



CITY of NOVI CITY COUNCIL
Agenda Item O
May 6, 2019

SUBJECT: Approval of recommendation from Consultant Review Committee to award a contract for annual audit services to Rehmann Robson for a three year term and two one year renewal options and adoption of associated fees effective May 6, 2019.

SUBMITTING DEPARTMENT: Finance Department

CITY MANAGER APPROVAL:

BACKGROUND INFORMATION:

The City of Novi recently issued a request for proposal (RFP) to secure the services of an independent audit firm to provide professional auditing services in accordance with generally accepted auditing standards. The State of Michigan Uniform Budgeting and Accounting Act, PA 2 of 1968 requires a local unit of government having a population of 4,000 or more to obtain an audit of its financial records, accounts and procedures on an annual basis.

Five firms submitted proposals and were evaluated by staff based on their level of expertise and experience within the municipal sector as well as their response to the mandatory elements included within the RFP. The staff review team included members from Finance, City Manager and Integrated Solutions.

Based on the results of the staff evaluations and input from the City Manager's Office, two firms were selected for consideration by the Consultant Review Committee (CRC) based on an evaluation of the firm's qualifications, experience, audit approach, and fees:

1. Yeo & Yeo, PC
2. Rehmann Robson

	<u>6/30/2019</u>	<u>6/30/2020</u>	<u>6/30/2021</u>	<u>6/30/2022</u>	<u>6/30/2023</u>
Yeo & Yeo, PC	\$ 58,000	\$ 60,000	\$ 65,000	\$ 64,000	\$ 66,000
Rehmann Robson	55,100	56,300	57,500	58,700	59,900

Single audit is not expected and has been excluded from the proposed fees.

The CRC convened on this matter on April 15, 2019. After the firm interviews and deliberation, the CRC selected Rehmann Robson as the firm to be recommended to the City Council for consideration of the award of a three year contract, with two one year renewal options, beginning May 6, 2019.

RECOMMENDED ACTION: Approval of recommendation from Consultant Review Committee to award a contract for annual audit services to Rehmann Robson for a three year term and two one year renewal options and adoption of associated fees effective May 6, 2019.

March 1, 2019



Professional Auditing Services

PROPOSAL FOR
City of Novi

Submitted by:
Rehmann

Mark Kettner, CPA, CGFM, Principal
mark.kettner@rehmann.com

Nathan Baldermann, CPA, CGFM, Principal
nathan.baldermann@rehmann.com

 **Rehmann**

March 1, 2019

City of Novi Finance Department
City of Novi, Michigan
45175 Ten Mile Road
Novi, Michigan 48375

Thank you for the opportunity to submit our proposal to audit the financial statements of the City of Novi as of and for the years ending June 30, 2019, 2020 and 2021 plus options for 2022 and 2023. Our audits will be conducted in accordance with generally accepted auditing standards; *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the “Uniform Guidance”).

Our audits will provide for annual report issuance in accordance with the terms and conditions set forth in your request for proposals.

As a leading public accounting firm serving the governmental industry, you can be confident that Rehmann Robson (“Rehmann” for short) is well positioned to serve you. We will leverage our industry experience, technical skills and broad knowledge of issues impacting you to provide high-quality assurance services in a timely, efficient manner.

Our mission is to *deliver governmental business wisdom*. This means that you will:

- Have your audits managed and performed by full-time governmental professionals.
- Work with a team known for excellence and efficiency in government financial reporting.
- Rely on our extensive experience auditing federal awards, if applicable.
- Have access to customized governmental training and value-added services.
- Benefit from our extensive/unique use of technology, particularly Microsoft Excel.
- Enjoy our transparent audit process that eliminates surprises.
- Be guaranteed that our work will be completed on time and as promised.

As you know, we do a large volume of governmental audits, including cities, counties, schools and other governmental and nonprofit entities. By virtue of this, we truly understand your unique challenges, we know what to expect, we can share best practices and we are intimately familiar with your industry. This depth allows us to serve you from the very beginning with minimal disruption while maintaining a high level of engagement effectiveness and efficiency. This is a great match of your needs with our skills and resources.

In addition to staffing your audits with experienced *governmental auditors*, we bring with us a commonsense customer service approach. For example, we will provide you with a preliminary notice of finding if we have a potential issue at the time such an item arises instead of days, weeks or months later when draft or final reports come out.

Rehmann is highly experienced with and a strong advocate of the Government Finance Officers Association (GFOA) requirement to “publish an easily readable and efficiently organized Comprehensive Annual Financial Report (CAFR) that satisfies both generally accepted accounting principles and applicable legal requirements.” We provide low- or no-cost solutions to assist clients to prepare award-winning reports and to maintain that level of excellence. We have a wealth of ideas to improve preparation efficiency and we support these highest standards by having more volunteer program reviewers than any other Michigan-based firm. Annually, we assist with the preparation and submission of 25 or more CAFRs (equating to hundreds over a period of years), and we extend this same emphasis on high-quality reporting to every report with which we are associated, whether or not it is part of a GFOA program.

Our reporting and overall engagement efficiency – part of our *better hours* rather than *more hours* philosophy – is anchored by our innovative use of Microsoft Excel for auditing and reporting templates. Besides facilitating much of what is described above, our templates are readily transferable and, given the proliferation of Excel in our daily work lives, easily applied to your needs.

We believe trust is earned through timely preparation and delivery of all financial reports and meeting agreed-upon deadlines. Our team will be dedicated to working with you in meeting your established timeframes for completion, and managing your evolving expectations throughout the audit.

In summary, the Rehmann value proposition is its experienced governmental auditors and the high-quality services we provide on time and at competitive prices.

This proposal is a firm, irrevocable offer for 90 days to provide independent auditing services at the prices quoted herein. The undersigned is authorized to bind our Firm to any agreement resulting from this proposal and to make representations on behalf of our Firm.

Thank you for considering Rehmann. Feel free to contact us at any time.

Sincerely,

Rehmann Robson LLC

A handwritten signature in black ink that reads "Mark Kettner". The signature is written in a cursive, flowing style.

Mark Kettner, CPA, CGFM
Principal

Table of contents

Rehmann at a glance	1
Mandatory requirements	2
Firm qualifications and experience	3
Staff qualifications and experience	9
Similar engagements.....	20
Specific audit approach.....	21
Potential audit problems	25
Hours.....	26
Appendix.....	29

Rehmann at a glance

Rehmann is a collection of professional service companies committed to providing valuable business solutions since 1941. We combine our knowledge and experience with our clients’ to resolve the challenges they face. We call this promise “Business Wisdom Delivered.”

At a glance (as of January 1, 2019)



Office locations

Ann Arbor, MI.....	734.761.2005
Boca Raton, FL.....	561.912.2300
Bonita Springs, FL.....	239.992.6211
Cheboygan, MI	231.627.3143
Farmington Hills, MI	248.579.1100
Fort Myers, FL (by appt. only)...	239.992.6211
Grand Rapids, MI.....	616.975.4100
Jackson, MI.....	517.787.6503
Jupiter, FL.....	561.694.1040
Lansing, MI	517.316.2400
Midland, MI.....	989.631.3131
Muskegon, MI.....	231.739.9441
Naples, FL	239.254.5057
Saginaw, MI.....	989.799.9580
Stuart, FL.....	772.283.7444
Toledo, OH.....	419.865.8118
Traverse City, MI.....	231.946.3230
Troy, MI.....	248.952.5000
Vero Beach, FL.....	772.234.8484

International affiliation

Independent Member of Nexia International
A network of independent accounting and business services firms that enables members to provide clients with local knowledge in any overseas marketplace.

Rehmann Robson

Certified Public Accountants and Business Consultants

- Comprehensive tax planning, consulting and preparation
- Outsourcing of finance, accounting and human resource functions
- Audit and assurance services and merger and acquisition analysis
- Business valuation and litigation support
- Computer and information technology security solutions
- Strategic business planning, consulting and transition planning services

Rehmann Financial

A Registered Investment Advisor

- Comprehensive financial planning and investment management analysis
- Retirement, estate and education savings planning for individuals and businesses
- Risk analysis and evaluation of insurance coverage

Rehmann Corporate Investigative Services

Professional Investigation and Security Consulting

- Fraud, embezzlement, fire and background investigations
- Surveillance services and forensic accounting
- Computer security incident response
- Asset protection services for business, legal and insurance clients

Industries served

Rehmann serves a wide range of clients. A full list of industries can be found on rehmann.com.

- Commercial
- Financial services
- Healthcare
- Manufacturing
- Not-for-profit
- Education
- Government
- Individuals and private households
- Private equity

Mandatory requirements

Our role as your independent external auditor is to deliver assurance services in an efficient manner, without disruption to your staff, while maintaining a high level of quality. Accordingly, we affirm that:

INDEPENDENCE

Rehmann is independent (as defined under the independence standards in auditing standards generally accepted in the United States of America and the U.S. General Accounting Office's *Government Auditing Standards*) of City of Novi and all of its component units. We are aware of no professional relationships involving the city or any of its agencies or component units within the last five years which would represent potential conflicts of interest; however, we will provide the city with written notice of any pertinent professional relationships entered into during the term of our contract.

LICENSE TO PRACTICE

Rehmann and each certified public accountant to be assigned to the engagement are properly licensed to practice public accounting in the State of Michigan.

DEBARMENT, SUSPENSION, INELIGIBILITY AND VOLUNTARY EXCLUSION

Rehmann shall comply with the provisions of 24 CFR Part 24 that neither it nor its principals are presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in this contract. Additionally, Rehmann shall not use, directly or indirectly, any of the funds provided by this contract to employ, award contracts to, or otherwise engage the services of, or fund any contractor/subcontractor during any period that the contractor/subcontractor is debarred, suspended or ineligible under the provisions of 24 CFR Part 24.

Firm qualifications and experience

Rehmann formed in the early 1940's. We have since grown to become a fully integrated financial services firm of CPAs & consultants, wealth advisors and corporate investigators with 880+ associates in Michigan, Ohio and Florida. The firm employs a forward-thinking service model that guarantees complete client satisfaction and confidence.



Governmental industry experience

Providing governmental business wisdom requires that we have an intimate understanding of your operations. Rehmann's Governmental Industry Group includes 50 professionals who are dedicated full-time to governmental engagements on a year-round basis and another 75 full-time Rehmann associates who spend a significant amount of time working on public sector audits on a seasonal basis.



Industry involvement

Over the past year, we invested over 130,000 hours in governmental, not-for-profit and higher education clients including:

- Counties
- Cities
- Villages
- Townships
- Public school districts
- Transit agencies
- Public authorities
- Community mental health authorities

The infographic features four orange circular icons at the top: a scale of justice, a gavel, a classical building, and a hand holding a heart. Below these icons, the text reads: 'We serve 700 public sector entities comprised of'. The number '700' is in large blue font. Below this, it says 'public sector entities comprised of'. Then, two brackets are shown: the first contains '200 governmental clients' and the second contains '500 other clients'. A plus sign is centered between the two brackets.

GOVERNMENTAL INDUSTRY GROUP

Our governmental industry group has approximately 40 full-time governmental professionals (who do nothing but governmental and nonprofit audits and outsourcing services year-round) spread across our primary Michigan assurance offices in Jackson, Grand Rapids, Saginaw, Toledo and Troy. We have another 40 or so full-time professionals who work seasonally with the governmental industry group, including interns.

SERVICE OFFICE

Your audits will be managed and performed by governmental audit and financial reporting professionals from our Jackson and (following our re-opening in a new Capitol Park building) Detroit offices with technical standards support from Grand Rapids office executives. Two principals (the signing engagement principal and a concurring review principal), one manager, one senior and two staff auditors will be assigned to your audits. All individuals assigned to your audits will be full-time employees of Rehmann.

JOINT VENTURE OR CONSORTIUM

We are not proposing as a joint venture or consortium, nor will any portion of the proposed audits be subcontracted to another firm. Thus, Rehmann is both the principal and only auditor.

PEER REVIEW

The AICPA's peer review program requires that a CPA firm have an independent audit of its quality control documents, systems and procedures every three years. A copy of our most recent peer review report, which included a review of specific government engagements and for which Rehmann received a peer review rating of pass, is included in the appendix.

AGENCY REVIEWS

The Firm has no record of substandard work. We have received no negative comments from the numerous routine field and desk reviews which have taken place on the audits submitted to the various state departments and single audit clearing house over the last several years.

