

RESOLUTION NO. 071-18

A RESOLUTION AUTHORIZING THE EXPENDITURE OF FUNDS AND AN AGREEMENT FOR FINANCIAL CONSULTANT PROFESSIONAL SERVICES WITH SCHONHARDT AND ASSOCIATES FOR PREPARATION OF THE CITY CAFR, GAAP REPORTS AND INFRASTRUCTURE COST INFORMATION FOR GASB-34

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF NAPOLEON, OHIO:

Section 1. That, the expenditure of funds in excess of twenty-five thousand dollars (\$25,000.00) is necessary and therefore authorized for financial consultant professional serves with Schonhardt and Associates for preparation of City CAFR, GAAP Reports and Infrastructure Cost Information for GASB-34 requirements.

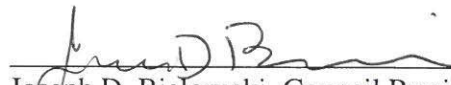
Section 2. That, Contract No. -18, on file with the City Finance Director, which has been reviewed by this Council, is approved subject to any nonmaterial change deemed appropriate by the Finance Director and as approved to form and legality by the City Law Director; moreover, the Finance Director is authorized to execute the same on behalf of the City.

Section 3. That, it is found and determined that all formal actions of this City Council concerning and relating to the adoption of this Resolution were adopted in open meetings of this City Council, and that all deliberations of this City Council and any of its committees that resulted in such formal actions were in compliance with all legal requirements, including Section 121.22 of the Ohio Revised Code and the Codified Ordinances of Napoleon Ohio.

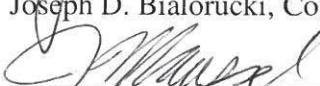
Section 4. That, if any other prior Ordinance or Resolution is found to be in conflict with this Resolution, then the provisions of this Resolution shall prevail. Further, if any portion of this Resolution is found to be invalid for any reason, such decision shall not affect the validity of the remaining portions of this Resolution or any part thereof.

Section 5. That, this Resolution shall be in full force and effect at the earliest time permitted by law.

Passed: December 21, 2018


Joseph D. Bialorucki, Council President

Approved: December 21, 2018


Jason P. Maassel, Mayor

VOTE ON PASSAGE 7 Yea 0 Nay 0 Abstain

Attest:

Gregory J. Heath / CP
Gregory J. Heath, Clerk/Finance Director

Roxanne Dietrich, Interim Clerk of Council
I, ~~Gregory J. Heath, Clerk/Finance Director~~ of the City of Napoleon, do hereby certify that the foregoing Resolution No. 071-18 was duly published in the Northwest Signal, a newspaper of general circulation in said City, on the 27th day of December, 2018; & I further certify the compliance with rules established in Chapter 103 of the Codified Ordinances of Napoleon Ohio and the laws of the State of Ohio pertaining to Public Meetings.

Roxanne Dietrich
~~Gregory J. Heath, Clerk/Finance Director~~
Roxanne Dietrich, Interim Clerk of Council



Donald J. Schonhardt & Associates, Inc.

5307 Franklin Street
Hilliard, Ohio
p - 614-876-2020
f - 614-876-2050
www.djschonhardt.com

October 18, 2018

Mr. Gregory J. Heath
Director of Finance
City of Napoleon
255 West Riverview Avenue
Napoleon, Ohio 43545

Dear Mr. Heath:

Thank you for the opportunity to submit our proposal to provide assistance in the preparation of the City's 2018-2020 Comprehensive Annual Financial Reports (CAFRs). We have tailored our proposal to be responsive to your unique needs while incorporating a proven approach developed by our firm.

Our firm has provided assistance in the preparation of all 22 of the City's award winning CAFRs. The City's cost for our services has remained unchanged for the previous 12 CAFRs (2006-2017) despite numerous new pronouncements from the Governmental Accounting Standards Board (GASB) that have required substantial additional commitment of time in the report preparation process by our staff.

Beginning with the 2015 CAFR, the City had to implement/comply with the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68." The changes that have resulted from the aforementioned GASB Statements require a significant amount of additional work each year in order for us to present the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

We hope you understand that the increase included in this proposal is not something we take lightly, but deem appropriate in order to continue to insure the highest quality of financial accounting and reporting. The new proposal will hold the City's cost at the same level for a period of three years. We are confident that you will agree that such cost containment measures provide both current and long-term benefits to the City.

I have enclosed two (2) copies of our standard contract for consulting services. Please review the materials that accompany this correspondence and call me if you have any questions regarding any of the items. After the contract has been signed, please return one (1) copy to our office for our files.

