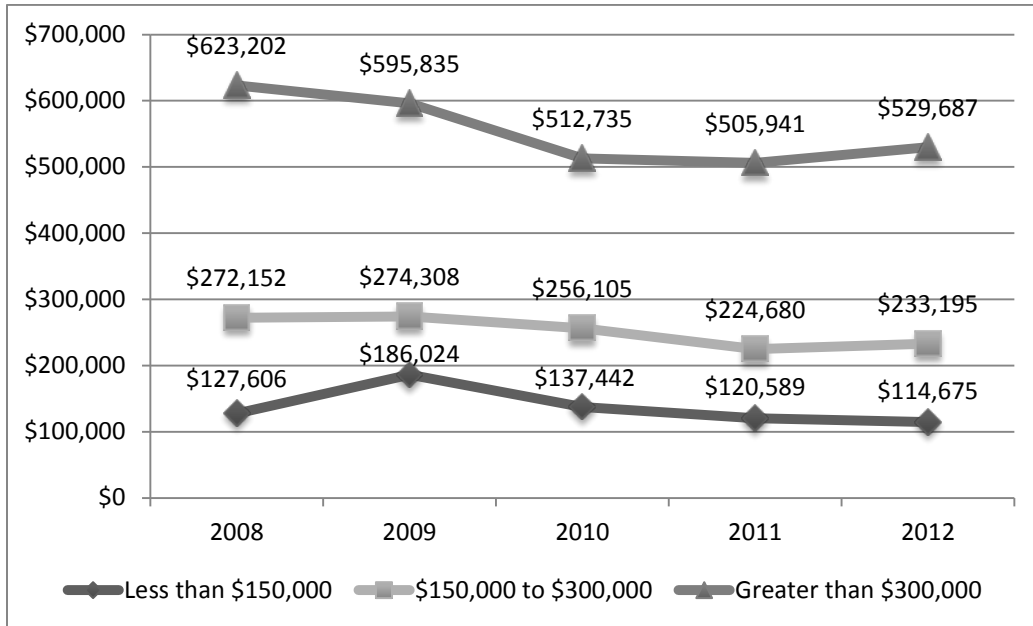


Source: IRS 990 data (478 fire companies).

Median revenues for urban VFCs over the 5-year period showed similar declining trends with a peak in 2009 (See Chart 9). Median revenues for rural VFCs in the less than \$150,000 and \$150,000 to \$300,000 categories showed similar declining trends over the 5-year study period. However, rural VFCs in the

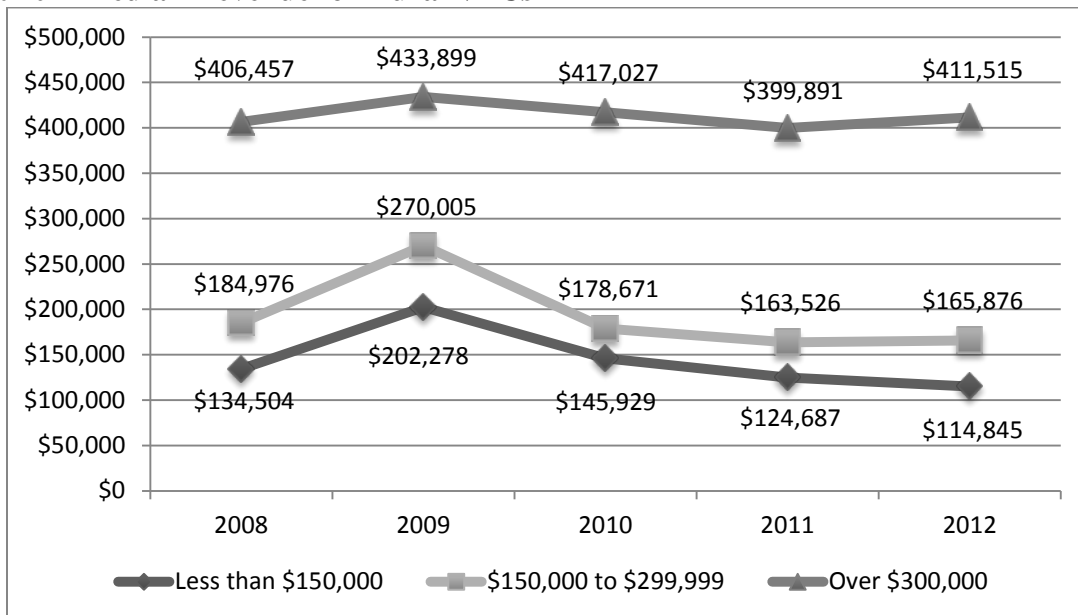
greater than \$300,000 category experienced an overall 1 percent increase in revenues over the study period (See Chart 10).

Chart 9 – Median Revenue for Urban VFCs



Source: IRS 990 data (305 fire companies).

Chart 10 – Median Revenue for Rural VFCs



Source: IRS 990 data (173 fire companies).

Revenue is broken into 14 categories in the IRS 990 form. Table 4 summarizes the categories of 2012 revenue, in total, and for urban and rural VFCs, as well as the percentage of total VFC revenue as reported on the IRS 990. Note that these percentages will not add up to 100 percent due to the summary nature of the data.

Table 4 - All VFCs, Revenue by Source, 2012

2012	Median	Percentage	Median	Percentage	Median	Percentage
Revenue Sources	Combined	Of Total Revenue	Urban	Of Total Revenue	Rural	Of Total Revenue
Government Grants	\$51,483	21.53%	\$76,232	27.55%	\$29,011	17.49%
Service Revenue	\$36,468	15.25%	\$54,502	19.70%	\$29,350	17.69%
Other contributions	\$35,430	14.82%	\$41,342	14.94%	\$29,011	17.49%
Fundraising	\$20,357	8.51%	\$23,802	8.60%	\$19,591	11.81%
Net Gaming Income	\$18,796	7.86%	\$16,894	6.11%	\$21,029	12.68%
Net Special Income	\$16,003	6.69%	\$11,329	4.09%	\$22,813	13.75%
Net Rental Income	\$6,523	2.73%	\$8,253	2.98%	\$4,793	2.89%
Revenue Other	\$4,036	1.69%	\$4,138	1.50%	\$3,456	2.08%
Investment Income	\$1,724	0.72%	\$2,858	1.03%	\$880	0.53%
Net Sales Income	\$1,108	0.46%	\$1,500	0.54%	\$263	0.16%
Membership Dues	\$372	0.16%	\$505	0.18%	\$295	0.18%
Related Organizations	\$-	0.00%	\$420	0.15%	\$-	0.00%
Federated Campaigns	\$-	0.00%	\$-	0.00%	\$-	0.00%

Source: IRS 990 data (478 fire companies).

In order of contribution to total revenue, the top revenue sources for all VFCs and urban VFCs were: government grants, service revenue, other contributions, fundraising, and net gaming income. For rural VFCs, the top revenue sources for 2012 were: service revenue, government grants, other contributions, net special income, net gaming income, and fundraising. The contribution of these items as compared to total revenue is listed in Table 5.

Table 5 All VFC – Median Top Revenue Sources for 2012

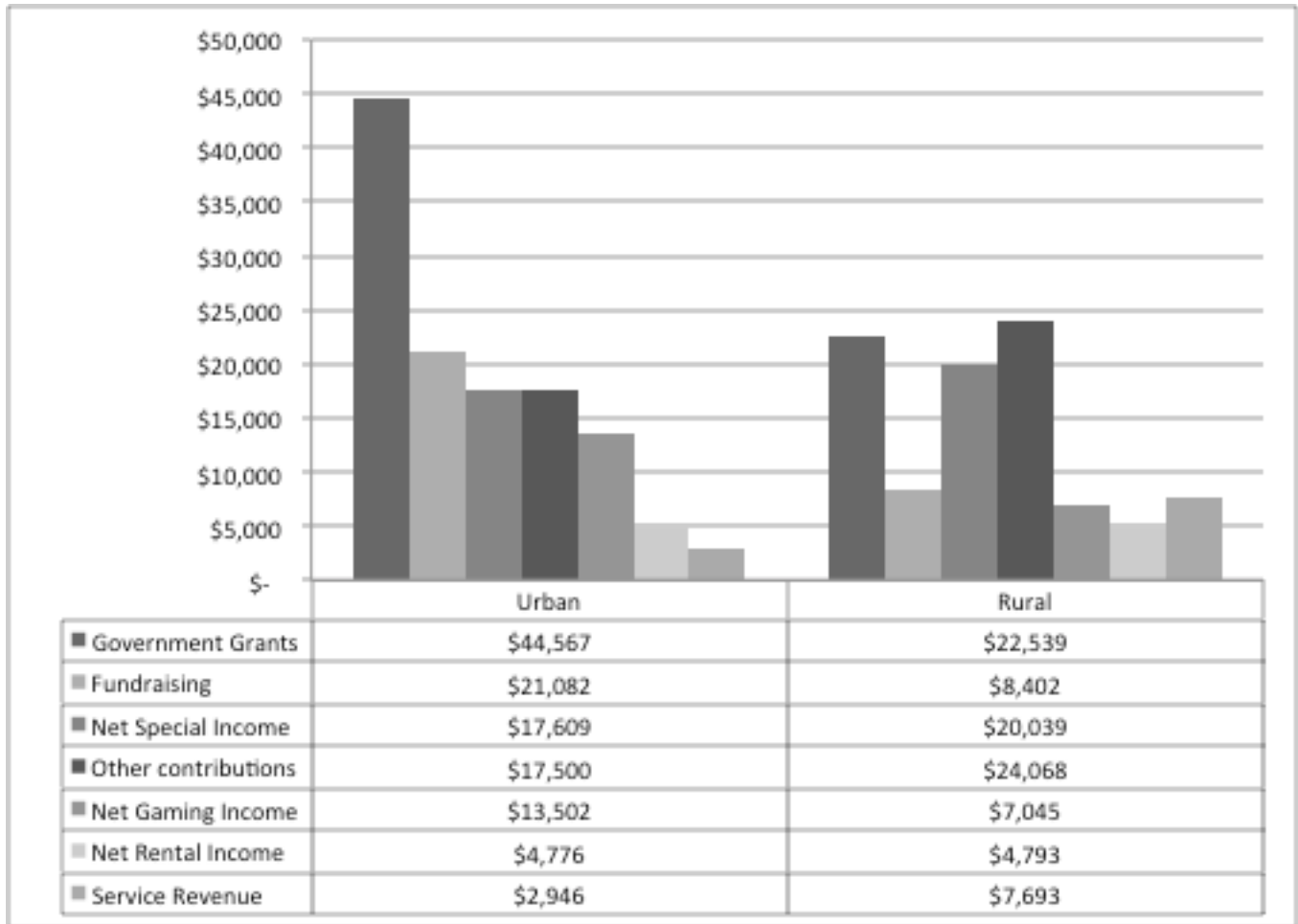
2012 Revenue Sources	Median Combined	Percentage Of Total Revenue	Median Urban	Percentage Of Total Revenue	Median Rural	Percentage Of Total Revenue
Government Grants	\$51,483	21.53%	\$76,232	27.55%	\$29,011	17.49%
Service Revenue	\$36,468	15.25%	\$54,502	19.70%	\$29,350	17.69%
Other contributions	\$35,430	14.82%	\$41,342	14.94%	\$29,011	17.49%
Fundraising	\$20,357	8.51%	\$23,802	8.60%	\$19,591	11.81%
Net Gaming Income	\$18,796	7.86%	\$16,894	6.11%	\$21,029	12.68%
Total		67.98%		76.90%		77.16%

Source: IRS 990 data (478 fire companies).

Government grants were the most important revenue source, based on the median revenue analysis for urban VFCs (27.55 percent) and one of the top three for rural VFCs (17.49 percent).

For VFCs with operating budgets of less than \$150,000, the top seven revenue categories were the same for urban and rural VFCs, but differed in rank order. For example, rural VFCs top revenue sources were other contributions, government grants, net special income, and fundraising, while urban VFCs relied on government grants, fundraising, net special income, and other contributions (See Chart 11).

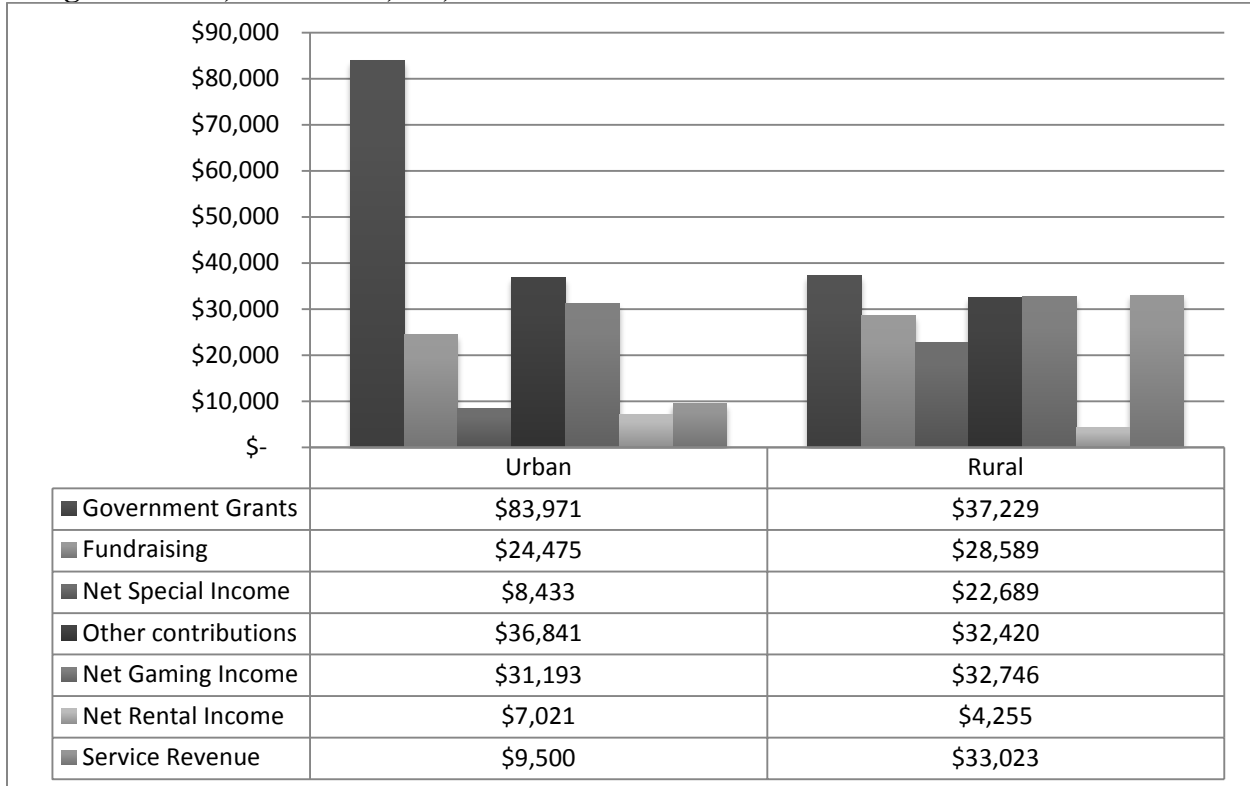
Chart 11 – Top Seven Revenue Categories for Urban and Rural VFCs With Operating Budgets of Less Than \$150,000, 2012



Source: IRS 990 data (305 urban VFCs and 173 rural VFCs).

The top revenue sources for urban VFCs with operating budgets of \$150,000 to \$300,000 were government grants, other contributions, net gaming income, fundraising, service revenue, net special income, and net rental income. For rural VFCs, the top revenue sources were grants, service revenue, net gaming income, other contributions, fundraising, net special income, and net rental income. It was interesting that service revenues were the second largest source of revenues for rural VFCs. It is also notable how much more substantial government grants were to urban VFCs as compared to rural VFCs (See Chart 12).

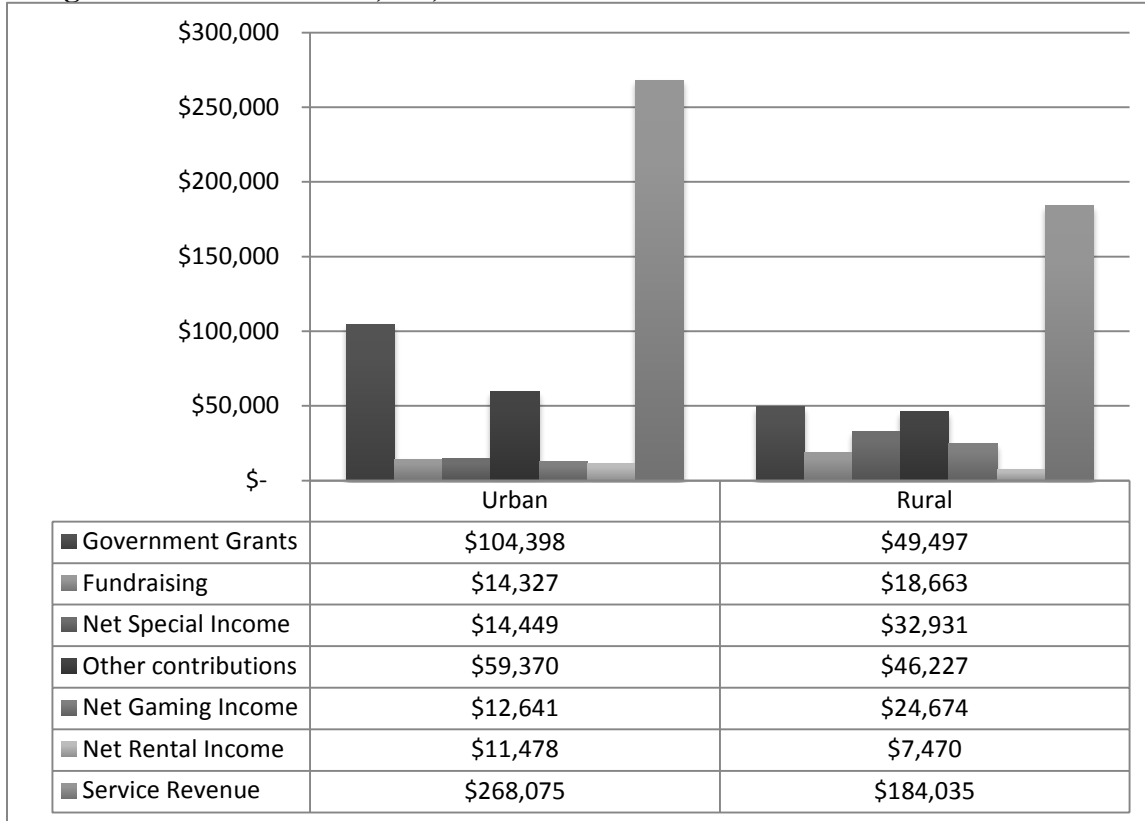
Chart 12 – Top Seven Revenue Categories for Urban and Rural VFCs with Operating Budgets of \$150,000 to \$300,000, 2012



Source: IRS 990 data (305 urban VFCs and 173 rural VFCs).

For both urban and rural VFCs with operating budgets over \$300,000, the top revenue source was service revenue (See Chart 13).

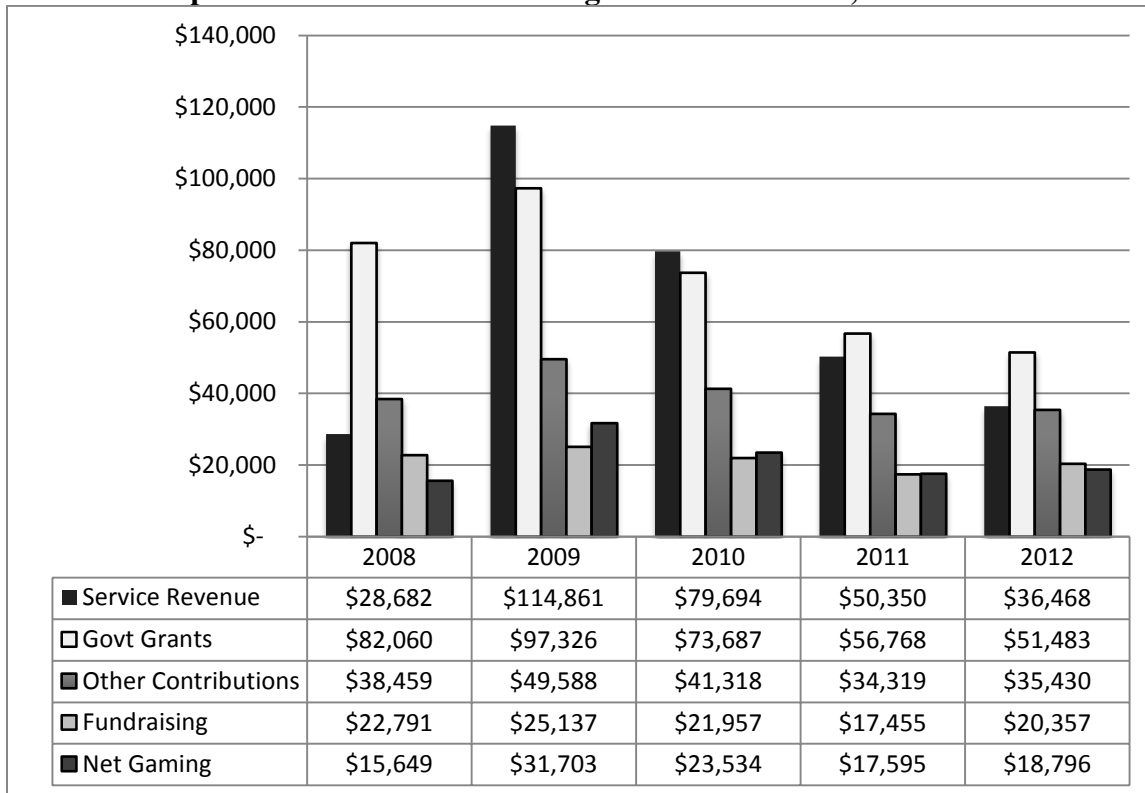
Chart 13 – Top Seven Revenue Categories for Urban and Rural VFCs with Operating Budgets Greater than \$300,000, 2012



Source: IRS 990 data (305 urban VFCs and 173 rural VFCs).

Further examination of these major revenue sources for all VFCs over the 5-year study period indicated a steady slide in all revenue sources, including fundraising and gaming income (See Chart 14).

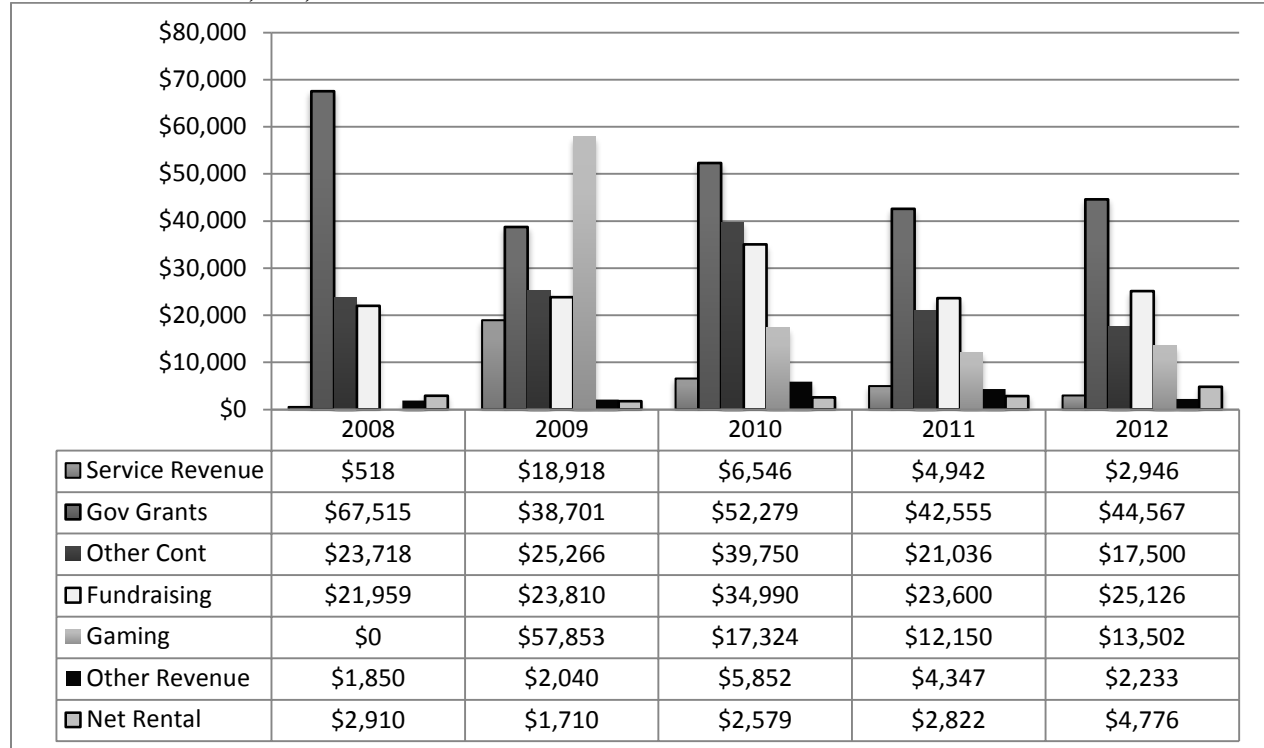
Chart 14 –Top Five Median Revenue Categories for All VFCs, 2008 to 2012



Source: IRS 990 data (478 VFCs).