EXPERIENCE AUDITING FEDERAL AWARDS

Rehmann's government, not-for-profit and higher education team is staffed by professionals who primarily focus on governmental accounting, auditing and consulting, so all of the professionals assigned to City of Novi's engagement will have extensive prior experience in auditing federal programs. Each year, we audit organizations administering hundreds of millions of dollars in federal awards. Accordingly, during 2017 (the last year for which complete data is available) we conducted 112 single audits for public sector clients totaling more than \$800 million in federal awards expended.



MORE EXPERIENCE

Our clients expect integrated solutions that provide real, tangible value — both short term and long term — and they know they can count on us to deliver.

One of the benefits in serving a large number of governmental entities is the experience that we gain from it. This includes experience with a broad range of federal programs. In addition, our executives routinely lead training seminars for the MICPA and other organizations on conducting federal single audits. What this means is that you will not have to educate your auditors about your federal programs, but instead you will receive meaningful comments and advice on how to enhance your financial management of those programs.

SINGLE AUDITS PERFORMED BY REHMANN (FOR FISCAL YEARS ENDING IN 2017)

Type of entity	Number of clients audited	Total federal expenditures
City	7	\$ 19,448,166
County	20	134,013,049
School	31	85,278,740
Tribe	3	37,294,854
Other governmental entity	12	82,930,279
Higher education	16	391,377,619
Not-for-profit	<u>23</u>	<u>130,330,976</u>
Grand total	<u>112</u>	<u>\$ 880,673,683</u>

GFOA CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

Our experience in assisting clients to receive (and keep receiving) the GFOA Certificate is extensive. At present, our Firm employs more GFOA reviewers than any other organization in Michigan, including Stephen Blann, Nate Baldermann, Paul Matz and Will Love; and of course, this experience is equally valuable to our clients in Florida and Ohio.

For first time submitters, we provide sample CAFRs, the checklist used by the GFOA reviewers and spreadsheets for the statistical section. More importantly though, we explain the process and identify the additional information that needs to be gathered, where it can be found and what you will need to prepare.

Whether a first-time submitter or long time certificate recipient, we can provide a range of assistance with the statistical section, MD&A tables and transmittal letter narratives. We also assist in addressing the prior year GFOA review comments. We encourage our clients to assume as much of the responsibility for the CAFR as they are able to handle, but we are always available to assist and generally do so without additional fees.

Clients we are currently assisting or have recently assisted in receiving the GFOA or ASBO Certificate include:

- Bay County
- Charter County of Wayne
- City of Ann Arbor
- City of Battle Creek
- City of Bridgman
- City of Grand Blanc
- City of Holland
- City of Jackson
- City of Lansing
- City of Sebastian, FL
- City of Tecumseh
- City of Troy
- City of Wyoming
- City of Ypsilanti
- Detroit Public Schools
- Grand Traverse County
- Indian River County, FL
- Isabella County
- Jackson County
- Kent County
- Kent County Dept. of Aeronautics
- Lucas County, OH
- Midland County
- Monroe County
- Muskegon County
- Portage Public Schools
- Saginaw Charter Township
- Saginaw County

CHARTER MEMBER OF THE AICPA GOVERNMENTAL AUDIT QUALITY CENTER

The AICPA Governmental Audit Quality Center (GAQC) is committed to helping its members achieve the highest standards in performing quality governmental audits. The Center's primary purpose is to promote the importance of quality governmental audits and the value of such audits to purchasers of governmental audit services. Members of the Center demonstrate their commitment to these standards by voluntarily agreeing to adhere to Center requirements. The Center provides an online forum for sharing best practices as well as discussion on audit, accounting and regulatory issues.

REHMANN IS CONNECTED

Rehmann is actively involved in industry associations that provide access to professionals with governmental and not-for-profit experience across the country, including:

- American Institute of Certified Public Accountants (member of the Government Audit Quality Center and member of the State and Local Government Expert Panel)
- Florida Institute of Certified Public Accountants
- Ohio Society of Certified Public Accountants
- Michigan Association of Certified Public Accountants (member/past chair of the governmental taskforce, and regularly provide speakers to train other CPAs across the state)
- Institute of Internal Auditors
- Government Finance Officers Association (multiple special review committee members, and an advisor to the CAAFR Committee)
- Florida Government Finance Officers Association
- Michigan Government Finance Officers Association (board member and member of the Standards Committee)
- Michigan Local Government Managers Association
- Michigan Municipal Treasurers Association
- Michigan Association of County Treasurers
- Michigan Association of Counties

- Michigan School Business Officials
- Michigan Association of School Boards
- Michigan Committee on Governmental Accounting and Auditing Statements
- Michigan Association of Community Mental Health Boards
- Association of Government Accountants (four board members and 11 CGFMs)

COMMITMENT TO QUALITY

- Earned Inavero's Best of Accounting™ Award for providing exemplary client service – for three years in a row
- Registered with the Public Companies Accounting Oversight Board (PCAOB)
- Successfully completed all peer review requirements since inception of AICPA Quality Control Standards in 1979
- Recognized as one of the 101 Best and Brightest Companies to Work For in both Metro Detroit and West Michigan
- Recognized as one of the Best Companies to Work For in Florida – Rehmann ranked ninth out of 28 large companies



“At Rehmann, we believe the experience you have working with us is as important as the services we deliver. Each day, our goal is to help you get the most out of your Rehmann Experience. Simply put, we want to exceed your expectations.”

RANDY RUPP, CPA
CEO

ACCESS TO CUSTOMIZED TRAINING FOR GOVERNMENTAL ENTITIES

Drawing on our extensive background of providing auditing and consulting services to governmental and related nonprofit entities, Rehmann has developed a wide array of training sessions specifically targeted to the public sector. Following are several options we have for government financial managers:

Governmental webinar series

We host various webinars to update our clients and prospects on new issues related to the public sector. Following is a list of topics recently covered at our governmental seminar series:

- Practical implementation of GASB 84, fiduciary activities
- Mitigating the risk of fraud in the public sector
- Pension updates: GASB 67/68 (and OPEB under GASB 74/75)
- Excel tips and tricks for financial reporting
- Grants management
- 2 CFR Uniform Guidance
- Single audit: sub-recipient monitoring

Publications

We keep you informed about important issues through face-to-face communication and through our publications. Our monthly email newsletter, “BWDexpress,” covers technical changes and addresses relevant, practical issues – authored by our dedicated team of Rehmann advisors. You’ll also receive invites to exclusive Rehmann events and more.

Want to see a sample of what Rehmann has to offer? Visit our government publications and resources web page at www.rehmann.com/government_resources.

OUR COMMITMENT TO LOCAL GOVERNMENTS

Rehmann is committed to providing high-quality, low-cost CPE to government financial managers through our involvement in various industry associations. In particular, Rehmann was instrumental in chartering the West Michigan Chapter of the Association of Governmental Accountants (AGA). Stephen Blann, Rehmann’s director of government audit quality, is currently the education director and past president, and Rehmann professionals hold several board seats.



AGA West Michigan provides approximately 40 hours of courses per year. On a quarterly basis, Rehmann sponsors, develops and delivers a variety of these training events, including a three-day, in-depth training program called the “Governmental Accounting Training Series” (GATS).

As a Rehmann client, you may attend any event sponsored by our Firm at no-cost as part of Rehmann’s strategic partnership with the AGA. In addition, Rehmann clients may access recorded versions of any Firm-sponsored training event. Through Rehmann articles, direct mailings, and participation in these AGA programs, our clients stay well-informed about changing professional standards.

Staff qualifications and experience

Your audits will be managed by full-time governmental auditors. The benefit to the city is that your people will not waste their valuable time teaching auditors about governmental accounting and reporting, or the nuances of city operations. Instead, with Rehmann, your engagements will be staffed with a team of governmental professionals who can work with you as peers, sharing knowledge and best practices, and meeting your completion deadline. Another continuing benefit will be ready access to these professionals to answer questions, discuss options and receive timely technical assistance.



“With Rehmann’s client service philosophy, nothing is more important than a timely response to your questions and concerns. We will not keep you waiting.”

STEPHEN BLANN, CPA, CGFM, CGMA
Principal, Rehmann Governmental Industry Group

ENGAGEMENT EXECUTIVES

The engagement principals (under state law, as an LLC, Rehmann has “principals” rather than “partners”) will be **Nathan Baldermann** and **Daniel Clark**, and the concurring principal will be **Stephen Blann**. The senior manager will be **Tracey Kasperek** and the manager (who will run the onsite procedures and work closely with the City in preparing the draft report) will be **Amanda Wedgwood**. Staff auditors will come from either Jackson or Detroit offices.

Each of the proposed engagement executives are licensed CPAs in Michigan and current and in good standing with all continuing professional education requirements. Resumes for each of the proposed engagement executives are presented in the following pages.

Name	Title/Position	Years	Certifications
Nathan Baldermann	Engagement Principal	22	CPA, CGFM
Daniel Clark	Principal	13	CPA
Stephen Blann	Principal	23	CPA, CGFM, CGMA
Tracey Kasperek	Senior Manager	19	CPA
Amanda Wedgwood	Manager/Senior	6	CPA

As the engagement principal, **Nate** will be integrally involved in planning and overseeing your audits; ensure that we are meeting and exceeding your needs by delivering *governmental business wisdom*; provide access to additional resources available within our Firm and through our industry networks; and deliver the presentations to City Council and management.

Daniel will serve as a supporting principal and will be available as a backup for Nate if so needed. However, no change will be made in the engagement principal without the City's advance knowledge and approval.

Tracey will be the engagement senior manager, overseeing the engagement, completing fieldwork, supervising staff and performing the first reviews of both the workpapers and reports. **Amanda** will be the manager/senior on your audits and as such will be the person you see daily during the onsite procedures. Amanda will interface directly with the City on the preparation of the reports, including the CAFR.

Our executive and supervisory auditors have extensive municipal and other governmental entity audit experience. Those assigned for onsite work will be at the City on a full-time basis for the duration of the fieldwork. Our plan is to assign the same executive and supervisory personnel throughout the term of the audit contract.

Our staff accountants have one to five years of experience and will perform many of the audit procedures, as directed by the engagement executives. The final decision of which individual staff we will assign to your audits will be made when we prepare our schedule.

Biographical resumes of these executives are included on the following pages.

EXCELLENCE IN GOVERNMENT FINANCIAL MANAGEMENT

Many of our professionals carry the dual designation of CPA/CGFM (Certified Government Financial Manager), which emphasizes our strong commitment to the governmental sector. Our executives are frequently featured as speakers, both locally and nationally, on topics of importance to local governments. Furthermore, Rehmann has a large number of registered reviewers for the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting (CAFR) Program.

Associates designated as "CPAs" are licensed to practice public accounting in the State of Michigan, and are current and in good standing with the Board of Accountancy's continuing professional education requirements. In addition, all such individuals are current and in good standing with the yellow book governmental continuing professional education requirements.

Associates designated as "CGFMs" are recognized by the Association of Government Accountants as Certified Government Financial Managers. The CGFM designation is a mark of excellence in government financial management, which signifies the highest level of education, experience, and ethical standards in the governmental environment. Rehmann currently has 11 professionals with the CGFM designation.

MANAGEMENT ACCOUNTING EXPERIENCE

When you see CGMA after a Rehmann professional's name, it means they have earned a Chartered Global Management Accountant (CGMA) designation. The CGMA designation was developed by the American Institute of Certified Public Accountants (AICPA) and the Chartered Institute of Management Accountants (CIMA) to recognize accounting professionals who have attained a proven track record of management accounting experience in business, industry or government.

Management accountants are trusted strategists, helping to guide critical business decisions and drive strong business performance.

CONTINUING PROFESSIONAL EDUCATION

To maintain our competitive edge and to stay ahead of the curve on technical quality, we place significant emphasis on continuing professional education with appropriate focus on industry specialization and relative responsibility levels. We readily exceed the State and GAO's biennial CPE hour requirements through a variety of external and internal programs.

External programs

- MICPA annual spring and fall governmental auditing and accounting updates - Rehmann sends several governmental team members.
- Annual GFOA national conference - Rehmann sends one to two people as speakers and attendees.
- Annual GFOA teleconference (conducted in November) - attended by many of Rehmann's senior and executive level staff.