Sincerely,

Roy O. Porter, CPA
Executive Vice President

ROP:tfe
Enclosure

EXECUTIVE SUMMARY

Overview

The City of Napoleon, Ohio (City) has completed the preparation of their 2017 Comprehensive Annual Financial Report (CAFR) with the assistance of our firm. Mr. Gregory J. Heath, Director of Finance, is currently in the process of planning for the preparation of the City's 2018 CAFR. He has requested that we prepare a proposal to provide technical accounting and management oversight assistance in the preparation of a 2018 CAFR. As an integral part of the preparation process, we will utilize **CAFR-Unlimited™** software.

The preparation of a GAAP basis financial report involves extensive management planning and control to insure that all of the necessary tasks are accomplished in a timely and efficient manner. In addition to the routine responsibilities that often impact the availability of staff resources to assign to a major project, implementation of new Governmental Accounting Standards Board (GASB) pronouncements have made it increasingly more difficult to insure that all of the necessary reporting requirements have been met.

Since our primary service to the public sector is the preparation of GAAP basis financial reports, we have made a commitment to continuing education for all of our staff members. We participate in Government Finance Officers Association (GFOA) and Association of Government Accountants (AGA) sponsored seminars to ensure that our staff is knowledgeable about all current and proposed governmental financial reporting requirements. We will continue to work to ensure that our clients are made aware of these changes and how the changes will impact current and future financial reports. Finally, since we work with over eighty (80) different public sector entities to prepare GAAP basis financial reports, our staff is exposed to a variety of methods which may be used by District staff to improve the efficiency of the report preparation process. We have not wavered from our commitment to provide the highest quality public sector financial and accounting services at a reasonable cost.

We believe that Donald J. Schonhardt & Associates, Inc. (DJS&A), is in a unique position to meet the City's request for assistance because of our hands-on experience in public sector finance; our on-going assistance to other public sector entities that are required to prepare GAAP basis financial reports and our prior assistance to the City in the preparation of numerous award winning CAFRs. The individuals who will assist the City have in excess of seventy (70) years of public sector finance and accounting experience and continue to work with over eighty (80) public sector entities (municipalities, counties, villages, townships, special districts and school districts) throughout the State of Ohio to prepare GAAP basis annual financial reports.

We recognize the significance of our continued association with the City of Napoleon and are prepared to commit the necessary resources to assure the highest level of service.

Timing

On or before May 30, 2019, the City will be required to do the following: 1) submit their 2018 Basic Financial Statements to the Auditor of State and 2) input selected data from the unaudited statements into the Auditor of State's Hinkle System. Both processes must be completed to meet statutory requirements.

Audit Considerations: To meet the program deadline for a Certificate of Achievement for Excellence in Financial Reporting, the City must submit a 2018 CAFR to the GFOA no later than June 30, 2019. DJS&A intends to provide the auditors with a preliminary trial balance by April 15, 2019 to allow sufficient time for completion of the audit by May 30, 2019. Please note that DJS&A is not responsible for the timing of the audit and makes no commitments regarding the outcome of the audit. **If the audit is not completed by May 30, 2019, DJS&A cannot guarantee completion of the 2018 CAFR by June 30, 2019.**

This proposal includes DJS&A time to review proposed audit adjustments and make mutually agreed upon material audit adjustments (if any), but **does not** include time to cover continual meetings with the auditors throughout the audit process or time to make immaterial, nonsubstantive changes to the narrative or format of the report. We have also included additional time necessary to put the basic financial statements into a PDF file format so that our clients may comply with the State Auditor's electronic filing requirement.

Upon execution of a contract, DJS&A will provide a schedule to the City consisting of target dates and milestones for certain activities throughout the project. Adherence to dates published in the above referenced schedule is imperative to insure the timely completion of the CAFR.

Engagement Approach

Donald J. Schonhardt & Associates, Inc., will be responsible for providing on-going management and technical accounting assistance on a regular basis throughout the report preparation process. Such assistance will include but is not limited to the following:

- Regular discussions with City staff to review completed documentation, discuss data collection and recording criteria and examine the status of the report preparation process.
- Answer questions as they arise and discuss the rationale for specific data collection activities and how they can be accomplished most efficiently.
- Review and comment on the information developed for the conversion and review the applicability of the data in the presentation of the GAAP basis financials.