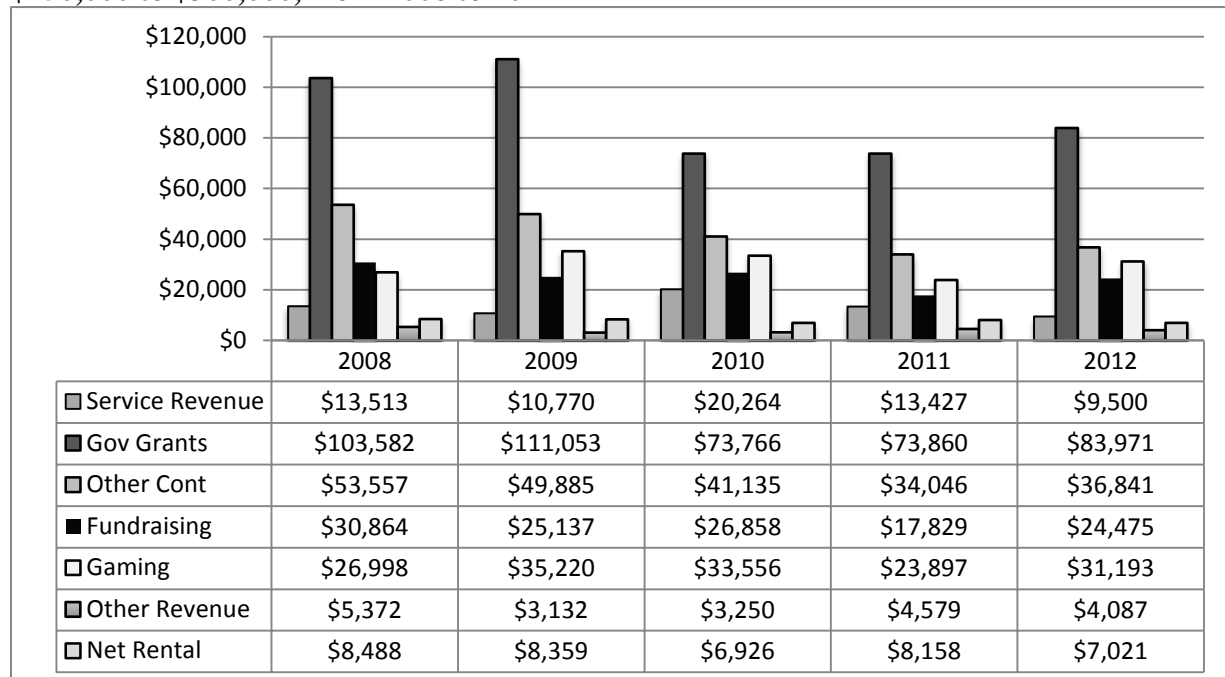
Charts 15 through 17 illustrate the top revenue sources for urban VFCs according to their operating budget categories over the 5-year study period. Overall, the data indicate that urban VFCs have increasingly relied on service revenues.

Chart 15 – Top Seven Median Revenue categories for Urban VFCs with Operating Budgets of Less than \$150,000, from 2008 to 2012



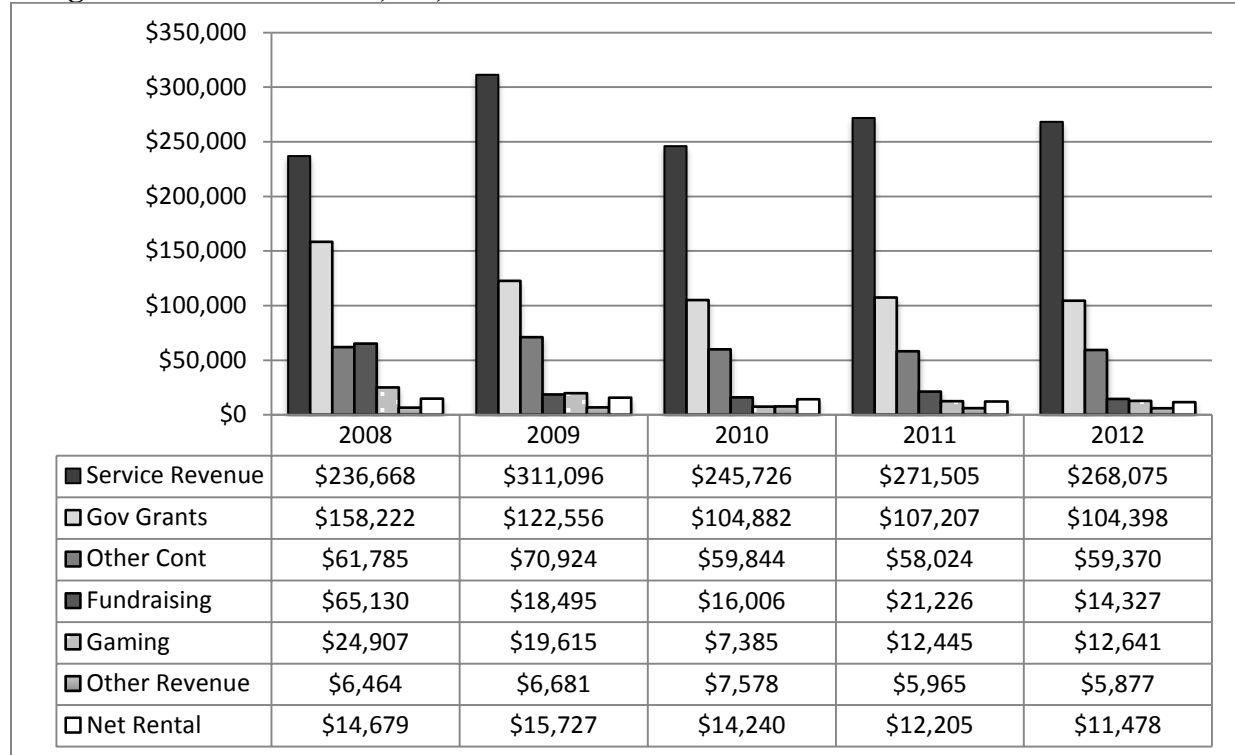
Source: IRS 990 data (305 urban VFCs).

Chart 16 – Top Seven Revenue Categories for Urban VFCs with Operating Budgets of \$150,000 to \$300,000, from 2008 to 2012



Source: IRS 990 data (305 urban VFCs).

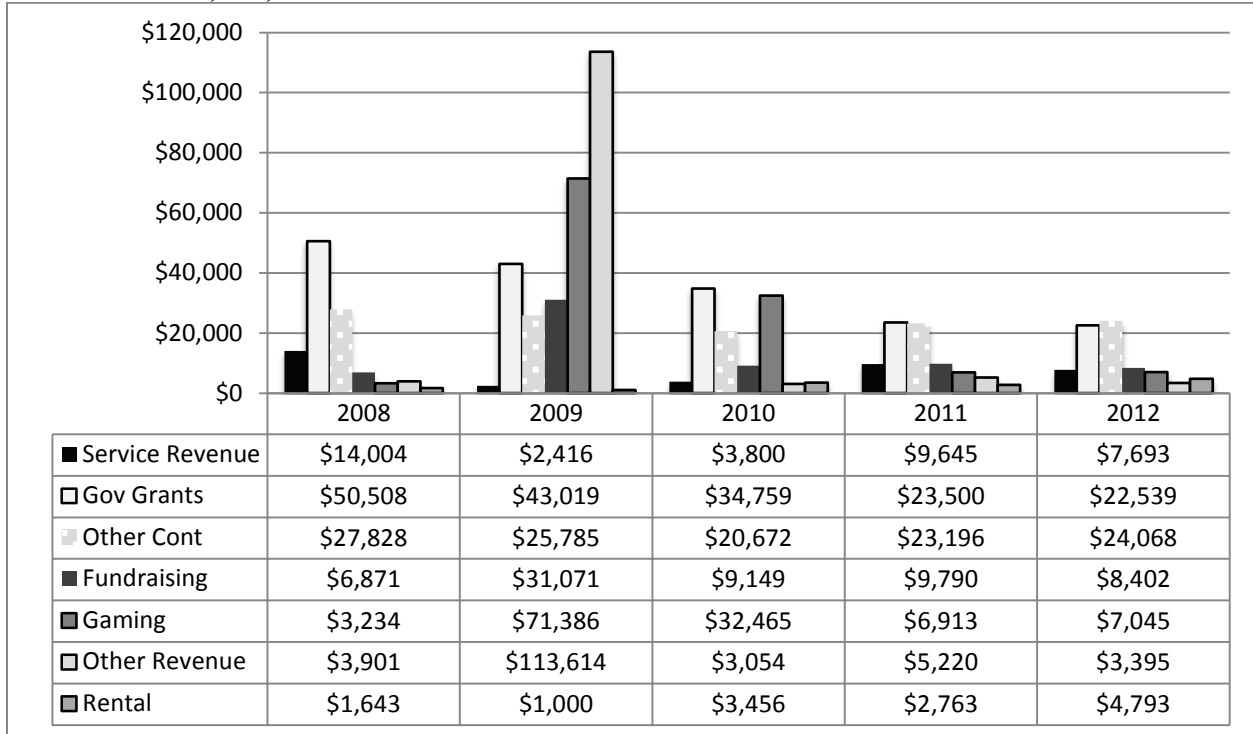
Chart 17 – Top Seven Median Revenue Categories for Urban VFCs with Operating Budgets Greater than \$300,000, from 2008 to 2012



Source: IRS 990 data (305 urban VFCs).

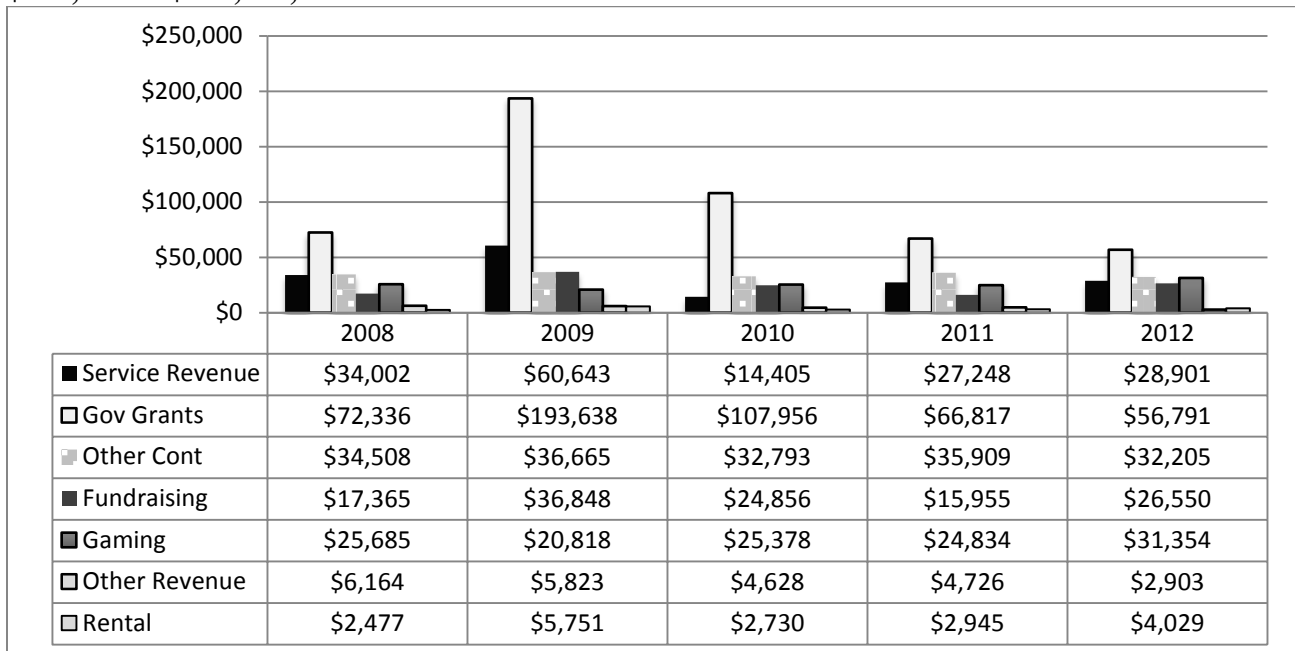
Charts 18 through 20 illustrate the top revenue sources for rural VFCs according to their operation budget categories over the study period. Overall, service revenues have increased in importance for rural VFCs with operating budgets in the greater than \$300,000 category. However, rural VFCs with smaller operating budgets have increased their reliance on fundraising and gaming.

Chart 18 –Top Seven Median Revenue Categories for Rural VFCs with Operating Budgets Less than \$150,000, from 2008 to 2012



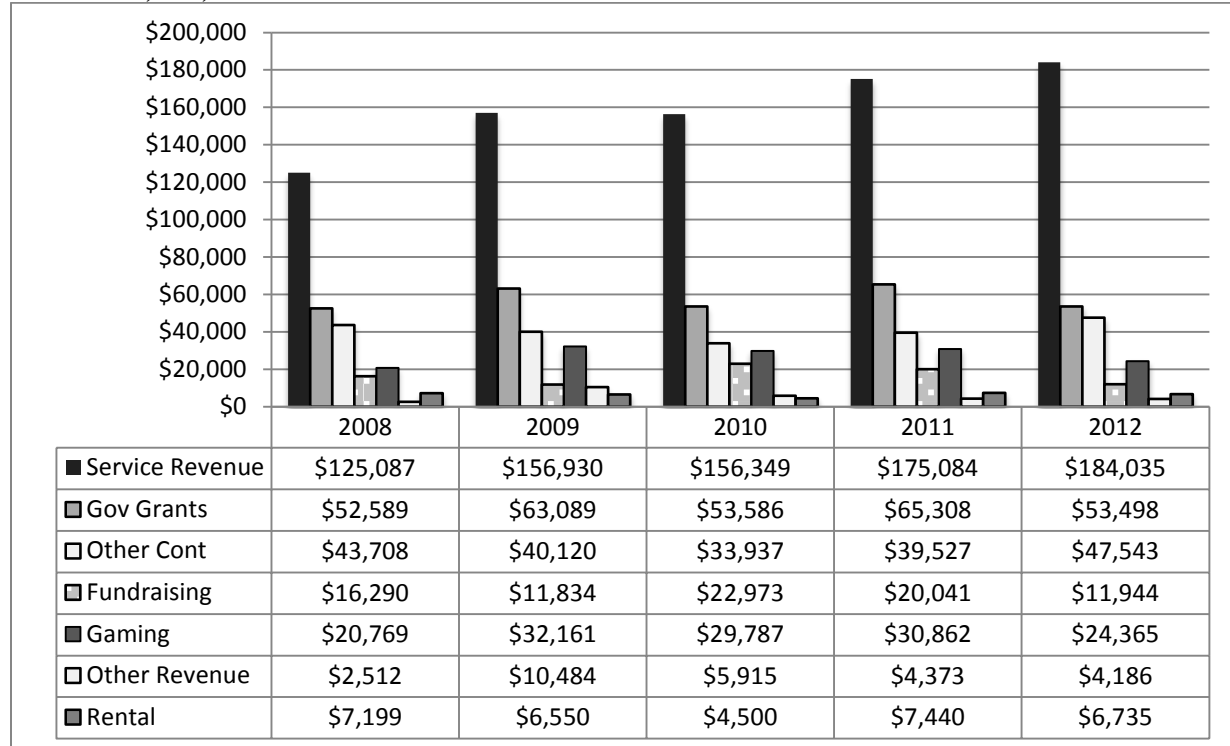
Source: IRS 990 data (173 rural VFCs).

Chart 19 –Top Seven Revenue Categories for Rural VFCs with Operating Budgets of \$150,000 to \$300,000, from 2008 to 2012



Source: IRS 990 data (173 rural VFCs).

Chart 20 –Top Seven Revenue Categories for Rural VFCs with Operating Budgets Greater than \$300,000, from 2008 to 2012



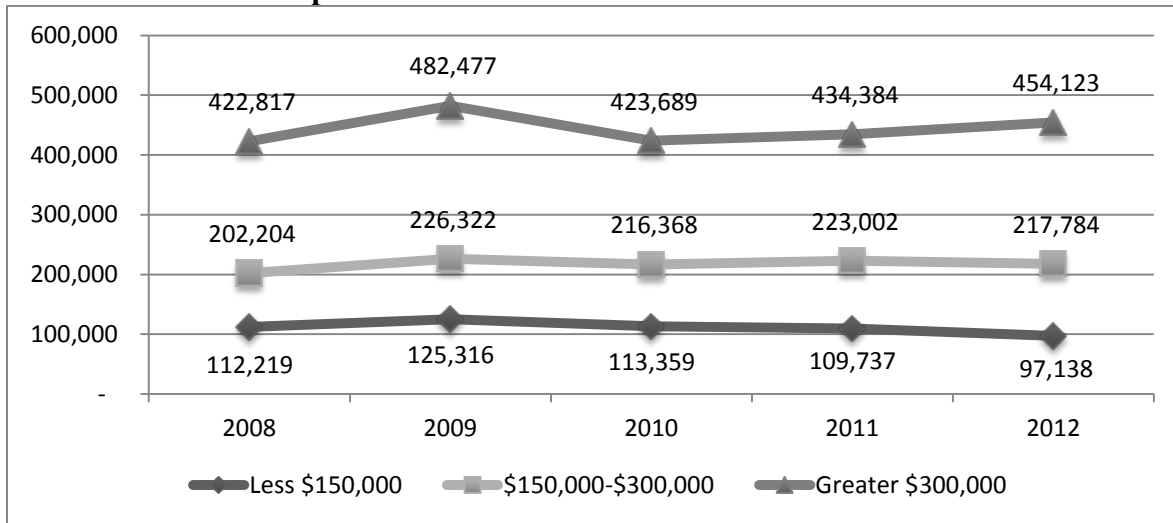
Source: IRS 990 data (173 rural VFCs).

Expenditures and Trends

Expenditures for all VFCs with operating budgets of less than \$150,000 dropped 13 percent over the 5-year study period; in 2012 median expenses were close to \$100,000. VFCs with operating budgets of \$150,000 to \$300,000 had median expense exceeding \$200,000; in 2012, median expenses were \$218,000. Total expenses increased 8 percent over the 5-year period.

VFCs with operating budgets greater than \$300,000 had median expenses that slightly exceeded \$450,000. Overall, total expenses increased 7 percent over the 5-year study period (See Chart 21).

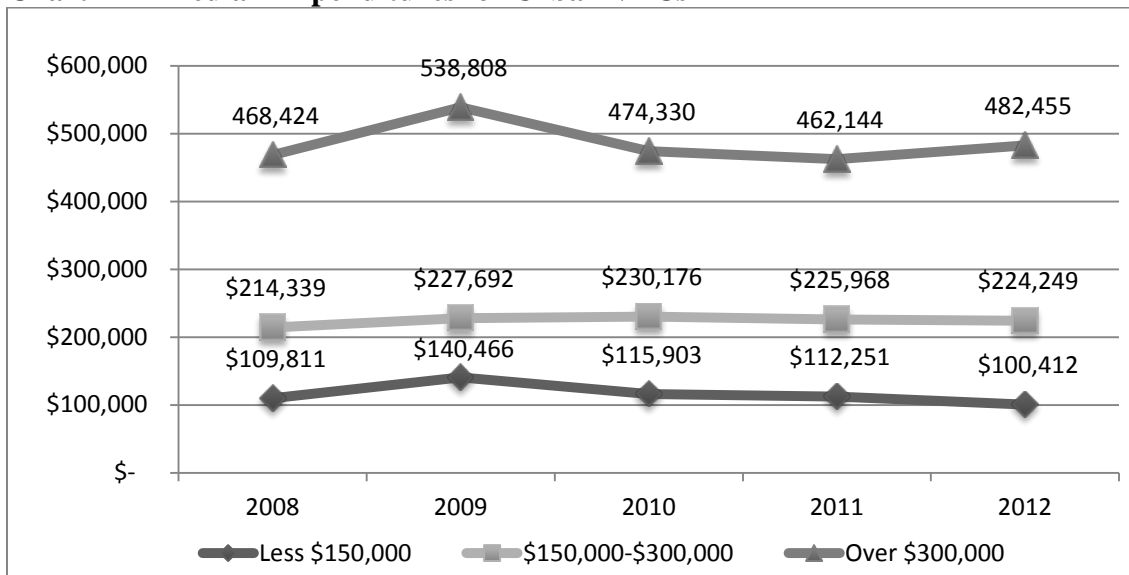
Chart 21 – Median Expenditures for All VFCs



Source: IRS 990 data (478 fire companies).

The median total expenditures for urban VFCs with operating budgets under \$150,000 were slightly above \$100,000, although expenses decrease 14 percent over the 5-year study period. Urban VFCs with operating budgets between \$150,000 and \$300,000 had total expenses of approximately \$225,000; overall expenditures increased 7 percent over the study period. Urban VFCs with operating budgets greater than \$300,000 had total expenditure of about \$480,000; overall, these decreased 3 percent over the study period (See Chart 22).

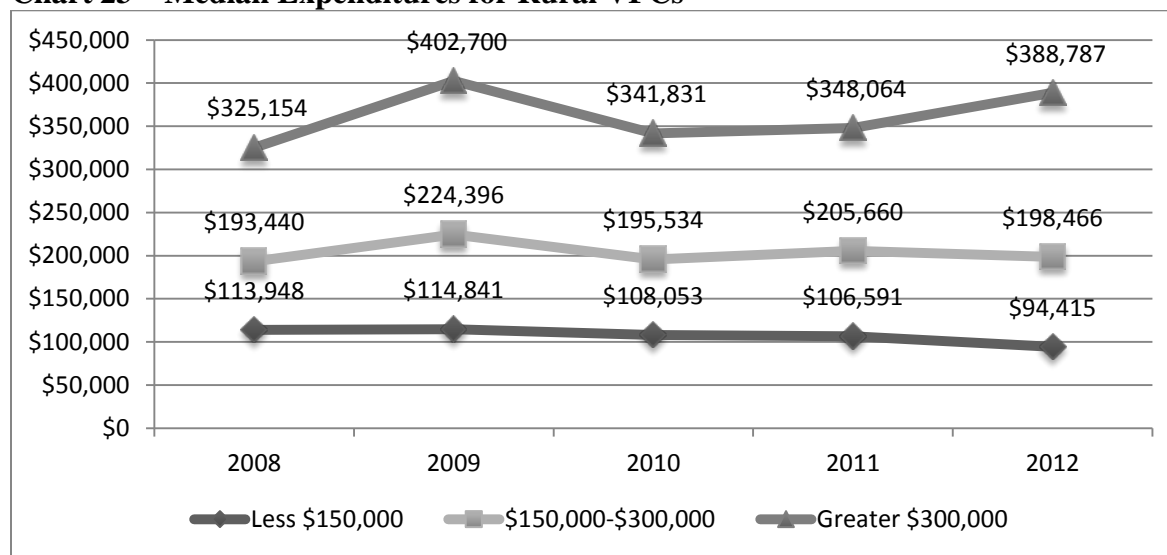
Chart 22 – Median Expenditures for Urban VFCs



Source: IRS 990 data (305 fire companies).

Median expenditures for rural VFCs with operating budgets under \$150,000 were below \$100,000; these expenditures decreased 17 percent over the study period. Median expenditures for rural VFCs with operating budgets between \$150,000 and \$300,000 were under \$200,000 and increased 9 percent overall and for rural VFCs with operating budgets greater than \$300,000 were greater than \$388,000, and increased 20 percent over the study period (See Chart 23).

Chart 23 – Median Expenditures for Rural VFCs

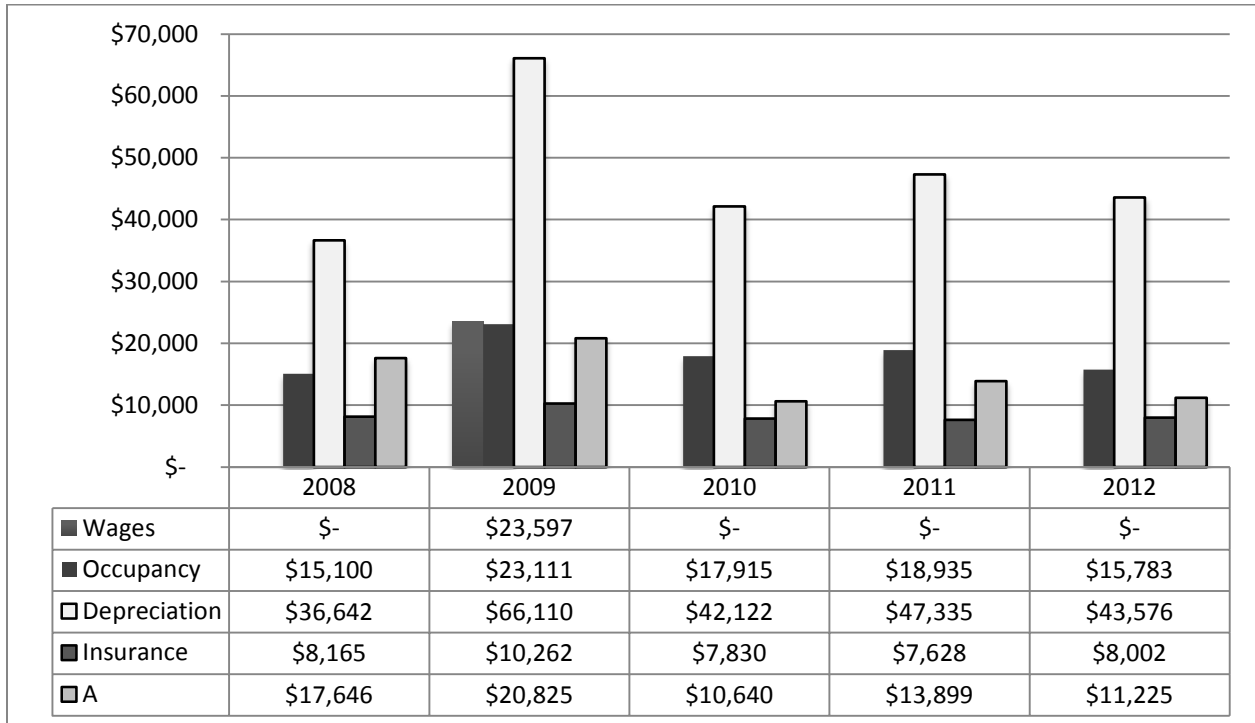


Source: IRS 990 data (173 fire companies).