Internal programs

- Rehmann sponsors multiple training opportunities in West Michigan each year through its involvement with the Association of Government Accountants (AGA). The opportunities total approximately 40 hours per year.
- Annual governmental technical updates, held in June and November, are mandatory for all industry group members.
- Annual audit and assurance service training provides updates on auditing standards with an emphasis on engagement planning, risk assessment, and analytical review techniques. Held in the summer, the training includes governmental breakouts with separate programs for beginning, intermediate and advanced staff.
- Quarterly webinars provide the latest developments in accounting, auditing, and financial reporting standards.

Requirement details

We consider our professional staff members to be our most valuable asset and we are committed to their professional development throughout their career at Rehmann. Each of our professional staff members must spend 40 hours each year in accounting and related studies for his/her continuing education and related development.


You can be assured that all professionals designated as CPAs meet or exceed the State and GAO's CPE hour requirements. Rehmann logs each CPE course that associates attend through our centralized CPE tracking software.





Nathan C. Baldermann, CPA, CGFM

PRINCIPAL

Governmental and Not-for-Profit Services

 517.841.4235

 nathan.baldermann@rehmann.com

 Ferris State University
BS, accounting

“My career has focused solely on the governmental and not-for-profit sector, and our clients benefit from that by experiencing a streamlined process resulting in a wealth of knowledge and best practices applicable to their entity.”

CURRENT ROLE

Nate is the primary business advisor for a multitude of governmental clients, leading financial statement audit, single audit and consulting engagements. With a concentration on governmental and related not-for-profit entities, one of Nate's strengths is sharing best practices for efficient operations.

Nate serves on Rehmann's government audit quality control subcommittee, ensuring compliance with technical standards and Firm-wide consistency.

SERVICE AREAS

- Governmental and not-for-profit auditing and consulting
- Federal award compliance auditing
- Community mental health compliance, auditing and consulting
- GASB standards implementation

EXPERIENCE

Nate has worked exclusively in the governmental and not-for-profit sector since he began his career with Rehmann in 1994 as an intern. With deep knowledge in the industry, Nate has assisted governments in various stages and is able to draw upon that experience to provide fresh ideas to his clients.

Nate has worked with counties, cities, local and intermediate school districts, public school academies, community mental health agencies and various other governmental and not-for-profit organizations.

A CLOSER LOOK


- Highly regarded in the governmental industry, Nate served on the Michigan GFOA's accounting standards committee and previously served on the board of directors.
- Having served on the Special Review Committee for the GFOA's CAFR Program, Nate is well-versed in comprehensive annual financial reports and has assisted numerous clients in receiving the certificate.
- As a thought leader in the industry, Nate has presented on new and changing standards for organizations including the Michigan GFOA, the MICPA and the AGA.




Daniel B. Clark, CPA

PRINCIPAL

Governmental and Not-for-Profit Services

 734.761.2005

 daniel.clark@rehmann.com

 **Bob Jones University**
BS, accounting

“At Rehmann, we interact with our clients throughout the entire year to ensure their questions are thoroughly answered, and they are ahead of changing industry standards.”

CURRENT ROLE

Daniel leads annual audit and single audit engagements for a multitude of governmental and not-for-profit clients throughout Michigan and Ohio. With a concentration on serving the public sector, Daniel spends a significant amount of time onsite at clients' locations, developing an understanding of their operations.

He serves on Rehmann's government audit quality control subcommittee, ensuring compliance with technical standards and Firm-wide consistency.

SERVICE AREAS

- Governmental and not-for-profit auditing and consulting
- Federal award compliance auditing
- GASB standards implementation
- School district auditing and consulting

EXPERIENCE

Daniel began his career with Rehmann in 2018 after being with another regional accounting firm since 2006. Throughout his career, Daniel has worked exclusively in the governmental and not-for-profit sector. He is licensed as a CPA in both Michigan and Ohio.

Daniel's client base is comprised of counties, cities, local and intermediate school districts, and various other governmental and not-for-profit organizations.

A CLOSER LOOK


- A thought leader in the industry, Daniel is a frequent speaker addressing topics such as upcoming accounting pronouncements, cybersecurity, and fraud.
- Daniel is a member of the AICPA, GFOA, MICPA, OSCPA (scholarship selection committee member, past co-chair of the young CPA northwest Ohio region, political endorsement committee member), and the Institute of Management Accountants.
- Significantly involved in the community, Daniel is active with Toledo Day Nursery (treasurer, board member), Fellowship of Christian Athletes Hall of Champions (committee member), and Wyldeewood Baptist Church (treasurer).



Tracey Kasperek, CPA

SENIOR MANAGER

Governmental and Not-for-Profit Services

 517.841.4799

 tracey.kasperek@rehmann.com

 **Central Michigan University**
BS, accounting

CURRENT ROLE

Tracey focuses solely on governmental and not-for-profit organizations, primarily serving as a reviewer for audit and single audit engagements. She spends a significant amount of her time working alongside clients at their location and makes it a priority to be available year-round to answer questions that may arise.

She serves on Rehmann's government audit quality control subcommittee, ensuring compliance with technical standards and Firm-wide consistency.

SERVICE AREAS

- Governmental and not-for-profit auditing and consulting
- Federal award compliance auditing
- GASB standards implementation

EXPERIENCE

Tracey began her public accounting career in 2000 when she joined Rehmann. With exclusive experience serving governmental and not-for-profit organizations, Tracey has deep knowledge in the industry, including preparation of financial statements and CAFRs.

Tracey has worked with counties, cities, local and intermediate school districts, community mental health authorities and various other governmental and not-for-profit organizations.

A CLOSER LOOK

- Attending conferences and seminars to keep up-to-date on the latest industry standards, Tracey is a member of the AICPA, MICPA and MGFOA.
- Tracey has successfully helped clients implement a multitude of continually changing GASB standards and other technicalities.
- Valuing the relationships that are built with each client, Tracey communicates with them throughout the year to help their audit engagement run as smoothly as possible.


“Our team is dedicated to serving public sector clients — resulting in a deep understanding of the industry, and significant executive involvement throughout every engagement.”




Amanda Wedgwood, CPA

MANAGER

Governmental and Not-for-Profit Services

 517.841.4270

 amanda.wedgwood@rehmann.com

 Spring Arbor University
BA, Accounting

“With our team’s extensive knowledge of the industry and related standards, we are committed to serving the unique needs of each of our clients in a professional and timely manner – creating an experience that is positive and as stress-free as possible.

CURRENT ROLE

Amanda is responsible for managing day to day fieldwork, assigning tasks and providing training. She communicates with clients throughout the engagement, with a focus on answering their questions in a timely manner and providing a fresh perspective on their operations and procedures. Amanda works primarily with governmental and not-for-profit organizations.

SERVICE AREAS

- Governmental and not-for-profit auditing and consulting
- Federal award compliance auditing
- GASB standards implementation
- School district compliance, auditing and consulting

EXPERIENCE

Amanda has worked with clients in the governmental and not-for-profit industry since her career began in 2013, when she joined Rehmann after graduating from college. She has significant experience auditing counties, cities, school districts, authorities and related not-for-profit organizations.

A CLOSER LOOK

- Keeping up-to-date on the latest industry standards, Amanda is a member of the MSBO, AICPA and MICPA.
- Valuing the relationships that are built with each client, Amanda communicates with them throughout the year to help their audit engagement run as smoothly as possible.
- With continuously evolving GASB pronouncements, Amanda stays ahead of the latest technical standards through training and research and helps clients understand and apply the newest pronouncements.

Audit Executive Experience and Hours (last three calendar years)

Sum of Hours (10 hours or more) Row Labels	Columns			
	2016	2017	2018	Grand Total
Baldermann, Nathan	1,137.50	1,126.20	1,225.40	3,489.10
Genesee Health System	95.20	103.70	47.00	245.90
Berrien County	72.80	57.40	105.10	235.30
Charter County of Wayne	85.80	88.60	1.50	175.90
Oakland Community Health Network	3.40	79.80	77.90	161.10
City of Royal Oak	46.90	54.70	45.70	147.30
Lenawee County	36.90	48.30	40.30	125.50
City of Troy	45.90	33.20	45.80	124.90
County of Jackson	30.90	29.00	34.70	94.60
Gibraltar School District	15.90	35.70	24.00	75.60
Detroit Public Schools	52.70	21.30		74.00
Marshall Public Schools	17.10	36.40	18.10	71.60
Harper Woods School District	20.90	18.50	30.80	70.20
Dundee Community Schools	19.00	11.40	36.90	67.30
City of Three Rivers	16.80	23.50	25.60	65.90
City of Milan	36.70	11.80	10.70	59.20
Tri-County Office On Aging	20.30	20.20	17.70	58.20
Detroit Wayne Mental Health Authority	58.00			58.00
Airport Community Schools	20.40	12.90	22.60	55.90
Bedford Public Schools	18.70	13.70	20.80	53.20
Mount Clemens Community Schools			52.40	52.40
Community Action Agency	19.90	14.60	16.60	51.10
Region 2 Area Agency on Aging	15.10	16.30	17.20	48.60
Crestwood School District	8.90	16.40	19.60	44.90
Huron School District	14.10	14.70	15.90	44.70
Chelsea School District	15.10	12.80	16.60	44.50
Watertown Charter Township	14.00	15.70	14.30	44.00
Monroe County ISD	8.70	17.10	18.00	43.80
Ida Public Schools	6.00	29.30	7.00	42.30
Western School District	15.80	12.80	13.60	42.20
Ann Arbor District Library	18.20	13.50	10.30	42.00
Detroit Public Schools Community District		22.70	19.20	41.90
East Jackson Community Schools	13.50	14.50	13.90	41.90
Milan Area Schools	12.70	13.60	14.20	40.50
Pennfield Schools	13.80	10.40	16.00	40.20
Jackson County ISD	11.30	16.20	12.60	40.10
Community Action Agency of S Central Michigan	10.70	6.00	22.00	38.70
Harper Creek Community Schools	10.20	16.00	11.20	37.40
Greater Lansing Convention & Visitors Bureau	15.70	9.60	11.80	37.10
Branch County Road Commission	13.10	10.70	11.90	35.70
Springport Public Schools	8.90	8.00	16.20	33.10
Summerfield Schools	4.80	9.20	16.20	30.20
Hillsdale County Road Commission	8.20	11.50	8.50	28.20

Audit Executive Experience and Hours (last three calendar years)

Sum of Hours (10 hours or more) Row Labels	Columns			
	2016	2017	2018	Grand Total
Kalamazoo CMHSAS	1.50		26.40	27.90
Pinckney Community Schools	10.70	7.40	8.90	27.00
Grass Lake Community Schools	10.50	8.50	7.70	26.70
Romulus Community Schools	26.40			26.40
Napoleon School District	8.60	9.70	7.70	26.00
Macomb County Michigan	2.80	6.20	16.00	25.00
Portage District Library	5.80	9.20	9.00	24.00
Parma Township	7.00	5.90	5.90	18.80
Macon Township		0.20	18.50	18.70
Gateway Community Health	17.50	0.80		18.30
Jackson County Medical Care Facility			16.80	16.80
Woodlands Behavioral Healthcare Network	0.60	2.60	12.90	16.10
Vandercook Lake Public Schools			15.80	15.80
Trillium Academy			15.40	15.40
City of Adrian		14.70		14.70
W-A-Y Academy			12.80	12.80
Ypsilanti District Library	10.30			10.30
City of Bridgman	7.60	2.50		10.10
Kasperek, Tracey	1,468.75	1,357.25	1,310.00	4,136.00
Washtenaw County	156.00	184.25	220.00	560.25
Charter County of Wayne	305.00	201.00		506.00
Monroe County	145.25	112.75	113.25	371.25
City of Pontiac	73.00	110.50	125.25	308.75
Royal Oak Township		148.25	81.50	229.75
City of Royal Oak	45.50	69.75	71.25	186.50
Lenawee County	66.50	54.75	62.00	183.25
Berrien County	27.75	63.50	60.25	151.50
Harper Woods School District	27.00	32.50	76.00	135.50
City of Milan	59.25	29.75	34.25	123.25
Milan Area Schools	43.50	28.25	41.25	113.00
Huron School District	41.25	29.75	33.50	104.50
Bedford Public Schools	47.50	30.50	25.00	103.00
Oakland Community Health Network		26.25	65.75	92.00
Chelsea School District	29.00	33.25	27.50	89.75
City of Ann Arbor	89.25			89.25
Pinckney Community Schools	29.75	25.50	33.00	88.25
Monroe County ISD	26.00	26.50	27.50	80.00
Monroe County Agency	60.00	4.25	3.75	68.00
Great Lakes Water Authority		16.00	32.50	48.50
W-A-Y Academy			41.75	41.75
Dundee Community Schools	23.00		9.50	32.50
Romulus Community Schools	32.50			32.50
Western Wayne Criminal Investigations	16.00	12.75		28.75

