

BRUNSWICK CITY FINANCE COMMITTEE

Agenda

OCTOBER 22, 2018

6:35 PM

**or immediately following Safety & Environment Committee
In Caucus Room**

1. Discussion Items
 - (a) **RES. NO. 80-18** - An emergency resolution authorizing the City Manager to enter into a one (1) year professional services agreement with the Local Government Services Division of the Auditor of State's Office to assist in the preparation of a Comprehensive Annual Financial Report for the year ending December 31st, 2020, in an amount not to exceed \$12,200.00. - **1st Reading**
(To be brought from Finance Committee, *Administration/Lynnette Ozanich*)
2. General Discussion
3. Adjournment

THE CITY OF BRUNSWICK

PROPOSED LEGISLATION



DATE: 10/22/2018

TO: Vice Mayor Michael Abella Jr. and Members of City Council

FROM: Carl S. DeForest, City Manager
Todd Fischer

COPY: Mayor Ron Falconi

LEGISLATION: **RES. NO. 80-18** - An emergency resolution authorizing the City Manager to enter into a one (1) year professional services agreement with the Local Government Services Division of the Auditor of State's Office to assist in the preparation of a Comprehensive Annual Financial Report for the year ending December 31st, 2020, in an amount not to exceed \$12,200.00. - **1st Reading** (To be brought from Finance Committee, *Administration/Lynnette Ozanich*)

BACKGROUND: Local Government Services has been under various contracts to assist the City of Brunswick for nineteen years. As each contract period expires, legislation is required to renew.

PURPOSE AND EXPLANATION: The City of Brunswick desires outside supervisory assistance in compiling the City's Comprehensive Annual Financial Statements. The City prepares a Comprehensive Annual Financial Report for many reasons, but the main reasons are to make the City more marketable, achieve a competitive advantage over other Cities in this economic climate, obtain the best possible debt rating (high quality debt with low credit risk), attain lower interest rates on City debt, and have a more widespread pool of investors willing to purchase the City's debt. Although it is the financial information and financial practices contained within the CAFR that matter most, the reporting of this financial information and statistical information is an integral part of the overall process. The CAFR is almost essential in today's economic climate. Additionally, LGS calculates the mandated pension and post employment benefit liability calculations. Without this service the City would incur additional and continual training expenses. The City's staff and expertise, Local Government Services, and the CAFR are all essential in this process. A new one year contract for fiscal year ended 2020 is recommended because Local Government Services is willing to keep the City's cost at the same level as that contained in the previous three years (2017-2019) of the existing contract.

IMPLEMENTATION SCHEDULE: Should be adopted with an emergency clause (suspension of the rules) to ensure Local Government Service resources are dedicated to the City of Brunswick. The emergency clause is necessary to allow for the daily operations of the City of Brunswick to continue without interruptions and keep audit-related costs low. The contract was received only recently and must be returned by October 31, 2018 pursuant to Auditor of State's request.

FINANCIAL INFORMATION: - - - 001-0880-54260 - -

**FINANCIAL
SUMMARY:**

The maximum total cost of this contract is \$12,200. This contract would also be subject to sufficient appropriations adopted by Council. Services for FYE end 2020 are expected to occur in calendar year 2021.

**RECOMMENDED
ACTION:**

One Reading	Yes
Two Readings	No
Three Readings	No
Emergency	Yes
Suspension of Rules	Yes

If emergency or suspension of the rules, why the request?

Discuss at the October 22, 2018 Committee meeting and move to the October 22, 2018 Council agenda as an emergency with suspension of the rules. Recommended action for approval on October 22, 2018 with emergency clause (suspension of the rules).

**ADDITIONAL
INFORMATION:**



Dave Yost • Auditor of State

October 11, 2018

Mr. Todd Fischer, CPA, Finance Director
City of Brunswick
4095 Center Road
Brunswick, OH 44212

Dear Mr. Fischer:

This letter is to confirm our understanding of the terms and objectives of our engagement with the City of Brunswick (the City) and the nature and limitations of the services we will provide.

We will provide the following services:

Using our conversion software, Local Government Services (LGS) will prepare, from information you provide, the annual financial statements of the City of Brunswick as of and for the year ended December 31, 2020.

