

ORDINANCE NO. 13-14

AN ORDINANCE AUTHORIZING THE MAYOR TO ENTER INTO A CONTRACT WITH REA & ASSOCIATES, INC. FOR CONSULTING SERVICES FOR THE YEAR ENDING DECEMBER 31, 2013, AND THE PREPARATION OF GAAP CONVERSION AND GENERAL PURPOSE FINANCIAL REPORTS FOR THE CITY OF MEDINA FOR THE YEARS ENDING DECEMBER 31, 2013, DECEMBER 31, 2014, AND DECEMBER 31, 2015.

BE IT ORDAINED BY THE COUNCIL OF THE CITY OF MEDINA, OHIO:

SEC. 1: That the Mayor is hereby authorized and directed to contract with Rea & Associates, Inc. for consulting services for the year ending December 31, 2013, and for the preparation of GAAP Conversion and general purpose financial reports for the years ending December 31, 2013, December 31, 2014, and December 31, 2015.

SEC. 2: That the fees for these services shall not exceed \$18,500 for the year ending December 31, 2013; \$19,000 for the year ending December 31, 2014; and \$19,500 for the year ending December 31, 2015 and will be available in Account No. 001-0707-52226.

SEC. 3: That fees for additional accounting services, up to an estimated \$2,500 annually may be charged for events such as debt refundings, audit changes to the financial statements due to inaccurate or incomplete information provided by the City, restatements of prior year financial statements, or other non-routine events.

SEC. 4: That a copy of the contract is marked Exhibit A, attached hereto and incorporated herein.

SEC. 5: That it is found and determined that all formal actions of this Council concerning and relating to the passage of this Ordinance were adopted in an open meeting of this Council, and that all deliberations of this Council and any of its committees that resulted in such formal action, were in meetings open to the public, in compliance with the law.

SEC. 6: That this Ordinance shall be in full force and effect at the earliest period allowed by law.

PASSED: January 27, 2014

SIGNED: John M. Coyne, III
President of Council

ATTEST: Kathy Patton
Clerk of Council

APPROVED: January 28, 2014

SIGNED: Dennis Hanwell
Mayor

Ord. 13-14
Exh. A



Rea & associates

a brighter way

August 6, 2013

Mr. Dennis Hanwell, Mayor
Mr. Keith Dirham, Finance Director
City of Medina, Ohio
132 N. Elmwood Avenue
Medina, Ohio 44256

Dear Mr. Hanwell and Mr. Dirham:

First and foremost I would like to thank you for the opportunity to submit to you and the City of Medina, Ohio (City) a proposal to prepare the City's annual Comprehensive Annual Financial Report (CAFR) for the fiscal years ending December 31, 2013, 2014 and 2015. It's been a pleasure serving you and the City in the past. Based on our many years of experience in this industry, I would hope you would agree that Rea & Associates, Inc. can provide you with the most efficient and effective service in the industry.

This letter is to confirm our understanding of the services to be provided to the City of Medina, Ohio by Rea & Associates, Inc. From financial records and supporting documentation you provide, we will propose adjusting entries to convert your cash basis financial information to the accrual basis of accounting. Once the City has approved the entries, we will input these entries into our conversion software.

We will compile, from information you provide, the CAFR for the City for the year ending December 31, 2013, 2014 and 2015, and will issue an accountant's compilation report thereon in accordance with Statements on Standards for Accounting and Review Services (SSARSS) issued by the American Institute of Certified Public Accountants (AICPA).

The objective of a compilation is to assist you in presenting financial information in the form of financial statements. We will utilize information that is your representation without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements in order for the statements to be in conformity with *accounting principles generally accepted in the United States of America*.

Management is responsible for:

- 1 The preparation and fair presentation of the financial statements in accordance with *accounting principles generally accepted in the United States of America*. Designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements;
- 2 Preventing and detecting fraud;
- 3 Identifying and ensuring that the City complies with the laws and regulations applicable to its activities;
- 4 Making all financial records and related information available to us;
- 5 Information required confirming appropriate fund classifications and major fund status in accordance with GASB No. 34;
- 6 Information to allow the allocation of internal service funds to governmental;
- 7 Information regarding estimated revenues and appropriations for use in the preparation of budgetary statements including original budget amounts for all funds required to be presented in the basic financial statements and documentation to insure that financial records are in agreement with amended certificates requested and appropriations passed by the City Council during fiscal year;
- 8 A current, complete, and appropriately classified record of all cash receipts and disbursements made during the year, along with all bank reconciliations of the City funds and bank accounts as of December 31;
- 9 Documentation for receivables including taxes, intergovernmental, and accounts receivables, inventory, and prepaid items as of December 31;
- 10 The balances for all governmental capital assets by program and type and proprietary capital assets by fund and type as of the beginning and end of the fiscal year, including appropriate information regarding accumulated depreciation, as well as current fiscal year additions (including accounts charged for related expenditures) and deletions (including any related proceeds and accumulated depreciation on the deleted asset). In addition, information is required that presents depreciation expense by fund and type for proprietary capital assets and by program and type for general capital assets for the fiscal year;
- 11 Information regarding accrued salaries, compensated absences (both current and long-term), accounts payables, workers' compensation, retirement, and other current and long-term liabilities as of December 31;
- 12 Information regarding short-term debt (notes) including a schedule of changes in short-term debt that details balances at the beginning and end of the fiscal year, increases and decreases and the purpose for which the short-term debt was issued;
- 13 Information regarding long-term balances as of the beginning and end of the fiscal year and information regarding additions and payments that occurred during the year. Information that details issuance costs, premium and discounts for additions should be identified separately. Copies of amortization schedules that distinguish between principal and interest for each outstanding issue must also be provided;
- 14 Information to support necessary modified accrual and accrual adjustments at December 31;
- 15 Information regarding transfers and advances by fund including the amount and purpose for each transfer;
- 16 Management's Discussion and Analysis;

We are responsible for conducting the engagement in accordance with SSARs issued by the AICPA.