Among the 27 possible types of expenditures included in the IRS 990 forms, the research found five that were consistently ranked as the top expenditures for both urban and rural VFCs: wages, occupancy, depreciation, insurance, and expense A (Note: these may include repairs and maintenance, EMT/Paramedic, billing service, fundraising events, fire gear and uniforms, laundry service, purchases, vehicle expense, property/building repairs and maintenance, utilities, billing costs, medical supplies, other supplies, and fund drive expenses. The largest expenses are classified as A, second largest as B, and so on. Type E is always other expenses.)

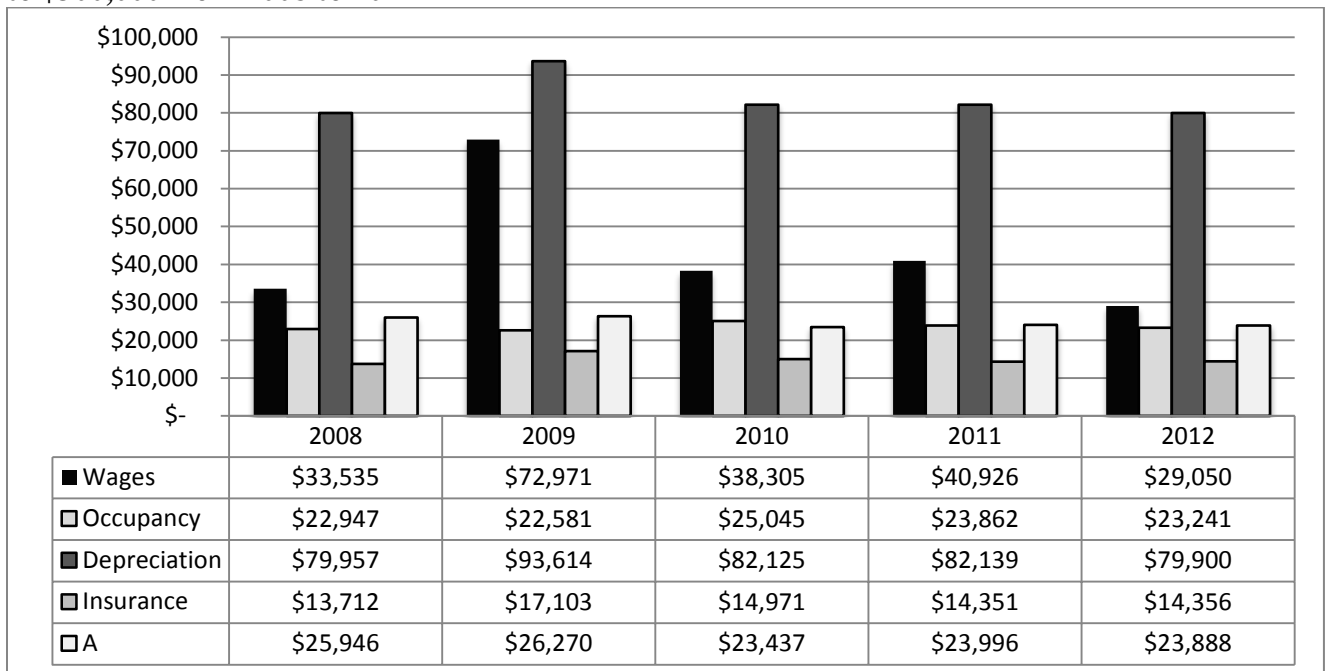
Charts 24 through 20 show the top five median expense categories for both urban and rural VFCs based on their operating budget category. For consistency, wage expenses were included in the analysis, even if they were zero.

Chart 24 –Top Five Median Expenses for Urban VFCs with Operating Budgets Less than \$150,000 from 2008 to 2012



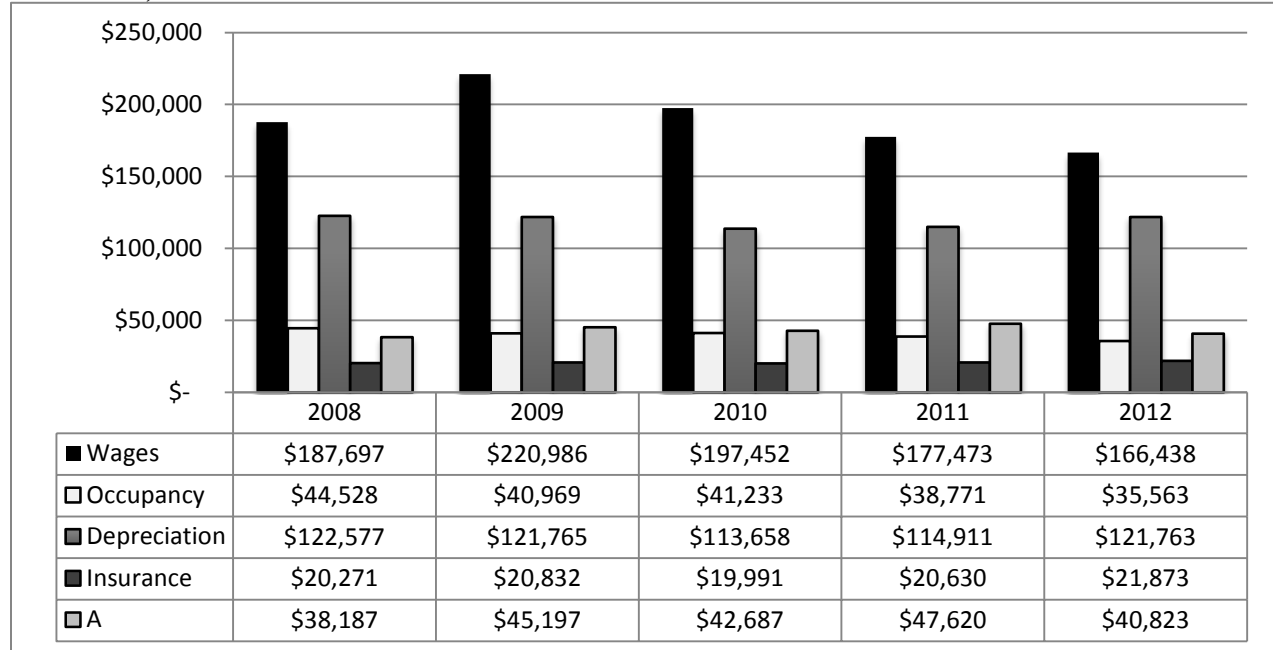
Source: IRS 990 data (305 urban VFCs).

Chart 25 –Top Five Median Expenses for Urban VFCs with Operating Budgets of \$150,000 to \$300,000 from 2008 to 2012



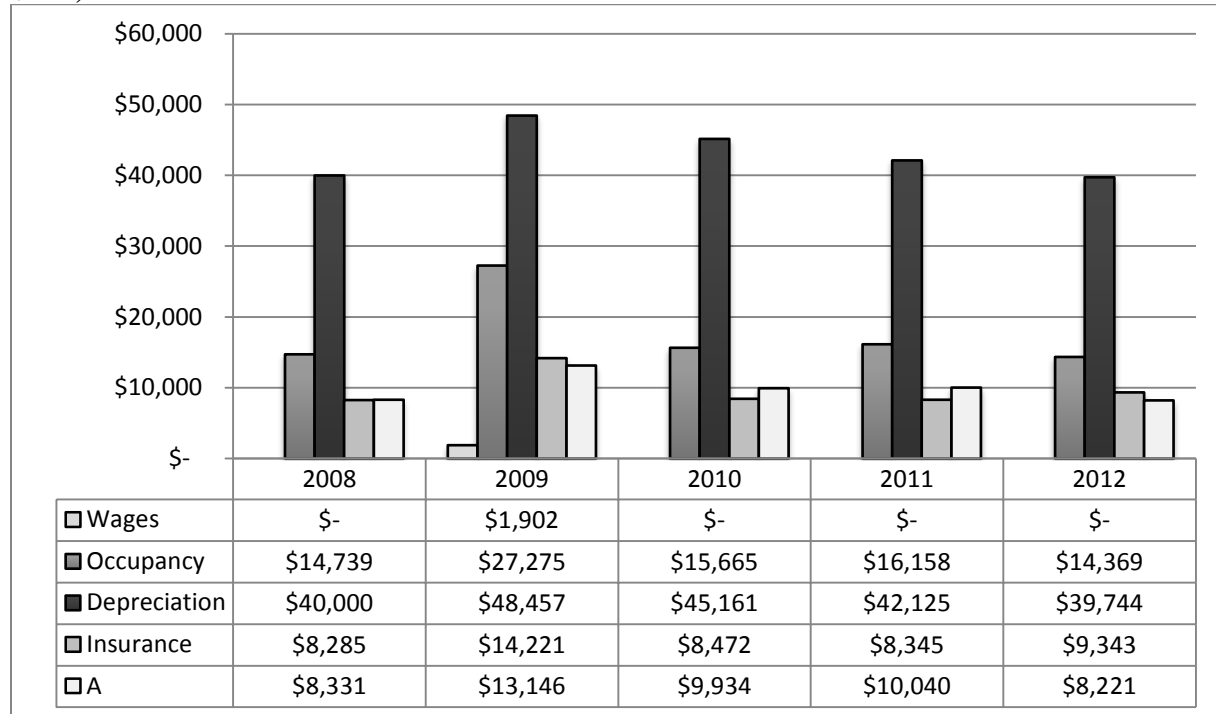
Source: IRS 990 data (305 urban VFCs).

Chart 26 – Top Five Median Expenses for Urban VFCs with Operating Budgets Greater than \$300,000 from 2008 to 2012



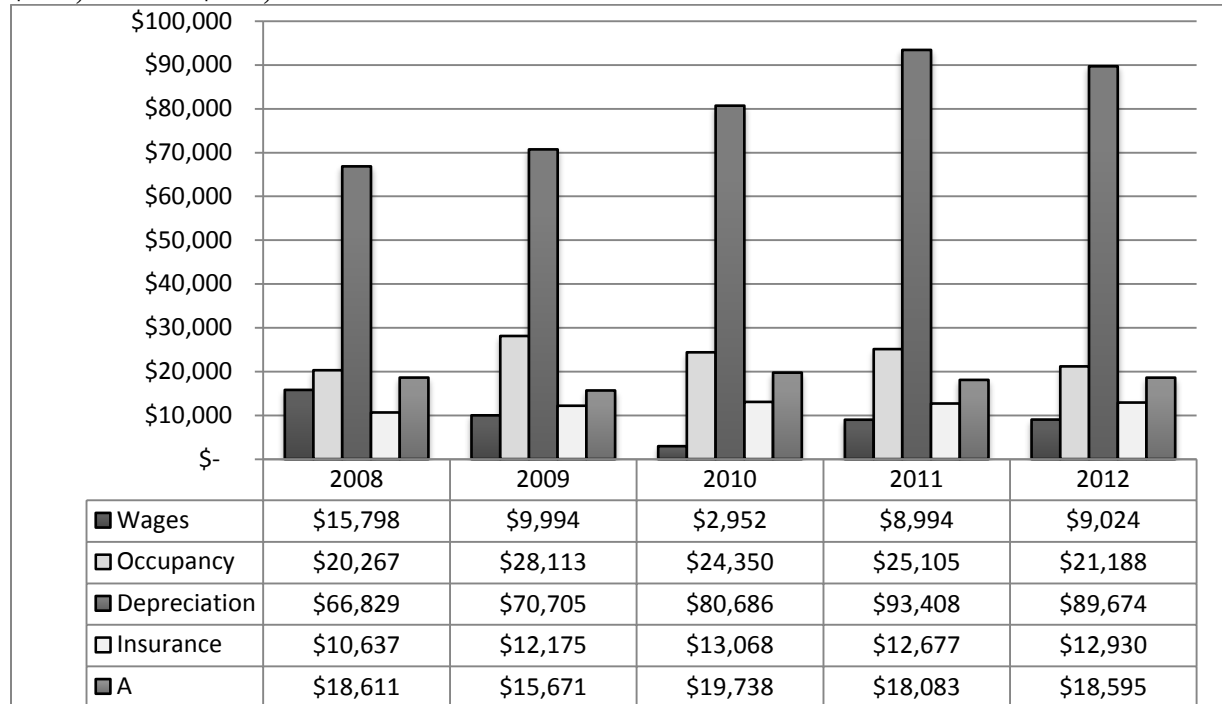
Source: IRS 990 data (305 urban VFCs).

Chart 27 – Top Five Median Expenses for Rural VFCs with Operating Budgets Less than \$150,000 from 2008 to 2012



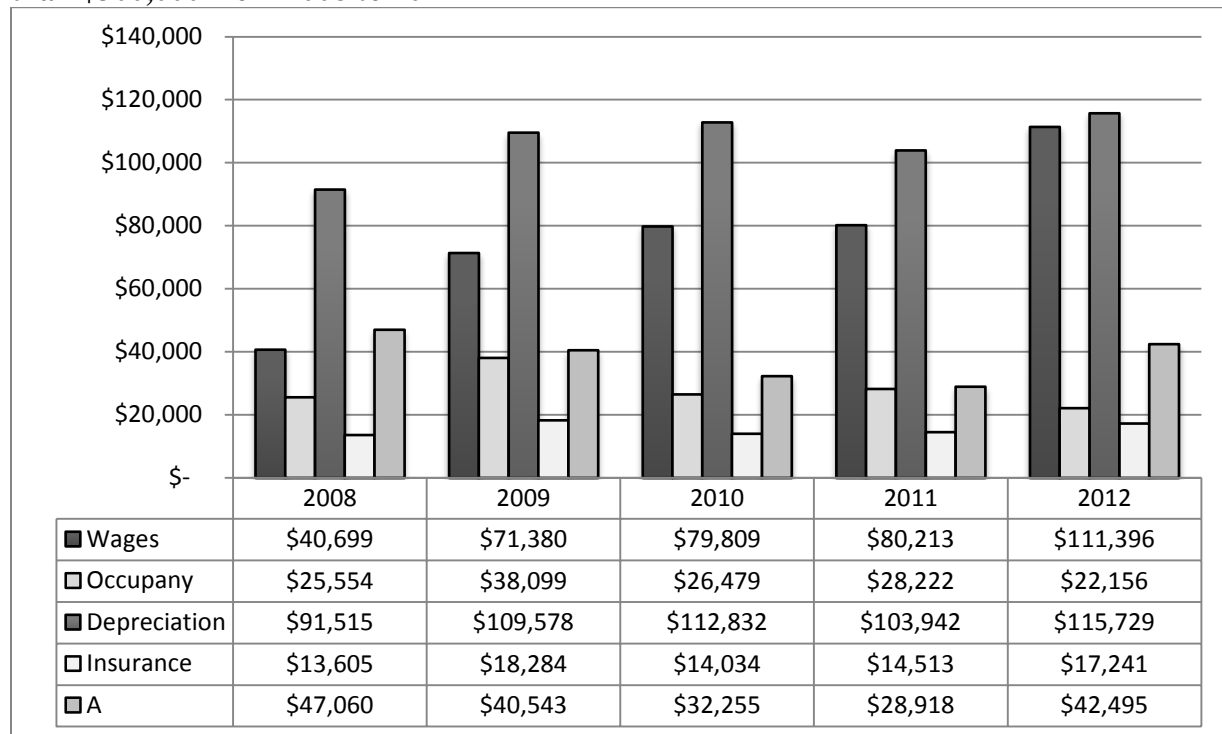
Source: IRS 990 data (173 rural VFCs).

Chart 28 –Top Five Median Expenses for Rural VFCs with Operating Budgets Between \$150,000 and \$300,000 from 2008 to 2012



Source: IRS 990 data (173 rural VFCs).

Chart 29 –Top Five Median Expenses for Rural VFCs with Operating Budgets Greater than \$300,000 from 2008 to 2012



Source: IRS 990 data (173 rural VFCs).

The most frequently occurring expenditures for rural VFCs, based on the parameter that 75 percent or more of rural VFCs examined reported these type of expenditures, were accounting, office, occupancy fees, interest, depreciation, insurance, other expenses, and specifically identified expense types A, B, C, and D. This is slightly different than urban VFCs, in that office and interest expenses were reported by 75 percent or more of the rural VFCs.

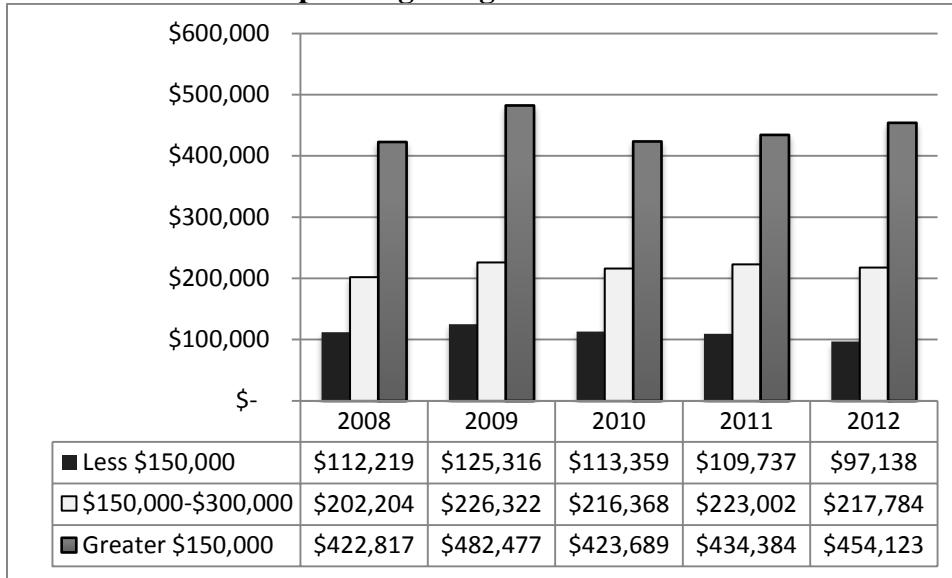
The number of VFCs that have wage expenditures increased steadily for the urban VFCs analyzed, increasing from 14 percent to 30 percent over the study period. This may be due, in part, to part-time fire personnel, paid fire chiefs, and EMTs employed in the VFC ambulance service (as part of the VFC). Rural VFCs also demonstrated an increase in wage expenditures from 8 percent to 17 percent over the study period. It is interesting to note that some urban VFCs have pension expenditures, while no rural VFCs included in the sample had pension expenditures. This may indicate rural VFCs do not have full-time personnel and urban VFCs may have some full-time personnel. Note that pension expenses are not always provided to full-time personnel, so additional research is needed to analyze wage and pension expenses for VFCs.

Depreciation was the second largest expense for urban and rural VFCs. Depreciation expenses for rural VFCs represented an average of about 20 percent of their total expenditures, compared to about 13 percent for urban VFCs.

Operating Budgets and Trends

The median operating budgets for all VFCs ranged from \$97,138 to \$482,477 over the study period. VFCs in the less than \$150,000 operating budget category saw a steady decline in their operating budgets since 2009: overall they saw an 11 percent decline over the 5-year study period. VFCs in the \$150,000 to \$200,000 category had increases and decreases over the 5-year time period, but an overall increase of 8 percent. VFCs in the greater than \$300,000 category had a steady increase over the study period, with an overall increase 7 percent (See Chart 30).

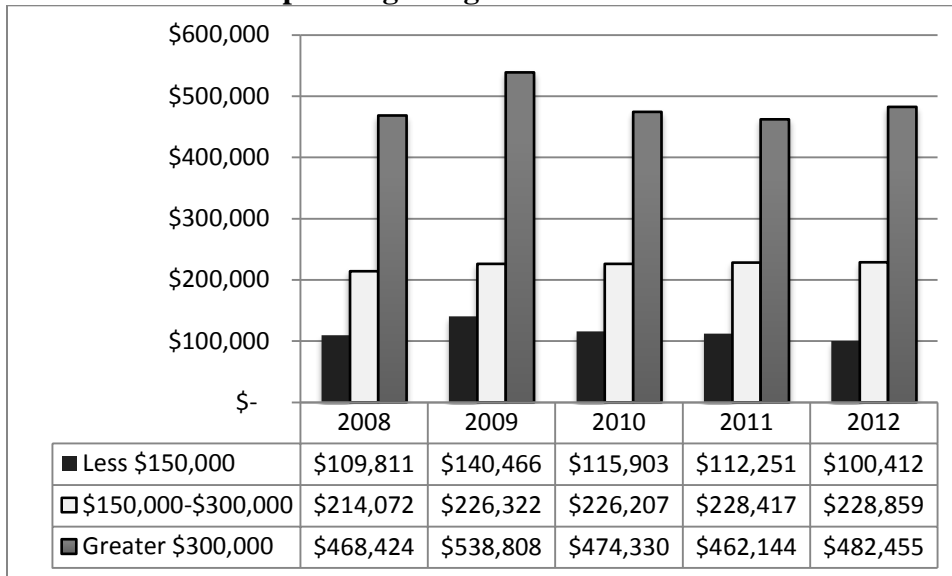
Chart 30 – Median Operating Budgets for All VFC for 2008 - 2012



Source: IRS 990 data (478 VFCs).

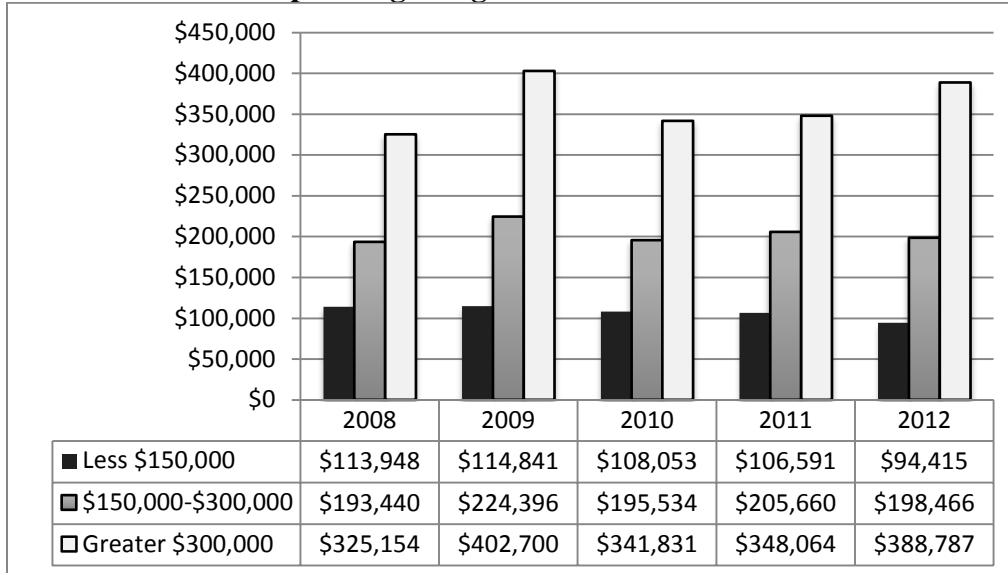
Charts 31 and 32 show the operating budgets and trends for urban and rural VFCs.

Chart 31–Median Operating Budgets for Urban VFCs from 2008 to 2012



Source: IRS 990 data (305 urban VFCs).

Chart 32 –Median Operating Budgets for Rural VFCs from 2008 to 2012



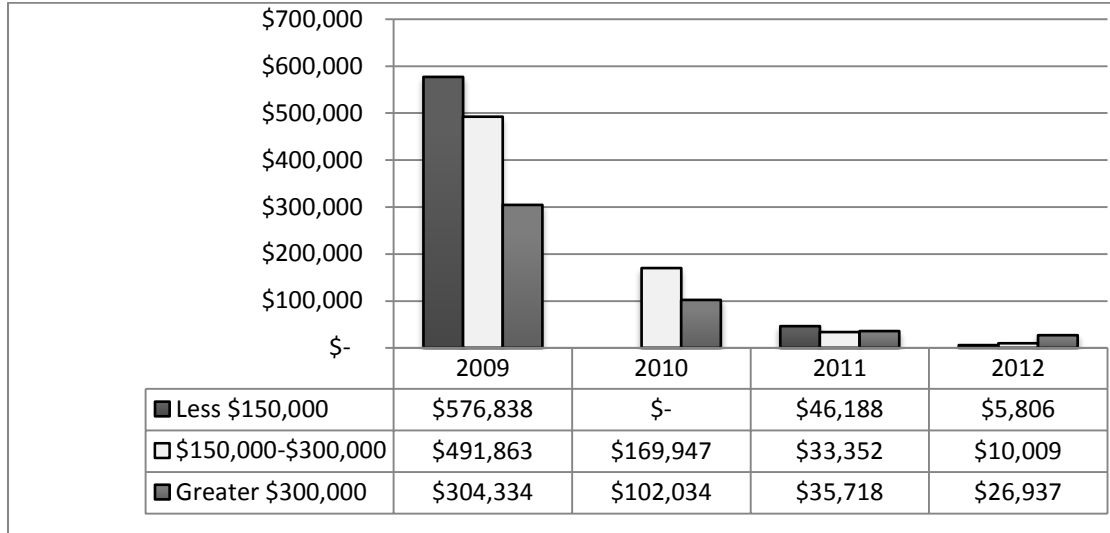
Source: IRS 990 data (173 rural VFCs).

Capital Budgets and Trends

Since capital budgets are not reported on the IRS 990 form, the researcher compared two consecutive years of VFC property, plant and equipment accounts, which are referred to as LBEs, or Land, Buildings, and Equipment, on the 990. The researcher examined the change in the LBE base (this is gross, or before depreciation) for each VFC in the data set from year to year to determine the capital budget. The median of these differences was calculated for each operating budget category for all VFCs, urban VFCs, and rural VFCs. The capital budget for 2008 could not be inferred due the lack of data for 2007, so results are presented for 2009 through 2012.

The data showed a steady decline in capital budgets for all VFCs from 2009 to 2012. This decline should not be interpreted to mean that assets were reduced; instead it indicates capital purchases were made every year but at a much lower amount and rate than in previous years. The median capital budgets for all VFCs in the less than \$150,000 category decreased from a high of \$576,838 in 2009 to a low of \$5,806 in 2012. This is a 99 percent decline over the 4-year study period (See Chart 33).