The objective of our engagement is to prepare financial statements in accordance with accounting principles generally accepted in the United States of America based on information provided by you. LGS will conduct our engagement in accordance with Statements on Standards for Accounting and Review Services (SSARS) promulgated by the Accounting and Review Services Committee of the AICPA and comply with the AICPA's Code of Professional Conduct, including the ethical principles of integrity, objectivity, professional competence, and due care.

LGS is not required to, and will not, verify the accuracy or completeness of the information you will provide to us for the engagement or otherwise gather evidence for the purpose of expressing an opinion or a conclusion. Accordingly, LGS will not express an opinion or a conclusion or provide any assurance on the financial statements.

Our engagement cannot be relied upon to identify or disclose any financial statement misstatements, including those caused by fraud or error, or to identify or disclose any wrongdoing within the entity or noncompliance with laws and regulations.

Our engagement to be performed is conducted on the basis that management acknowledges and understands that our role is to prepare financial statements in accordance with accounting principles generally accepted in the United States of America. Management has the following overall responsibilities that are fundamental to our undertaking the engagement to prepare your financial

statements in accordance with SSARs: 1) The selection of accounting principles generally accepted in the United States of America as the financial reporting framework to be applied in the preparation of the financial statements; 2) The prevention and detection of fraud; 3) To ensure that the entity complies with the laws and regulations applicable to its activities; 4) The accuracy and completeness of the records, documents, explanations, and other information, including significant judgments, you provide to us for the engagement to prepare financial statements; and 5) To provide us with documentation, and other related information that is relevant to the preparation and presentation of the financial statements: additional information that may be requested for the purpose of the preparation of the financial statements: and unrestricted access to persons within the City of Brunswick of whom we determine necessary to communicate.

The financial statements will not be accompanied by a report. However, you agree that the financial statements will clearly indicate that no assurance is provided on them.

The City of Brunswick remains responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board. It is therefore the responsibility of the City to be in a position in fact and appearance to make informed judgments while reviewing, evaluating, and approving the services provided under this engagement. It is also the City of Brunswick's responsibility to design, implement and maintain internal controls, including monitoring ongoing activities.

To demonstrate that the City is fulfilling these responsibilities, the following safeguards will be observed. The City will designate a management level individual to be the primary contact accountable for overseeing this engagement and who will take responsibility for the appropriateness of the results of this engagement. If the City has determined that someone other than the individual with whom we worked last year will fulfill this role, the City must submit documentation to support the new designee's knowledge and capability to perform this function. We will meet with this individual bi-weekly to update our progress and to allow the individual to monitor engagement performance to ensure it meets management's objectives. This individual will perform all management functions and make all management decisions related to this conversion and compilation and will accept full responsibility for such decisions. Accordingly, this individual will review and approve all proposed adjustments before they are entered in the conversion software. Finally, this individual will evaluate the adequacy of the services performed under this engagement by the Local Government Services Section of the Office of the Auditor of State.

It is understood and agreed that the performance of this engagement by LGS will not lessen the scope and extent of the audit work to be performed by the Financial Audit Group of the Office of the Auditor of State.

Management is responsible for making all financial records and related information available to LGS. The hours of service offered in this letter are based upon the following information being provided by the City:

1. Information required to confirm appropriate fund classification and major fund status;
2. Information to allow the allocation of internal service funds to governmental and business-type activities;

3. 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 Council during 2020;
4. A current, complete, and appropriately classified record of all cash receipts and disbursements made during the year, along with bank reconciliations of all City bank accounts as of December 31, 2020;
5. Documentation for receivables including taxes, intergovernmental and accounts receivable, inventory, and prepaid items as of December 31, 2020;
6. 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 year, including appropriate information regarding accumulated depreciation, as well as current 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 each fiscal year;
7. 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, 2020;
8. 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 year, increases and decreases and the purpose for which the short-term debt was issued;
9. Information regarding long-term debt balances as of the beginning and end of the year and information regarding additions and payments that occurred during the year. Information that details issuance costs, premiums and discounts for additions should be identified separately.
10. Copies of amortization schedules that distinguish between principal and interest for each outstanding debt issue;
11. All documentation necessary to determine reporting entity. If it is determined that the City will be required to report a component unit, GAAP financial statements for the component unit must be provided in a timely fashion for preparation of the City's financial statements;
12. Information to support necessary modified accrual and accrual adjustments at December 31, 2020;
12. Information regarding transfers by fund including the amount and purpose for each transfer;
13. The transmittal letter, required supplementary information and statistical section; and
14. Management's Discussion and Analysis.