Audit Executive Experience and Hours (last three calendar years)

Sum of Hours (10 hours or more) Row Labels	Columns			Grand Total
	2016	2017	2018	
Waldron Area Schools	22.75	4.00		26.75
Lawnet	13.25	6.75	5.25	25.25
Ida Public Schools	19.25		4.25	23.50
City of Jackson		13.50	9.25	22.75
Bay County Building		10.50	11.00	21.50
Michigan Human Resource Dev In	7.50	10.25	3.75	21.50
City of Holland		4.50	11.25	15.75
Adrian Public Schools	1.00	3.00	7.50	11.50
Muskegon County			11.25	11.25
Saginaw Charter Township	6.50		4.50	11.00
Jackson Narcotics Enforcement Team (JNET)	4.00	4.00	2.75	10.75
Wedgwood, Amanda	1,834.87	1,815.74	1,881.13	5,531.74
Charter County of Wayne	302.42	230.14		532.56
Kalamazoo County		240.16	246.00	486.16
City of Jackson	89.02	106.98	86.12	282.12
County of Jackson		148.69	113.30	261.99
Washtenaw County		4.12	255.66	259.78
City of Oak Park	1.67	142.55	108.29	252.51
East Jackson Community Schools	95.40	85.77	54.07	235.24
City of Three Rivers	65.47	74.77	72.45	212.69
Western School District	70.10	46.26	66.33	182.69
Community Action Agency of S Central Michigan	85.50	42.42	53.01	180.93
City of Troy	0.42	92.55	79.38	172.35
Pennfield Schools	71.20	51.84	46.96	170.00
Pittsfield Charter Township		92.26	74.31	166.57
Grass Lake Community Schools	69.30	39.65	42.36	151.31
St Joseph County Road Commission	37.80	56.01	36.52	130.33
Huron School District	0.90	61.11	65.76	127.77
Adrian Public Schools		67.04	56.24	123.28
Ann Arbor District Library	52.81	18.66	27.27	98.74
Greater Lansing Convention & Visitors Bureau	40.70	31.39	23.05	95.14
American Tooling Center Inc	93.50			93.50
St Joseph County	92.80			92.80
Jackson County ISD		35.22	45.54	80.76
Monroe County Agency	67.40	12.61		80.01
Detroit Public Schools	78.60			78.60
Big Brothers Big Sisters of Jackson Co	67.40	4.30		71.70
Jackson County Medical Care Facility			67.60	67.60
Crestwood School District	63.60	1.75	1.10	66.45
Superior CAM Inc	66.20			66.20
Lansing Entertainment and Public Facilities Authority		24.01	38.13	62.14
Downtown Development Authority	24.25	9.56	24.74	58.55
Grand Haven Area Public Schools	51.20			51.20

Audit Executive Experience and Hours (last three calendar years)

Sum of Hours (10 hours or more) Row Labels	Columns			Grand Total
	2016	2017	2018	
Ypsilanti Community Utilities Authority			50.09	50.09
Lansing Community College	45.80			45.80
Greater Lansing Association of Realtors			39.60	39.60
Woodlands Behavioral Healthcare Network			36.76	36.76
Jackson Interfaith Shelter	35.90			35.90
Marshall Public Schools		33.01	1.25	34.26
The Historical Society of Michigan	24.31	6.67		30.98
Country Club of Lansing Inc	28.60	0.17		28.77
Berrien County	20.10	6.50	0.75	27.35
Monroe County	19.70			19.70
Dundee Community Schools			18.91	18.91
Grand Total	4,441.12	4,299.19	4,416.53	13,156.84

Similar engagements

Below are several engagements performed by our Jackson office in the last five years that are similar to City of Novi's engagement.

Client:	Great Lakes Water Authority
Services provided:	Financial (CAFR) and federal single audits
Service period/hours:	Fiscal 2016 through present; 1,500 hours (3-year average annual)
Engagement executives:	Mark Kettner, Mark Tschirhart, Michelle Hodges, Ken Melvin
Client contact:	Nicolette Bateson, CPA, CFO/Treasurer, 313.964.9225 Nicolette.Bateson@glwater.org
Client:	City of Troy
Services provided:	Financial (CAFR) and federal single audits
Service period/hours:	Fiscal 2001 through present; 400-450 annual hours
Engagement executives:	Nate Baldermann, Amanda Wedgwood
Client contact:	Tom Darling, CPA, Director of Financial Services, 248.524.3300 tdarling@troymi.gov
Client:	City of Royal Oak
Services provided:	Financial (CAFR) and federal single audits
Service period/hours:	Fiscal 2001 through present; 400-450 annual hours
Engagement executives:	Nate Baldermann, Tracey Kasperek, Amanda Wedgwood, Effie Spieth
Client contact:	Tony DeCamp, Asst Finance Director, 248.246.3033 TonyD@romi.gov
Client:	City of Pontiac
Services provided:	Financial (CAFR) and federal single audits
Service period/hours:	Fiscal 2010 through present; 400-450 annual hours
Engagement executives:	Mark Tschirhart, Tracey Kasperek
Client contact:	Jane Bais-DiSessa, Deputy Mayor, 248.758.3322 jbais-disessa@pontiac.mi.us
Client:	City of Oak Park
Services provided:	Financial (CFR) and federal single audits, when applicable
Service period/hours:	Fiscal 2012 through present; 350-400 annual hours
Engagement executives:	Mark Kettner, Amanda Wedgwood
Client contact:	Erik Tungate, City Manager, 248.691.7410 etungate@oakparkmi.gov

We encourage you to contact our clients directly to learn about the service they receive from Rehmann.

“Easy to work with. Practical solutions to problems. Nice staff. Understanding of client issues. Always ready to help with any issue — auditing or not.”

CITY OF JACKSON
Phillip Hones, Finance Director

Specific audit approach

Rehmann is committed to delivering high quality assurance services in a timely, efficient manner.

DELIVERABLES

- Financial and single audit, if applicable, for the years ending June 30, 2019, 2020 and 2021 plus options for 2022 and 2023
- Preliminary notice of finding as potential audit issues are identified
- Preparation of a management letter of comments and recommendations
- Exit conference with management
- Presentations to the finance (or audit) committee and/or board
- Due diligence reviews of various official statements for periodic debt issuances, if requested
- Availability for ongoing technical assistance throughout the year

The format and presentation of the financial statements will conform to the applicable standards set forth by:

- ✓ Governmental Accounting Standards Board (GASB)
- ✓ American Institute of Certified Public Accountants (AICPA)
- ✓ Government Finance Officers Association (GFOA)
- ✓ U.S. Office of Management and Budget
- ✓ Michigan Department of Treasury

QUALITY CONTROL

In order to ensure that all our engagements meet our high quality standards, we have implemented a firm-wide system of quality control, or TSR. The significant components of this system, as they relate to your audit, are as follows:

- All workpapers and audit programs are reviewed by the associates' immediate supervisors, and ultimately, the engagement principal.
- Draft financial statements and other reports are given a detailed review by an associate not connected with their preparation.
- Finally, the financial statements and other reports are reviewed for format, presentation, and compliance with all applicable professional guidance and technical pronouncements by the engagement principal and two top-level executives independent of the engagement team.

Through the TSR process, we are able to assure our clients that their financial reports have been subjected to the most stringent review of technical compliance and reporting excellence available.

SCHEDULE

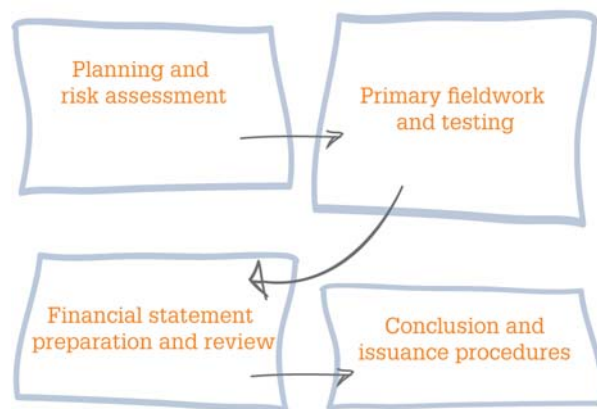
Our anticipated schedule of audit milestone dates is intended to comply with your filing date. An initial estimate of such dates is as follows:

Description	Date (s)
Preliminary work	July 15-31
Fieldwork	September 15-30
Draft reports	On or before October 15
Final reports	Prior to first November board meeting (prior to October 31 will be our target)

APPROACH

We will complete our work in four inter-related phases: (1) planning and risk assessment, (2) primary fieldwork and testing, (3) financial statement preparation and review, and (4) conclusion and issuance procedures. A brief overview of our audit approach is provided below. **A detailed explanation of the audit process and Rehmann's approach is provided in the appendix.**

Rehmann Audit Process



Phase 1: planning/risk assessment

In accordance with your time schedule, we will hold a planning meeting prior to the start of the engagement involving all associates assigned to the job. We will schedule the dates of our on-site fieldwork, arrange for downloads from your computer systems, document internal controls over financial reporting and compliance, and review the materials you typically provide your auditors. At roughly the same time, we will work closely with you to begin preparing/updating the format and structure of the financial statements in Microsoft Excel and Word.

Once the city is ready and has available a reasonably-adjusted trial balance, we will complete the planning process. Our engagement executives will analytically review the draft financial statements, and document our assessment of audit risk by area. We will use this information to tailor our standard governmental audit programs to correlate with our risk assessment of City of Novi's accounting and financial processing environment.

Phase 2: primary fieldwork/testing

Working from the reasonably-adjusted trial balance used to complete our planning procedures, we will begin our year-end fieldwork. Our lead schedules and audit workpapers will be created based on City of Novi's draft financial statements. This allows us to conduct our audit at the same level of detail on which our opinions will be expressed, and enhances the efficiency of the entire process.

Each audit area will be tested through a combination of analytical, substantive, and sampling procedures, consistent with the tailored audit programs developed in Phase 1.

As the year-end fieldwork procedures are completed, we will review the workpapers, quality control documents, and checklists as part of our internal system of quality control. All comments and issues generated by these reviews will be resolved in the field.

Phase 3: financial statement preparation/review

Financial statement preparation actually begins in Phase 1, and continues throughout Phases 2 and 3. Once the financial statements and related notes have been compiled, they will be processed through our Technical Standards Review (TSR).

In most cases, the first level of this process is completed while we are still in the field, which allows for complete drafts (including any related audit findings and recommendations) to be reviewed with management before the audit team leaves the field, when information is still fresh and any issues are easily resolved.

Phase 4: conclusion/issuance procedures

After management has had an opportunity to thoroughly review the draft financial statements and any audit findings or recommendation, we will perform our conclusion and issuance procedures. These vary, but may include following up on outstanding confirmations, reviewing the minutes of board meetings held subsequent to our fieldwork, and obtaining written representations from management concerning the completeness and fair presentation of the financial statements. Once complete, we will produce final PDF versions of the financial statements and related reports, and provide them to you via email. Hard copy reports may also be printed and bound, depending on your needs.



“Our commitment to the governmental industry ensures that your reports will be completed timely, accurately and in accordance with professional standards.”

NATHAN BALDERMANN, CPA, CGFM
Principal, Rehmann Governmental Industry Group

SIGNIFICANT EXECUTIVE INVOLVEMENT = TIMELY COMPLETION AND DELIVERY

At Rehmann, we believe that engagement executives belong in the field, not the office. Accordingly, you can expect a substantial on-site presence by the executives responsible for your engagement. We have found that when our most experienced people are investing a significant amount of time in the planning and implementation of an engagement, we are able to achieve optimum efficiency in conducting the audit. We also believe that frequent principal interaction with our clients strengthens our business relationship, gives us a deeper understanding of your needs, and fully leverages the knowledge and experience of our professionals.



MORE IDEAS

We're continually collaborating with clients and each other to help find new opportunities to increase efficiency, save money, streamline operations and enhance service value.

