

## **ORDINANCE NO. 23-057**

**AN ORDINANCE APPROVING AN AMENDMENT TO THE AGREEMENT WITH REA & ASSOCIATES, INC. OF NEW PHILADELPHIA, OHIO, FOR THE PREPARATION OF FINANCIAL STATEMENTS FOR THE DECEMBER 31, 2021, DECEMBER 31, 2022, AND DECEMBER 31, 2023, ANNUAL COMPREHENSIVE FINANCIAL REPORT; AND DECLARING THAT THIS ORDINANCE SHALL TAKE IMMEDIATE EFFECT IN ACCORDANCE WITH SECTION 14 OF THE CITY CHARTER.**

**WHEREAS**, the City is required to complete an annual financial report that conforms to Generally Accepted Accounting Principles (GAAP) every year; and

**WHEREAS**, the City has prepared an Annual Comprehensive Financial Report for many years and has been recognized by the national and Ohio Governmental Finance Officers Association as a recipient of the Certificate of Achievement for Excellence in Financial Reporting; and

**WHEREAS**, the Governmental Accounting Standards Board (GASB) establishes the guidelines for preparing this report where there are regular technical changes required that make it difficult for the Department staff to prepare this report along with other regular duties without external assistance; and

**WHEREAS**, this City Commission approved an agreement with Rea & Associates, Inc. of New Philadelphia, Ohio, for the preparation of the December 31, 2021, 2022, and 2023, Annual Comprehensive Financial Report by Ordinance No. 22-108, passed on February 14, 2022; and

**WHEREAS**, the agreement stated there may be additional fees for the implementation of any new accounting standards, such as GASB 87 (Leases), which was enacted by the Governmental Accounting Standards Board and is a 96 page document that has additional reporting requirements for each of the City's lease and the fees for the additional services are estimated not to exceed \$18,275.50 for each of the annual reports for 2022 and 2023; and

**WHEREAS**, the revised cost for the preparation of the financial statements for the annual reports is not to exceed \$49,275.50 for year ending on December 31, 2022, and \$50,525.50 for year ending December 31, 2023, and these costs will be paid with General Funds (50%), Water Funds (25%) and Sewer Funds (25%); and

**WHEREAS**, this Ordinance should be passed as an emergency measure under suspension of the rules in accordance with Section 14 of the City Charter in order to immediately execute an agreement with Rea & Associates, Inc. so the preparation of the financial statements can begin as the State's deadline to submit the Annual Comprehensive Financial Report is May 31, 2023; and

**WHEREAS**, in that it is deemed necessary in order to provide for the immediate preservation of the public peace, property, health, and safety of the City of Sandusky, Ohio, and its citizens, and to provide for the efficient daily operation of the Municipal Departments, including the Finance Department, of the City of Sandusky, Ohio, the City Commission of the City of Sandusky, Ohio finds that an

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emergency exists regarding the aforesaid, and that it is advisable that this **Ordinance** be declared an emergency measure which will take immediate effect in accordance with Section 14 of the City Charter upon its adoption; and NOW, THEREFORE,

BE IT ORDAINED BY THE CITY COMMISSION OF THE CITY OF SANDUSKY, OHIO, THAT:

Section 1. This City Commission authorizes and directs the City Manager to enter into an Amendment to the Agreement with Rea & Associates, Inc. of New Philadelphia, Ohio, for additional costs for the preparation of the December 31, 2022, and December 31, 2023, Annual Comprehensive Financial Reports, a copy of which is marked Exhibit "A" and is attached to this Ordinance and is specifically incorporated as if fully rewritten herein, together with such revisions or additions thereto as are approved by the Law Director as not being substantially adverse to the City and as being consistent with carrying out the terms of this Ordinance.

Section 2. The City Manager and/or Finance Director is authorized and directed to expend funds to Rea & Associates, Inc. for the preparation of Annual Comprehensive Financial Report in an amount not to exceed \$49,275.50 for the December 31, 2022 report, and \$50,525.50 for the December 31, 2023 report for a total amount **not to exceed** Ninety-Nine Thousand Eight Hundred One and 00/100 Dollars (\$99,801.00)

Section 3. If any section, phrase, sentence, or portion of this Ordinance is for any reason held invalid or unconstitutional by any Court of competent jurisdiction, such portion shall be deemed a separate, distinct, and independent provision, and such holding shall not affect the validity of the remaining portions thereof.

Section 4. This City Commission finds and determines that all formal actions of this City Commission concerning and relating to the passage of this Ordinance were taken in an open meeting of this City Commission and that all deliberations of this City Commission and of any of its committees that resulted in those formal actions were in meetings open to the public in compliance with the law.

Section 5. That for the reasons set forth in the preamble hereto, this Ordinance is hereby declared to be an emergency measure which shall take immediate effect in accordance with Section 14 of the City Charter after its adoption and due authentication by the President and the Clerk of the City

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Commission of the City of Sandusky, Ohio.



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RICHARD R. BRADY  
PRESIDENT OF THE CITY COMMISSION



ATTEST: 

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CATHLEEN A. MYERS  
CLERK OF THE CITY COMMISSION

Passed: March 13, 2023



Rea & associates  
*a brighter way*

March 1, 2023

Michelle Reeder, Director of Finance  
City of Sandusky  
240 Columbus Ave  
Sandusky, OH 44870

Dear Ms. Reeder:

First and foremost I would like to thank you for the opportunity to submit to you and the City of Sandusky, Ohio (City) a proposal to prepare the City's Annual Comprehensive Financial Report. 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 affirm and amend our services to be provided that were agreed to in our original engagement letter dated February 7, 2022.

