BRUNSWICK CITY
FINANCE COMMITTEE

Agenda
SEPTEMBER 12, 2022
6:00 PM

1. Discussion Items

   RES. NO. 73-2022- An emergency resolution authorizing the City Manager to enter into a two (2) year professional services agreement with the Local Government Services Division of the Auditor of State's Office to assist in the preparation of an Annual Comprehensive Financial Report for the years ending December 31, 2022 and December 31, 2023 in an amount not to exceed $18,300 for each year of the contract. - **1st Reading** (To be brought from Finance Committee, *Administration/Todd Fischer*)

2. General Discussion

3. Adjournment

THE CITY OF BRUNSWICK

PROPOSED LEGISLATION

DATE: 9/12/2022

TO: Vice Mayor Nicholas Hanek and Members of City Council

FROM: Carl S. DeForest, City Manager
Todd Fischer

COPY: Mayor Ron Falconi

LEGISLATION: **RES. NO. 73-2022**- An emergency resolution authorizing the City Manager to enter into a two (2) year professional services agreement with the Local Government Services Division of the Auditor of State's Office to assist in the preparation of an Annual Comprehensive Financial Report for the years ending December 31, 2022 and December 31, 2023 in an amount not to exceed $18,300 for each year of the contract. - **1st Reading** (To be brought from Finance Committee, *Administration/Todd Fischer*)

BACKGROUND: The City of Brunswick and the Local Government Services Division of the Auditor of State's Office have entered into various professional service agreements over the past twenty years, and;

The Local Government Services Division of the Auditor of State's Office assists the City in the preparation of an Annual Comprehensive Financial Report (in addition to complying with required Generally Accepted Accounting Principles, calculating the unfunded pension liabilities and completing annual state filing requirements in the Hinkle System), and;

The Local Government Services Division of the Auditor of State's Office has authorized a two-year Agreement for the years ending December 31, 2022 and December 31, 2023 for an amount not to exceed $18,300.00, subject to annual appropriations by the City Council according to law.

PURPOSE AND EXPLANATION: Refer to background section.

IMPLEMENTATION SCHEDULE: Discuss at the Sept 12, 2022 Finance Committee meeting and move to the Sept 12, 2022 Council agenda as an emergency with suspension of the rules.

FINANCIAL INFORMATION:

FINANCIAL

SUMMARY: Local Government Services charges $75/hr with expected costs not to exceed $18,300 for each year of the contract. Costs are charged to account #001-0880-54260.

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?

Recommended approval as an emergency with suspension of the rules. An emergency clause is necessary in order to file an executed agreement with the Local Government Services Division of the Auditor of State's Office during September 2022. This timeframe should allow for enough time to assign staff, plan and begin services in January 2023.

ADDITIONAL INFORMATION: None.

Local Government Services
88 East Broad Street, Fourth Floor
Columbus, Ohio 43215-3506
(614) 466-4717 or (800) 345-2519
ContactLGS@ohioauditor.gov

August 23, 2022

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 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 City of Brunswick as of and for the years ended December 31, 2022 and December 31, 2023.

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. We 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 SSARSs: 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 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.

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 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 engagement 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 the 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 Governing Board during fiscal years 2022 and 2023;

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, 2022 and December 31, 2023;

5. Documentation for receivables including taxes, intergovernmental and accounts receivable, inventory, and prepaid items as of December 31, 2022 and December 31, 2023;

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 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, 2022 and December 31, 2023;

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 financial statements.

12. Information to support necessary modified accrual and accrual adjustments at December 31, 2022 and December 31, 2023;

13. Information regarding transfers by fund including the amount and purpose for each transfer;

14. The transmittal letter, required supplementary information and statistical section; and

15. 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 244 hours will be needed to complete this project for 2022 and 244 hours will be needed to complete this project for 2023. Our fees for these services will be billed monthly to the City at a rate of $75 per hour, and the total cost is not anticipated to exceed $18,300 for each year of the contract. If additional time or services should be necessary, we will notify City regarding any amendment to this contract that may be required.

Pursuant to Ohio Revised Code 117.13, you may charge all of these fees to the general fund or you may allocate the cost among the general fund and other eligible funds. While eligible funds may include federal grant funds, additional restrictions under the Uniform Guidance 2 CFR 200.425 should be considered. For more information, refer to the annual *Hourly Audit Rates and Allocation of Audit Costs* technical bulletin available at www.ohioauditor.gov.

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.

The Auditor of State's billing statements are available through the office's eServices portal located at https://eservices.ohioauditor.gov. Each client should complete the registration process to establish an eServices account. A confirmed account will have the ability to access and/or update information regarding their customer account, including entity contact information, billing and payments, and an electronic check option for online payments. Authorized users are encouraged to keep eServices contact information updated.

Auditor of State billing statements are prepared monthly, and are sent to clients who have an outstanding balance through a paperless electronic billing system. The City of Brunswick will receive an email notification at the beginning of the month that a statement is available for review. Clients should access their billing statement upon receipt through eServices, and payment is due by the date identified on the statement.

A failure to pay the Auditor of State in full within forty-five days of the payment due date, may result in additional action as authorized under Ohio Revised Code Sections 131.02(A) and/or 117.13(D).

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 September 29, 2022. If we do not hear from you by September 29, 2022, we will assume that City 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 1-330-797-9637.

Sincerely,

KEITH FABER
Auditor of State

David B. Thompson

David B. Thompson
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
Allen Allred, Chief Auditor

CITY OF BRUNSWICK, OHIO
RESOLUTION NO. 73-2022

By: Mr. Hanek, Mr. Abella, Mr. Delsanter

AN EMERGENCY RESOLUTION AUTHORIZING THE CITY MANAGER TO ENTER INTO A TWO (2) YEAR PROFESSIONAL SERVICES AGREEMENT WITH THE LOCAL GOVERNMENT SERVICES DIVISION OF THE AUDITOR OF STATE'S OFFICE TO ASSIST IN THE PREPARATION OF AN ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE YEARS ENDING DECEMBER 31, 2022 AND DECEMBER 31, 2023 IN AN AMOUNT NOT TO EXCEED $18,300.00 FOR EACH YEAR OF THE CONTRACT.

WHEREAS: The City of Brunswick and the Local Government Services Division of the Auditor of State's Office have entered into various professional service agreements over the past twenty years, and;

WHEREAS: Local Government Services Division of the Auditor of State's Office assists the City in the preparation of an Annual Comprehensive Financial Report (in addition to complying with required Generally Accepted Accounting Principles, calculating the unfunded pension liabilities and completing annual state filing requirements in the Hinkle System), and;

WHEREAS: The Local Government Services Division of the Auditor of State's Office has authorized a two-year Agreement for the years ending December 31, 2022 and December 31, 2023 in an amount not to exceed $18,300.00, subject to annual appropriations by City Council according to law.

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

SECTION 1: That the City Manager is hereby authorized to enter into a two (2) year professional services agreement with the Local Government Services Division of the Auditor of State's Office for the years ending December 31, 2022 and December 31, 2023 in an amount not to exceed $18,300.00 for each year of the contract, 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 in September 2022. 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 Laura Timura		