

# RI Fire District Workshop

## July 30, 2014

Implementing accountability measures recently enacted by the Rhode Island General Assembly

Office of the Auditor General – State of Rhode Island  
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Auditor General

# What does the law now require for financial reporting and audits of fire districts?

- Audit required if a fire district in Coventry (G.L. 44-5.2-2 - enacted in 2013)
- G.L. Section 44-5-69 (enacted in 2014 General Assembly session):

“Every fire district authorized to assess and collect taxes on real and personal property in the several towns of the state shall be required to have annual financial statements audited by an independent auditing firm approved pursuant to 45-10-4 by the auditor general. The auditor general may waive or modify form and content of financial statements and scope of audit, based on the size of the fire districts.”

# Overall goals in establishing the financial reporting requirements:

- Recognize the differences among the fire districts
- Strive for uniformity where possible
- Keep it relatively simple
- Yield financial data in a format that could be shared on public websites
- Balance the need for accountability against cost and administrative burden
- Provide appropriate and timely data to alert risk of potential fiscal crisis requiring intervention
- Establish a *minimum* standard – districts can opt for higher tier requirements

# What have we observed thus far:

- Many have audits, reviews or other services provided by CPA's but existing financial reporting practices vary widely
- We don't yet have financial reports for all fire districts – important for us to know what you are currently doing
- Operations are varied as well
- One approach wasn't going to work for all
- There will likely be some fine tuning in the future as we collect data from all fire districts under the new reporting framework

# Tiered requirements – decision tree

## Decision Tree for Rhode Island Fire District Financial Reporting

	Tier I	Tier II	Tier III
	Audit of District's Annual Financial Statements	Complete Self-Reporting Financial Template and Engage a CPA to perform Agreed-Upon Procedures	Complete Self-reporting Financial template (unaudited)
<b>Filing Due Dates</b>	6 months after FYE	6 months after FYE	60 days after FYE
Is the Fire District located in Coventry? - General Law 44-5.2-2 requires fire districts located in Coventry to have an annual financial statement audit.			
Are the Fire District's annual operating expenditures for all funds (exclusive of capital outlay <sup>(1)</sup> ) equal or greater than \$1,500,000?			

# Tiered requirements – decision tree

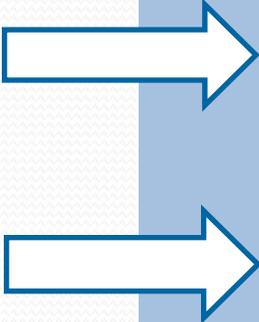
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Does the Fire District have a charter, by-law, or other external requirement to have an annual audit?

Has the fire district routinely had annual audits performed of its financial statements? If yes, we recommend that annual audits continue.



The decision tree logic is as follows:

- If the Fire District has a charter, by-law, or other external requirement to have an annual audit, it falls into Tier I.
- If the fire district routinely had annual audits performed of its financial statements, it also falls into Tier I.
- If neither condition is met, it falls into Tier II or Tier III based on other criteria not shown in this specific diagram.

# Tiered requirements – decision tree

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Are the Fire District's annual operating expenditures for all funds (exclusive of capital outlay<sup>(1)</sup>) more than \$500,000 annually but less than \$1.5 million annually?



Are the Fire District's annual operating expenditures for all funds (exclusive of capital outlay<sup>(1)</sup>) less than \$500,000 annually but outstanding debt is greater than 3X annual operating expenditures?



# Tiered requirements – decision tree

## Decision Tree for Rhode Island Fire District Financial Reporting

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Filing Due Dates	6 months after FYE	6 months after FYE	60 days after FYE
Did the Fire District answer no to all the above questions?			
<p><b>For all fire districts - transmit completed audit report, self reporting template with Agreed-Upon Procedures Report, or self reporting template (unaudited) to the Office of the Auditor General and the Office of Municipal Finance</b></p>			

# Fire districts requiring an audit (Tier I)

- Similar to existing requirements for municipalities
- Financial statements should follow governmental model – GASB requirements
- Office of the Auditor General (OAG) will provide standard audit bid specifications that should be used to procure audit services
- OAG will review and approve fire district's selection of auditor – similar to existing process for municipalities
- We will work with each fire district subject to the audit requirement to discuss specifics – format changes; auditor selection, etc.