#### **The Objective and Scope of the Preparation of the Financial Statements**

You have requested that we prepare the Annual Comprehensive Financial Report of City of Sandusky for the years ending December 31, 2021, 2022 and 2023 on a continuous basis. The basic 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). We are pleased to confirm our acceptance and our understanding of this engagement to prepare the financial statements of the City by means of this letter.

This agreement is being amended to include the additional services we are to provide you for the December 31, 2022 financial statement preparation. The additional services will include:

1. Our additional time necessary to help the City fully implement GASB Statement No. 87 *Leases*;
2. As part of implementing GASB 87, you have entered into an agreement with DebtBook who is a third-party entity that will process your leases to comply with this new Standard. As part of this agreement, you have agreed to allow DebtBook to invoice Rea & Associates, Inc., in which Rea & Associates, Inc. will include those fees as part of our overall fees for our agreement to assist you in the preparation of the December 31, 2022 financial statements.

#### **Our Responsibilities**

The objective of our engagement is to prepare financial statements in accordance with generally accepted accounting principles 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 American Institute of Certified Public Accountants (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 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 identify or disclose any wrongdoing within the entity or noncompliance with laws and regulations.

### **Management Responsibilities**

The 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 generally accepted accounting principles. 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 generally accepted accounting principles as the financial reporting framework to be applied in the preparation of the financial statements;
2. The design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error;
3. The prevention and detection of fraud;
4. To ensure that the entity complies with the laws and regulations applicable to its activities;
5. 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
6. To provide us with:
  - a. Documentation and other related information that is relevant to the preparation and presentation of the financial statements;
  - b. Additional information that may be requested for the purpose of the preparation of the financial statements; and
  - c. Unrestricted access to persons within the City with whom we determine it necessary to communicate.

Michelle Reeder, 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 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.

### **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.

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.

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

Our fees for the services described above are based upon the value of the services performed and the time required by the individuals assigned to the engagement. Our fee estimate and completion of our work are based upon the following criteria:

1. Anticipated cooperation from City personnel;
2. Timely responses to our inquiries;
3. Timely completion and delivery of client assistance requests;
4. Timely communication of all significant accounting and financial reporting matters; and
5. The assumption that unexpected circumstances will not be encountered during the engagement.

#### **Fees noted in our original agreement dated February 7, 2022:**

If any of the aforementioned criteria are not met, then fees may increase. 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:

1. For the year ending December 31, 2021 - \$32,000 (this assumes we are able to obtain all electronic versions of the 2020 workpapers from the Auditor of State's office (example Statistical Section) and various workpapers requested of us (for example, debt amortization schedules). If we are unable to obtain any of these, the fee is expected to be up to \$34,000;
2. For the year ending December 31, 2022 the fee is expected to be \$31,000 and;
3. For the year ending December 31, 2023 the fee is expected to be \$32,250.

#### **Additional Fees associated with the additional services previously summarized:**

1. Our additional time estimated to assist in the implementation of GASB 87 will bill invoiced on an hourly basis of \$150-\$200/hour depending on the level of staff needed. Due to the number of leases the City has, we are unable to estimate the number of hours we expect to this take. However, we do not expect these fees to exceed \$10,000.
2. The additional fees that are expected to be incurred through the use of DebtBook are \$8,275.50.

Interim billings will be submitted as work progresses and as expenses are incurred. Billings are due upon submission.

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.

The City agrees that it will not make reference to us in any public or private securities or debt offering.

**Termination**

Your failure to make full payment of any and all undisputed amounts invoiced in a timely manner constitutes a material breach for which we may refuse to provide deliverables and/or, upon written notice, suspend or terminate our services under this Arrangement Letter. We will not be liable to you for any resulting loss, damage or expense connected with the suspension or termination of our services due to your failure to make full payment of undisputed amounts invoiced in a timely manner.

In the event you terminate this engagement, you will pay us for all services rendered (including deliverables and products delivered), expenses incurred, and noncancelable commitments made by us on your behalf through the effective date of termination.

We will not be responsible for any delay or failure in our performance resulting from acts beyond our reasonable control or unforeseen or unexpected circumstances, such as, but not limited to, acts of God, government or war, riots or strikes, disasters, fires, floods, epidemics, pandemics or outbreaks of communicable disease, cyberattacks, and internet or other system or network outages. At your option, you may terminate this Arrangement Letter where our services are delayed more than 120 days; however, you are not excused from paying us for all amounts owed for services rendered and deliverables provided prior to the termination of this Arrangement Letter.

When an engagement has been suspended at the request of management [or those charged with governance] and work on that engagement has not recommenced within 120 days of the request to suspend our work, we may, at our sole discretion, terminate this Arrangement Letter without further obligation to you. Resumption of our work following termination may be subject to our client acceptance procedures and, if resumed, will require additional procedures not contemplated in this Arrangement Letter. Accordingly, the scope, timing and fee arrangement discussed in this Arrangement Letter will no longer apply. In order for us to recommence work, the execution of a new Arrangement Letter will be required.

We may terminate this Arrangement Letter upon written notice if: (i) we determine that our continued performance would result in a violation of law, regulatory requirements, applicable professional or ethical standards, or our client acceptance or retention standards; or (ii) you are placed on a verified sanctioned entity list or if any director or executive of, or other person closely associated with, you or any of your 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.

**Information Security - Miscellaneous Terms**

Rea & Associates, Inc. is committed to the safe and confidential treatment of City of Sandusky 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. City of Sandusky 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 City of Sandusky 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. client acceptance or retention standards.

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 Agreement

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

### 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.

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 our respective responsibilities.

Rea & Associates, Inc.



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Chad A. Welty, CPA, Principal

\_\_\_\_\_  
3/1/2023  
Date

Confirmed on behalf of City of Sandusky:

\_\_\_\_\_  
Michelle Reeder, Finance Director

\_\_\_\_\_  
Date