Our assurance practice is structured to provide our clients with efficient, effective services. We have one goal: becoming THE Firm of Choice for both our clients and our associates. To accomplish that goal, we employ a regional organizational structure, in-depth associate training, an emphasis on on-site review and completion of audit procedures, and an enhanced client service focus through our Rehmann Client Ambassador program.

Potential audit problems

ANTICIPATED PROBLEMS

Based on our understanding of current facts and circumstances, and our understanding of pending or potential changes in generally accepted accounting principles and auditing standards, there are no anticipated potential problems of which we are aware. However, if any unanticipated problems are encountered during the engagement, we will be proactive in bringing any such matters to your attention and finding a mutually acceptable solution. We also ask that you be honest and forthright in communicating any problems you have with us or any particular person at the earliest possible date. We care very deeply about our clients and their success, and so we will do whatever is reasonably necessary to rectify any problems.

TECHNICAL ISSUE AND TECHNICAL DISAGREEMENT RESOLUTION

Rehmann has both informal and formal paths for resolving technical issues and disagreements that may impact a client. The client service executive, who leads each service team, is responsible for identifying the appropriate experience needed to provide effective service. When a technical issue or disagreement requires additional consultation, the principal has two courses of action.

First, our flexible, internal communication system enables principals to leverage the individual knowledge found throughout the Firm's offices. Through various mediums such as e-mail, our paperless document management system, and the Firm's intranet, professionals have easy access to subject matter experts with relevant industry or practice area experience.

Should an extreme technical matter arise that requires a more formal consultation or dispute resolution, the Firm has established executive committees. These executive committees provide direction on emerging assurance, audit and tax issues. The committees are flexible, allowing for immediate access, and the individuals who serve on these committees are considered the Firm's definitive experts. In fact, many committee members are recognized speakers or serve on related committees for state and national industry groups such as the American Institute of Certified Public Accountants and Michigan Association of Certified Public Accountants. In situations of dispute resolutions, any member of the engagement team who disagrees with the final resolution has the right to document their disagreement in the workpapers.

Our Firm practices personal and responsive communication with our clients. No one in our Firm will dictate "from afar" problem resolutions without our clients having an opportunity to meet and carry on a dialogue face to face.

Report format

Reports for every governmental client mentioned in our proposal are available on the Michigan Department of Treasury website (<https://treas-secure.state.mi.us/LAFDocSearch/>) or we would be pleased to email a PDF of any report. Given the size of similar entity CAFR's, we did not include sample paper copies for efficiency (and to save paper).

Hours

ESTIMATED HOURS BY SEGMENT

Following are our estimated engagement hours by segment and staff level:

	Principal	Managers	Senior	Staff	Support	Total
Planning	4	16	20	40	-	80
Fieldwork	12	48	80	112	-	252
Review	12	24	16	8	-	60
Issuance	<u>4</u>	<u>12</u>	<u>4</u>	<u>-</u>	<u>10</u>	<u>30</u>
	<u><u>32</u></u>	<u><u>100</u></u>	<u><u>120</u></u>	<u><u>160</u></u>	<u><u>10</u></u>	<u><u>422</u></u>

REGULAR CLIENT COMMUNICATION AND INTERFACE

As discussed in the cover letter to this proposal, we will be providing the City with a variety of mechanisms to have regular contact with our people, regardless of their level. The simplest will be for you to call or email one of our executives (we make it a point of being easy to reach) and we can talk about what is on your mind. We do not charge for these contacts unless and until they become projects (and then we will only record the time and bill for it if the City has authorized it in advance). We also provide a range of communications and interface through our quarterly BWD (business wisdom delivered) magazine, quarterly webinars, monthly electronic newsletters and the like.

BUDGETED HOURS

When it comes to budgeting an audit, our philosophy is not to schedule “more” hours, but rather “better” hours. To that end, we have developed our schedule of estimated hours calling for a substantial portion of the total audit hours to be invested by our executives and supervisory staff. While we certainly will also leverage the work of lesser experienced staff as well, our approach is to put our best people in the field, where they can have the most significant impact on the timeliness and efficiency of our audit procedures. Accordingly, we do not feel the need to inflate our projected hours in proposals, or try to make it appear that we are investing additional nonproductive hours by inexperienced or under-qualified staff. Instead, we strive to staff every audit engagement as efficiently as possible with professionals who have in-depth knowledge of your industry who can complete the required audit procedures quickly and accurately, with a minimal disruption to your regular schedules.

DUE DILIGENCE – OFFICIAL STATEMENTS

Following guidance issued by the AICPA and Government Finance Officers Association, this service is optional. Unless you specifically request written consent from our Firm, professional standards presume that we are not associated with such documents, and accordingly, we are not required to perform any procedures or incur any additional costs for the city. Of course, should you choose to request such written consent, we will be willing to provide it, at a cost of \$4,000 - \$5,000 per issue.

NO SURPRISE INVOICES

We strive to deliver business wisdom for a fee that is fair, reasonable and representative of the value delivered. Our approach to establishing fees is to discuss expected outcomes and the proposed services to be provided before work is done. This reduces the possibility of surprises when invoices are ultimately delivered. If services are required beyond the scope of this engagement, we will discuss it with you before beginning any work, and provide a cost estimate for those additional services.



MORE SERVICE

We make it a priority to keep you informed about what we're doing for you — and what you're paying for it. Our transparent billing practices help clients clearly evaluate the value our services provide.

Appendix

Peer review report
Public sector client list
Detailed audit approach

Peer review report

Page 1 of 2



CliftonLarsonAllen LLP
CLAAconnect.com

REPORT ON THE FIRM'S SYSTEM OF QUALITY CONTROL

To the Principals of Rehmann Robson LLC
The National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Rehmann Robson LLC, a member of Rehmann, LLC (the Firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended March 31, 2017. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The Firm is responsible for designing a system of quality control and complying with it to provide the Firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The Firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the Firm's compliance therewith based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards* (including compliance audits under the Single Audit Act), audits of employee benefit plans, an audit performed under the Federal Deposit Insurance Corporation Improvement Act (FDICIA) and examinations of service organizations (SOC 1 and SOC 2 engagements).

As a part of our peer review, we considered reviews by regulatory entities as communicated by the Firm in determining the nature and extent of our procedures.



Rehmann Robson LLC
Page 2

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Rehmann Robson LLC applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended March 31, 2017, has been suitably designed and complied with to provide the Firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)*, or *fail*. Rehmann Robson LLC has received a peer review rating of *pass*.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
September 15, 2017

Public sector clients

Following is a list of Rehmann's public sector clients. Outsourcing clients are indicated with an asterisk (*).

CITIES

City of Battle Creek	City of Hastings	City of Perrysburg, OH
City of Benton Harbor	City of Holland	City of Pontiac
City of Beaverton	City of Howell	City of Royal Oak
City of Bridgman	City of Inkster	City of Sebastian, FL
City of Charlevoix	City of Jackson	City of Sturgis*
City of Charlotte*	City of Lansing	City of Tecumseh
City of Escanaba	City of Mackinac Island*	City of Three Rivers
City of Fremont Michigan	City of Milan	City of Troy
City of Gaylord	City of Oak Park	City of Wyoming
City of Grand Blanc	City of Oregon, OH	City of Ypsilanti*

COUNTIES

Bay County Building	Indian River County	Midland County
Berrien County	Isabella County	Monroe County
Cheboygan County*	Kalamazoo County	Montcalm County*
Clinton County	Kalkaska County	Muskegon County
County of Jackson	Kent County	Newaygo County
County of Otsego	Leelanau County	Shiawassee County
County of Saginaw	Lenawee County	Washtenaw County
Dow Event Center	Mecosta County	Wexford County
Eaton County		

VILLAGES AND TOWNSHIPS

Blair Township	Parma Township	Town of Orchid, FL
Concord Township	Penn Township	Watertown Charter Township
Glen Arbor Township	Pittsfield Charter Township	Village of Augusta
Green Lake Township*	Royal Oak Township	Village of Blissfield
Holly Township	Saginaw Charter Township	Village of Mackinaw City*
Little Traverse Township	Superior Township*	Village of Port Austin
Macon Township		

LIBRARIES

Ann Arbor District Library	Kalamazoo Public Library	Shiawassee District Library
Chippewa River District Library	Portage District Library	Spring Lake District Library

Note: standalone library audit clients are listed. We audit additional libraries through various municipalities.

TRIBAL GOVERNMENT

Bay Mills Indian Community	Little River Band of Ottawa Indians
Chippewa Ottawa Resource Auth.	Little Traverse Bay Band of Odawa Indians
FireKeepers Casino*	Nottawaseppi Huron Band*
Grand Traverse Band LLC	Sault Ste. Marie Tribe of Chippewa Indians

SCHOOL DISTRICTS

Adrian Public Schools
Airport Community Schools
Anchor Bay School District
Ann Arbor Public Schools*
Bangor Township Schools
Bedford Public Schools
Benton Harbor Area Schools*
Big Rapids Public Schools
Black River Public School
Chelsea School District
Crestwood School District
Detroit Public Schools*
Detroit Public Schools Community District*
Dexter Community Schools
Dundee Community Schools
East Jackson Community Schools
Escanaba Public Schools
Flint Community Schools*
Freeland Schools
Fruitport Community Schools
Gibraltar School District
Grand Haven Area Public Schools
Grass Lake Community Schools
Harper Creek Community Schools
Harper Woods School District
Hesperia Community Schools
Hope Academy of West Michigan
Huron School District
Ida Public Schools
Ionia Public Schools
Jackson County ISD
Lakeview Community Schools
Lighthouse Academy
Lincoln Consolidated Schools*
Linden Community Schools
Mackinac Island School
Marshall Public Schools
Marquette Area Public Schools
Milan Area Schools
Mona Shores Public Schools
Monroe County ISD
Mount Clemens Community Schools
Napoleon School District
Northwest School District
Pennfield Schools
Pinckney Community Schools
Plainwell Community Schools
Portage Public Schools
Public Schools Of Petoskey
Sault Ste Marie Area Public Schools
Springport Public Schools
Summerfield Schools
Trillium Academy
Vandercook Lake Public Schools
W-A-Y Academy
Western School District
Ypsilanti Community Schools

COLLEGES & UNIVERSITIES

Baker College
Bay College
Bay Mills Community College
Cleary University
Glen Oaks Community College
Jackson College
Kirtland Community College
Lake Michigan College
Lansing Community College
Macomb Community College
Montcalm Community College
North Central Michigan College
St. Clair County Community College
Washtenaw Community College
West Shore Community College

ROAD COMMISSIONS

Branch County Road Commission
Cass County Road Commission
Hillsdale County Road Commission
Missaukee County Road Commission
St. Joseph County Road Commission

TRANSIT

Toledo Area Regional Transit Authority

Van Buren Public Transit

Note: standalone transit audit clients are listed. We audit additional transit authorities through various municipalities.

MEDICAL CARE FACILITIES

Bay County Medical Care Facility

Tuscola County Medical Care Facility*

Lenawee Medical Care Facility

COMMUNITY MENTAL HEALTH (CMH)

Detroit Wayne Mental Health Authority*

Region 10*

Genesee Health System*

Saginaw County CMH*

Lifeways*

Sanilac Mental Health Authority

Muskegon County CMH*

St. Clair County CMH*

Network 180*

Summit Pointe*

Northern Michigan Regional Entity*

West Michigan CMH*

Oakland Community Health Network

CMH AFFILIATED PROVIDERS

American Neuropsychiatric Association

Oakland Community Alternatives

Domus Vita, Inc.

Rgrps, Inc.

Enhance, Inc.

Pappalardo Alternative Placements

New Outlook, Inc.

Residential Alternatives, Inc.

New Life Services Inc.

HOUSING PROJECTS

Avery Square Senior Housing

Trinity Continuing Care

Grand Rapids Housing Commission

Wickes Park Homes LDHA, LP

OTHER

Battle Creek Promise Zone Authority

Lansing Entertainment and Public

Bay Area Narcotics Enforcement Team

LAWNET

City of Grand Rapids Pension Systems

Lucas Co Board of Dev'l Disabilities

Downtown Development Authority (Jackson)

Lucas County Land Reutilization Corp

Gerald R. Ford International Airport Authority

Mackinac Island Department of Public Works*

Grand Rapids-Kent County Convention/Arena Auth.

MBS International Airport

Great Lakes Commission

Michigan Department of Treasury*

Great Lakes Water Authority

Midland County Economic Development Corp.