## Tier II – self reporting template with agreed-upon procedures (AUP) engagement

- Same self reporting template to be completed with the addition of the AUP
- AUP will be significantly less costly than an audit
- OAG will specify procedures to be followed for all and develop a standard AUP specification document – (see handout)
- Procedures are straightforward but provide some independent assurance on key financial information
- Fire districts will notify OAG of the firm engaged to perform the AUP
- We are sharing the draft AUP with CPA's to elicit their feedback

## Tier III – self-reporting template - unaudited

- Collects key financial data in a consistent, comparable format
- No CPA involvement required
- Should be able to be completed by a person involved in daily financial operations, budget preparation, for the fire district
- We have prepared a Glossary of terms to facilitate implementation of the new fire district reporting requirements

# Sample self-reporting template

Part II: Annual Operating Statement						
<b>Name:</b> Sample Fire District						
<b>Fiscal Year Ended:</b> May 31, 2015						
<b>Beginning Cash or Fund Balance</b> <sup>1</sup>	<input checked="" type="checkbox"/>	Cash	<input type="checkbox"/>	Fund Balance	\$	146,085
<b>Cash Receipts or Revenue</b>						
Local Property Taxes					\$	499,647
Federal Funds						85,285
Miscellaneous Fees						
Payments from other Fire Districts						
Rescue Services						
Interest Earnings (checking, savings, & investments)						486
Other (specify) - Rental income						419,965
<b>Total Cash Receipts or Revenue</b>					\$	1,005,383
<b>Cash Disbursements or Expenditures (attach detail)</b>						
Operating Disbursements or Expenditures					\$	713,600
Capital Outlay <sup>2</sup>						98,897
Debt service Payment						
Principal						28,545
Interest						53,415
Payments to other Fire Districts						
Other (specify)						
<b>Total Cash Disbursements or Expenditures</b>					\$	894,458
<b>Ending Cash or Fund Balance</b>					\$	257,010

# Sample self-reporting template

## Part IV: Tax Collector's Annual Report

<b>Name:</b>	Sample Fire District						
<b>Fiscal Year Ended:</b>	May 31, 2015						
<b>Tax Levy Date:</b>	August 1						
<b>Assessment Date:</b>	December 31						
<b>Year</b>	<b>Beginning Balance</b>	<b>Levy</b>	<b>Additions</b>	<b>Abatements &amp; Adjustments</b>	<b>Amount to be Collected</b>	<b>Current Year Collections</b>	<b>Ending Balance</b>
2015		\$ 654,135	\$ 15,473	\$ (21,132)	\$ 648,476	\$ 620,149	\$ 28,327
2014	40,235		214	5,473	45,922	40,247	5,675
2013	15,809		18	(5)	15,822	11,263	4,559
2012 and prior	3,574		0	14	3,588	1,236	2,352
	<u>\$ 59,618</u>	<u>\$ 654,135</u>	<u>\$ 15,705</u>	<u>\$ (15,650)</u>	<u>\$ 713,808</u>	<u>\$ 672,895</u>	<u>\$ 40,913</u>
						<i>Allowance for Uncollectible Accounts:</i>	1,500
						<i>Net Property Tax Receivable:</i>	<u>\$ 39,413</u>

# Sample self-reporting template

## Part V: Schedule of Capital Assets

Name: Sample Fire District

Fiscal Year Ended: May 31, 2015

Assets	Lease / Own	Lease Terms	Year Acquired	<input checked="" type="checkbox"/>	Original Cost
				<input type="checkbox"/>	Depreciated Value
					Amount
Land (in aggregate)	Own	n/a	varies		\$ 10,000
Buildings (in aggregate)	Own	n/a	1995		3,200,000
Fire Safety Vehicles (list each or attach a separate listing):					
Fire Truck #1	own	n/a	1978		200,000
Fire Truck #2	own	n/a	2000		500,000
Fire Truck with ladder	lease	10 years	2008		1,000,000
Other Vehicles (list each or attach a separate listing):					
Fire Chief's SUV	own	n/a	2005		35,000
Equipment					
Fire Safety Equipment (in aggregate)	own	n/a	varies		120,000
Water Equipment (in aggregate)					
Other Equipment (in aggregate)	own	n/a	varies		50,000
Other - Office Equipment	own	n/a	varies		15,000
<b>Total</b>					<b>\$ 5,130,000</b>

# Sample self-reporting template

Part VI: Statement of Current or Short-Term Liabilities			
<b>Name:</b> Sample Fire District			
<b>Fiscal Year Ended:</b> May 31, 2015			
<b>Lines of Credit - balance to be repaid</b>		\$	10,000
<b>Other Cash Flow Borrowing (list)</b>			
<b>Accounts Payable</b>			
Vendor Payments		\$	21,678
Amounts Owed Related to Employee Payroll & Benefits			3,246
Other (specify)			
<b>Total Accounts Payable</b>		\$	24,924
<b>Total Current or Short-term Liabilities</b>		\$	34,924.00
<b>Access to Lines of Credit - please describe the terms, availability, and amount:</b>			
The District has a line of credit agreement with a bank for \$100,000. There were borrowings against the line at May 31, 2015 of \$10,000. The line bears interest at the bank's prime lending rate. The line is reviewed annually and is due on demand.			

