

**ORDINANCE NO. 15-20**

**AN ORDINANCE AUTHORIZING THE MAYOR TO ENTER INTO A THREE-YEAR CONTRACT WITH REA & ASSOCIATES, INC. FOR THE PREPARATION OF THE CITY'S CAFR IN ACCORDANCE WITH ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA (GAAP) FOR THE YEARS ENDING DECEMBER 31, 2019, DECEMBER 31, 2020, AND DECEMBER 31, 2021, AND DECLARING AN EMERGENCY.**

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

- SEC. 1:** That the Mayor is hereby authorized and directed to enter into a three-year contract with Rea & Associates, Inc. for the preparation of the City's CAFR in accordance with accounting principles generally accepted in the United States of America (GAAP) for the years ending December 31, 2019, December 31, 2020, and December 31, 2021.
- SEC. 2:** That in accordance with Ohio Revised Code §5705.41(D), at the time that the contract or order was made and at the time of execution of the Finance Director's certificate, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance.
- SEC. 3:** That the fees for these services shall not exceed \$21,500 for the year ending December 31, 2019, \$22,000 for the year ending December 31, 2020; and \$22,500 for the year ending December 31, 2021 and will be available in Account No. 001-0707-52226.
- SEC. 4:** 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. 5:** That a copy of the contract is marked Exhibit A, attached hereto and incorporated herein.
- SEC. 6:** 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. 7:** That this Ordinance shall be considered an emergency measure necessary for the immediate preservation of the public peace, health and safety, and for the further reason that preparation of the CAFR has begun in order to meet filing deadlines; wherefore, this Ordinance shall be in full force and effect immediately upon its passage and signature by the Mayor.

**PASSED:** January 27, 2020

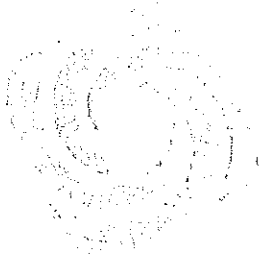
**SIGNED:** John M. Coyne, III  
President of Council

**ATTEST:** Kathy Patton  
Clerk of Council

**APPROVED:** January 28, 2020

**SIGNED:** Dennis Hanwell  
Mayor

ORP. 15-20  
Exh. A



# Rea & associates

September 6, 2019

Mr. Dennis Hanwell, Mayor  
Mr. Keith Dirham, Finance Director  
City of Medina  
123 Elmwood Ave  
Medina, OH 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 years ending December 31, 2019, 2020 and 2021 on a continuous basis. 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.

## **The Objective and Scope of the Engagement**

This letter is to confirm our understanding of the services you have requested of us, which are to prepare the annual CAFR of the City of Medina. The financial statements will include the related notes to the financial statements and be accompanied by a management discussion and analysis and pension/OPEB related schedules, which are considered required supplemental information to the basic financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). In addition, you have requested we perform a compilation engagement with respect to these basic financial statements. We are pleased to confirm our acceptance and our understanding of this engagement by means of this letter.

## **Our Responsibilities**

The objective of our engagement is to:

- a. prepare financial statements in accordance with accounting principles generally accepted in the United States of America based on information provided by you and;
- b. apply accounting and financial reporting expertise to assist you in the presentation of financial statements 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 them to be in accordance with accounting principles generally accepted in the United States of America.

We will conduct our compilation 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.

We are 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, we will not express an opinion or a conclusion nor 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.

We will render such accounting and bookkeeping assistance as we find necessary for the preparation of the financial statements and certain other non-attest services as may be arranged with you or your authorized employees. These services may include (but are not limited to) the following:

- proposing adjusting or correcting adjusting journal entries
- preparation of a trial balance(s) based on the adjusted general ledger

Keith Dirham, Finance Director will be responsible for overseeing such services, evaluating the adequacy and accepting the results of these services, and accept responsibility for the results of the services. Rea and Associates, Inc. will not perform management functions or make management decisions on behalf of the City. However, we will provide advice and recommendations to assist management of the City in performing its functions and making decisions. The timely and accurate completion of this work is an essential condition to our completion of the engagement and issuance of our compilation report.