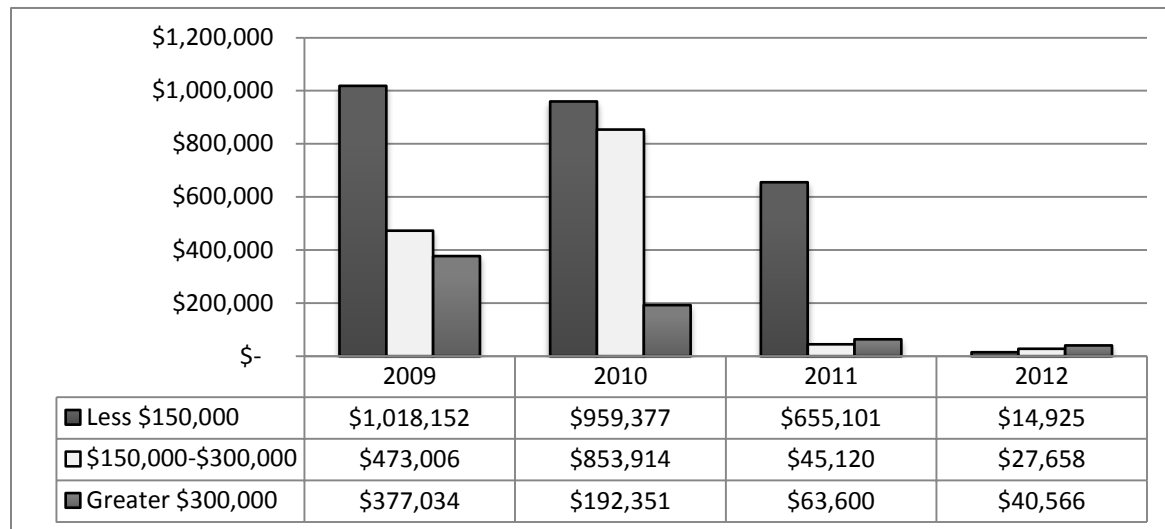
Chart 33 –Median Capital Budget for all VFCs According to Operating Budget Category from 2008 to 2012



Source: IRS 990 data (478 VFCs).

Overall, the median capital budgets for urban VFCs showed a steady, and sometimes steep, decline from 2009 to 2012 (See Chart 34).

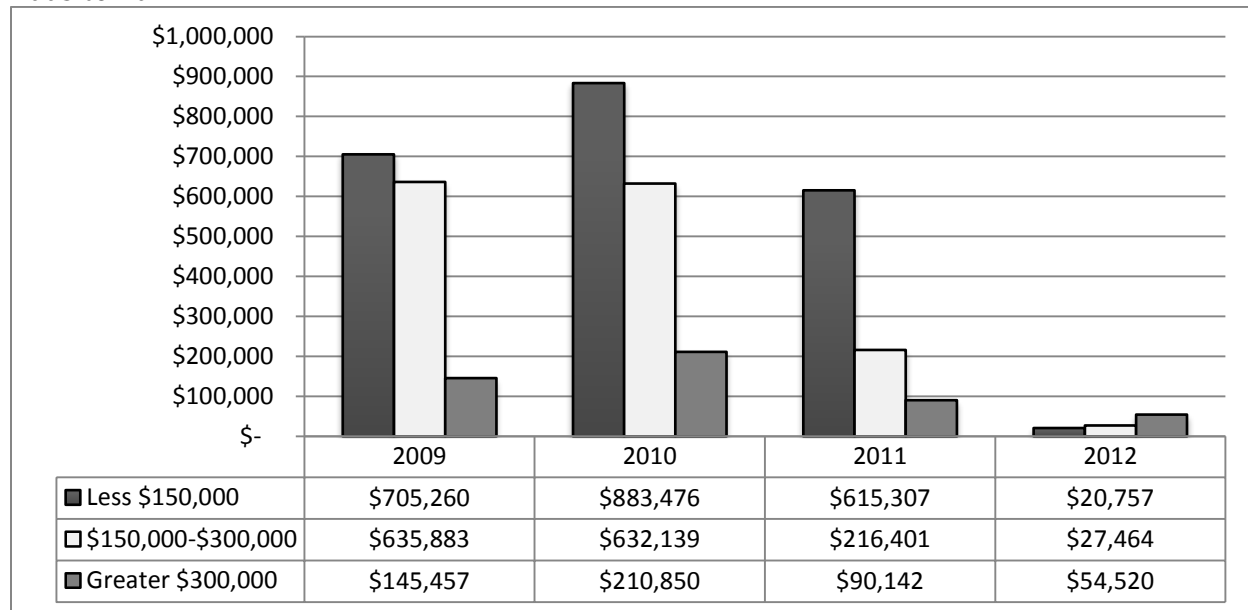
Chart 34 – Median Capital Budget for Urban VFCs According to Operating Budget from 2008 to 2012



Source: IRS 990 data (305 urban VFCs).

The median capital budgets for rural VFCs also showed a steady, and sometimes a steep, decline from 2009 to 2012. Again, this decline should not be interpreted to mean that assets were reduced; instead it indicates capital purchases were made every year but at a much lower amount and rate than in previous years (See Chart 35).

Chart 35 – Median Capital Budget for Rural VFCs According to Operating Budget from 2008 to 2012

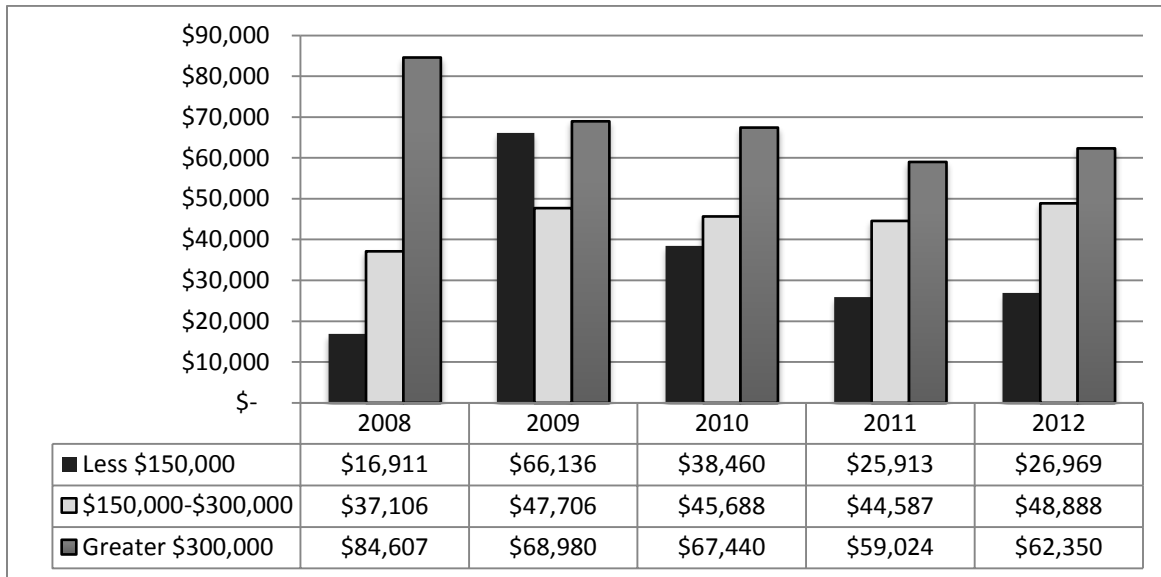


Source: IRS 990 data (173 rural VFCs).

Cash Reserves and Savings

Cash amounts fluctuated from 2008 to 2012. Median cash for all VFCs with operating budgets less than \$150,000 increased, decreased, and then slightly increased over the 5-year study period, with an overall increase of 59 percent. While this percentage may seem large, it should be noted that the actual overall increase was approximately \$10,000. VFCs may be, in these fiscally challenging times, saving cash for emergencies. Median cash for all VFCs with operating budgets between \$150,000 and \$300,000, increased 32 percent over the 5-year time period, or approximately \$11,000. For all VFCs with operating budgets greater than \$300,000, median cash decreased steadily over the time period, 26 percent overall, or approximately \$22,000 (See Chart 36).

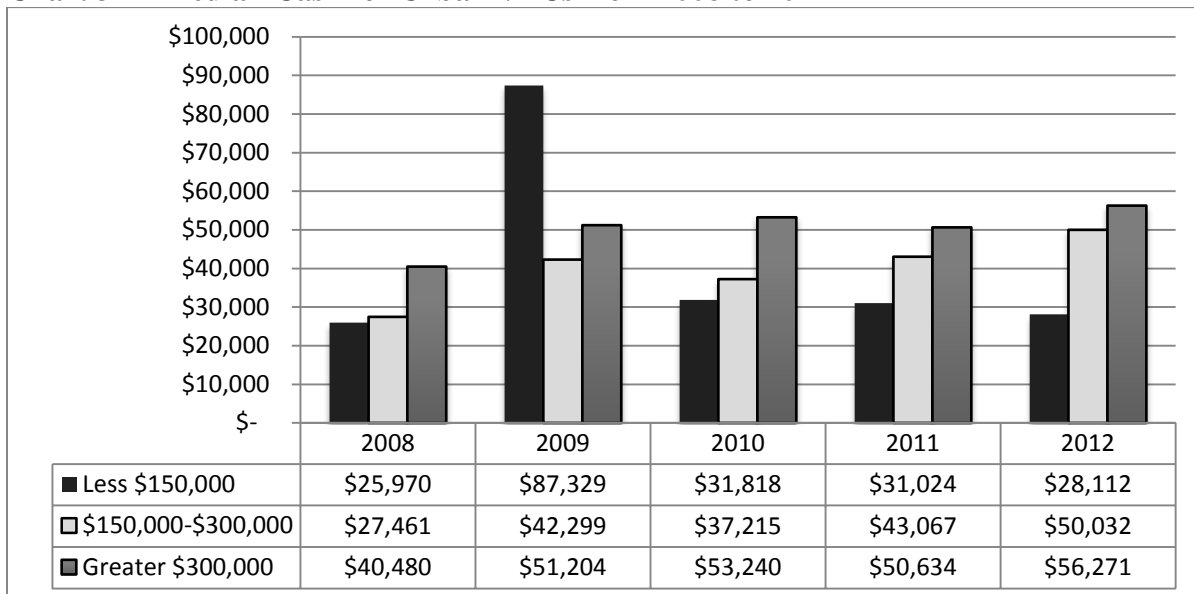
Chart 36 – Median Cash for All VFCs from 2008 to 2012



Source: IRS 990 data (478 VFCs).

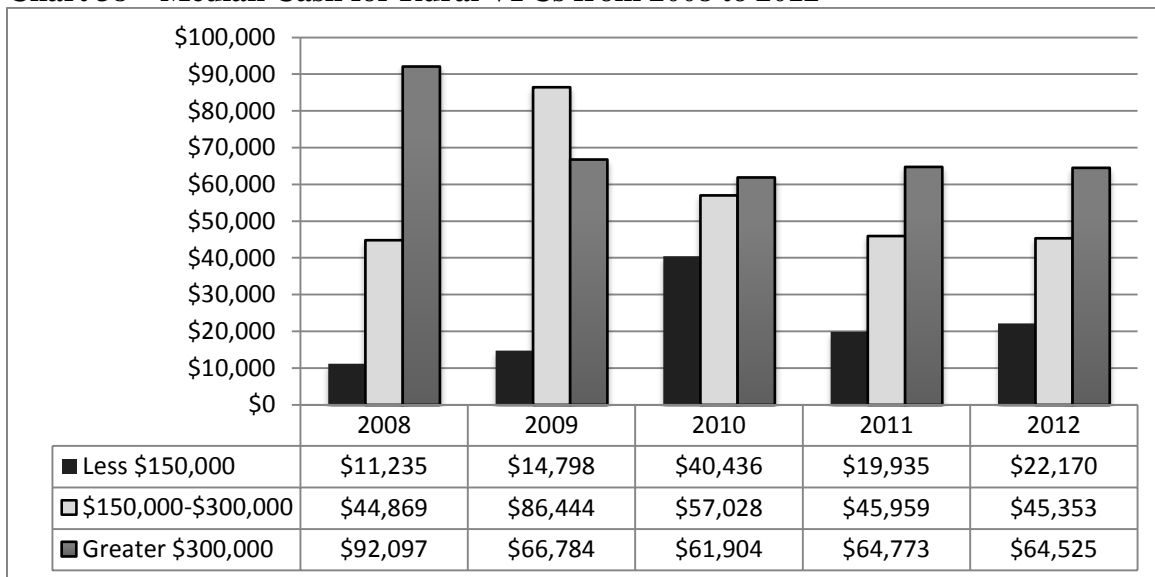
Charts 37 and 38 show median cash reserves for for urban and rural VFCs according to operating budget categories.

Chart 37 – Median Cash for Urban VFCs from 2008 to 2012



Source: IRS 990 data (305 urban VFCs).

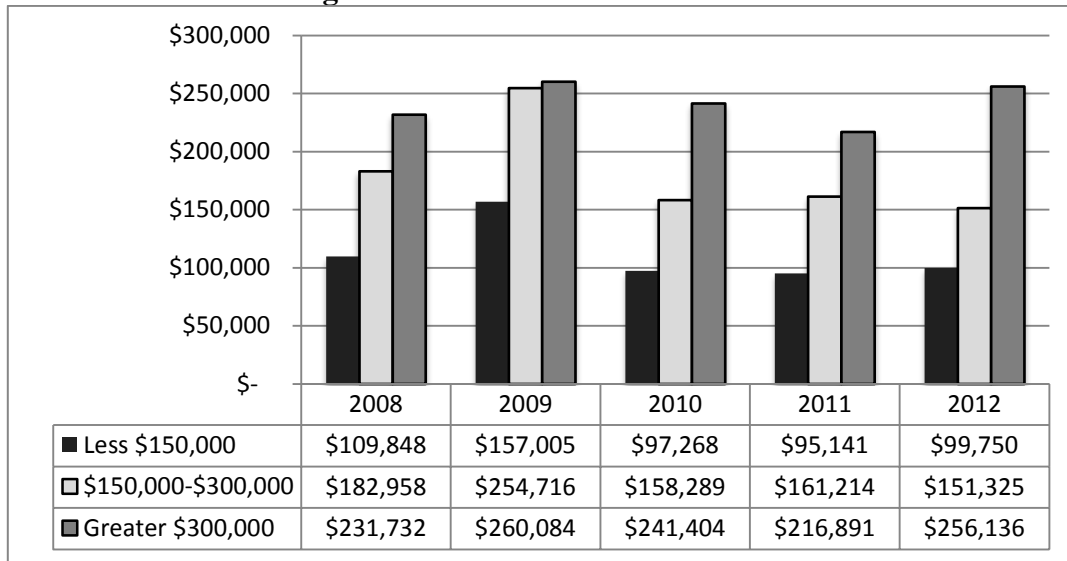
Chart 38 – Median Cash for Rural VFCs from 2008 to 2012



Source: IRS 990 data (173 rural VFCs).

Savings are an important component for VFCs in purchasing new equipment and especially important when their revenues are decreasing and their expenses are increasing. Median savings for all VFCs with operating budgets less than \$150,000 increased, decreased, and then slightly increased over the 5-year study period, with an overall median decrease of 9 percent, or approximately \$10,000. Median savings for all VFCs with operating budgets between \$150,000 and \$300,000, increased, and then decreased by 17 percent over the 5-year time period, or approximately \$31,000. For all VFCs with operating budgets greater than \$300,000, median savings increased by 11 percent over the 5-year study period, or approximately \$25,000 (See Chart 39).

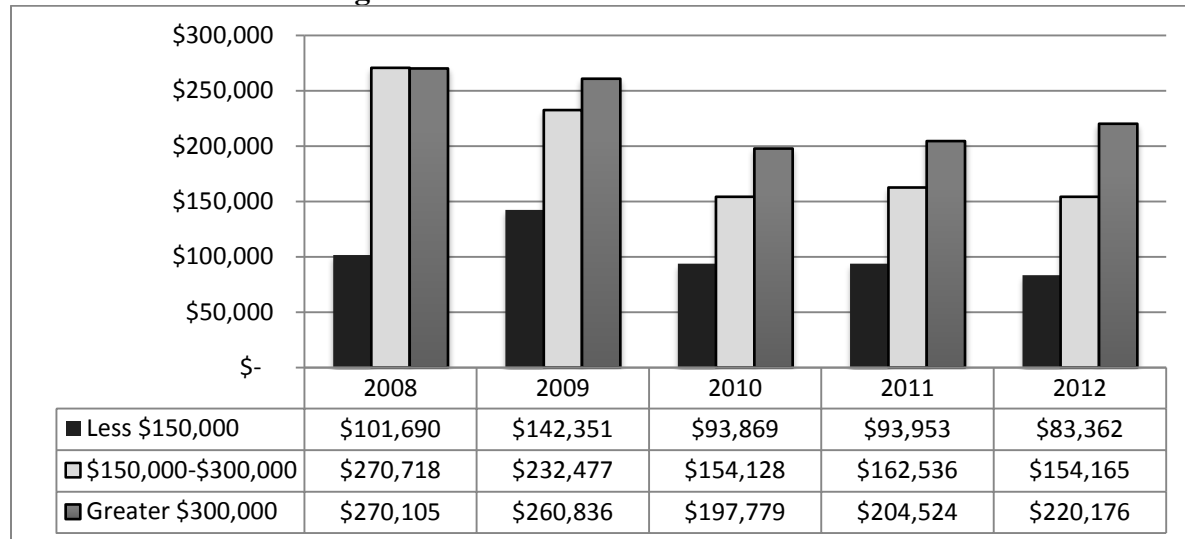
Chart 39 – Median Savings for All VFCs from 2008 to 2012



Source: IRS 990 data (478 VFCs).

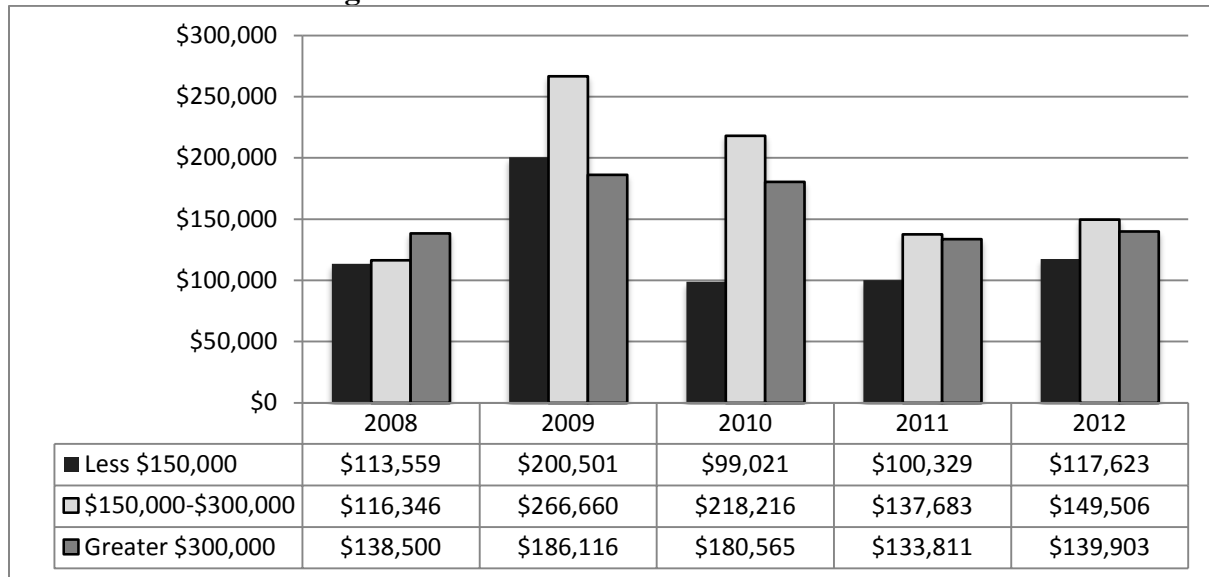
Charts 40 and 41 show median savings for urban and rural VFCs according to operating budget categories.

Chart 40 – Median Savings for Urban VFCs from 2008 to 2012



Source: IRS 990 data (305 urban VFCs).

Chart 41 – Median Savings for Rural VFCs from 2008 to 2012

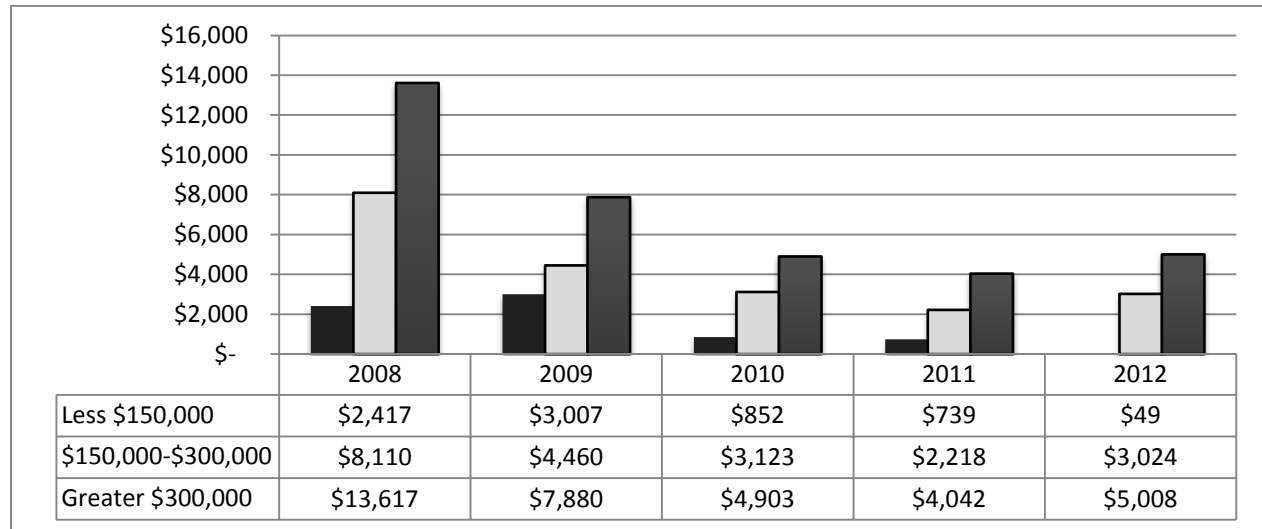


Source: IRS 990 data (173 rural VFCs).

Investment Income

Median investment income over the 5-year time period declined overall for both urban and rural VFCs. Urban VFCs in the less than \$150,000 category saw an increase in median investment income in 2009, and then a decrease through 2012; overall these VFCs experienced a 98 percent decrease over the 5-year study period, or approximately \$2,500. Urban VFCs with operating budgets between \$150,000 and \$300,000 had a steady decline in median investment income, with a slight uptick in 2012. The median decrease was 63 percent or approximately \$5,000 over the 5-year period. Urban VFCs with operating budgets greater than \$300,000 also experienced a steady decline in median investment income except for a slight increase in 2012. The overall decrease was also 63 percent or approximately \$8,500 over the 5-year period (See Chart 42).

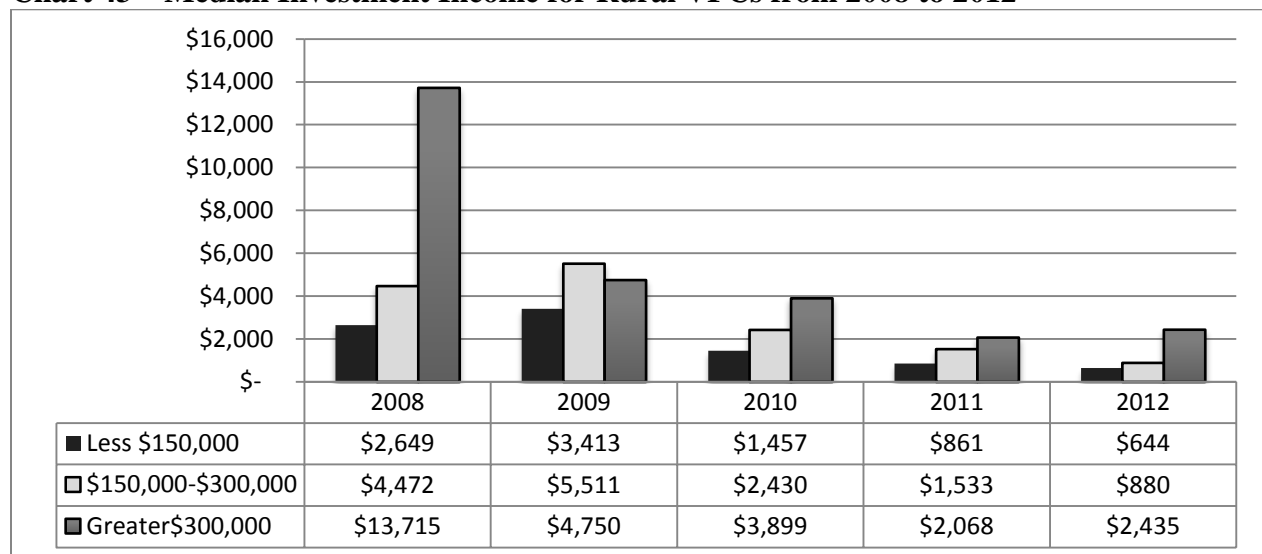
Chart 42 – Median Investment Income for Urban VFCs from 2008 to 2012



Source: IRS 990 data (305 urban VFCs).

Rural VFCs in the less than \$150,000 category saw an increase in median investment income in 2009, and a decrease through 2012, with an overall decrease over the 5-year study period of 76 percent, or approximately \$2,000. Rural VFCs with operating budgets between \$150,000 and \$300,000 had a slight increase in median investment income in 2009, and then a steady decline in median investment income; overall, they experienced an 80 percent decrease, or about \$3,600 over the 5-year period. Rural VFCs with operating budgets greater than \$300,000 experienced a steady decline in median investment income except for a slight increase in 2012. The overall decrease was 82 percent or approximately \$11,000 over the study period (See Chart 43).