Harbor-Petoskey Area Airport Authority

Monroe County Agency

Health Department of Northwest Michigan*

Resources Global Professionals

Jackson Narcotics Enforcement Team (JNET)

Saginaw County 9-1-1 Authority

Kent County Dispatch Authority

Tri-County Office on Aging

Kent County Land Bank Authority

Western Wayne Criminal Investigations

Lansing Economic Development Corporation

Ypsilanti Community Utilities Authority

Public sector clients (not-for-profits)

Following is a list of Rehmann's not-for-profit clients. Outsourcing clients are indicated with an asterisk (*).

PRIVATE AND COMMUNITY FOUNDATIONS

5 Healthy Towns Foundation	Indian River Community Foundation
Battle Creek Community Foundation	Jackson College Foundation
Battle Creek Promise Zone Authority	Kirtland Community College Foundation
Bay Area Community Foundation	Lansing Community College Foundation
Camp Leelanau & Kohahna Foundation	Lingap Children's Foundation
Chadtough Foundation	Macomb Community College Foundation
Cheboygan Communities Foundation	Metro Health Hospital Foundation
Cherryland Electric Community Caring Fund	Public Broadcasting Foundation of Northwest Ohio
CLA Foundation	Rotary Club of Lansing Foundation
Comerica Charitable Trust	SpartanNash Foundation
Community Foundation for Muskegon County	Stranahan Foundation
Dana Foundation	Toledo Community Foundation
Detroit Regional Chamber Foundation	Towsley Foundation
Fremont Area Community Foundation	Washtenaw Community College Foundation
Grand Rapids Public Museum Foundation	West Shore Community College Foundation
Highscope Educational Research Foundation	

PRIVATE SCHOOLS

Ave Maria School of Law	Saint Edward's School, Inc.
Blue Lake Fine Arts Camp	St. John's Jesuit High School
Emerson School	St. Ursula Academy
Maumee Valley Country Day School	The Leelanau School
Ox-Bow School of Art	The Roeper School

RELIGIOUS ORGANIZATIONS

Ada Bible Church	Dominican SMME Corporation
Adventist Frontier Missions, Inc.	Main Street United Brethren Church
Central Wesleyan Church of Holland	West Michigan District of the Wesleyan Church
Diocese of Saginaw	Zion Christian Church

COUNCILS & AGENCIES ON AGING

Child Care Network/Washtenaw Regional 4C	Region 2 Area Agency on Aging
Midland County Council on Aging	Region 3B Area Agency on Aging
NW Senior Resources, Inc.	Tri-County Office on Aging

CONDOMINIUM ASSOCIATIONS

Le Rivage Association, Inc.	Reflections on the River Association
The Reef Ocean Resort Association	Riverwood Community Association

COMMUNITY ACTION AGENCIES

Community Action Agency - Chippewa-Luce-Mackinac
Community Action Agency - Serving Jackson, Lenawee & Hillsdale Counties
Community Action - Serving Barry, Branch, Calhoun & St. Joseph Counties
EightCAP Inc./CAMWC
FOCUS - Toledo

ASSOCIATIONS

Ann Arbor Amateur Hockey Association
Council of Michigan Foundations
Festival of the Arts in Grand Rapids
Michigan Infrastructure & Trans. Association
Saginaw Township Soccer Association
Toledo Orchestra Association
The Community House Association and Foundation
University of Toledo Alumni Association

HEALTH PLANS & HEALTH CENTERS

Alcona Health Center
Dental Center of Northwest Ohio
Dental Clinics North
Genesee Health Plan
Hope Medical Clinic
Jackson Health Plan Corporation
Toledo Community Oncology Program
Washtenaw Community Health Organization

HEALTH & WELFARE ORGANIZATIONS

Addiction Treatment Services
Boy Scouts of America – Erie Shore
Boys & Girls Clubs of Toledo
Capital Area United Way
Catholic Social Services of Washtenaw County
The Cocoon Shelter
Crossroads of Michigan
Girl Scouts of Michigan Shore to Shore
Goodwill Industries of Greater Grand Rapids
Goodwill of West Michigan
Holy Cross Youth and Family Services
Holy Cross Children's Services
Jackson Interfaith Shelter
Leader Dogs for the Blind, Inc.
Lifeways
Samaritan Center, Inc.
SOS Community Services
United Way of Greater Toledo
United Way of Indian River County, Inc.
United Way of the Lakeshore
United Way of Washtenaw County
Washtenaw Health Plan
Women's Resource Center of the GT Area

OTHER

Admiralty Yacht Club Association
Altarum Institute
Ann Arbor YMCA
Arbor Research Collaborative for Health
Baruch SLS, Inc.
Calhoun County Conservation District
Cancer Alliance of Naples
Career Alliance Inc.
Cereal City Development Corporation
CIFT
Clean Energy Coalition
Community Healthcare Connections
Detroit Science Center
Everest Inc.
Foreign Links Around the Globe (FLAG)*
Grace Place for Children and Families
Grand Rapids Public Museum
Grand Traverse Industries
Greater Lansing Convention & Visitors Bureau
Ide I
Ide II
Imagination Station
Internet2
JC Dormitories, Inc.
Jewish Federation of Greater Toledo
Jewish Senior Services
John Ball Zoo
Junior Achievement of NWO, Inc.
Klingelberg America Inc.
Lansing Economic Area Partnership
Leisure Living Management of Fremont
Lott Industries
Lucas Co. Board of Developmental Disabilities
Mackinac Island Convention & Visitors Bureau
Main Street Business Improvement Zone
McKee Botanical Garden, Inc.
Mercy Education Project
Michigan Child Care Centers
Michigan Christian Home
Michigan Credit Union League
Michigan Human Resource Development
Mid-Michigan Child Care Centers
MOKA Corporation
Northwest Ohio Scholarship Fund
Odawa Economic Development Management
Palmas Del Sol Condo Association Inc.
Pelham Manor
Red Stick Golf Club, Inc.
Ronald McDonald House Charities of Ann Arbor
Ronald McDonald House of Western Michigan
Rotary Club of Lansing
Samaritan Homes
Sarasota Convention & Visitors Bureau
Scholastic Shooting Sports Foundation, Inc.
Sleeping Bear Dunes Visitors Bureau
SMB Probation Center
SMRC LDHALP
Society for College and University Planning
Southwest Michigan Community Development
SVRC Industries, Inc.
Sweet Dreamzzz, Inc.
The Historical Society of Michigan
Toledo Day Nursery
Toledo Zoological Society
Tri-Cities Historical Museum
Underground Railroad
Unison Behavioral Health Group
West Side Montessori Center
White Lake Area Chamber of Commerce
Wings of Mercy, Inc.

Detailed audit approach

Each audit engagement is unique and requires different procedures to meet specific circumstances. However, the following broad approach is followed for most of our audits. While certain steps may occur in different order than presented below, a typical city audit would consist of the following audit procedures:

Phase 1: planning/risk assessment

Pre-engagement – Certain audit procedures and inquiries are completed prior to the commencement of audit fieldwork. This ensures that we have a complete understanding of the entity, agreement on the extent of procedures to be performed, and an anticipated timeline for completion.

Procedure	Description
Planning meeting	<p>All members of the audit team will meet with the key contacts at the government. All parties will set dates for the milestones of the audit:</p> <ul style="list-style-type: none"> • Preliminary fieldwork (if requested) • Availability of reasonably adjusted trial balance • Primary fieldwork • Interim audit status meetings (for larger engagements) • Draft reports/exit conference • Final reports • Presentation to board(s)/committee(s), as requested <p>By agreeing to these dates up front, we are able to schedule the right people to have availability at the right time. During this meeting, both the city and the auditors will clarify expectations:</p> <ul style="list-style-type: none"> • Requested downloads • Client-provided workpapers (content, format, timing, etc.) • Communication methods (phone vs. e-mail, etc.) and direction (all requests through the primary contact vs. inquiring directly of the employee responsible)
Draft preliminary financial statements	<p>Using the prior year trial balance and issued financial statements, the audit in-charge will gain an understanding of account groupings for financial statement presentation. This will simplify the process of compiling the financial statements by only requiring newly created general ledger accounts to be grouped. It will also ensure that the audited financial statements are being prepared consistently. We refer to this as “coding the trial balance” which will then link directly to the financial statements, management’s discussion and analysis tables, and leadsheets. If journal entries need to be posted after the auditors have</p>

	received the trial balance, they can be posted in our Excel file and will flow through automatically to the related files.
Engagement letter	The engagement letter will serve as the contract between the auditors and the city and will be sent each year. This letter contains information on the scope of the audit and the related fees. We ask that the city return a signed copy of the letter to us prior to the commencement of primary audit fieldwork.
Discussion with audit committee	Each year before the start of the audit, one of the audit executives assigned to your engagement will conduct a short meeting or phone call with the chair of your audit committee (or its equivalent in your entity). We will discuss timing and the planned scope of the audit. Your audit committee chair will be given the opportunity to provide us with any additional information he/she deems relevant and ask any questions about the audit process.
Communication with prior auditors	Auditing standards require that we make certain inquiries of your predecessor auditors. We will provide management with the template of a letter that the city will send to the predecessor audit firm authorizing them to answer our questions and allow us access to their prior year workpapers. We have the city send a copy of this letter to us so we know when to initiate communication. In addition to make standard inquiries as required by Statement on Auditing Standards No. 84: <i>Communications Between Predecessor and Successor Auditors</i> , we may also visit the prior auditors' offices to review their workpapers. If we can determine that the appropriate standards were followed in performing that audit, we may not consider it necessary to test opening balances.
Communication with other auditors	If the city has any funds or component units audited by other CPA firms, we need to make certain inquiries of these firms regarding their understanding of our reliance on their separately-issued report(s) and the auditing standards they plan to follow. This process requires minimal assistance from the city and is deemed to remain in effect unless the audit firm changes.

Phase 2: primary fieldwork/testing

Planning/Risk Assessment – In order to design our auditing procedures according to your unique operating environment, we will use various methods to gain an understanding of processes and internal controls. We will use the results of these inquiries and tests to assess risks and to further tailor our governmental audit programs. This process is more extensive in the first year as a base understanding is gained by the audit team, and may require a specially scheduled visit of 1-2 days. In future years, the process will consist primarily of updating our understanding for any procedural or personnel changes that may have occurred. Our standard planning/risk assessment procedures might include these tests:

Procedure	Description
Document financial systems	We will obtain any existing accounting policies and/or procedures manuals to gain an understanding of the operating environment. If no such materials are available, we have a form of basic questions that will guide you through the process of documenting your actual practices.
Review control activities	<p>A yes/no questionnaire will be provided that describes various typical control activities by transaction class (i.e., cash, accounts receivable, long-term debt, etc.). We will ask you to answer these questions and provide us with any additional information that may be helpful to us in understanding the internal control structure.</p> <p>Based on the responses to these questions, we will determine the 2-3 “key controls” over each transaction type.</p>
Walkthroughs	Once we have an understanding of internal controls and have identified the key controls, we will select a small sample of actual transactions and “walk through” each of the key controls to determine if the controls have been implemented and documented appropriately. The typical areas for which walkthroughs are performed are: cash disbursements, cash receipts, payroll, and general journal entries, though other areas may also be tested at this time.
Establish materiality and major funds	Using the reasonably adjusted trial balance and draft financial statements, the audit team will test the appropriateness of major funds. Materiality will then be calculated by opinion unit. Our substantive tests generally require the audit team to test all individually significant items and, depending on the remaining untested balance, may require sampling the remaining population.
Review of board minutes	In addition to discussing major activities in the year under audit with management (such as issuance of long-term debt, large capital-related purchases, new programs or services, etc.), we

	<p>will review minutes from meetings of the Board and any committees. This will allow us to identify significant or unusual events or purchases and revise our planning audit procedures accordingly.</p>
Analytical review	<p>Using the current and prior years' trial balances and the final amended budget, we will perform analytical procedures at the financial statement level. In general, we consider an income statement line item to be reasonable and consistent if it is within either 10 percent of the prior year actual or current year budget. Any financial statement line items with fluctuations outside of these parameters will be selected for additional procedures. We will review fluctuations at a greater level of detail (by general ledger account) and have discussions with management to identify and document the reasons for the change. At times, this process will identify errors or inconsistencies in posting of transactions, or accruals that still need to be posted (or reversed from the prior year).</p> <p>Based on our preliminary analytical review, certain income statement accounts may be selected for substantive testing because of their significance and/or ease of testing. Common substantive tests over income statement accounts are described later in this appendix.</p>
Risk assessment and brainstorming	<p>At various times through the year, Rehmann's governmental audit group will meet to discuss risks that are common to Michigan governments. The audit team will review the notes from these meetings at the beginning of the city's audit to determine which of these risk factors might be applicable. The team will then use the information provided in the previous steps to identify additional risks and design audit procedures to address such risks. Our government-specific audit programs will be tailored to reflect the planned audit procedures.</p>
Consideration of fraud	<p>In accordance with Statement on Auditing Standards No. 99: <i>Consideration of Fraud in a Financial Statement Audit</i>, we will make certain inquiries of personnel in various departments and positions to obtain their views about the risks of fraud and how they are addressed. These inquiries are made in the form of written questionnaires which are provided to selected individuals with a postage-paid return envelope and mailed directly to us when completed.</p> <p>In addition, each year the audit team will conduct 2-4 "surprise" procedures that are outside the scope of the typical audit. The use of these unpredictability tests is a requirement of SAS 99.</p>

	These tests are generally relatively simple and address various internal control, financial statement presentation, and compliance issues.
Review of attorney invoices	We will discuss any pending or anticipated litigation with upper management and review invoices for attorney services. If items are identified that may require accrual and/or disclosure in the financial statements, we may request written responses to certain inquiries from your attorneys. A pre-drafted letter to send to the attorney will be provided to management for preparation of inquiries, if deemed necessary.