### **Your Responsibilities**

The engagement to be performed is conducted on the basis that you acknowledge and understand that our role is to prepare financial statements in accordance with accounting principles generally accepted in the United States of America and assist you in the presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America. You have the following overall responsibilities that are fundamental to our undertaking the engagement in accordance with SSARs:

- a. 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;
- b. The preparation and fair presentation of financial statements in accordance with accounting principles generally accepted in the United States of America;
- c. The design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements;
- d. The prevention and detection of fraud;
- e. To ensure that the entity complies with the laws and regulations applicable to its activities;
- f. The accuracy and completeness of the records, documents, explanations, and other information, including significant judgments, you provide to us for the engagement;
- g. To provide us with:

- i. access to all information of which you are aware is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters;
- ii. additional information that we may request from you for the purpose of the compilation engagement;
- iii. unrestricted access to persons within the entity of whom we determine it necessary to make inquiries.

You are also responsible for all management decisions and responsibilities and for designating an individual with suitable skills, knowledge, and experience to oversee our preparation of your financial statements. You are responsible for evaluating the adequacy and results of the services performed and accepting responsibility for such services.

### **Records and Assistance**

If circumstances relating to the conditions of your records were to arise during the course of our work which in our professional judgment prevent us from completing the engagement, we will notify you promptly. In such a situation, we retain the unilateral right to take any course of action permitted by professional standards, including withdrawal from the engagement.

During the course of our engagement, we may accumulate records containing data that should be reflected in the City's books and records. The City will determine that all such data, if necessary, will be so reflected. Accordingly, the City will not expect us to maintain copies of such records in our possession.

### **Other Relevant Information**

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. In addition, we may utilize financial information you have provided to us in connection with this engagement for purposes of creating benchmarking data to be used by Rea & Associates, Inc. professionals and other clients. This benchmarking data is aggregated with data from a minimum of five other entities so that users of the data are unable to associate the data with any single entity in the database.

### **Fees, Costs, and Access to Workpapers**

Our fees for the foregoing services will be based on the time we incur in performing these services, the degree of responsibility we assume, and the value of the services performed. We estimate the fee to be \$21,500 for the year ending December 31, 2019, \$22,000 for the year ending December 31, 2020 and \$22,500 for the year ending December 31, 2021.

There are some uncertainties of the scope of these services that will occur during this contract period. If there are any questions related to these items, we will be more than happy to discuss them with you. As a result, *the fee estimate for following years/items may be adjusted for the additional time necessary to complete:*

1. For 2019, the implementation of GASB 84 *Fiduciary Activities*;
2. For 2020, the implementation of GASB 87 *Leases*;

3. The impact (if any) related to the conversion/change in your accounting software that impacts the type and/or format of information provided to us.

This fee estimate will be subject to adjustments based on unanticipated changes in the scope of our work (such as the implementation of new accounting pronouncements) and/or the incomplete or untimely receipt by us of the information on the client participation list. In addition, additional billings will be submitted in the situation where the information provided is inaccurate thus creating inefficiencies in our work. An additional fee, 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. All other provisions of this letter will survive any fee adjustment. Interim billings will be submitted as work progresses and as expenses are incurred. All invoices will be due and payable upon receipt. If fees become more than 90 days past due, we will discontinue work on your account until the balance is paid in full.

Fees proposed are also contingent upon the City providing all necessary information needed to compile a complete set of Basic Financial Statements by the end of March. 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 may be added to these services based on the amount of the information that is not available to us on the timeline agreed to above.

Our professional standards require that we perform certain additional procedures, on current and previous years' engagements, whenever a partner or professional employee leaves the firm and is subsequently employed by or associated with a client in a key position. Accordingly, the City agrees it will compensate Rea & Associates, Inc. for any additional costs incurred as a result of the City employment of a partner or professional employee of Rea & Associates, Inc.

If we elect to terminate our services for nonpayment, or for any other reason provided for in this letter, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed your engagements. You will be obligated to compensate us for all time expended, and to reimburse us for all of our out-of-pocket costs, through the date of termination.

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 engagement for the City, the City will, so long as we are not a 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.

### **Claim Resolution**

The City of Medina and Rea & 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 compilation report issued by Rea & Associates, Inc. or the date of this arrangement letter if no report has been issued more than two years after the date of this arrangement letter. The City waives any claim for punitive damages. The City's 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 & Associates, Inc. for the services rendered under this arrangement letter.