Professional Fees

It is our policy to estimate fees at an amount which is highly competitive, but which will enable us to provide responsive service of the highest quality. We base our fees on the time spent by personnel assigned to an engagement at hourly rates which are commensurate with the training and experience of those assigned to the project. We know that our hourly rates are extremely competitive and substantially less than those charged by other accounting and consulting firms that may not possess the actual hands-on experience of our staff. Management oversight and technical assistance will be billed at an hourly rate of \$110.00 per hour (including expenses) for work performed **plus** travel time and mileage at the rate of \$0.50 per mile.

Professional Fees (Continued)

In order to contain costs and pass the savings on to our clients, we are prepared to offer the same level of services identified in this proposal for preparation of a 2019 and 2020 CAFR at the same annual fee quoted for the 2018 CAFR preparation. We will freeze this rate and annual contract amount with the signing of a multi-year contract not to exceed three (3) consecutive report years. This fixed rate is contingent upon the City's agreement that the scope of work will remain the same for this and the subsequent years and that no significant change in accounting policies and/or procedures is anticipated which will potentially alter the required level of service. We are confident that you will agree that such cost containment measures provide both current and long-term benefits to the City.

The multi-year contract option is included on the contract document and requires an appropriate approval signature on the line provided which will designate the term of the contract. We hope that you are able to take advantage of this opportunity so that we may continue to provide you with the highest quality of service at the best possible price.

Our fee to provide management and technical oversight in the report preparation, as outlined in the Summary of Work to be Performed **(excluding an allowance for mileage reimbursement)** will be:

<u>Report Year</u>	<u>Report Fee</u>
2018	\$20,000
2019	20,000
2020	20,000

The amount that will be billed to the City of Napoleon for the project is as noted in the table above **(excluding an allowance for mileage reimbursement)**. The hourly rate quoted above will not increase during the term of the contract. The proposal is a maximum not to exceed bid for the scope of services defined by this proposal, the City will not pay more than the amount noted above provided the scope of services does not change.

Billing

Our practice is to bill in monthly installments covering the period worked on the engagement. Billings are due and payable upon receipt.

SUMMARY OF WORK TO BE PERFORMED

The objective of this engagement is to provide management, technical and accounting assistance, to the City in the preparation of their 2018 CAFR. It is anticipated that the engagement will be completed by June 30, 2019. The engagement consists of the following:

Management overview, technical assistance, documentation, review and analysis of reversing and adjusting entries and preparation of one copy of the original CAFR which is suitable for preparing additional copies as required by the City.

An outline is provided below which indicates the major components of the project. The outline is not intended as a comprehensive work plan, but rather an overview of the services to be provided.

Management overview, technical and accounting assistance and limited data collection activities.

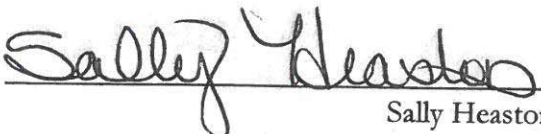
- Assess current records related to the CAFR and identify alternative approaches for record keeping and suggest formats for future data collection which will improve the efficiency of data collection.
- Organize and document in journal form all reversing entries.
- Post reversing entries to **CAFR-Unlimited™**.
- Identify major subsidiary detail required to assemble accrual oriented statements (i.e. payables, receivables, capital asset detail, vacation/sick leave balances, etc.)
- Identify source of information and appropriate collection criteria for detailed information identified in the above task.
- Modify software applications to incorporate new funds and/or fund reclassifications that have occurred during the last fiscal period.
- Assure that the City is in compliance with all new GASB pronouncements effective since the last reporting period.
- Provide for centralized collection, organization and summarization of detail required for accrual adjustments.
- Utilize existing software models to input the data collected for aggregation and presentation.
- Download ending cash balance, receipt and disbursement figures from ASCI II file or Microsoft Excel® file into **CAFR-Unlimited™**.

SUMMARY OF WORK TO BE PERFORMED
(Continued)