Chart 43 – Median Investment Income for Rural VFCs from 2008 to 2012

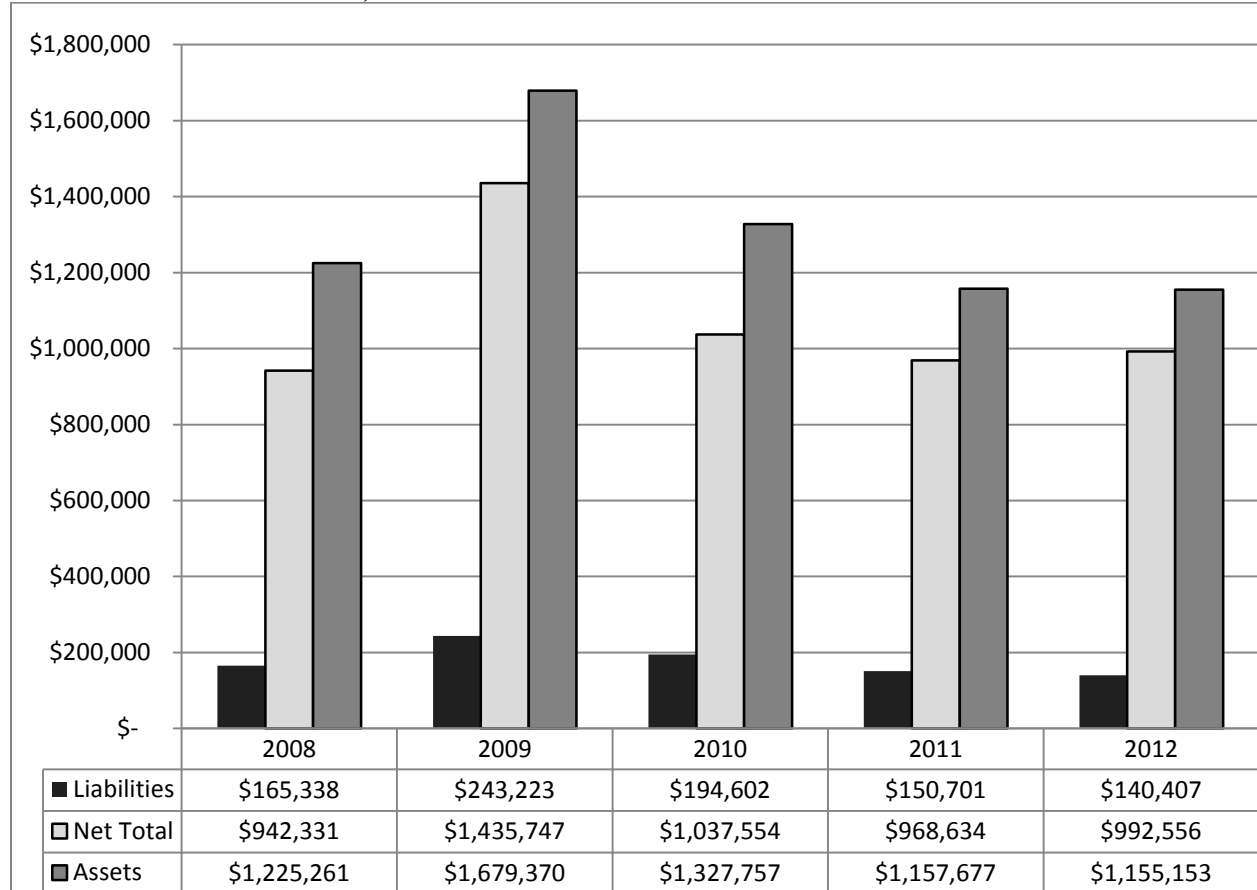


Source: IRS 990 data (173 rural VFCs).

Assets, Liabilities and Net Total

All VFC assets, liabilities and net totals showed a downward trend. Median assets decreased by 6 percent, liabilities decreased by 15 percent, and the median net total/equity increased by 5 percent over the 5-year study period (See Chart 44).

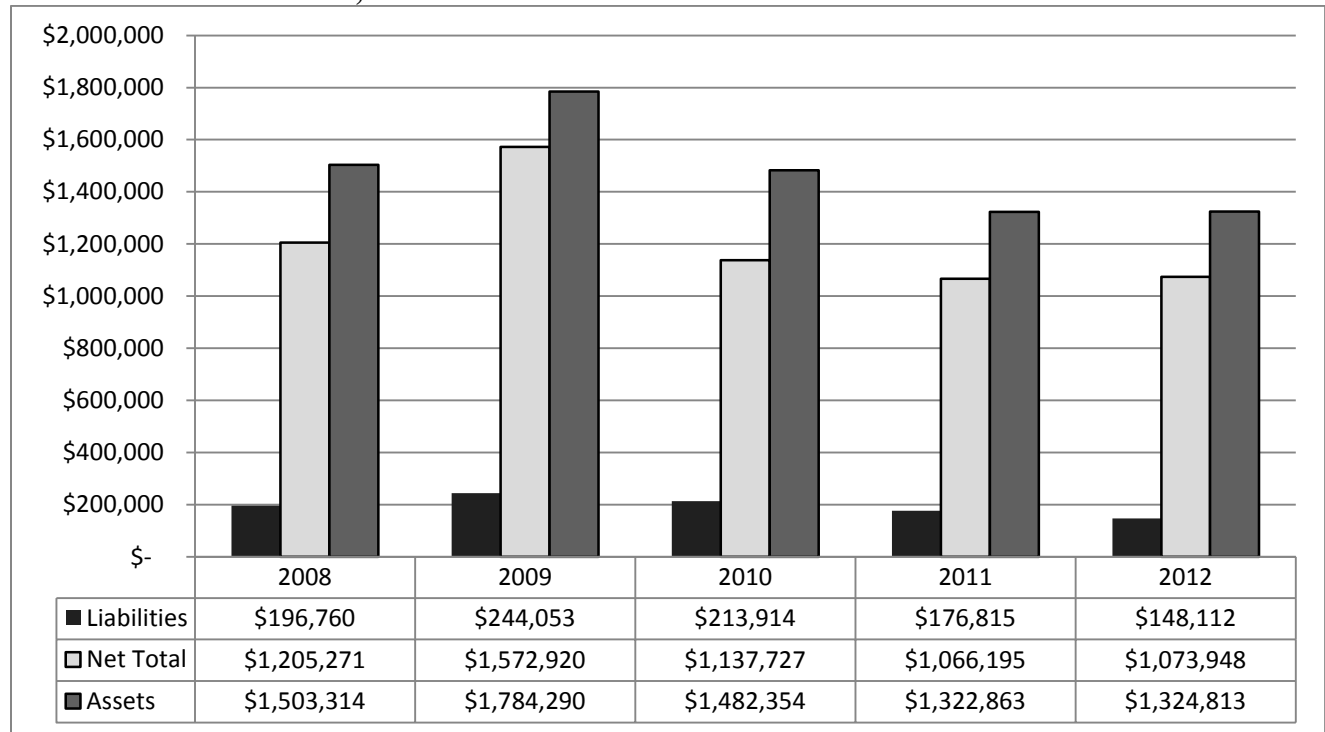
Chart 44 – Median Assets, Liabilities and Net Total for all VFCs from 2008 to 2012



Source: IRS 990 data (478 VFCs).

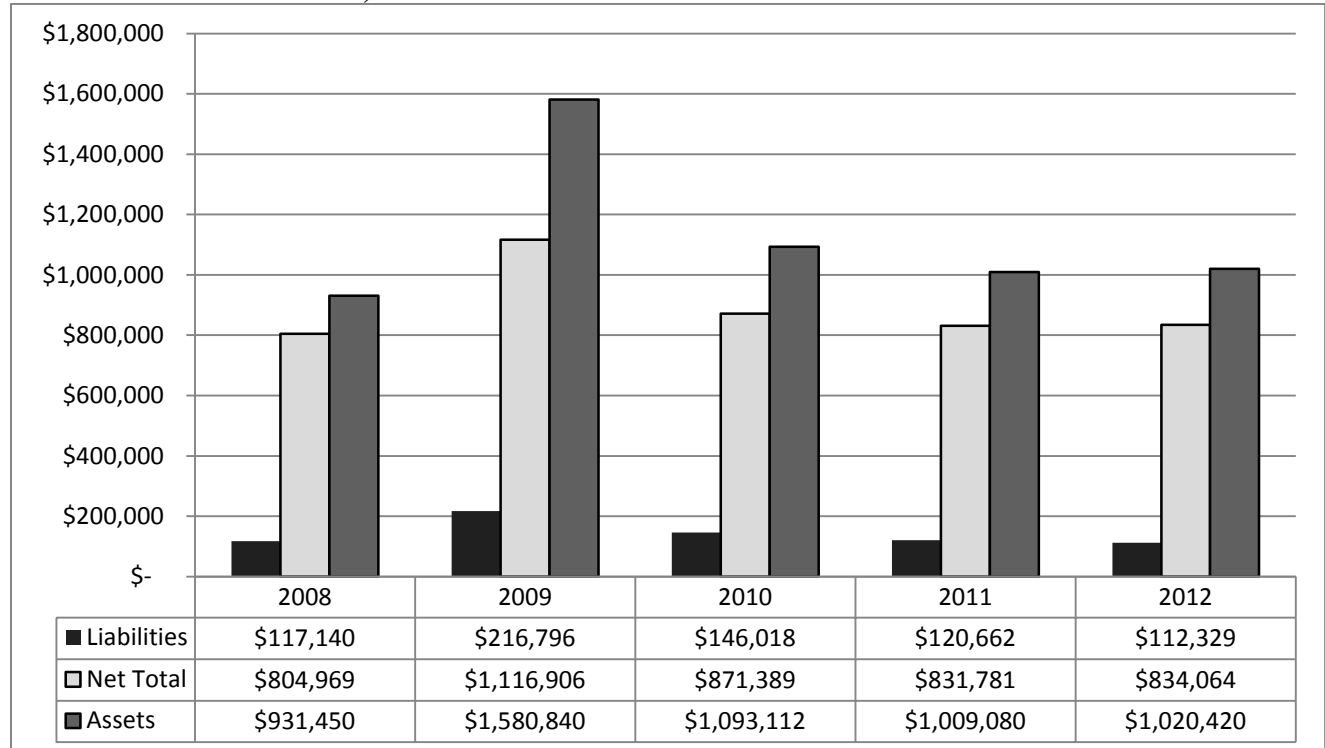
Charts 45 and 46 show the median assets, liabilities and net total for urban and rural VFCs over the 5-year study period.

Chart 45 –Median Assets, Liabilities and Net Total for Urban VFCs from 2008 to 2012



Source: IRS 990 data (305 urban VFCs).

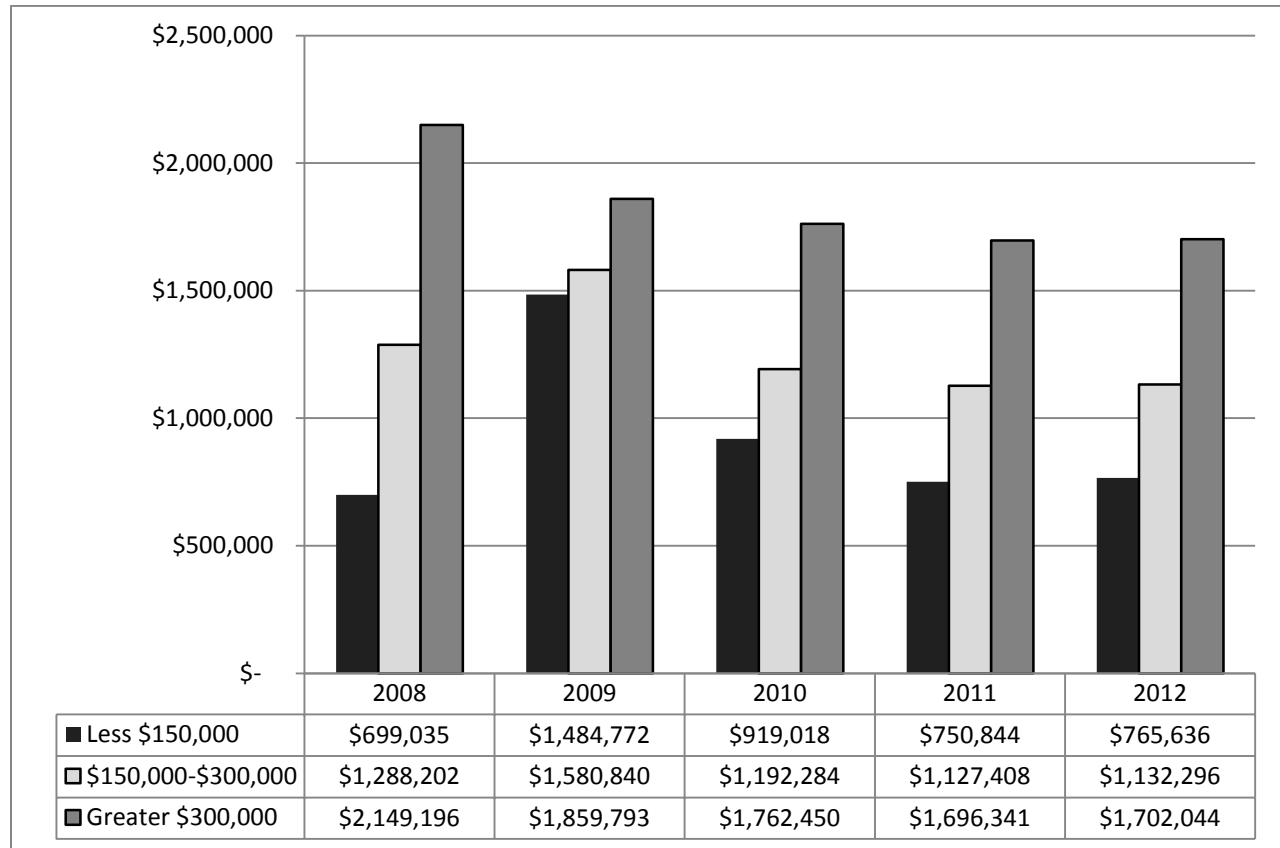
Chart 46 – Median Assets, Liabilities and Net Total for Rural VFCs from 2008 to 2012



Source: IRS 990 data (173 rural VFCs).

Median assets have declined over the five-year time period examined for all VFCs in the \$150,000 to \$300,000, and in the greater than \$300,000 operating budget categories. All VFCs with operating budgets less than \$150,000 had an increase of 10 percent in median assets over the 5-year study period. All VFCs with operating budgets between \$150,000 and \$300,000 had an overall decrease of 12 percent over the 5-year study period. All VFCs with operating budgets greater than \$300,000 had a 21 percent decrease in median assets over the 5-year study period (See Chart 47).

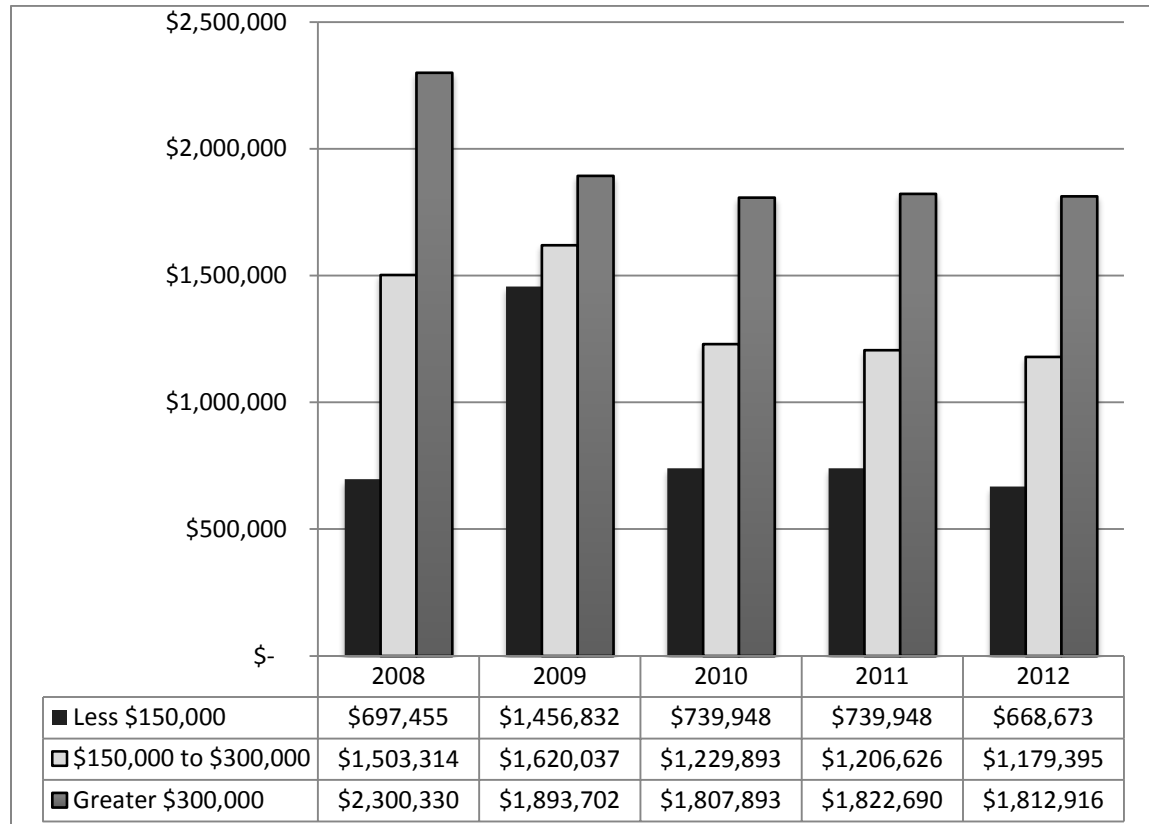
Chart 47 – Median Assets for All VFCs from 2008 to 2012



Source: IRS 990 data (478 VFCs).

Median assets have declined for urban VFCs in all operating budget categories over the 5-year study period. Urban VFCs with operating budgets less than \$150,000 had a 4 percent decrease in median assets over the 5-year period. Urban VFCs with operating budgets between \$150,000 and \$300,000 had an overall decrease of 22 percent and urban VFCs with operating budgets greater than \$300,000 had a 21 percent decrease in median assets over the 5-year period (See Chart 48).

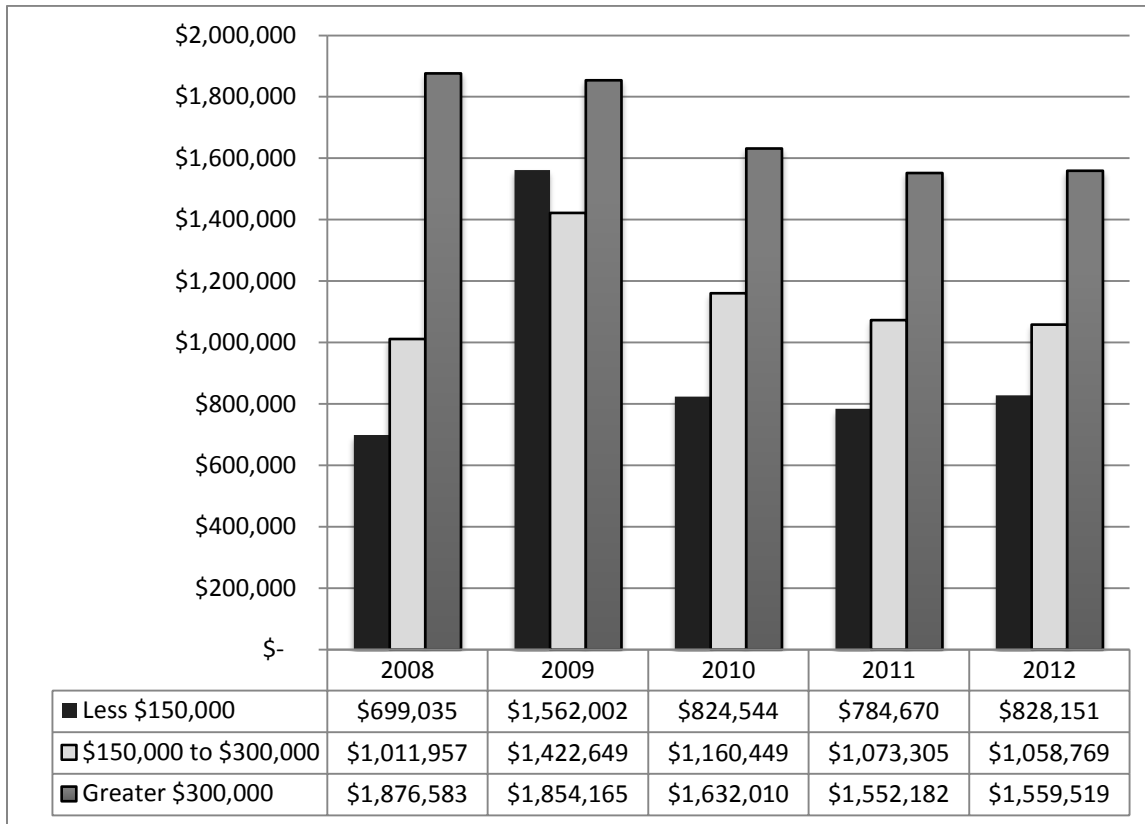
Chart 48 – Median Assets for Urban VFCs from 2008 to 2012



Source: IRS 990 data (305 urban VFCs).

Median assets increased for rural VFCs in the less than \$150,000 and \$150,000 to \$300,000 categories, and decreased for those in the greater than \$300,000 budget category over the 5-year study period. Rural VFCs with operating budgets less than \$150,000 had an 18 percent increase in median assets, and those with operating budgets between \$150,000 and \$300,000 had an overall increase of 5 percent over the study period. Rural VFCs with operating budgets greater than \$300,000 had a 17 percent decrease over the study period (See Chart 49).

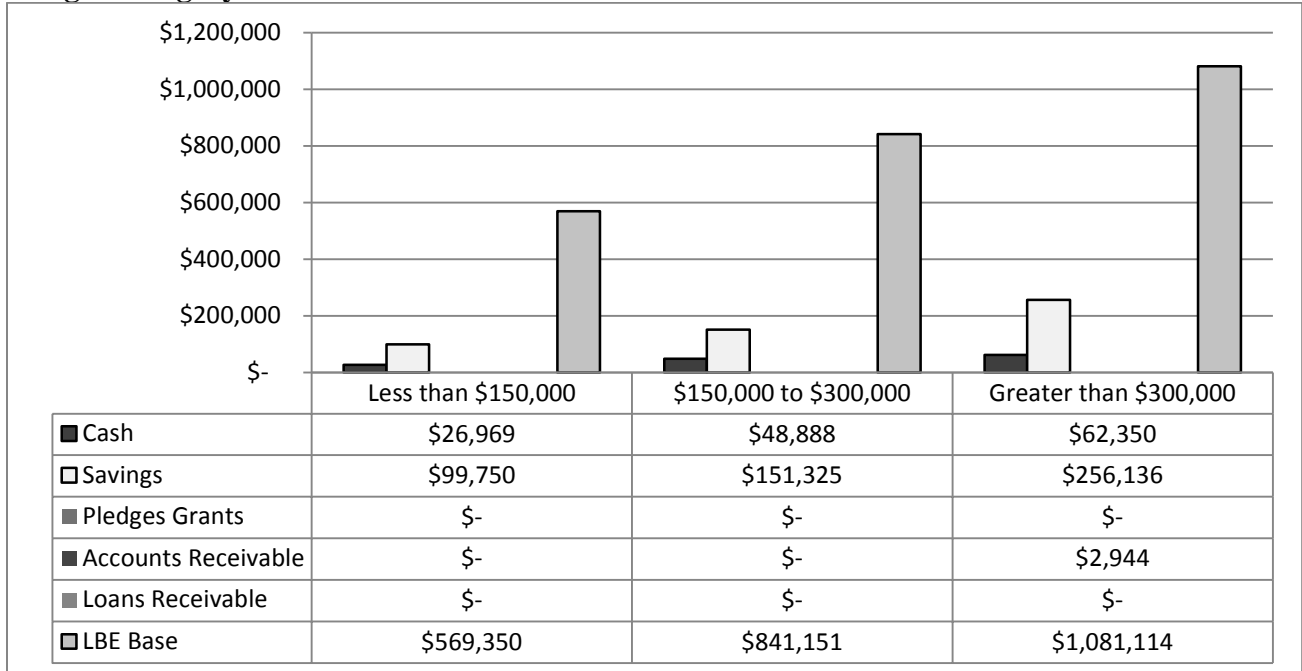
Chart 49 –Median Assets for Rural VFCs from 2008 to 2012



Source: IRS 990 data (173 rural VFCs).

VFCs do not have a large range of asset categories. The IRS 990 asset categories are cash, savings, pledges and grants, accounts receivable, loans receivable, and LBE EOY (Land, Buildings, and Equipment End of Year, or Net of Depreciation). Since most VFCs only have amounts recorded in three assets accounts (cash, savings, and LBE EOY), the research only examined these accounts for urban and rural VFCs. The median assets for all VFCs for 2012 are shown in Chart 50.