It is important that you provide financial records that balance and documentation that is adequate to support the necessary journal entries. If we discover inadequacies in the records or documentation you provide, we will return the information to you for correction.

All documents provided to LGS in connection with our services including financial records and reports, payroll records, employee rosters, health and medical records, tax records, etc. must be redacted of any personal information before submission. Personal information is defined as social security numbers, dates of birth, drivers' license numbers or financial institution account numbers associated with an individual. The City shall redact all personal information from electronic records before they are transmitted to LGS. This information should be fully blacked out in all paper documents prior to sending

them to LGS. If personal information cannot be redacted from any records or documents, the City must identify these records to LGS prior to their submission.

If redacting this personal information impairs the ability of LGS to provide the contracted services, the City and the Auditor of State's Office will consider these exceptions on a case-by-case basis. Additionally, if redacting this information creates hardship on the City in terms of resources, recordkeeping or other issues, the City and LGS may collaborate on alternative methods of providing the City's data to LGS without compromising the personal information on individuals served or employed by the City.

As part of the annual financial report, you will be required to prepare a Management's Discussion and Analysis (MD&A). LGS assistance with respect to the MD&A will be limited to reviewing the MD&A to determine that all required topics have been addressed and to insure that the amounts presented in the MD&A match the amounts presented in the financial statements.

During the course of the preparation, from financial records and supporting documentation you provide, LGS will propose journal entries for the preparation of the basic financial statements; review records and other information to determine whether data is being gathered at the required level to permit the preparation of the financial statements; enter usable information from the prior fiscal year trial balances to the trial balances that will be used for the fiscal year being reported; and input approved journal entries into the trial balances. LGS will also discuss with you the requirements for budgetary presentations and assist in the identification of original budgetary information.

LGS assistance with respect to capital assets will be limited to explaining the information necessary for report preparation. If additional assistance in the review of policies or significant guidance related to the calculation of capital assets is required, this engagement will need to be amended.

All work papers prepared by the Office of the Auditor of State will remain the property of the Auditor of State. Accordingly, we are responsible for their care and custody. At the conclusion of the project, we will provide copies of any of the work papers you would like to have for your records. However, the work papers should not be regarded as a part of, or a substitute for, your accounting records.

It is estimated that it will take 244 hours to complete this project for 2020. Our fees for these services will be billed monthly to the City of Brunswick at a rate of \$50 per hour, and the total cost is not anticipated to exceed \$12,200 for 2020. If additional time or services should be necessary, we will notify City of Brunswick regarding any amendment to this contract that may be required.

Upon a 30 day written notice, either party may terminate this Agreement for any reason. Such notice shall be sent by U.S. mail or by personal delivery to Auditor of State, Local Government Services Section, 88 East Broad Street, Fourth Floor, Columbus, Ohio 43215-3506. In the event of such termination, the Auditor of State shall be compensated at the contractually agreed-upon rate for any and all work done to the date of such notice.

Mr. Todd Fischer, CPA, Finance Director
City of Brunswick
October 11, 2018
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If you are in agreement with the terms of this contract, please have this engagement letter signed and certified in the appropriate places and return it to me no later than October 31, 2018. If we do not hear from you by October 31, 2018, we will assume that the City of Brunswick does not wish to contract for the services of the Local Government Services Section of the Office of the Auditor of State. Should you have any questions concerning this letter, please do not hesitate to contact Nita Hendryx, Chief Project Manager, at 1.800.443.9271.

Sincerely,

DAVE YOST
Auditor of State



Unice S. Smith
Chief of Local Government Services

We desire the Auditor of State's Office to perform the services described above and agree to the terms and conditions set forth in this letter.

CITY OF BRUNSWICK

Date: _____

Resolution No. _____

By: _____
Carl DeForest, City Manager

It is hereby certified that the amount of \$ _____ required to pay this contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of the _____ Fund, free from any obligation or certification now outstanding.

Date: _____

Todd Fischer, CPA, Finance Director

cc: Nita Hendryx, Chief Project Manager
Daniel Stuetzer, Chief Auditor

CITY OF BRUNSWICK, OHIO
RESOLUTION NO. _____

By:

AN EMERGENCY RESOLUTION AUTHORIZING THE CITY MANAGER TO ENTER INTO A ONE (1) YEAR EXTENSION TO THE PROFESSIONAL SERVICES AGREEMENT WITH THE LOCAL GOVERNMENT SERVICES DIVISION OF THE AUDITOR OF STATE'S OFFICE TO ASSIST IN THE PREPARATION OF A COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDING DECEMBER 31, 2020 IN AN AMOUNT NOT TO EXCEED \$12,200.00.