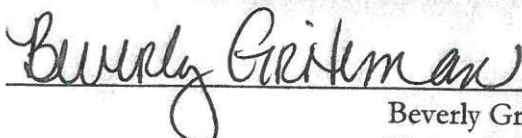
- Execute various tasks required for accumulation of detailed financial information to be used in the preparation of the CAFR.
- Continuously monitor adherence to task assignments and adjust resources where necessary to satisfy deadlines.
- Obtain original and final budget amounts for major funds.
- Post adjusting accounting entries to **CAFR-Unlimited™** to develop the trial balance.
- Identify and eliminate appropriate interfund activity.
- Make final determination of major funds.
- Identify program revenues.
- Collect information to categorize net assets.
- Prepare reconciliation between government-wide financial statements and fund based financial statements.
- Prepare statement formats for all required financial information including all basic financial statements, notes to the basic financial statements and appropriate financial schedules.
- Provide draft copy of financial section of the CAFR along with supporting workpapers to the City's auditors.
- Make mutually agreed upon changes/corrections to the financial section as a result of the audit.
- Assist in the preparation of the statistical section of the CAFR by advising staff on data required and preparing final print routines for inclusion in the CAFR.
- Assist in the preparation of the introductory section of the CAFR by advising staff of specific requirements for the introductory section. Due to the unique nature of the introductory section, the City is responsible for preparing a draft of the transmittal letter to be included in the 2018 report.
- Assist in the preparation of Management's Discussion and Analysis (MD&A).
- Prepare in final form all print routines required for presentation in the CAFR and analyze same using review criteria established for GFOA reviewers.
- Provide the CAFR to the City as a PDF file for submission to the Auditor of State to meet electronic filing report requirements.

STATE OF OHIO
COUNTY OF HENRY

Sally Heaston, being first duly sworn, states that she is the General Manager of The Bryan Publishing Company, owner of The Northwest Signal, a daily newspaper, published and of general circulation in the county of Henry aforesaid, and that the annexed notice was published in one issue in said paper, on the 27th day of December, 2018.


Sally Heaston

Subscribed and sworn to before me this
27th day of December, 2018


Beverly Griteman
Notary Public,
State of Ohio
My Commission Expires
February 13, 2021

Printer's Fee: \$354.00

Notary Fee: \$2.00

Summary of Ordinance No.(s) 067-18, 072-18, 078-18
and Resolution No.(s) 071-18, 079-18, 080-18, 084-18, 087-18

(PURSUANT TO ARTICLE II, SECTION 2.15 OF THE CITY
CHARTER, CHAPTER 121 OF THE CODE OF ORDINANCES
AND COUNCIL RULE 6.2.4.1, AS WELL AS APPLICABLE
PROVISIONS OF ORC CHAPTER 731)

NOTICE

A copy of the complete text of the above named Ordinance(s)
and Resolution(s) are on file in the office of the City Finance
Director and may be viewed or obtained during business
hours of 7:30 AM to 4:00 PM, Monday through Friday, at the
office of the Finance Director, the location being 255 West
Riverview Avenue, Napoleon, Ohio. A copy of all or part
of the above named Ordinances and Resolutions, or any
item mentioned in this notice, may be obtained from the
City Finance Director upon the payment of a reasonable fee
therefore.

Ordinance No. 067-18

AN ORDINANCE AUTHORIZING THE TRANSFER OF CERTAIN
PROPERTIES LOCATED IN AND OWNED BY THE CITY OF
NAPOLEON, OHIO TO THE COMMUNITY IMPROVEMENT
CORPORATION (CIC) OF HENRY COUNTY, OHIO, TO WIT:
PARCEL NOS. 41-119361.0400 AND 41-119361.0500; AND
DECLARING AN EMERGENCY

In this legislation, the City of Napoleon transferred two City
owned parcels to the CIC.

Ordinance No. 072-18

AN ORDINANCE ESTABLISHING THE APPROPRIATION
MEASURE (BUDGET) OF THE CITY OF NAPOLEON, OHIO
FOR THE FISCAL YEAR ENDING DECEMBER 31, 2019,
LISTED IN EXHIBIT "A," AND DECLARING AN EMERGENCY

In this legislation, the City of Napoleon established the 2019 City
Budget.

Ordinance No. 078-18

AN ORDINANCE APPOINTING CHRISTINE R. PEDDICORD
AS ACTING FINANCE DIRECTOR FOR THE CITY OF
NAPOLEON, OHIO BEGINNING DECEMBER 22, 2018; AND
DECLARING AN EMERGENCY

In this legislation, the City of Napoleon appointed Christine R.
Pedicord as acting Finance Director beginning December 22,
2018.

Resolution No. 071-18

A RESOLUTION AUTHORIZING THE EXPENDITURE OF
FUNDS AND AN AGREEMENT FOR FINANCIAL CONSULTANT
PROFESSIONAL SERVICES WITH SCHONHARDT AND
ASSOCIATES FOR PREPARATION OF THE CITY GAFR, GAAP
REPORTS AND INFRASTRUCTURE COST INFORMATION
FOR GASB-34

In this legislation, the City of Napoleon authorized entering into
an Agreement for financial consulting services with Schonhardt
& Associates.