# Sample self-reporting template

Part VII: Statement of Long-Term Liabilities				
<b>Name:</b> Sample Fire District				
<b>Fiscal Year Ended:</b> May 31, 2015				
<b>Debt limit per charter or by-laws:</b>	\$5,000,000			
	<b>Interest Rate</b>	<b>Issue Date</b>	<b>Balance Outstanding</b>	<b>Final Maturity Date</b>
Notes/Bonds Payable (list)				
General Obligation Bond	5%	June 1, 2001	\$ 978,339	September 1, 2026
General Obligation Bond	4.75%	May 1, 1995	54,000	May 1, 2016
Obligations under Capital Leases (list) <sup>1</sup>				
Fire Truck with ladder	N/A	April 1, 2008	476,985	April 1, 2018
Other (specify)				
<b>Total Long-term Liabilities</b>			<b>\$ 1,509,324</b>	

# Sample self-reporting template

## Part VIII: Statement of Debt Service

Name: Sample Fire District

Fiscal Year Ended: May 31, 2015

Debt service requirements in future fiscal years:

	Fiscal Year	Principal	Interest	Total Debt Service
	2016	\$ 332,543	\$ 57,247	\$ 389,790
	2017	262,696	48,094	310,790
	2018	228,465	36,325	264,790
	2019	222,628	24,258	246,886
	2020	201,132	12,766	213,898
	2021 - 2025	195,876	11,043	206,919
	2026 - 2031	65,984	5,987	71,971
		<u>\$1,509,324</u>	<u>\$ 195,720</u>	<u>\$1,705,044</u>

## Part IX: Pension & Other Post-employment Benefits (OPEB)

**Name:** Sample Fire District

**Fiscal Year Ended:** May 31, 2015

**Do you offer Pension Benefits?**  No  Yes

Administered by the State of RI Municipal Employees Retirement System (MERS)

Defined benefit plan administered locally, please describe:  Actuarial valuation report attached

The District administers a pension plan for firefighters hired prior to April 1, 1995. The plan is 70% funded. In the most recent actuarial valuation, dated as of May 31, 2013, the plan reported actuarial assets of \$700,000 and an unfunded actuarial accrued liability of \$300,000.

Firefighters hired after April 1, 1995 are members of the State-administered MERS plan.

Other (e.g. defined contribution) describe:

The District offers a 401(k) plan to its administrative staff. The District's contribution is determined annually. For the current year, the District contributed 5% of employee compensation.

**Do you offer Other Post-employment Benefits (OPEB), such as, retiree health care, etc.?**

No  Yes, please describe:

The District provides healthcare and dental insurance for eligible retirees (i.e. age 60 or older & employed by the District for a minimum of 20 years) until they reach the minimum age established by Medicare. The District will pay the premium for an individual plan only. The District funds these benefits on a pay-as-you-go basis.

*Was an actuarial valuation performed for the OPEB benefits?*

No  Yes, a copy of the report is attached.

**Part X: Other**

**Name:** Sample Fire District

**Fiscal Year Ended:** May 31, 2015

**Describe any contingencies, litigation affecting the Fire District:**

The District is involved in the early stages of litigation relating to a personal injury claim.

**Describe any material subsequent events (events occurring after fiscal year-end) affecting the Fire District:**

The district entered into a 5-year capital lease agreement in the amount of \$500,000 for the acquisition of a fire truck on July 15, 2015.

**Describe the extent to which volunteer personnel are providing services to the Fire District:**

Paid Fire Chief - all other firefighters volunteer

1 part-time paid bookkeeper and 1 part-time administrative volunteer

90% **% volunteer fire personnel compared to all fire personnel**

36 **Number of volunteer fire personnel**

50 **% volunteer administrative personnel compared to all administrative personnel**

1 **Number of volunteer administrative personnel**

# Other notes on financial reporting:

- Call or email if you have questions – we will walk you through the decision tree
- For districts requiring an audit – expect a letter detailing observations and recommendations on how to migrate to the new requirements – may involve a meeting with the district and their auditors
- Information will be on our web page – [oag.ri.gov](http://oag.ri.gov)
- Office of the Auditor General contacts:
  - Lori Gelfuso            [lori.gelfuso@oag.ri.gov](mailto:lori.gelfuso@oag.ri.gov)
  - Rina DiBenedetto      [rina.dibenedetto@oag.ri.gov](mailto:rina.dibenedetto@oag.ri.gov)
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