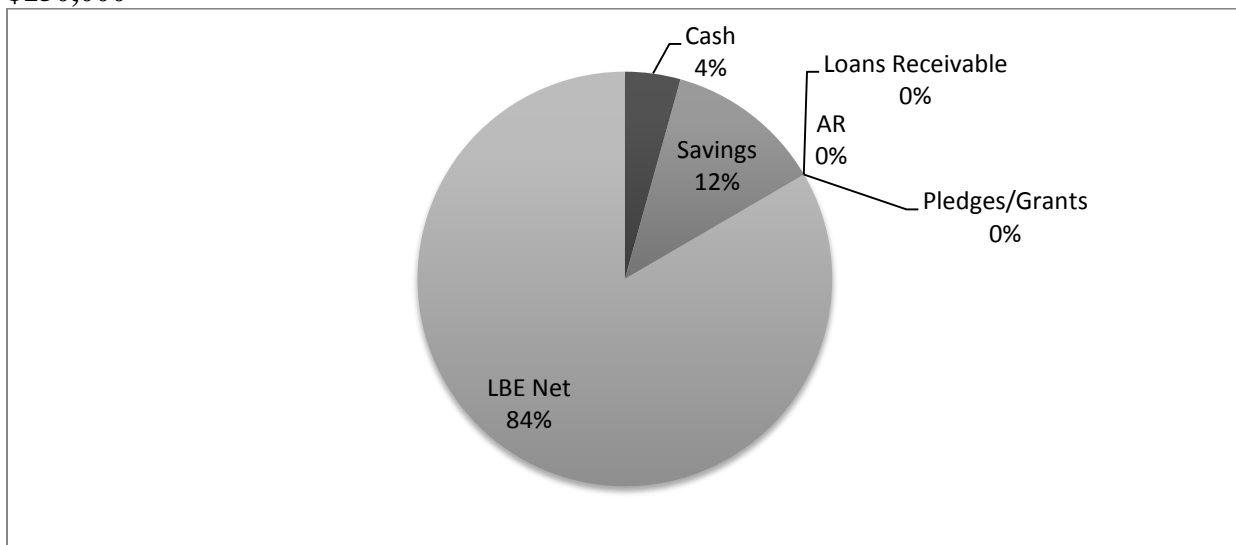
Chart 50 – Median Assets by Account Category for All VFCs According to Operating Budget Category in 2012



Source: IRS 990 data (478 VFCs).

The median total assets for urban VFCs with operating budgets less than \$150,000 were \$668,673, with the following asset mix: cash, 4 percent; savings, 12 percent; and LBE, 84 percent (See Chart 51).

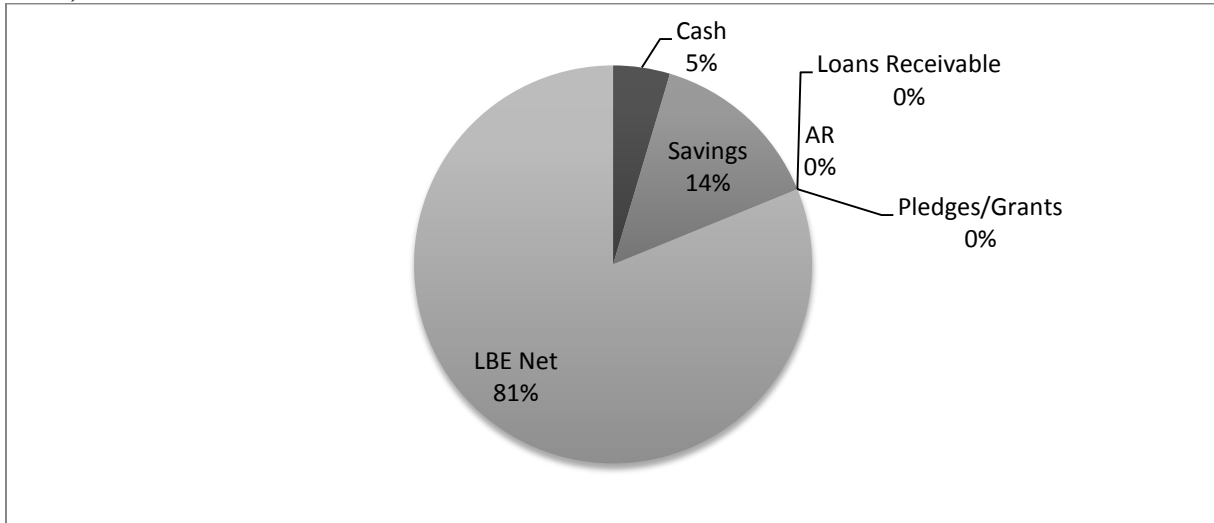
Chart 51 – 2012 Median Assets for Urban VFCs with Operating Budgets Less than \$150,000



Source: IRS 990 data (305 urban VFCs).

Median total asset amounts for urban VFCs with operating budgets between \$150,000 and \$300,000 were \$1,179,395, with the following asset mix: cash, 5 percent; savings, 14 percent; and LBE, 81 percent (See Chart 52).

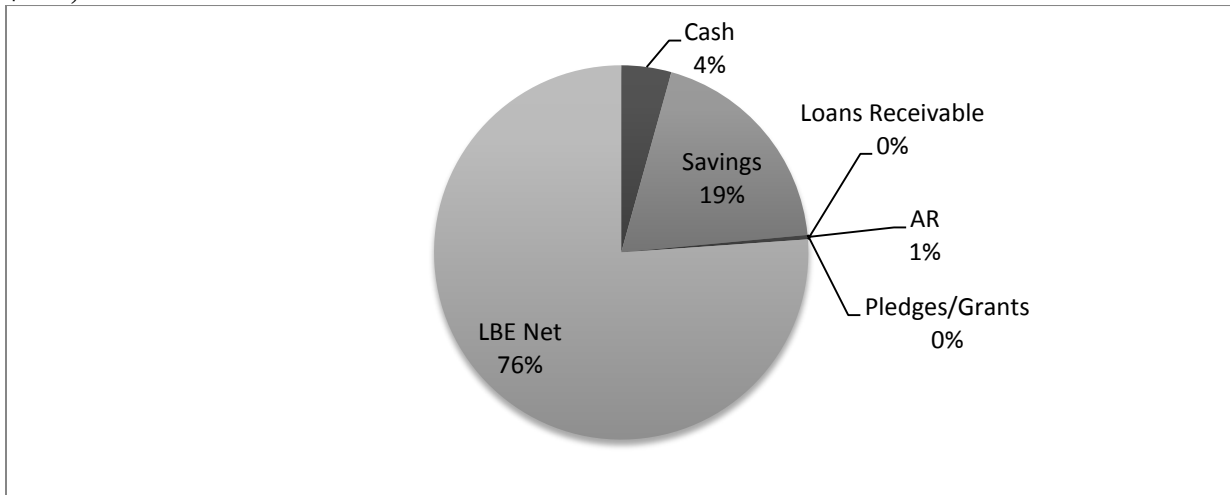
Chart 52 – 2012 Median Assets for Urban VFCs with Operating Budgets \$150,000 to \$300,000



Source: IRS 990 data (305 urban VFCs).

Median total assets amounts for urban VFCs with operating budgets over \$300,000 were \$1,812,916, with the following asset mix: cash, 4 percent; savings, 19 percent; and LBE, 76 percent (See Chart 53).

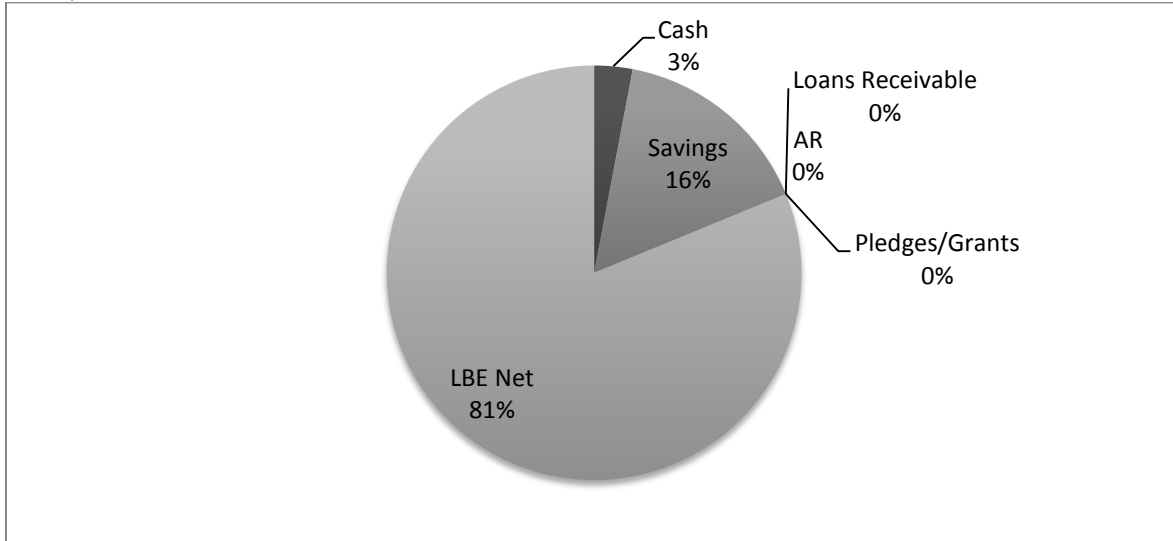
Chart 53 – 2012 Median Assets for Urban VFCs with Operating Budgets Greater than \$300,000



Source: IRS 990 data (305 urban VFCs).

The median assets for rural VFCs with operating budgets less than \$150,000 were \$828,151, with the following asset mix: cash, 3 percent; savings, 16 percent; and LBE, 81 percent (See Chart 54).

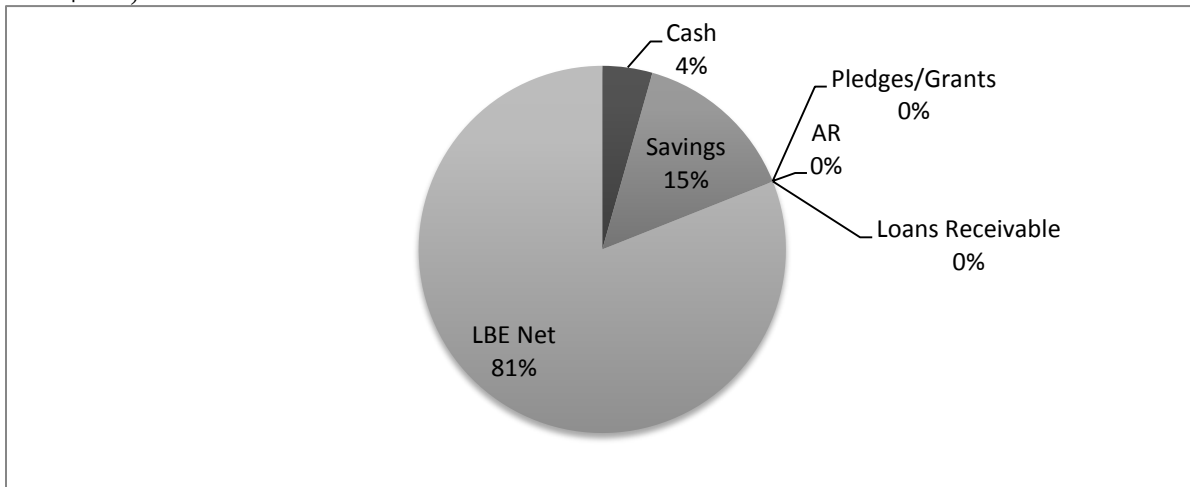
Chart 54 – 2012 Median Assets for Rural VFCs with Operating Budgets Less than \$150,000



Source: IRS 990 data (173 rural VFCs).

The median assets for rural VFCs with operating budgets between \$150,000 and \$300,000 were \$1,058,769, with the following asset mix: cash, 4 percent; savings, 15 percent; and LBE, 81 percent (See Chart 55).

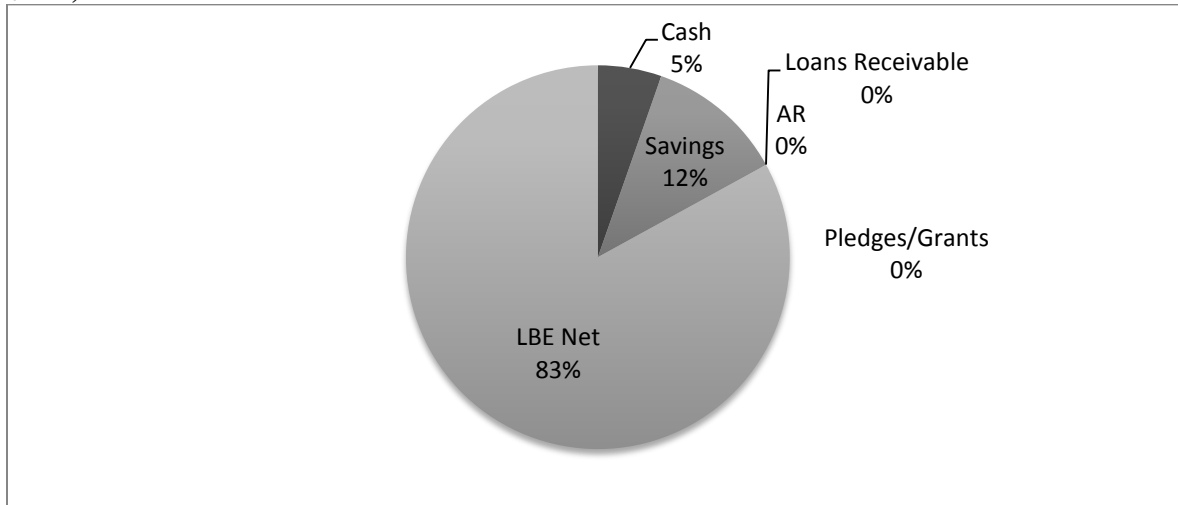
Chart 55 – 2012 Median Assets for Rural VFCs with Operating Budgets Between \$150,000 and \$300,000



Source: IRS 990 data (173 rural VFCs).

The median assets for rural VFCs with operating budgets greater than \$300,000 were \$1,559,519, with the following asset mix: cash, 5 percent; savings, 12 percent; and LBE, 83 percent (See Chart 56).

Chart 56 – 2012 Median Assets for Rural VFCs with Operating Budgets Greater than \$300,000

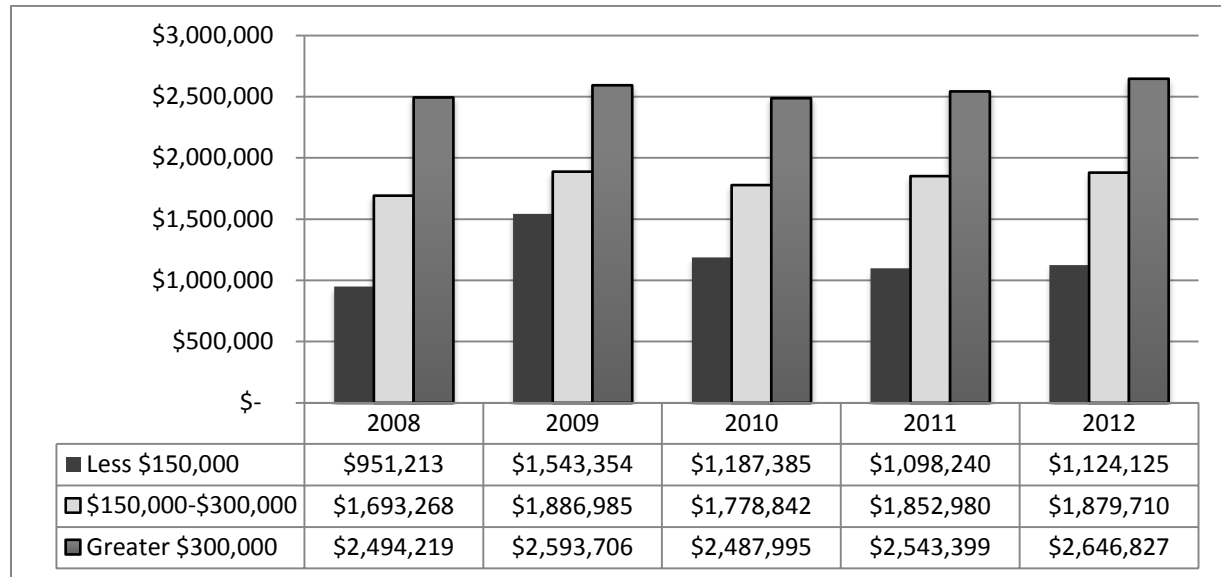


Source: IRS 990 data (173 rural VFCs).

The largest asset category is LBE or land, building and equipment. Base LBE is the original cost of all land, buildings and equipment still in service, before depreciation. Once the asset is sold, it will be removed from the LBE base total. New asset purchase will be added to the LBE base.

The 2012 median LBE for all VFCs with operating budgets of less than \$150,000 was \$1.1 million; this increased 18 percent over the 5-year period. The 2012 median LBE for all VFCs with operating budgets from \$150,000 to \$300,000 was \$1.8 million; this was an increase of 11 percent over the 5-year period. For all VFCs with operating budgets greater than \$300,000, the 2012 median LBE was \$2.6 million; this was an increase of 6 percent over the five-year period. The trend has been an overall increase in LBE in all operating budget categories over the 5-year study period (See Chart 57).

Chart 57 – Median Base LBE for All VFCs

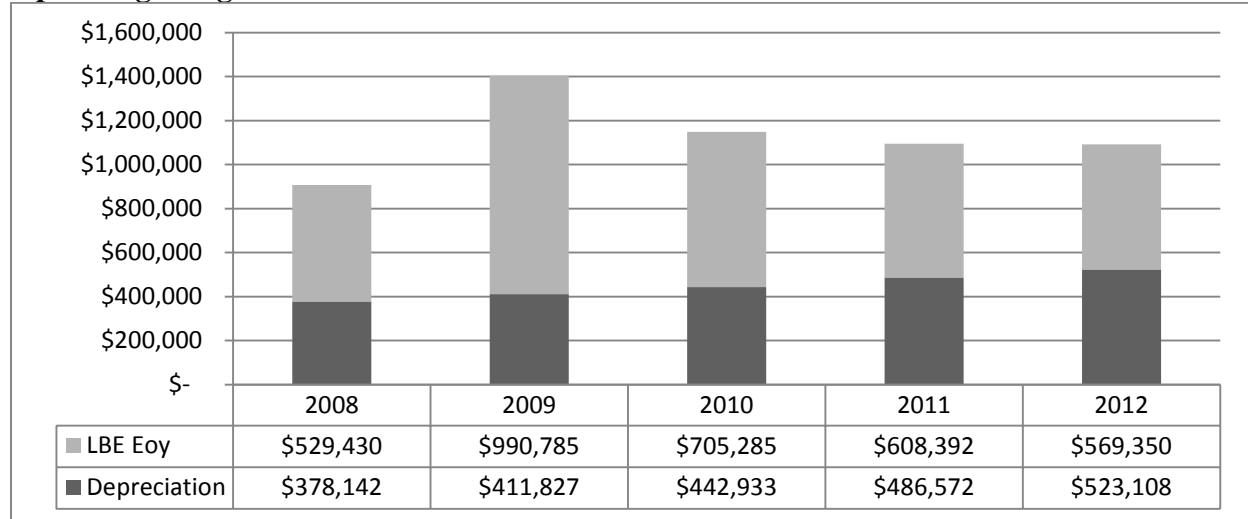


Source: IRS 990 data (478 VFCs).

LBE (except land, which is not depreciated) is generally depreciated on a straight-line basis for financial reporting. The asset’s useful life will determine over what period the asset will be depreciated, but could range from 5 to 40 years. The comparison of the reported depreciation and LBE EOY (End of Year) provides a picture of the depreciated status of assets. The data and charts presented below for all VFCs with different operating budgets indicate that approximately 50 percent of LBE were depreciated. It should be noted that the percentage of LBE that depreciated increased over the 5-year study period, which indicates that VFCs assets are aging.

The median depreciation for all VFCs in the less than \$150,000 operating budget category was \$523,108 for 2012, and represented 48 percent of total LBE. This was an increase of 6 percent over the 5-year study period (See Chart 58).

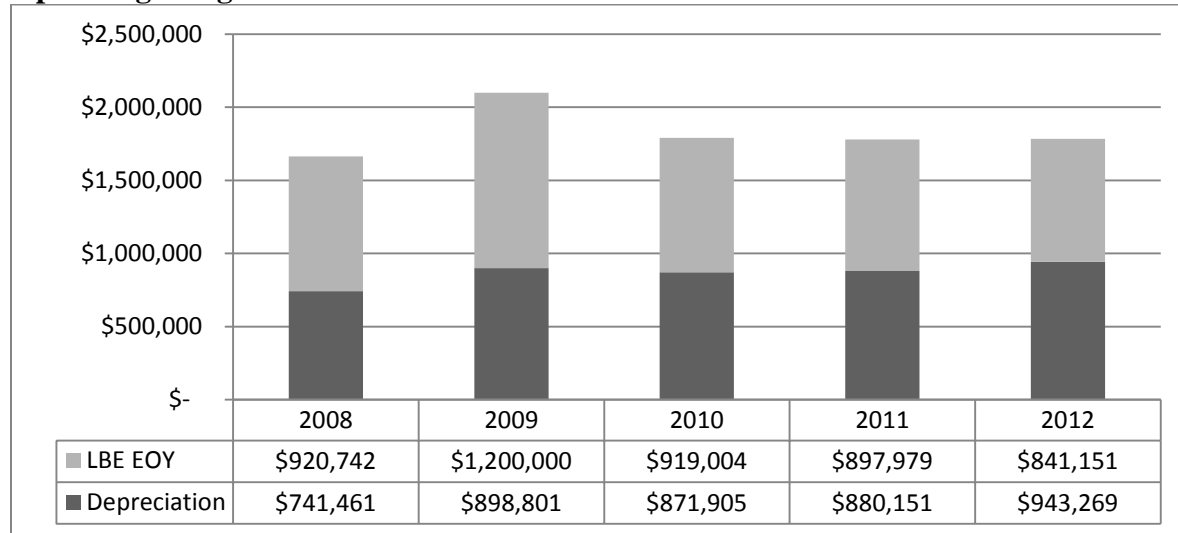
Chart 58 – Median Depreciation and LBE EOY for All VFCs with Less than \$150,000 in Operating Budget



Source: IRS 990 data (478 VFCs).

Median depreciation for all VFCs in the \$150,000 to \$300,000 operating budget category was \$943,269, and represented 53 percent of total LBE. This was an 8 percent increase over the 5-year study period (See Chart 59).

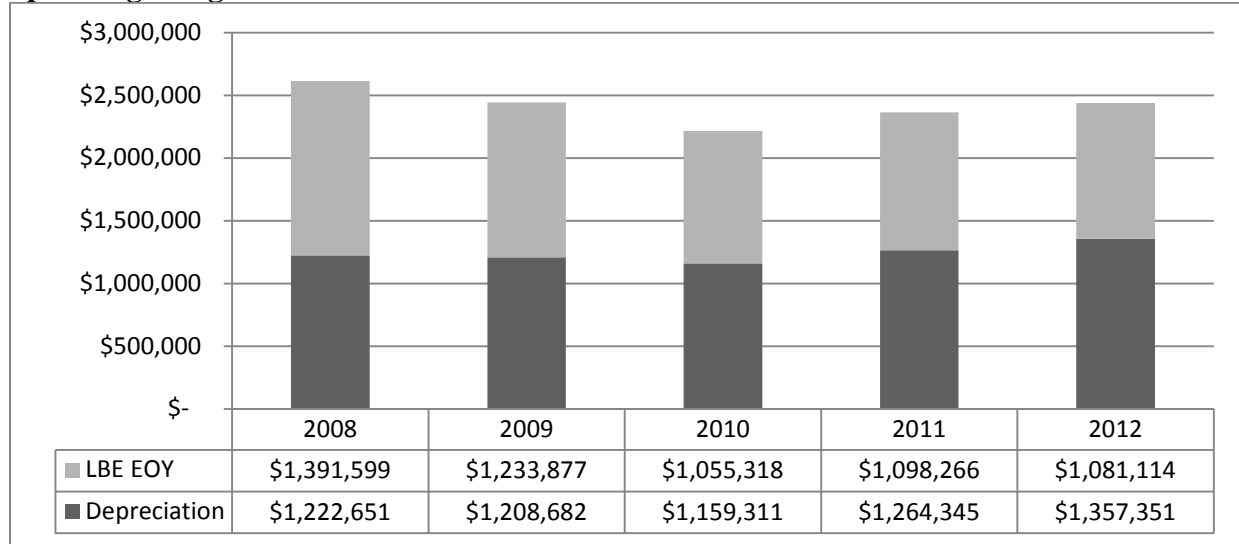
Chart 59 – Median Depreciation and LBE EOY for All VFCs with \$150,000 to \$300,000 Operating Budget



Source: IRS 990 data (478 VFCs).

The median depreciation for all VFCs in the greater than \$300,000 operating budget category was \$1,357,351, and represented a 9 percent increase over the 5-year study period (See Chart 60).

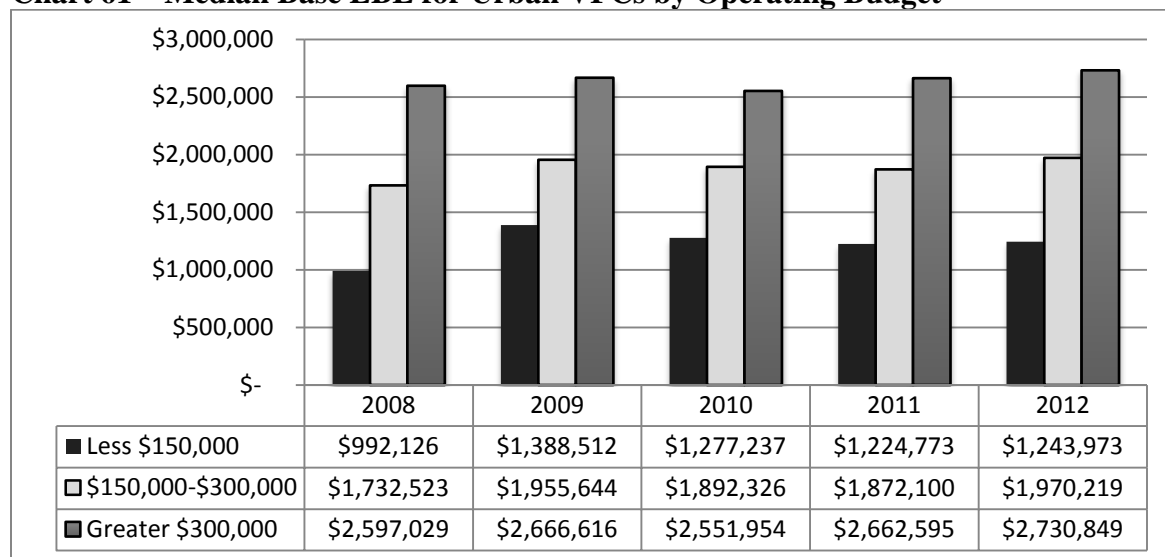
Chart 60 – Median Depreciation and LBE EOY for All VFCs with Greater than \$300,000 Operating Budget



Source: IRS 990 data (478 VFCs).