Substantive Audit Procedures – In general, our approach to this audit will be “balance sheet oriented”. This means that we will first focus our attention on testing the ending balances of the assets and liabilities of each opinion unit. This approach has two distinct advantages: (1) it places greater emphasis on identifying potential misstatements in accounts that could have a carry-over effect on later periods (unlike income statement accounts that reset each year), and (2) it can reduce risk of material misstatement over the aggregate income statement accounts to a level where a primarily analytical approach can be applied with an acceptable detection risk for potential misstatements. This results in a very efficient audit process, and allows us to provide a high level of assurance in fewer hours. Of course, certain income statement accounts may still be tested substantively because of their ease of testing and/or significance.

Our auditors approach substantive balance sheet testing at the financial statement level (following our opinion) and not by individual trial balance accounts. Leadsheets are generated directly from the trial balance using grouping codes, and accounts are divided and subtotaled by opinion unit in order to easily determine whether appropriate testing has been completed. Each leadsheet contains both current and prior year balances to allow the auditors to quickly identify trends and expectations and document any significant fluctuations. Balance sheet accounts that have remained unchanged will be brought to the attention of management for inquiry and follow up.

Initially, all individually significant or unusual items are selected for testing and the percent of coverage by opinion unit is calculated and evaluated for adequacy to support our opinion. If, based on our risk assessment, we consider it necessary to obtain additional audit coverage, the remaining untested balance is stratified and sampled following professional standards. With each test performed, the auditors include sufficient documentation to both comply with professional standards and to allow the audit executives to understand the procedures performed and related conclusions reached during their review process.

Our entire audit process is facilitated electronically, using a paperless system. Accordingly, to the extent possible, we request that supporting schedules and documentation be provided to us in their native electronic format. The audit team will also come prepared with a high-speed scanner which will allow them to scan any hardcopy documents provided into the electronic audit file. The audit team will generally not require paper photocopies of supporting documents (unless the city is more comfortable providing photocopies). After testing is completed and any important items have been scanned into the file, the originals will be returned in-tact.

There are many advantages to a paperless system, or electronic audit file. As mentioned previously, the auditors will not require photocopies be made of supporting documentation. Workpapers and leadsheets can be updated and edited in the field without reprinting, and the auditors will have ready access to the prior year audit files in their entirety and can show you examples of what they are requesting. Throughout the year, if you contact the audit team with a question, they will have easy access to the audit files, regardless of whether they are in the office, at home, or at another client site.

While not all inclusive, the following listing summarizes many of the standard substantive audit procedures that may be performed, along with the requested documentation:

Audit Area	Substantive Test
Cash and investments	<ul style="list-style-type: none"> • Send bank confirmation forms (completed by management) to respective financial institutions, compare confirmed balances to bank statements, and investigate discrepancies. • Consider allowability of investments in accordance with State statute and the government's investment policy. • Agree book balances to a trial balance account (or group of accounts for pooled cash systems). • Test bank reconciliations by tracing deposits in transit and outstanding checks to the subsequent period statement. Trace inter-bank transfers in transit between account reconciliations. Identify outdated or unusual reconciling items. • Consider the appropriateness of accrued interest on certificates of deposit and investments. • Calculate Federal Depository Insurance Coverage (FDIC). • Prepare financial statement disclosures such as those concerning interest rate risk, credit risk, and concentration of credit risk.
Receivables	<ul style="list-style-type: none"> • Obtain subledgers for significant account balances. Select items for detail testing and obtain subsequent receipt noting whether the amount was earned prior to year end and received in the next period. • Consider whether any receivables in governmental funds are collected outside of the period of availability (as it is defined by the government) and should be deferred in the fund financial statements. • Send confirmations for utilities receivable, pledges receivable, etc. • Trace grant receivables to financial status reports, subsequent receipts, and/or determine whether the recorded receivable is equal to grant expenditures, less actual cash receipts. • Trace special assessments receivable to signed special assessment rolls. Perform a rollforward of special assessments by taking the prior year receivable, subtracting special assessment revenue from the trial balance or financial

	statements, adding new assessments levied, and comparing the result to the amount of the current receivable.
Inventory	<ul style="list-style-type: none"> • Compare detailed listings of items, individual cost, and extended cost to the general ledger control accounts. • If deemed necessary, perform a physical observation of the inventory count at year-end. Select a sample of items from the inventory listing, locate and count the items, and compare to the recorded balance. Also select a sample of items directly from the floor, count, and compare to the actual amount recorded in the subledger. • Inquire about obsolete inventory.
Prepays	<ul style="list-style-type: none"> • Determine the nature of prepaid items in each general ledger account. • Recalculate prepaid balance using invoices and check vouchers and determine whether the amount was paid prior to year-end.
Capital assets	<ul style="list-style-type: none"> • Obtain rollforwards of capital asset activity. Agree beginning balances to prior year audited amounts and ending balances to general ledger control accounts. • Obtain a detailed listing of additions and agree to the rollforward. Test individually significant items by tracing to approved invoices. • Compare capital outlay expenditures to capital asset additions for reasonableness. If considered necessary, perform a search for unrecorded capital assets to audit completeness. • Agree approved capital items from board minutes to additions listing. • Obtain a detailed listing of disposals and agree to the rollforward. Determine whether any proceeds on the sale of such assets has been reported appropriately in the financial statements. • Obtain depreciation schedules and test the accuracy of calculation based on the selected depreciation method and useful life. • Test the accounting for and disclosure of amounts acquired through capital leases or installment purchase agreements. • Test the allocation of depreciation expense by function. • Inquire about timing of physical inventory observations, the existence of idle assets, and whether remaining useful lives are still appropriate. • Inquire about the existence of intangible assets such as usage or access rights.

	<ul style="list-style-type: none"> • Consider whether amounts remain on construction contracts related to construction in progress for disclosure in the notes to the financial statements.
Payables	<ul style="list-style-type: none"> • Obtain a detailed listing of the composition of general ledger control accounts and compare to year-end account balances. • Perform a completeness test by selecting certain subsequent disbursements, reviewing the invoice for information on the accounting period involved, and determining whether the amount is properly included or excluded from year-end accounts payable. • Trace fiduciary liabilities to subsequent disbursements or detailed subledgers of amounts held by individual/entity. • Determine whether any amounts are being held in agency funds that represent funds of the primary government which should be accounted for in the respective funds.
Accrued liabilities	<ul style="list-style-type: none"> • Recalculate accrued salaries and wages payable by gaining an understanding of the timing of service periods and pay dates, obtaining support for the first pay date in the subsequent period, determining the number of service days covered by the pay run and the number of service days during the period under audit, recalculating the accrual. • Recalculate the accrual for the employer's share of FICA taxes payable based on known rate of 7.65%. • Consider the reasonableness of other fringe benefit accruals such as health insurance, retirement, and workers' compensation. • For self-insurance programs, obtain calculations or third-party reports estimating incurred-but-not-report claims. Rollforward self-insurance claims payable for disclosure in the footnotes.
Long-term debt	<ul style="list-style-type: none"> • Obtain a rollforward of long-term debt activity. Compare the beginning balances to the prior year audit. • Obtain amortization schedules for bonds and notes payable. Consider whether any debt covenants exist and test accordingly. • Trace principal payments to the debt rollforward and the amortization schedules. • Agree the current portion of long-term debt and future minimum payments of principal and interest to the amortization schedules. • Determine whether new debt was approved by the governing body and issued in accordance with State statute. • Determine whether there were premiums and/or discounts associated with the issuance of the debt by obtaining the

	<p>sources and uses statement. Consider whether any bond issuance costs should be capitalized and amortized over the life of the bonds. Recalculate such balances.</p> <ul style="list-style-type: none"> • Recalculate accrued interest payable based on the first interest payable of the subsequent period, the length of time covered by this interest payment, and the length of time within the year under audit.
Compensated absences	<ul style="list-style-type: none"> • Obtain a detailed listing of compensated absences (accrued sick and vacation time) by employee and agree to general ledger control accounts. • Obtain an understanding of compensated absences policies, such as vesting, payment rates, and maximum payouts. • Select a sample of individuals for testing. Trace accrued hours to source files and pay rates to personnel files or union/bargaining unit contracts. Recalculate accrual and determine whether hours are within the maximum amount. • Determine whether FICA taxes are being accrued on the year-end balance. • Rollforward compensated absences liability by obtaining either the accrual for amounts earned or the amounts used/paid for disclosure in the notes to the financial statements. • Consider the appropriateness of the expense allocation for the change in compensated absences of governmental activities. • Inquire about an estimated current portion and consider whether this is being presented appropriately in the financial statements. Compare current portion to actual uses/payments for reasonableness. • Inquire about the existence of any severance agreements or termination benefits. Obtain supporting documentation and test accordingly.
Equity	<ul style="list-style-type: none"> • Compare beginning equity by fund to the prior year audit, and investigate any differences. • Review fund balance classifications based on the nature of the funds and board resolutions/policies (if applicable). • Review net asset classifications for accuracy. Recalculate net assets invested in capital assets net of related debt.

These substantive procedures will be completed primarily by our staff and senior auditors. Each workpaper will be reviewed by the engagement manager (and where appropriate, the engagement principal) during fieldwork so questions can be resolved while the team is still on-site.

Phase 3: financial statement preparation/review

Financial Statement Preparation - Another key element of the fieldwork process is the preparation of draft financial statements (including footnotes), the management letter, and other applicable reports/correspondence. As mentioned briefly in the beginning of this appendix, Rehmann uses a unique system for preparing the financial statements. The following are the primary steps in the preparation of the financial statements:

Procedure	Description
Downloads	<ul style="list-style-type: none">• Obtain a download directly from the client’s financial accounting system which includes: complete account number, account name, and account balance. For income statement accounts, the original and amended budgets will be downloaded as well.• Extract the system download into a usable Excel file using Monarch or other data extraction software.• Assign fund and government-wide financial statement captions to each account based on the level of detail in the financial statements. This effectively maps each account on the government’s chart accounts to the appropriate sections of the financial statements.• This process is most intensive in the first year of the audit, which is why we request a prior year trial balance before we arrive on-site. That way, we can have the initial set-up completed before the audit begins.
Linking	<ul style="list-style-type: none">• Use Excel PivotTables to summarize the data in the trial balance based on the assigned captions.• Use Excel’s “VLookup” and “Match” functions to link the PivotTables to the actual financial statements.• The advantage of this system is that any account coding changes or journal entries discovered through the audit process can be posted to the auditors’ version of the trial balance and with the click of a button the PivotTables are refreshed and the financial statements are automatically updated.• Tables for the Management’s Discussion and Analysis are linked to the financial statements.
Footnotes	<ul style="list-style-type: none">• Draft notes to financial statements using a current disclosure checklist to ensure completeness.• Obtain supporting documentation for disclosures not directly linked to the trial balance or financial statements, such as: retirement and other postemployment benefit plan funding progress and funded status, related party transactions, subsequent events, etc.