You agree that any dispute that may arise regarding this engagement will, prior to resorting to litigation, be submitted to mediation and that the parties will engage in the mediation process in good faith. The costs of any mediation proceeding shall be shared equally by both parties. In the event of litigation brought against us, any judgment you obtain shall not exceed the amount of the fee charged by us, and paid by you, for the services set forth in this engagement.

#### **Information Security - Miscellaneous Terms**

Rea & Associates, Inc. is committed to the safe and confidential treatment of the City proprietary information. Rea & Associates, Inc. is required to maintain the confidential treatment of client information in accordance with relevant industry professional standards which govern the provision of services described herein. The City agrees that it will not provide Rea & Associates, Inc. with any unencrypted electronic confidential or proprietary information, and the parties agree to utilize commercially reasonable measures to maintain the confidentiality of the City information, including the use of collaborate sites to ensure the safe transfer of data between the parties.

Rea & Associates, Inc. may terminate this relationship immediately in its sole discretion if Rea & Associates, Inc. determines that continued performance would result in a violation of law, regulatory requirements, applicable professional standards or Rea & Associates, Inc.'s client acceptance or retention standards, or if the City is placed on a verified sanctioned entity list or if any director or executive of, or other person closely associated with, the City or its affiliates is placed on a verified sanctioned person list, in each case, including but not limited to lists promulgated by the Office of Foreign Assets Control of the U.S. Department of the Treasury, the U.S. State Department, the United Nations Security Council, the European Union or any other relevant sanctioning authority.

#### **Electronic Signatures and Counterparts**

Each party hereto agrees that any electronic signature of a party to this agreement or any electronic signature to a document contemplated hereby (including any representation letter) is intended to authenticate such writing and shall be as valid, and have the same force and effect, as a manual signature. Any such electronically signed document shall be deemed (i) to be "written" or "in writing," (ii) to have been signed and (iii) to constitute a record established and maintained in the ordinary course of business and an original written record when printed from electronic files. Each party hereto also agrees that electronic delivery of a signature to any such document (via email or otherwise) shall be as effective as manual delivery of a manual signature. For purposes hereof, "electronic signature" includes, but is not limited to, (i) a scanned copy (as a "pdf" (portable document format) or other replicating image) of a manual ink signature, (ii) an electronic copy of a traditional signature affixed to a document, (iii) a signature incorporated into a document utilizing touchscreen capabilities or (iv) a digital signature. This agreement may be executed in one or more counterparts, each of which shall be considered an original instrument, but all of which shall be considered one and the same agreement. Paper copies or "printouts," of such documents if introduced as evidence in any judicial, arbitral, mediation or administrative proceeding, will be admissible as between the parties to the same extent and under the same conditions as other original business records created and maintained in documentary form. Neither party shall contest the admissibility of true and accurate copies of electronically signed documents on the basis of the best evidence rule or as not satisfying the business records exception to the hearsay rule.

If any term or provision of this arrangement letter is determined to be invalid or unenforceable, such term or provision will be deemed stricken and all other terms and provisions will remain in full force and effect.

**Our Report**

As part of our engagement, we will issue a report that will state that we did not audit or review the financial statements and that, accordingly, we do not express an opinion or a conclusion nor provide any assurance on them. Circumstances may arise in which it is necessary for us to modify our report or withdraw from the engagement.

You agree to include our accountant's compilation report in any document containing financial statements that indicates we have performed a compilation engagement on such financial statements and, prior to inclusion of the report, ask our permission to do so.

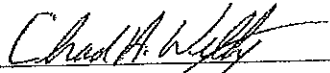
This letter constitutes the complete and exclusive statement of agreement between Rea & Associates, Inc. and the City of Medina, superseding all proposals, oral or written, and all other communications with respect to the terms of the engagement between the parties.

Please sign and return a copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our engagement to prepare the financial statements described herein and to perform a compilation engagement with respect to those same financial statements, and our respective responsibilities.

We appreciate this opportunity to be of service to you.

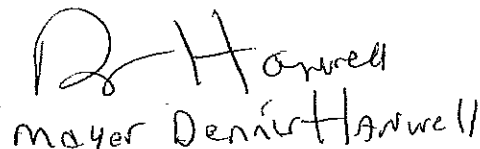
Rea & Associates, Inc.,

Confirmed on behalf of the City of Medina



Chad A. Welty, CPA

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Finance Director

  
Mayer Dennis Harwell  
January 28, 2020