

The Special Council Meeting of December 17, 2012 was called to order at 6:30 p.m.

**MAYOR**

Ron Reinhard

**OTHERS**

Shannan Kinsley

**COUNCILMEMBERS**

Don Nettle - Absent

Jennifer Nottingham

Mitch Thornton

Lynn Tiner

Jeff Waldrop - Absent

A quorum was declared. Mayor Reinhard stated Councilperson Nettle and Councilperson Waldrop had prior commitments.

**NEW BUSINESS**

**1. DISCUSS AND ACT ON FINDINGS/AGREEMENT OF IRS AUDIT**

Mayor Reinhard stated the City was notified by the IRS back in May 2011 of a Tax Form 941 Audit of Tax Period 2009. A 941 Tax Form Audit has to do with payroll taxes that are subject to Federal Income Tax, Social Security, and Medicare withholding. In June 2011, the IRS Auditor came out and met with the City and GFU to go through numerous documents that were requested. In November 2011, we received the Auditors findings. The first set of findings issued a Summary of Additions to Wages totaling \$9,470.00 for Employee Meals, CEO Additional Wages, Police Chief Additional Wages, Mayor Cell Allowance, GFU Cell Allowance and Additional Wages. In addition, a Summary of Reclassified Wages was issued totaling \$2,647.25 and reclassified the Municipal Judge, Prosecutor, Building Inspector, Health Inspector and Compliance Worker as City employees. Mayor Reinhard stated it has been explained by the IRS that basically anyone who speaks on behalf of the City or makes a decision on behalf of the City is considered an employee. Therefore, as part time employees their compensation is considered wages and subject to Federal Income Tax, Social Security, and Medicare withholding. GFU in conjunction with the City hired Tax Attorney, Strasburger Price Oppenheimer Blend. They were able to work with the IRS and receive a final report from the auditor on December 17, 2012. The new findings issued a Summary of Additions to Wages totaling \$5,824.06 for the CEO Additional Wages, Police Chief Additional Wages and Additional Wages. The IRS was not willing to budge on the classification of the Municipal Judge and Prosecutor as City employees as it is their position that these individuals are City Officials and that as a matter on consistency, they treat all Public Officials as employees. The IRS conceded the cell phone allowances, the Christmas Party, and all or at least \$400 of the gold watch and will not assess additional taxes. GFU conceded the additional assessment on the gift cards as they are considered cash equivalents and the mileage expenses since they don't have mileage logs to substantiate the expenses. The IRS maintains that the inspectors are employees since they exercise government functions. The IRS maintains that the compliance worker is an employee due to the job function and relationship with the utility. The IRS informed us there would be a way to settle the case at a reduced cost to the City and utility. Under the agreement, the City would pay the tax liability for one year for the Judge and Prosecutor. The City and utility would pay 25% of the liability for one year for the inspectors and the Compliance Worker. These individuals would have to be treated as employees going forward. In exchange, the IRS will not open up any remaining open years for examination with regards to these workers. Mayor Reinhard stated if the City/utility doesn't close this out, the IRS will start charging interest. In addition, attorney fees of approximately \$6,400 have accrued. Mayor Reinhard stated the Building Inspector is willing to be reclassified as an employee. He still has to contact the Municipal Judge and Prosecutor. Mayor Reinhard stated there is still the opportunity to go to Appeals and fight the worker classification. However, the Tax Attorney thinks the deal is very good and we should think

very seriously about accepting it. Mayor Reinhard stated additionally, this will impact the budget. We will need to work with Virgil on how to reclassify employees. The motion was made by Councilperson Thornton to authorize the Mayor to execute the Agreement with the IRS on behalf of the City/GFU for the Tax Period 2009, Tax Form 941 Audit and authorize the Mayor to handle any required changes for this specific audit including employee classifications. The motion was seconded by Councilperson Tiner and passed unanimously.

Mayor Reinhard adjourned the Special Council Meeting at 7:10 p.m.

These minutes were written/recorded by Shawana Kinsey \_\_\_\_\_:

These minutes were approved as written amended on the 22 day of January, 2013.

Signed: Ronald G. Reinhard  
Ronald G. Reinhard, Mayor