A compilation differs significantly from a review or an audit of financial statements. A compilation does not contemplate performing inquiry, analytical procedures, or other procedures performed in a review. Additionally, a compilation does not contemplate obtaining an understanding of the entity's internal control; assessing fraud risk; testing accounting records by obtaining sufficient appropriate audit evidence through inspection, observation, confirmation, or the examination of source documents (for example, cancelled checks or bank images); or other procedures ordinarily performed in an audit. Accordingly, we will not express an opinion or provide any assurance regarding the financial statements being compiled.

Our engagement cannot be relied upon to disclose errors, fraud, or illegal acts. However, we will inform the appropriate level of management of any material errors, and of any evidence or information that comes to our attention during the performance of our compilation procedures that fraud may have occurred. In addition, we will report to you any evidence or information that comes to our attention during the performance of our compilation procedures regarding illegal acts that may have occurred, unless they are clearly inconsequential.

We will render such accounting and bookkeeping assistance as we find necessary for the preparation of the financial statements and as may be arranged with you or your authorized employees. The City's Finance Director will be responsible for overseeing such services, evaluating the adequacy and accepting the results of these services, and for making all management decisions with respect to the services.

If, for any reason, we are unable to complete the compilation of your financial statements, we will not issue a report on such statements as a result of this engagement.

During the course of our engagement, we may accumulate records containing data that should be reflected in your books and records. You will determine that all such data will be so reflected. Accordingly, you will not expect us to maintain copies of such records in our possession.

From time to time and depending upon the circumstances, we may use third-party service providers to assist us in providing professional services to you. In such circumstances, it may be necessary for us to disclose confidential client information to them. We enter into confidentiality agreements with all third-party service providers and we are satisfied that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others.

The assistance to be supplied by your personnel in the preparation of schedules and analyses of accounts has been discussed and coordinated with Keith Dirham, Finance Director. The timely and accurate completion of this work is an essential condition to our completion of the engagement and issuance of our compilation report. Our report on the financial statements is presently expected to read as follows:

We have compiled the accompanying basic financial statements of the City of Medina, Ohio as of and for the year ended December 31, 20XX. We have not audited or reviewed the accompanying basic financial statements and, accordingly, do not express an opinion or provide any assurance about whether the basic financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the basic financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of basic financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the basic financial statements.

The Management's Discussion and Analysis on pages X through X are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have compiled the supplementary information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

Our fees for these services will be \$18,500 for year ending December 31, 2013, \$19,000 for year ending December 31, 2014 and \$19,500 for the year ending December 31, 2015.

An additional fee, up to an estimated \$2,500 annually, may be charged for events such as debt refunding's, audit changes to the financial statements due to inaccurate or incomplete information provided by the City, restatements of prior year financial statements or other non-routine events.

Fees proposed are also contingent upon the City providing all necessary information needed to compile a complete set of Basic Financial Statements by the March each year. This will enable Rea & Associates, Inc. to meet our agreed upon timeline of the end of May, subsequent to year end, which includes providing copies of GAAP workpapers and a drafted set of compiled financial statements. An additional fee estimate of \$500-\$1,000 will be added to these services based on the amount of the information that is not available to us on the timeline agreed to above, thus resulting in inefficiencies.

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Interim billings will be submitted as work progresses and as expenses are incurred. We will submit our final bill for our services promptly upon rendering the report. Billings are due upon submission. This fee estimate may be subject to adjustments based on unanticipated changes in the scope of our work. All other provisions of this letter will survive any fee adjustment. If fees become more than 90 days past due, we will discontinue work on your account until the balance is paid in full.

In the event we are requested or authorized by the City or are required by government regulation, subpoena, or other legal process to produce our documents or our personnel as witnesses with respect to our engagements for the City, the City will, so long as we are not party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests.

You understand that compiled financial statements are not appropriate for inclusion in a public or private offering of debt or equity securities. Accordingly, you agree not to include our report[s] or make reference to us in any way in any public or private securities offering.

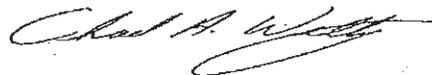
If you intend to publish or otherwise reproduce the financial statements and make reference to us in any other manner, you agree to provide us with printer's proofs or masters for our review and approval before printing. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed. Our fees for review and approval of such proofs or masters, and any related services to be provided to you in connection therewith, will be established with you at the time such services are determined to be necessary or appropriate.

The City and Rea and Associates, Inc. agree that no claim arising out of services rendered pursuant to this agreement shall be filed more than two years after the date of the report issued by Rea and Associates, Inc. or the date of this arrangement letter if no report has been issued. The City waives any claim for punitive damages. Rea and Associates, Inc. is liability for all claims, damages, and costs of the City arising from this engagement is limited to the amount of fees paid by the City to Rea and Associates, Inc. for the services rendered under this arrangement letter.

This letter constitutes the complete and exclusive statement of the agreement between Rea and Associates, Inc. and the City of Medina, Ohio superseding all proposals oral or written and all other communications, with respect to the terms of the engagement between the parties.

If this letter defines the arrangements as you understand them, please sign and date the enclosed copy and return it to us.

Sincerely,



Chad A. Welty, CPA
of Rea & Associates, Inc.

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We desire Rea & Associates, Inc. to perform the services described above and agree to the terms and conditions set forth in this letter.

City of Medina, Ohio

Date: 1/29/14

By: Keith H. Jones
Finance Director

Date: _____

By: Dennis Harwell
Mayor

Jan 28, 2014
Dennis Harwell