WHEREAS: The Local Government Services Division of the Auditor of State's Office has provided previous supervisory assistance to the City for preparation of the Comprehensive Annual Financial Report (the "CAFR");

WHEREAS: On September 25, 2017, City Council adopted Resolution No. 83-17 authorizing the City Manager to enter into a three (3) year professional services agreement (the "Agreement") with the Local Government Services Division of the Auditor of State's Office to assist in the preparation of a Comprehensive Annual Financial Report (in addition to complying with required Generally Accepted Accounting Principles and State Filing Requirements), for the years ending December 31st of 2017, 2018, and 2019 in an amount not to exceed \$36,600.00, subject to annual appropriations by City Council according to law; and

WHEREAS: The Local Government Services Division of the Auditor of State's Office has authorized a one (1) year extension of the Agreement for the year ending December 31, 2020 at the same cost as per the Agreement.

WHEREAS: THE COUNCIL OF THE CITY OF BRUNSWICK HEREBY RESOLVES:

SECTION 1: That the City Manager is hereby authorized to enter into a one (1) year extension of the Agreement with the Local Government Services Division of the Auditor of State's Office to assist in the preparation of a Comprehensive Annual Financial Report (in addition to complying with required Generally Accepted Accounting Principles and State Filing Requirements), for the year ending December 31, 2020 in an amount not to exceed \$12,200.00, as attached hereto as Exhibit "A", subject to the necessary appropriation of funds by City Council according to law.

SECTION 2: This Resolution is declared to be an emergency measure necessary for the immediate preservation of the public peace, property, health, safety, welfare, and providing for the usual daily operation of a municipal department, and for the further reason that the executed agreement must be returned to the Local Government Services Division of the Auditor of State's Office by October 31, 2018. Therefore, the same shall be in full force and effect from and after its passage by the required number of votes.

PASSED: 1st Reading_____

Rules Suspended: AYES _____ NAYS _____

ADOPTED: _____ AYES _____ NAYS _____

ATTEST: _____

Clerk of Council
Fijabi Julien-Gallam, CMC

CITY OF BRUNSWICK, OHIO
RESOLUTION NO. 80-18

By: Mrs. Hanek, Mr. Ousley and Mr. Delsanter

AN EMERGENCY RESOLUTION AUTHORIZING THE CITY MANAGER TO ENTER INTO A ONE (1) YEAR EXTENSION TO THE PROFESSIONAL SERVICES AGREEMENT WITH THE LOCAL GOVERNMENT SERVICES DIVISION OF THE AUDITOR OF STATE'S OFFICE TO ASSIST IN THE PREPARATION OF A COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDING DECEMBER 31, 2020 IN AN AMOUNT NOT TO EXCEED \$12,200.00.

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WHEREAS: The Local Government Services Division of the Auditor of State's Office has authorized a one (1) year extension of the Agreement for the year ending December 31, 2020 at the same cost as per the Agreement.

WHEREAS: THE COUNCIL OF THE CITY OF BRUNSWICK HEREBY RESOLVES:

SECTION 1: That the City Manager is hereby authorized to enter into a one (1) year extension of the Agreement with the Local Government Services Division of the Auditor of State's Office to assist in the preparation of a Comprehensive Annual Financial Report (in addition to complying with required Generally Accepted Accounting Principles and State Filing Requirements), for the year ending December 31, 2020 in an amount not to exceed \$12,200.00, as attached hereto as Exhibit "A", subject to the necessary appropriation of funds by City Council according to law.

SECTION 2: This Resolution is declared to be an emergency measure necessary for the immediate preservation of the public peace, property, health, safety, welfare, and providing for the usual daily operation of a municipal department, and for the further reason that the executed agreement must be returned to the Local Government Services Division of the Auditor of State's Office by October 31, 2018. Therefore, the same shall be in full force and effect from and after its passage by the required number of votes.

PASSED: 1st Reading_____

Rules Suspended: AYES _____ NAYS _____

ADOPTED: _____ AYES _____ NAYS _____

ATTEST: _____

Clerk of Council
Fijabi Julien-Gallam, CMC