The 2012 median LBE for urban VFCs with operating budgets of less than \$150,000 was \$1.2 million; this was an increase of 25 percent over the 5-year study period. The 2012 median LBE for urban VFCs with operating budgets from \$150,000 to \$300,000 was \$2 million; an increase of 14 percent. For urban VFCs with operating budgets greater than \$300,000, the median LBE was \$2.7 million an increase of 5 percent. The trend has been an overall increase in LBE in all operating budget categories over the 5-year study period (See Chart 61).

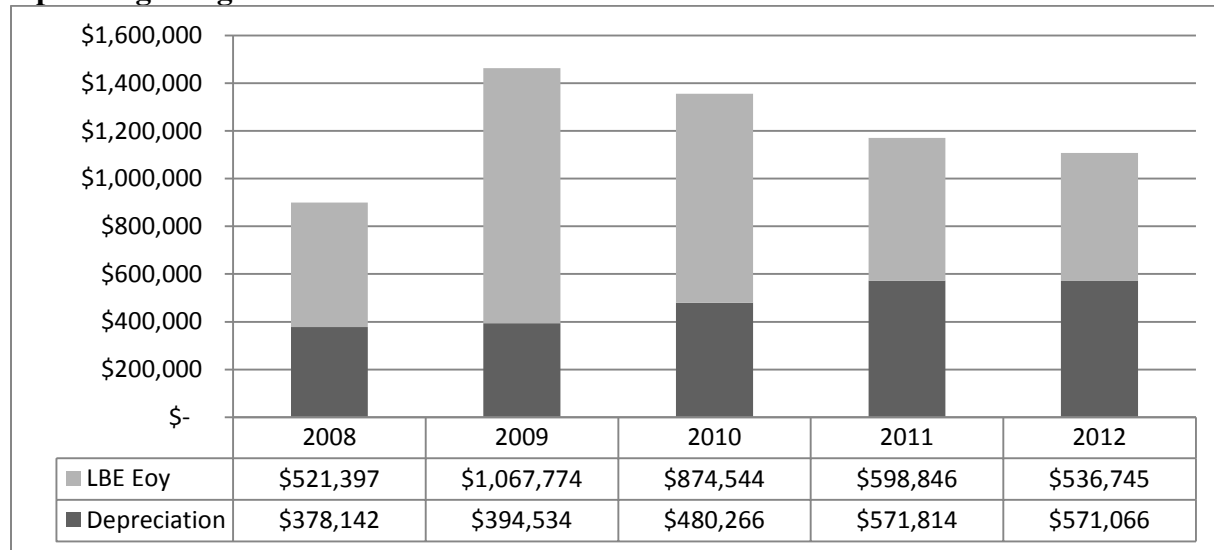
Chart 61 – Median Base LBE for Urban VFCs by Operating Budget



Source: IRS 990 data (305 urban VFCs).

The median depreciation for urban VFCs in the less than \$150,000 operating budget category was \$536,745 for 2012, and represented 52 percent of total LBE. This was an increase of 10 percent over the 5-year time period (See Chart 62).

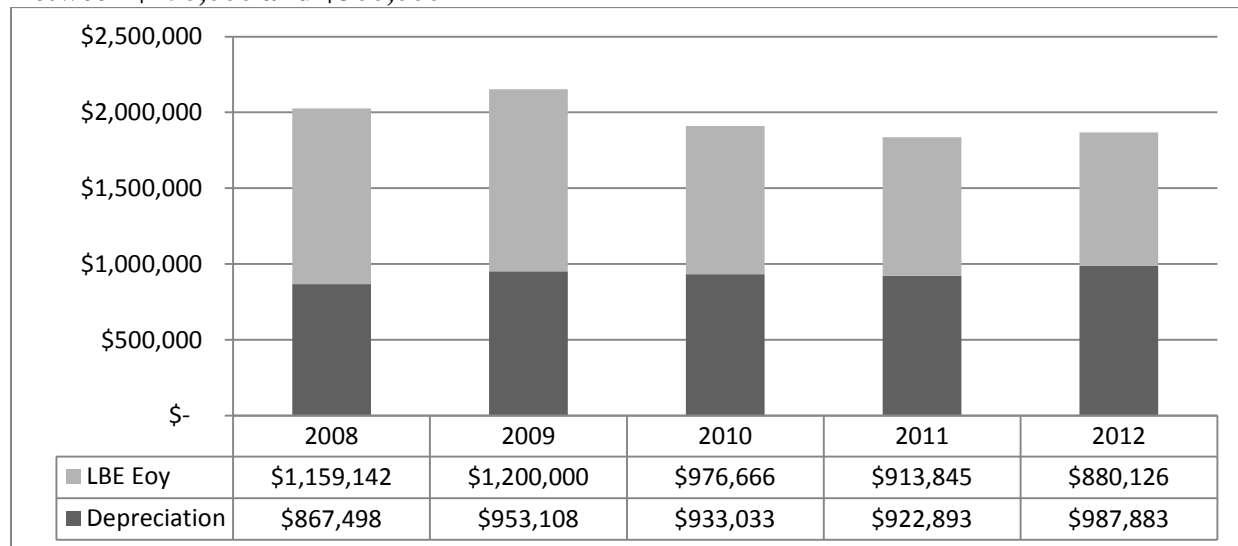
Chart 62 – Median Depreciation and LBE EOY for Urban VFCs with Less than \$150,000 Operating Budget



Source: IRS 990 data (305 urban VFCs).

The median depreciation for urban VFCs in the \$150,000 to \$300,000 operating budget category was \$880,126 for 2012, and represented 53 percent of total LBE. This was an increase of 10 percent over the 5-year study period (See Chart 63).

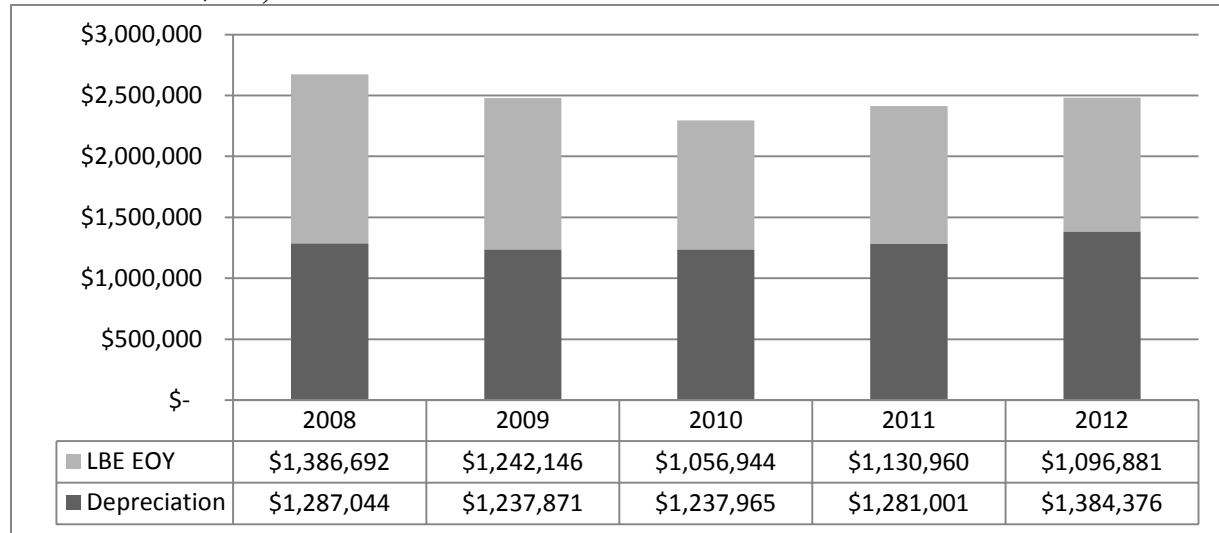
Chart 63 – Median Depreciation and LBE EOY for Urban VFCs with Operating Budgets Between \$150,000 and \$300,000



Source: IRS 990 data (305 urban VFCs).

The median depreciation for urban VFCs in the greater than \$300,000 operating budget category was \$1,096,881 for 2012, and represented 56 percent of total LBE. This was an increase of 8 percent over the 5-year study period (See Chart 64).

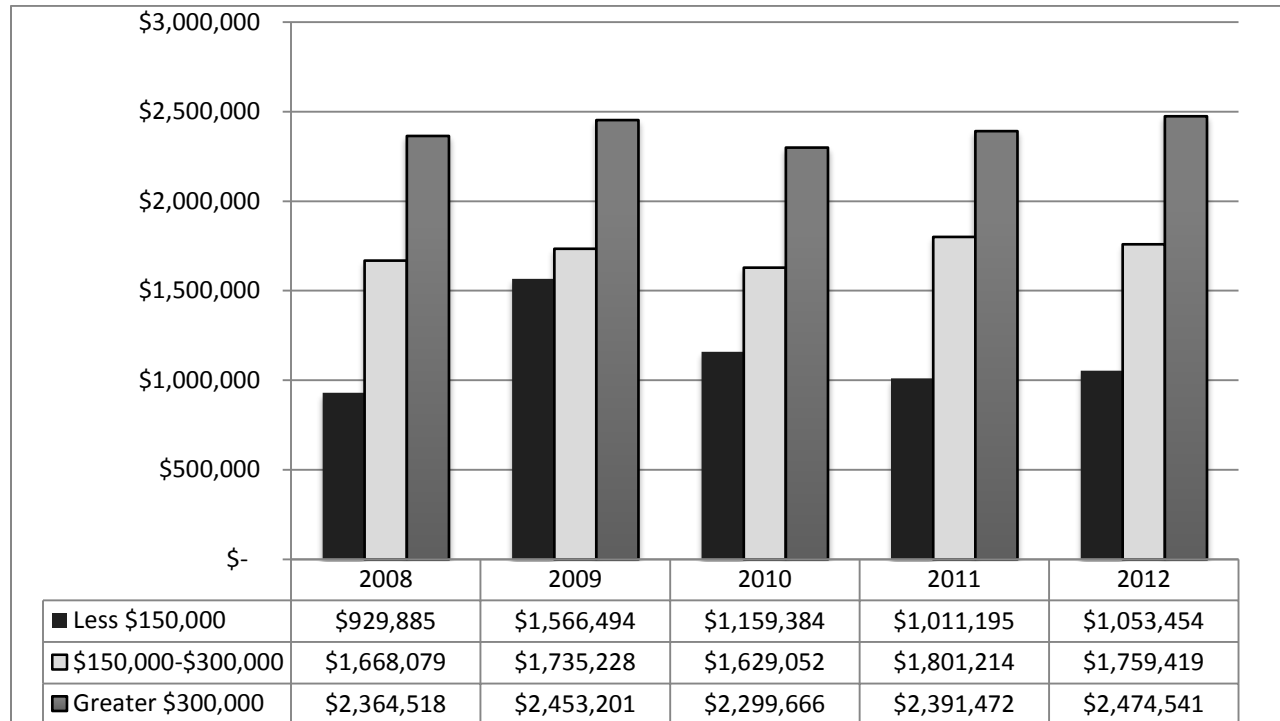
Chart 64 – Median Depreciation and LBE EOY for Urban VFCs with Operating Budgets Greater than \$300,000



Source: IRS 990 data (305 urban VFCs).

The 2012 median LBE for rural VFCs with operating budgets of less than \$150,000 was \$1 million; this increased 13 percent over the 5-year study period. The 2012 median LBE for rural VFCs with operating budgets from \$150,000 to \$300,000 was \$1.8 million; this was an increase of 1 percent. For rural VFCs with operating budgets greater than \$300,000, the median LBE was \$2.5 million; this was an increase of 1 percent. The trend has been an overall increase in LBE in all operating budget categories over the 5-year time period (See Chart 65).

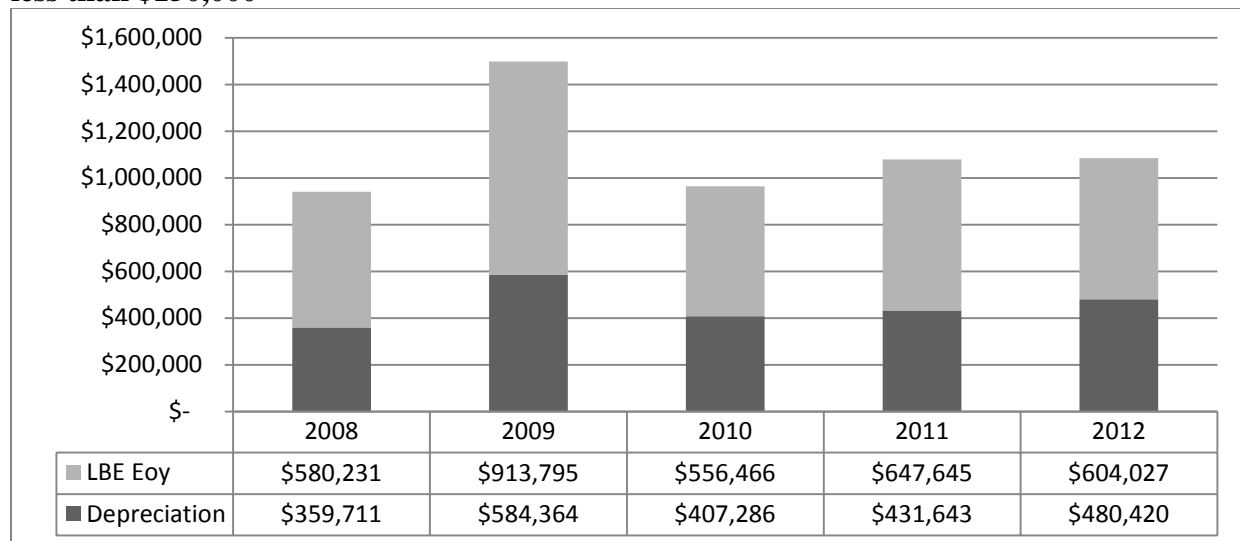
Chart 65 – Median LBE Base for Rural VFCs for 2008 to 2012



Source: IRS 990 data (173 rural VFCs).

The median depreciation for rural VFCs in the less than \$150,000 operating budget category was \$604,027 for 2012, and represented 44 percent of total LBE. This was an increase of 6 percent over the five-year period (See Chart 66).

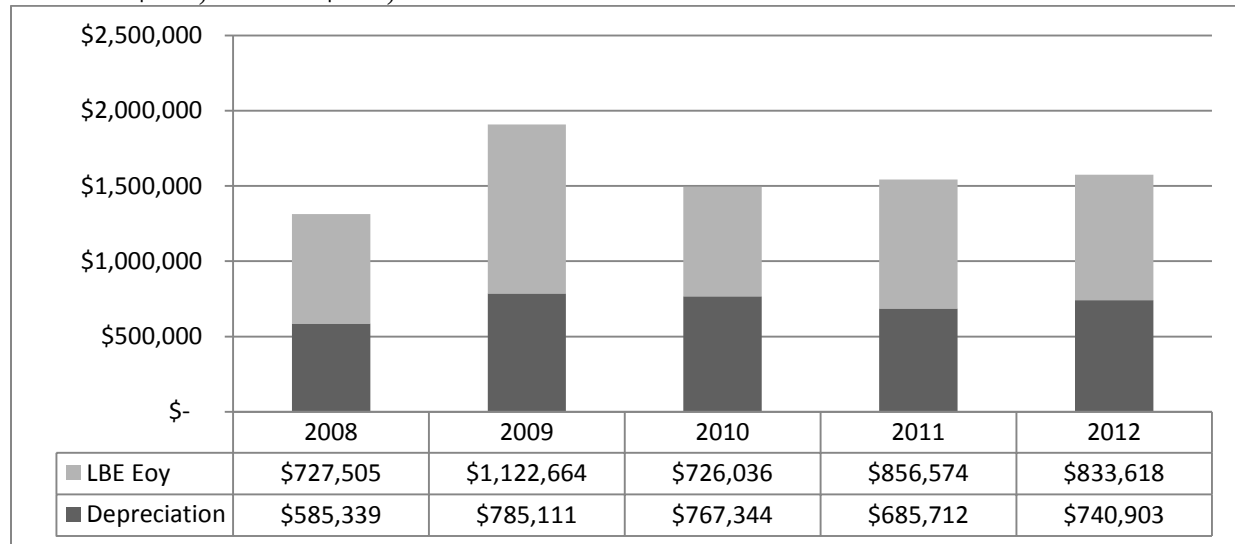
Chart 66 – Median Depreciation and LBE EOY for Rural VFCs with Operating Budgets less than \$150,000



Source: IRS 990 data (173 rural VFCs).

The median depreciation for rural VFCs in the \$150,000 to \$300,000 operating budget category was \$833,618 for 2012, and represented 47 percent of total LBE. This was an increase of 2 percent over the 5-year study period (See Chart 67).

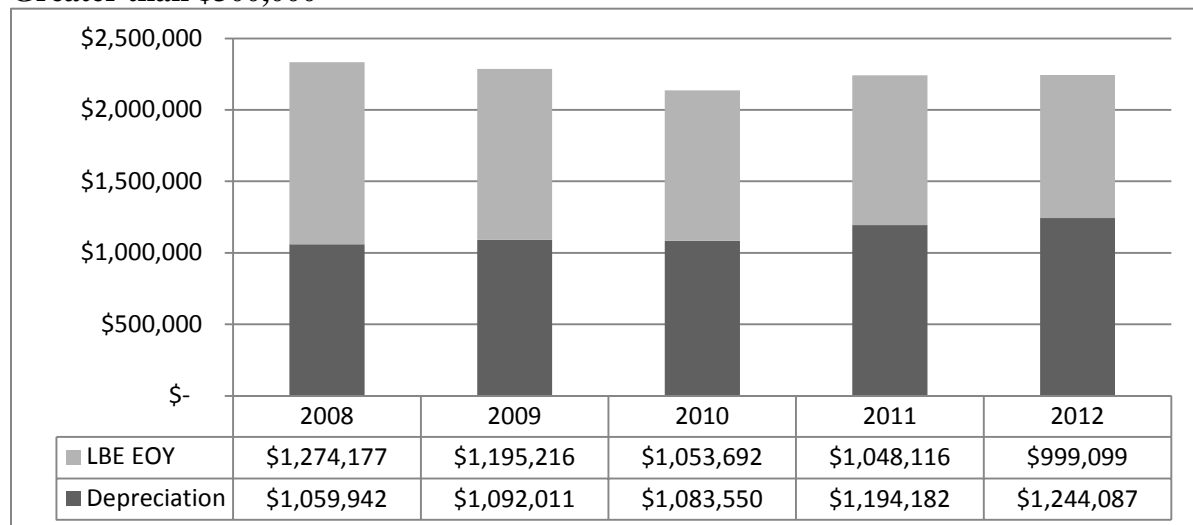
Chart 67 – Median Depreciation and LBE EOY for Rural VFCs with Operating Budgets Between \$150,000 and \$300,000



Source: IRS 990 data (173 rural VFCs).

The median depreciation for rural VFCs in the greater than \$300,000 operating budget category was \$1,244,087 for 2012, and represented 55 percent of total LBE. This was an increase of 10 percent over the 5-year study period (See Chart 68).

Chart 68 – Median Depreciation and LBE EOY for Rural VFCs with Operating Budgets Greater than \$300,000



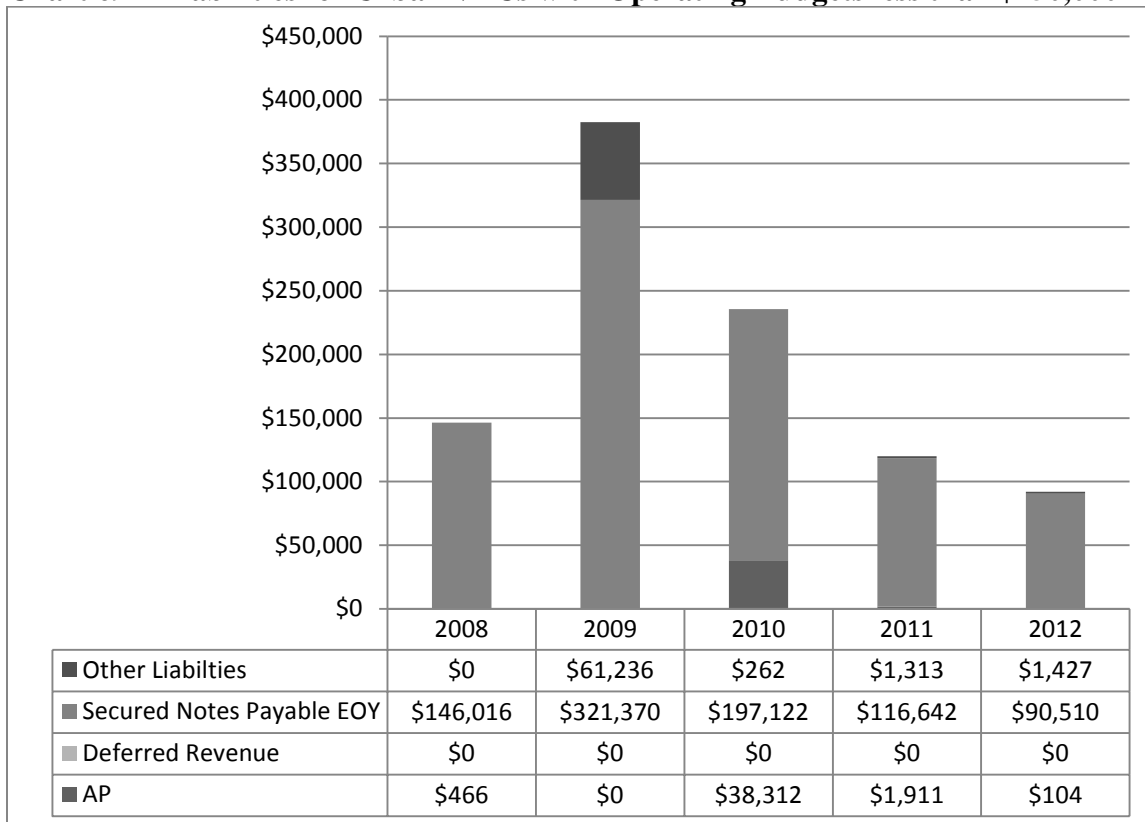
Source: IRS 990 data (173 rural VFCs).

Liabilities

Liabilities have trended downward over the 5-year study period, with a slight uptick in 2012.

The median liabilities for urban VFCs with operating budgets less than \$150,000 had three types of liabilities, in rank order, along with the percentage of total liabilities: Secured Notes Payable End of Year (96 percent); Other Liabilities (6 percent) and Accounts Payable (AP) (5 percent). Overall, total liabilities for urban VFCs with operating budgets less than \$150,000 decreased by 30 percent (See Chart 69).

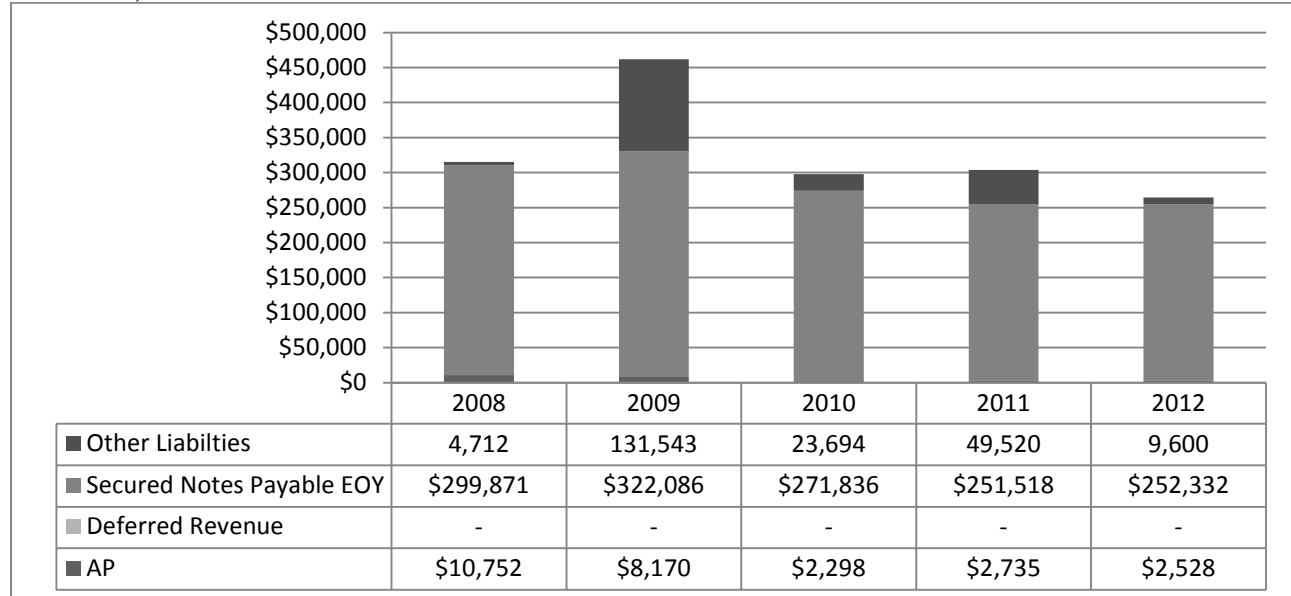
Chart 69 – Liabilities for Urban VFCs with Operating Budgets less than \$150,000



Source: IRS 990 data (305 urban VFCs).

