

Dunn's Corners Fire District

1 Langworthy Road

Westerly, RI 02891

Minutes

Operating Committee Meeting

March 11, 2013

The Dunn's Corners Fire District Operating Committee (OC) convened on Monday March 11, 2013 at 7:00 PM, in Fire Station #1.

Attendees were comprised of OC members Matt Thomsen, Bob Delaney, Tom Algieri, Ken Martin, Jonathan Schreier and Chief Mike Frink. A quorum was present.

Additional attendees included District Clerk Steve White and from the District's auditing firm of Gothie, Hoyte, Filppetti and Malaghan, LLC, Jason Cote CPA.

Actions of the OC (all votes unanimous unless otherwise noted):

Agenda Items

Annual Audit – Jason Cote, CPA reviewed and discussed the draft of the 2011-2012 fiscal audit and management letter produced by Gothie, Hoyt, Filippetti and Malaghan.

Mr. Cote noted that the balance sheet, income statement and fund accounts appear to be fairly represented. Additionally, he noted that there was favorable budget variance in regards to income as a result of the District's collection efforts on past due accounts during the year as well as a positive variance to budget on expenses.

Mr. Cote reviewed the management letter with recommendations to improve internal processes. The items reviewed were as follows;

Reporting Periods MW-12-1: This item relates to transactions being back dated to a prior reporting period. The recommendation in the future is to account for these items through the accounts payable module of the accounting software.

The Operating Committee's response was that the bookkeeper has been trained in this process and this recommendation is being implemented in fiscal year 2012-2013.

Segregation of Duties – Tax Collector's Office MW-10-1: This item primarily relates to the Tax Collector having the ability physically process checks creating a potential internal control issue. The recommendation is to remove the Tax Collector from the process of physically handling checks.

The Operating Committee's response was that the district will work to modify its check handling processes to remediate any potential internal control matters.

Financial Statement Adjustments and related Internal Control Over Financial Reporting MW-10-2: The District maintains its financial reporting on the accrual basis of accounting. Material adjustments were required to present the District's financial statements in accordance with GAAP. The recommendation is that the District consider either maintaining its internal financial reporting in accordance with GAAP or converting its statements to such a basis for annual external reporting.

The Operating Committee's response was that the district will review this matter with the District bookkeeper to determine the time effort and training required to implement the recommendation.

Documentation of the Components of Internal Control MW-10-3: The District has not documented its controls over its significant processes and accounts. The recommendation is that the District make a listing of its significant processes and accounts and document the controls for each of these areas in a procedures manual.

The Operating Committee's response is that the Administrative Assistant has been tasked with this project and is currently working on this matter.

OTHER MATTERS:

Fire Fighter Incentive Program: This matter relates to whether or not incentives paid to volunteer firefighters should be reported as W2 income. Currently, the district reports incentives paid to its volunteer members as 1099 income. The recommendation is for the District to consider placing firefighters on payroll, subject to all applicable taxes as it does its other employees.

The Operating Committee does not believe that the volunteer firefighters are employees. Their time of participation is neither assigned nor controlled. They may choose to volunteer their time as it is available. This is a crucial factor in the determination of whether or not someone is an employee.

Dunn's Corners Fire Department – IRS Filings: This matter relates that the Dunn's Corners Fire Department (Fire Department) located within the District currently does not submit annual filings with the IRS. The recommendation is that the Fire Department apply for tax exempt status with the IRS using form 1023. If tax exempt status is granted, the Fire Department will be required to file Form 990 or Form 990-N annually. If tax exempt status is not granted the Fire Department may have to file a Form 1120.

The Operating Committee's response is that it will apply for tax exempt status for the Fire Department with the IRS.

Previous Meeting Minutes - A motion was made seconded and so voted to approve the January meeting minutes with a correction on page 3 paragraph bullet item 2 changing "ATV" to "replacement equipment".

Next Operating Committee Meeting - The next meeting of the Operating Committee is scheduled for Monday April 8, 2013 at 7:00 PM in Station 1.

Financial Statements – The committee received, reviewed and accepted the financial statements for the reporting period June 2012 through February 2013.

Chief's Report –The Chief's report provided the committee with an update on the following items;

- The replacement equipment fund is \$662.00 to the good due to the receipt of an overpayment refund.
- That the budgeted upgrades to Stations 1 and 2 are complete.
- The initial plans for Station 1 renovations have been received.
- The failed furnace at Station 2 has been replaced at cost of \$6,800.00 of which \$6000.00 less a \$250.00 deductible was covered by insurance.
- The transfer switch to resolve generator issues at Station 1 is scheduled to be installed on March 21st.
- The Chief will be serving on a legislators committee for the RI Fire chief's to address pending issues that may affect the fire district.

Moderator – The Moderator updated the committee on the matter of the previous year's late tax sale filings. The District will need to reimburse 5 bidders up to a potential liability of approximately \$19,000. Moderator is working with the Solicitor to recoup any costs from the tax title company that will not be covered by the subsequent tax lien sales of these properties.

Audit Work RFP – The current audit contract has expired and the committee will be sending RFPs for a new three year engagement.

Public Comments

Minimum Tax – Tax payer James Angelo approached the committee with his concern that the district may not legally be able to impose a minimum tax amount. He based his assertion on his conversations with the Westerly Tax Collector as well as his review of Tax Rules 4494 and 445-2E.

The committee will refer the matter to the Solicitor for a written legal opinion on the ability of the District to impose a minimum tax and at what rate.

Meeting adjourned at 8:36 pm
Respectfully Submitted,

Steve White

District Clerk