The median liabilities for urban VFCs with operating budgets between \$150,000 and \$300,000 had three types of liabilities, in rank order, along with the percentage of total liabilities: Secured Notes Payable End of Year (95 percent); Other Liabilities (4 percent) and Accounts Payable (AP) (1 percent). Overall total liabilities for urban VFCs with operating budgets between \$150,000 and \$300,000 decreased by 25 percent (See Chart 70).

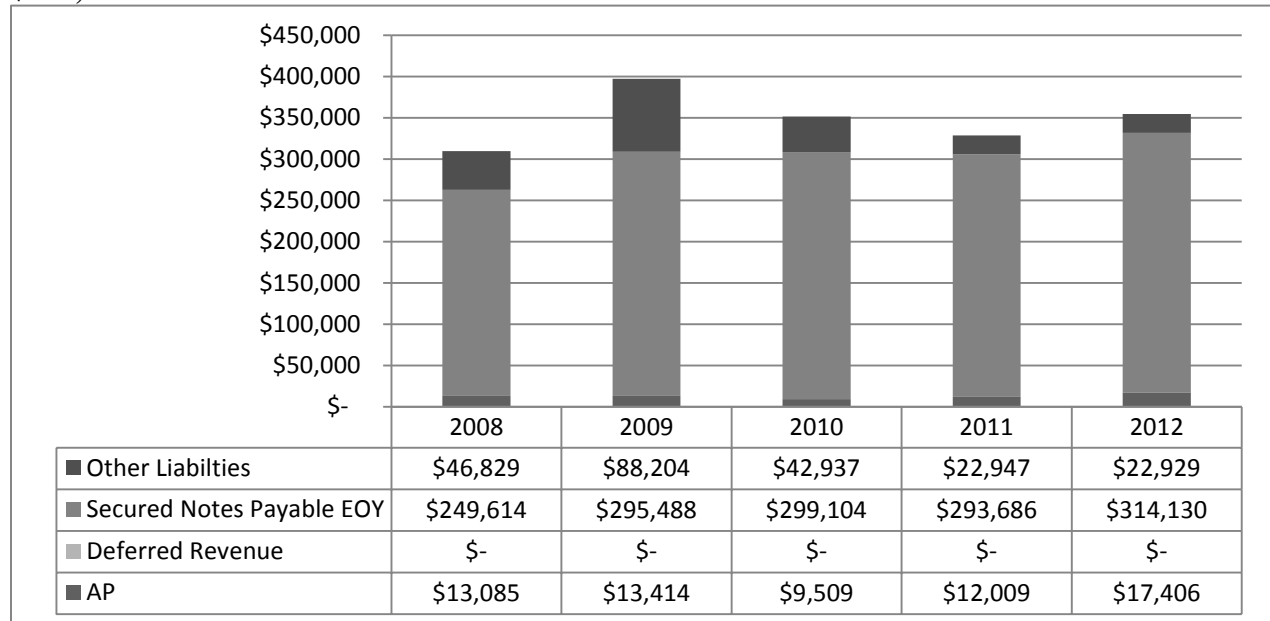
Chart 70 – Median Liabilities for Urban VFCs with Operating Budgets Between \$150,000 and \$300,000



Source: IRS 990 data (305 urban VFCs).

The median liabilities for urban VFCs with operating budgets greater than \$300,000 had three types of liabilities, in rank order, along with the percentage of total liabilities: Secured Notes Payable End of Year (89 percent); Other Liabilities (6 percent) and Accounts Payable (AP) (5 percent). Overall, total liabilities for urban VFCs with operating budgets greater than \$300,000 decreased by 18 percent (See Chart 71).

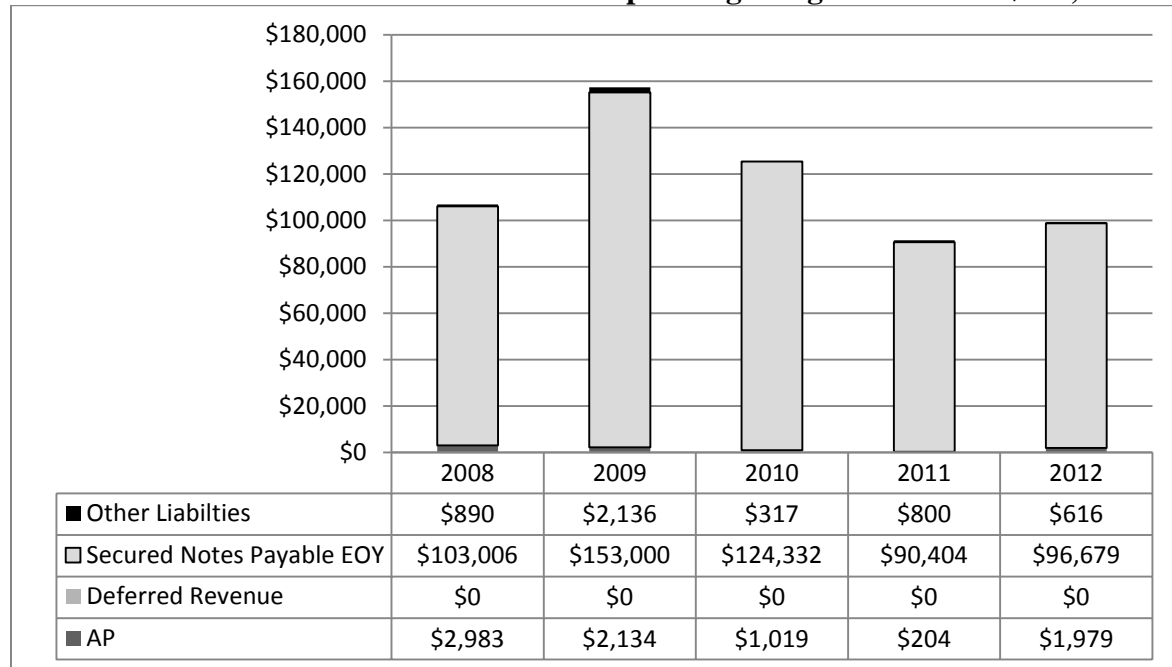
Chart 71 – Median Liabilities for Urban VFCs with Operating Budgets Greater than \$300,000



Source: IRS 990 data (305 urban VFCs).

The median liabilities for rural VFCs with operating budgets of less than \$150,000 had three types of liabilities, in rank order, along with the percentage of total liabilities: Secured Notes Payable End of Year (95 percent); Other Liabilities (1 percent) and Accounts Payable (AP) (2 percent). Overall, total liabilities for rural VFCs with operating budgets less than \$300,000 decreased by 32 percent (See Chart 72).

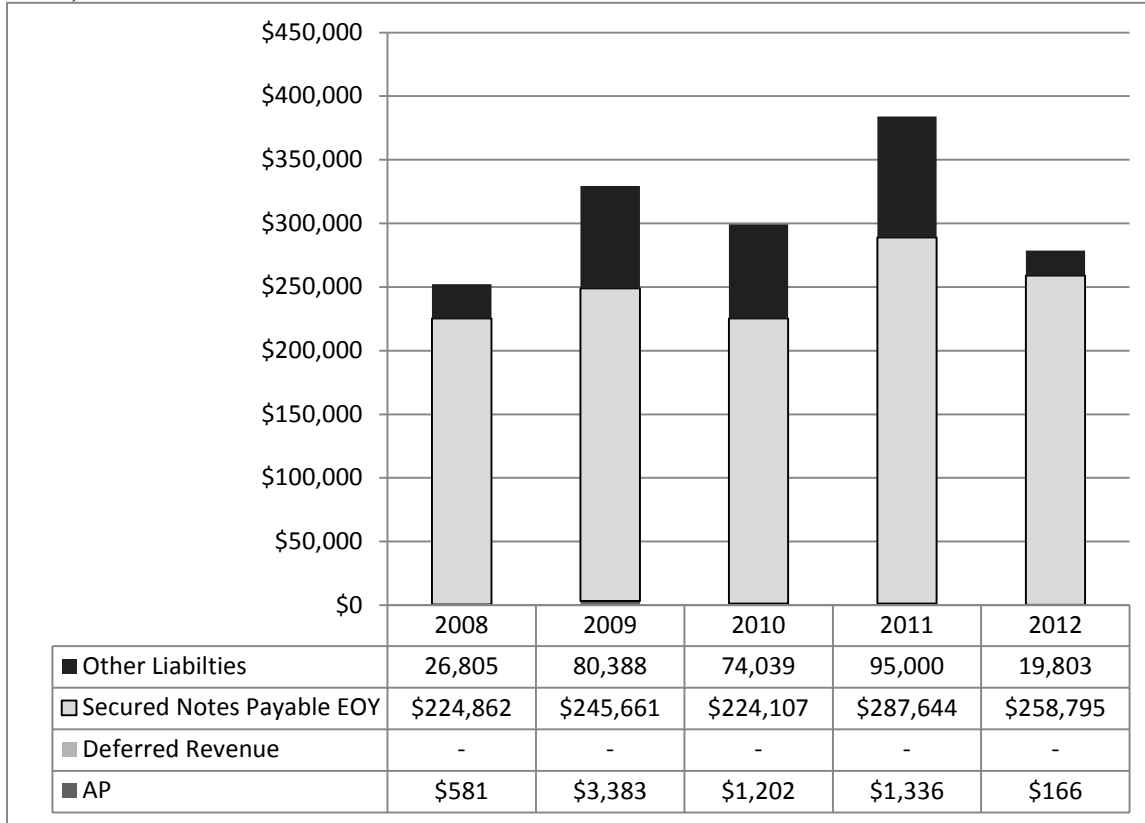
Chart 72 – Liabilities for Rural VFCs with Operating Budgets Less than \$150,000



Source: IRS 990 data (173 rural VFCs).

The median liabilities for rural VFCs with operating budgets between \$150,000 and \$300,000 had two types of liabilities, in rank order, along with the percentage of total liabilities: Secured Notes Payable End of Year (93 percent) and Other Liabilities (7 percent) (Note: Accounts Payable was less than 1 percent). Overall, total liabilities for rural VFCs with operating budgets between \$150,000 and \$300,000 increased by 37 percent (See Chart 73).

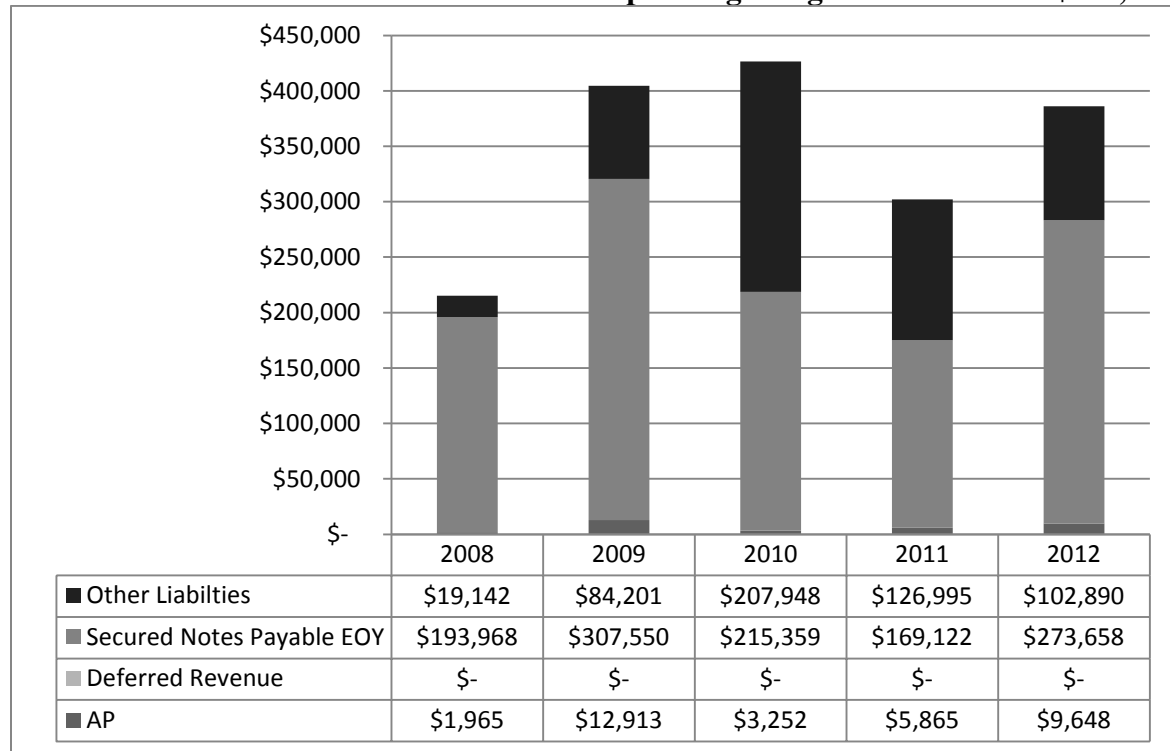
Chart 73 – Liabilities for Rural VFCs with Operating Budgets Between \$150,000 and \$300,000



Source: IRS 990 data (173 rural VFCs).

The median liabilities for rural VFCs with operating budgets greater than \$300,000 had three types of liabilities, in rank order, along with the percentage of total liabilities: Secured Notes Payable End of Year (73 percent); Other Liabilities (27 percent) and Accounts Payable (AP) (3 percent). Overall, total liabilities for rural VFCs with operating budgets greater than \$300,000 increased by 26 percent (See Chart 74).

Chart 74 – Liabilities for Rural VFCs with Operating Budgets Greater than \$300,000



Source: IRS 990 data (173 rural VFCs).

Cost Per Call

Limited data were available for total calls, but data were collected from individual county 911 sites. While this is a more reliable source of call volume, it is not standardized and data must be collected from each county government website.

The Pennsylvania State Fire Commissioner maintains a Pennsylvania Fire Information Reporting System, or PENNFIRS, database to which VFCs may upload their call data using a Fire Department Identification Number (FDID). This system provides a uniform data reporting method for reporting calls that is consistent with the National Fire Protection Association Standard 901, Uniform Coding for Fire Protection. The State Fire Commissioner’s office can report this information to the National Fire Incident Reporting System (NFIRS). The data are gathered through Fire House software, which was provided free to all VFCs but is not always maintained by VFCs or reported to the State Fire Commissioner’s office. (Note that the Fire Commissioner has contracted for new software as of 2015 and has renamed PENNFIRS to PENNFIRS On-Line).

Thirty-four percent of fire companies provided call data to PENNFIRS in 2014, which was the lowest year out of the 5-year study period. At its peak in 2012, participation was 43 percent. In 2010, 774 fire companies reported 448,930 incidents; in 2011, 855 fire companies reported 475,346 incidents, and in

2012, 947 companies reported 399,935 incidents. Note that the number of companies reporting information to PENNFIRS declined in 2013 (868) and further declined in 2014 (760).

PENNFIRS data may be examined by call type (vehicle fires, structure fires, other fires, EMS rescue calls, hazardous condition calls, service calls, good intent calls, severe weather or natural disaster calls, special incident calls, false calls). Note that EMS calls are often concurrently run by VFCs and by ambulance services. Thus, EMS calls that the fire companies ran in support of an outside ambulance service were included. Table 6 presents the calls by type for 2014 and 2013, the most recent years reported. The actual number of calls was not included as only 34 percent of fire companies reported data. The largest percentage of calls reported to PENNFIRS was EMS Treatment (61 percent).

Table 6 – Call Classification for 2013 and 2014 by Type

Call Classification	2014	2013
Structure Fires	1.87%	1.95%
Vehicle Fires	0.63%	0.62%
Other Fires	1.46%	1.39%
Pressure Ruptures, etc.	0.14%	0.17%
EMS Treatment	61.03%	62.77%
Other Rescue Calls	0.98%	1.02%
Hazardous Conditions	5.62%	5.11%
Service Calls	5.20%	4.58%
Good Intent Calls	11.12%	10.47%
Severe Weather	0.30%	0.33%
Special Incident	0.56%	0.56%
Unknown Incident	0.00%	0.01%
False Calls	11.09%	11.01%
Total Calls	100.00%	99.99%
Percentage of FC Reporting	34%	39%

Source: PENNFIRS.

The researcher used the data collected from fire company websites or county 911 sites to match the fire company’s financial data from Guidestar. The cost per call was calculated by dividing total expenses for that year by total calls. Total calls are the total fire and EMS calls, if these were reported separately.

All VFCs reported a median cost per call ranging from a high of \$1,657 in 2008 to a low of \$1,577 in 2012. The minimum amount per call was \$162 while the maximum amount per call was more than \$6,000. This is a function of volume and economies of scale: there is a minimum level of expenses to maintain a fire company, and costs per call go down as the number of calls increase.

Urban VFCs reported a median cost per call ranging from a high of \$1,487 in 2010 to a low of \$1,434 in 2008. The lowest cost per call for urban VFCs over the 5-year study period was \$138; the highest cost

per call was \$5,785. Rural VFCs reported an average cost per call ranging from a high of \$3,149 in 2008 to a low of \$2,096 in 2012. The lowest cost per call for rural VFCs over the 5-year period was \$62; the highest cost per call was \$6,053.

Interviews with Recently Merged Fire Companies

The researcher interviewed five fire companies that merged and reviewed how these mergers impacted their financial fitness. The interviews were conducted with key personnel involved in the merger and were conducted in person or via telephone.

The fire companies interviewed were not in the same municipality when they merged. Thus, the merged fire company now serves two or more municipalities.

The researcher noted the following common themes from the interviews:

1. The fire companies began discussions with three to five companies. The actual merger did not include all initial companies. This was true for all five interviews: at least one of the merger partners dropped out of the discussions for financial reasons or differences of opinion regarding the operation of the new merged entity. The financial reasons were related to the unwillingness of VFCs to allow their cash balance to be used to cover other companies' debts.
2. The fire companies that merged noted that they had to overcome the objections that one fire company's reserves would be used to help settle another fire company's debts through the merger process. This was often a stumbling block in merger discussions. This theme was noted in all five interviews.
3. The fire companies that merged closed at least one building as part of the merger process. Some of the buildings were sold to reduce maintenance costs. Buildings were sold or were up for sale in four of the five entities interviewed.
4. Fire companies noted that a significant source of savings was the elimination of apparatus due to redundancy, or the elimination of a need to replace several pieces of common apparatus. This theme was noted in all five interviews.
5. Three of the five merged companies interviewed had ambulance operations and had full-time staff for the ambulance operations. They noted that the billing for ambulance services provided a source of steady income and helped with cash flow needed to maintain all operations. This often alleviated the need to conduct multiple fundraisers in two of the three VFCs interviewed.
6. Three of the five merged fire companies interviewed had a full-time manager. The manager coordinated volunteers and billing for services.
7. Three of the five merged companies interviewed had a paid fire chief (full- or part-time), with a vehicle provided by the fire company.

8. Three of the five merged companies interviewed noted that their largest source of revenue was billing for services. They used a third-party provider to bill for services. This billing was to insurance companies for ambulance operations, motor vehicle crashes, and structure fires.
9. Most fire companies used the merger as an opportunity to decrease fundraisers. One of the merged companies reduced the number of fundraisers from 30 to two per year; another eliminated weekly bingo and reduced its fundraisers from more than 50 to six per year; two companies could not identify the number of fundraisers they had prior to the merger, but noted a reduction in fundraisers to about five or six per year; and one company maintained the number of fundraising events (80), including weekly bingo.
10. Three companies worked with their municipalities to implement a fire tax to replace other revenue streams, namely reduced fundraising. These fire companies did not have a fire tax prior to the merger. The other two did not have a fire tax in their municipalities, and were generally in favor of such a tax, but noted that it would require support and action from their municipalities.
11. Three of the fire companies noted the importance of cultivating a good relationship with municipalities. One company makes a point of attending monthly municipality meetings, with the officers (chief, assistant chiefs, lieutenants) following a rotating schedule to attend municipal meetings. This regular attendance is to cultivate a relationship with the local officials, to highlight the importance of fire protection, and to answer any questions.
12. Mergers are not appropriate in every situation, particularly for rural VFCs that do not have other nearby VFCs with which to merge. However, mergers may help many urban and rural VFCs with manpower and financial issues. The merger of two or more existing VFCs may help to combine financial resources to operate more efficiently and effectively. Over 200 VFCs have merged in Pennsylvania (Foreman, 2011). Not all merger attempts have been successful. Mergers only work if all VFCs involved in the merger process are willing participants.

Conclusions and Considerations

The research helped to provide a better understanding of VFCs and to offer consideration that may help volunteer VFCs, particularly rural VFCs, continue to provide fire protection, even at a time when their revenues are decreasing and their expenses are increasing.

1. Unfortunately, VFCs with smaller operating budgets have increased their reliance on fundraising and gaming (53 percent increase for rural VFCs with yearly operating budgets of \$150,000 to \$300,000). Larger VFCs have been able to decrease their reliance on fundraising. Revenue sources have changed in importance over the 5-year study period, with service revenue increasing in importance, and fundraising falling below gaming in importance for VFCs with operating

budgets between \$150,000 and \$300,000. Service revenue was the top revenue source for VFCs with operating budgets greater than \$300,000. Additional education regarding other revenue sources, such as service revenue, may help both urban and rural VFCs tap into additional revenue streams. Pennsylvania agencies that assist VFCs with their operations may provide this assistance.

2. The primary revenue stream for many VFCs in this study was service provider revenue. Urban VFCs reported service income as their primary revenue source, and many of them used third-party billing agencies. This relieves them of the burden of an overwhelming number of fundraising events, as only 14 percent of urban VFCs reported fundraising revenue and 27 percent reported gaming revenue. Rural VFCs do not enjoy this same relief from fundraising and gaming events as 23 percent reported fundraising revenue and 43 percent reported gaming income. For rural VFCs, fundraising and gaming was 21 percent of their total revenue, as compared to only 12.7 percent of revenue for urban VFCs. Rural VFCs may need more resources, such as training and perhaps administrative support, to tap into additional service revenue and reduce the more time-consuming fundraising and gaming activities. Municipalities may be able to provide necessary personnel to assist with service revenue/billing paperwork.
3. This research found that a large number of urban fire companies had wage expenses (30 percent of urban companies; and about 30 percent of total expenditures). A small percentage of urban VFCs reported pension expenses (4.3 percent), which may indicate that they have one or more full-time person with pension benefits. Urban VFCs paid staff could include part-time firefighters that provide day-time coverage, the time when the fewest volunteers are available; a part-time or full-time paid fire chief; part-time or full-time EMT\paramedics to provide ambulance coverage; and a manager to coordinate fire company volunteers, paid personnel, third party billing, and fundraisers. The information on the types of paid staff was gathered by the researcher during interviews with merged fire companies. Two of the merged companies had paid personnel on staff in the positions noted. Rural VFCs had a limited amount of wage expenses, with only 17 percent reporting wage expenditures and zero reporting pension expenses. The researcher also noted the increasing number of paid and combination departments in the analysis. Larger municipalities that are experiencing fire staffing issues may want to consider paid personnel as a solution.
4. Urban VFCs seem to have been more successful at working with their local municipalities. Urban VFCs were receiving five times the financial support from municipalities than rural VFCs. This additional support may be primarily due to the additional resources and revenues available to more populated urban municipalities. Urban VFCs and rural VFCs need to continue to cultivate relationship with their municipalities and seek out support via a variety of channels, both

financial and in the form of workers' compensation coverage, insurance, administrative support and other services.

5. Some VFCs were reluctant to share their financial information with the public and with municipalities. Comments received on the paper survey and during the interviews indicated that VFC personnel may not want outsiders looking at their cash balances. VFC assets, such as cash, have been hard earned. Equipment is expensive, and large amounts are needed to purchase new or used equipment to replace outdated equipment. However, information sharing would help to establish trust among the municipality and the community, which may, in turn, lead to increased support.
6. Many urban VFCs benefit from a municipal fire tax. A municipal fire tax is one way for municipalities to provide a revenue source to VFCs. For example, Dauphin County has at least 15 municipalities with fire taxes ranging from a minimum of 0.175 mills to 1 mill, where 1 mill equals \$1 per \$1,000 in assessed value (Miller, 2012). This study did not include an analysis of the number of municipalities with a fire tax, but this information could be helpful.
7. The state municipal code grants boroughs and townships the authority to levy a fire tax of up to 3 mills (Cress, 2015). The revenue generated by this fire tax can be set aside for major purchases, such as the purchase of fire apparatus, station upgrades and other capital improvements. Rural VFCs did not benefit from a municipal fire tax as often as urban VFCs. On one hand, a municipal fire tax may not generate as much assistance for rural VFCs as it does for urban VFCs, because of their larger populations and higher home values. Rural communities may also not want taxes to be increased. However, municipal fire taxes could reduce the burden of fundraising and gaming on volunteers who are already stretched thin by the required training, increased number of calls, and work and family demands. Education about a fire tax would be beneficial to VFCs, municipalities, and the community.
8. VFCs have seen a dramatic decrease in capital budgets over the last 5 years. Urban VFCs reported an 86 percent decline and rural VFCs reported an 89 percent decline in capital budgets. The median capital budget for 2012 ranged from \$5,806 to \$54,520, which would not purchase a major piece of fire apparatus. These amounts may assist with the down payment on an engine, but a large capital budget for 5 to 10 years after would be needed for payments. A limited capital budget would not allow upgrades to other safety equipment. This is a problem that cannot be solved by grant funding in the long-term, and is one that needs to be addressed by VFCs and municipalities.
9. Data on fire calls in the state is not abundant, as only 34 percent of fire companies reported calls in 2014. These data are vital to the state's understanding of fire service demands in its municipalities. A new software package has been purchased by the Pennsylvania Fire Services

Institute, but other incentives should be considered to encourage VFCs to report their data annually.

10. A more accurate database of all VFCs, including information on mergers/consolidations, in Pennsylvania could be developed to provide the state, its municipalities and VFCs with more accurate information on and for fire companies.
11. Rural VFCs, particularly those with operating budgets of less than \$150,000, are not receiving as much grant monies as other VFCs. For example, rural revenue from grants decreased 55 percent over the 5-year study period. Applying for grants is time consuming and can be confusing. Rural VFCs with small operating budgets could benefit from additional resources in education, or assistance from local governments, to be more successful in receiving grants.

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