SAS 114 letter	<ul style="list-style-type: none"> • Through the audit process, the engagement team will keep a list of potential audit issues and/or internal control or efficiency recommendations. • Near completion of fieldwork, the potential items are reviewed and discussed amongst the audit team. • The method of communication for items deemed to be control and/or compliance deficiencies is determined and a SAS 114 letter (informally known as the “management letter”) is drafted.
Other reports	<ul style="list-style-type: none"> • If the government is subject to a single audit in accordance with the Uniform Guidance (by expending at least \$750,000 in Federal awards in any given fiscal year), the reports on Single Audit Act compliance will be prepared.
Detail check	<ul style="list-style-type: none"> • After the financial statements and notes are drafted and a disclosure checklist has been completed, the entire report is reviewed by another individual. Controls totals are compared between statements and schedules, numbers are footed and cross-footed, footnotes are agreed to the underlying financial statement amounts (when applicable), and overall presentation is reviewed for proper formatting, spelling, and grammar. • The audit opinion (and Yellow Book report and/or single audit report, as applicable) are compared to current professional standards for completeness and accuracy. • Any management letter comments are reviewed for clarity and appropriateness. • The preparer of these documents is then provided feedback from the independent review and follows up on questions/comments accordingly.
Technical standards review	<ul style="list-style-type: none"> • Generally on the final day of audit fieldwork, the engagement principal comes on-site to review the audit team’s workpapers and perform a technical standards review of the financial statements and management letter. • Additional technical standards reviews are conducted after fieldwork by a principal not associated with the engagement (i.e., a “cold review” of the statements).
Exit conference	<ul style="list-style-type: none"> • While the auditors are still on-site, the draft financial statements and management letter are provided to and reviewed with management during an exit conference. • Audit findings or recommendations are explained in detail, and an open dialog is held to ensure that the facts and circumstances are properly understood by all parties.

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| | <ul style="list-style-type: none">• A working draft of the management’s discussion and analysis (with information related to the audited financial statement completed already) is provided.• Any open items are summarized in written format and reviewed with the client.• The timeline for engagement completion and issuance (initially agreed-upon as part of the planning meeting) is reviewed for reasonableness, and updated as needed. |
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At this point in the process, the auditors will pack up their equipment and leave the field. Management is then given as much time as requested to review the draft reports, provide feedback, and ask questions. Once management has proposed any necessary corrections and the management’s discussion and analysis is completed, the entire financial reporting package is submitted to a second technical standards review. This review is always done by an audit executive in a different office with no continuing involvement in the audit process.

Any questions or issues that arise through the technical standards review are discussed between the audit team and management. If changes have been made to the initial drafts, management is provided with a final draft for its review and approval. We then provide management with a draft representation letter. This is a document that puts into writing the assertions made by management to the auditors throughout the audit process. We ask that this letter be printed on the government’s letterhead and signed by two individuals (generally the equivalents of the CEO and CFO). We consider the signed representation letter to be management’s assertion that drafts have been reviewed and our authorization for processing of final reports.

Phase 4: conclusion/issuance procedures

Rehmann’s professional support staff will coordinate the printing and binding of final reports and will upload the required PDF to the State of Michigan. The printed copies will be mailed or delivered. Management will be provided with a final PDF of all reports produced in the audit. The government is free to use this document for distribution to grantor agencies and related parties, upload to the government’s website, or to produce additional printed copies.

The audit process concludes with presentation to the governing body (or one of its committees), as requested. One of the executives assigned to the audit team will report on the result of the audit in whatever level of detail is requested. A typical presentation lasts 10-15 minutes, but can be as short as 5 minutes or as long as one hour, depending on your preferences.

While this concludes the formal process of the annual audit, your engagement team will be available for questions throughout the year. We will provide management with information on relevant upcoming changes in accounting standards and opportunities to participate in training events or webinars. We will also check in at times throughout the year to say hello and provide an opportunity for management to ask any questions or provide updates on the government’s operations.

We are confident that our audit process maximizes efficiency while still providing the highest level of audit assurance. Our governmental auditing team has a deep understanding of accounting and financial reporting as it relates to local units of government. But our auditors also understand that you are busy and have priorities and responsibilities in addition to the annual audit. Your audit team will make as many requests ahead of time as possible, coordinate information requests and questions, and strive to keep the audit process as quick as possible.

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CONTRACT FOR PROFESSIONAL AUDITING SERVICES

THIS CONTRACT FOR PROFESSIONAL SERVICES ("Contract"), made and entered into this 6th day of May, 2019, by and between the City of Novi, a Michigan municipal corporation, whose address is 45175 Ten Mile Road, Novi, Michigan 48375 (hereinafter called the "City" and Rehmann Robson LLC, whose address is 675 Robinson Road, Jackson, MI 49203 (hereinafter called the "Auditor").

RECITALS:

A. The City issued a Request for Proposal for Auditing Services on or around February 7, 2019.

B. Auditor submitted its Proposal to Provide Auditing Services to the City in response to the City's request.

C. Following a competitive interview process, Auditor was selected to perform the duties of Auditor; and

D. The City and Auditor have determined that it is appropriate to agree on a multi-year term for the provision of such services, for the Fiscal Years ended June 30, 2019, June 30, 2020, and June 30, 2021, with the option to renew for June 30, 2022 and June 30, 2023.

NOW, THEREFORE, in consideration of the foregoing, the City and Auditor agree as follows:

1. Services to be Provided by Auditor.

- a. **Review financial statements.** Auditor shall audit the City's financial statements for the Fiscal Years ending June 30, 2019, June 30, 2020, and June 30, 2021, with the option to renew for the Fiscal Years ending June 30, 2022 and June 30, 2023, for the purpose of expressing an opinion on the fairness with which those statements present the City's financial position. For purposes of this Agreement, "financial statements" shall include the City's comprehensive annual financial report as well as that of the Economic Development Corporation (EDC) of the City of Novi, Michigan.

Such audits shall be performed in accordance with the AICPA's generally accepted auditing standards, the standards set forth for financial audits in the U.S. Government Accountability Office's (GAO) Government Auditing Standards (1988), and the provisions of the Federal Single Audit Act of 1984, and U.S. Office of Management and Budget (OMB) Circular A-133, Audits of State and Local Governments (when applicable). The Auditor shall also review the City's financial report for compliance with Government Finance Officers Association

(GFOA) Certificate of Achievement for Excellence in Financial Reporting Program requirements.

- b. **Provide written opinion and reports.** As a part of the audit, the Auditor shall give its written opinion on the fairness of the presentation in the City's basic financial statements of the governmental activities and the business-type activities, the results of operations, and cash flows of each major fund, and the aggregate remaining fund information, including any discretely presented component units of the City of Novi in conformance with generally accepted accounting principles. A compliance audit in order to meet the requirements of the Single Audit Act shall be performed if deemed necessary at the sole option of the City. At the conclusion of said audit, a letter of comments and recommendations shall be submitted to the City. The letter shall include a summary of the audit findings and recommendations for changes in accounting procedures and methods of internal control.

The Auditor shall be responsible for all editing and printing of the following reports:

Number of Copies

Comprehensive Annual Financial Report	40
Single Audit Report, if applicable	40
Letter of Comments and Recommendations (City)	40
Audit Presentation (graphs, etc.)	20

All working papers and reports must be retained, at the Auditor's expense, for a minimum of three (3) years, unless the Auditor is notified in writing by the City of the need to extend the retention period. The Auditor will be required to make working papers available, upon request by the City. In addition, the Auditor shall respond to the reasonable inquiries of successor Auditors and allow successor Auditors to review working papers relating to matters of continuing accounting significance.

- c. **City to supply financial information.** The City shall provide Auditor with access to its financial statements and footnotes, which it may formulate from its June 30 general ledger and other relevant materials necessary for Auditor to perform the services described herein. The City may also submit additional financial and statistical information not subject to examination by the Auditor for inclusion in the comprehensive annual financial report.

2. Payment for services.

The City shall pay the Auditor for services rendered under this Contract in accordance with the Fee Proposal attached hereto as Exhibit 1. Such payments shall be made on a monthly basis upon receipt of an itemized

invoice from the Auditor. Such itemized billings shall be submitted and shall be paid only upon satisfactory completion of the work itemized in the billing. Auditor will obtain written approval from the City prior to proceeding with any services or work that is not stated in Exhibit 1; otherwise the City will not be billed for such extra/additional services or work.

3. Auditor representations.

Auditor represents and warrants that it has not employed or retained any company or person, other than a bona fide employee working solely for the Auditor, to solicit or secure this Agreement, and that it has not paid or agreed to pay any company or person, other than a bona fide employee of the Auditor, any fee, commission, percentage, brokerage fee, gift, or any other consideration, contingent upon or resulting from the award or making of this Agreement. For breach or violation of this warranty, the City shall have the right to annul this Agreement without liability.

4. Insurance.

The Auditor shall procure and maintain during the term of the Contract the insurance coverage's outlined below. All coverage's shall be with insurance companies licensed and admitted to do business in the State of Michigan. All coverage's shall be with insurance carriers acceptable to the City of Novi.

- a. **Worker's Compensation** insurance with the Michigan statutory limits and Employer's Liability insurance with minimum limits of **\$100,000** (One Hundred Thousand Dollars) each accident.
- b. **Commercial General Liability Insurance** – The Auditor shall procure and maintain during the life of this Contract, Commercial General Liability Insurance, Personal Injury, Bodily Injury and Property Damage on an "Occurrence Basis" with limits of liability not less than **\$1,000,000** (One Million Dollars) per occurrence combined single limit.
- c. **Automobile Liability** insurance covering all owned, hired and non-owned vehicles with Personal Protection insurance to comply with the provisions of the Michigan No Fault Insurance Law including Residual Liability insurance with minimum bodily injury limits of **\$1,000,000** (One Million Dollars) each person and **\$1,000,000** (One Million Dollars) each occurrence and minimum property damage limits of **\$1,000,000** (One Million Dollars) each occurrence.
- d. **Professional Liability** coverage in the amount of not less than **\$1,000,000** (One Million Dollars) on a per claim/aggregate.

All policies, except Professional Liability and Worker's Compensation insurance shall name the City of Novi, its officers, agents, and employees as additional insured. Certificates of Insurance evidencing such coverage shall

be submitted to the Purchasing Department, City of Novi, 45175 Ten Mile Road, Novi, Michigan 48375-3024 prior to commencement of performance under this Contract and at least fifteen (15) days prior to the expiration dates of expiring policies.

The provisions requiring the Auditor to carry said insurance shall not be construed in any manner as waiving or restricting the liability of the Auditor under this Contract.

5. Indemnity.

The Auditor agrees to save harmless and defend the City against and from any or all liability, loss, or damages, including without limitations, fees and expenses of attorneys, expert witnesses and other consultants ("Damages"), that the City may suffer as a result of claims, demands, costs, or judgments against it to the extent such Damages arise from, out of or in consequence of the negligent performance of Auditor in connection with the audit services contemplated in this Agreement, excepting only such liability, loss or damage as shall have been occasioned by the sole negligence of the City of Novi, its officers, agents, or employees.

6. Nondiscrimination.

The Auditor shall not discriminate against any employee, or applicant for employment because of race, color, sex, age, or handicap, religion, ancestry, marital status, national origin, place of birth, or sexual preference. The Auditor further covenants that it will comply with the Civil Rights Act of 1973, as amended; and the Michigan Civil Rights Act of 1976 (78. Stat. 252 and 1976 PA 453), and will require a similar covenant on the part of any consultant or subcontractor employed in the performance of this Contract.

7. Staffing.

In its Proposal, the Auditor identified the principal supervisory and management staff, including engagement partners, managers and other supervisors and specialists who would be assigned to the City's work. Such engagement partners, managers, other supervisory staff and specialists may be changed if those personnel leave the firm, are promoted, or are assigned to another office. These personnel may also be changed for other reasons with the express prior written permission of the City of Novi. However, in either case, the City of Novi retains the right to approve or reject replacements. Consultants and firm specialists named in the Auditor's proposal may only be changed with the express prior written permission of the City of Novi, which retains the right to approve or reject replacements. Other audit personnel may be changed at the discretion of the Auditor provided that replacements have substantially the same or better qualifications or experience.

8. No assignment.

The Auditor shall not assign any interest under this Contract and shall not transfer any interest in the same without prior written consent of the City. No reports, information, or data given to or prepared by the Auditor under the Contract shall be made available to any individual or organization by the Auditor without the prior written approval of the City.

9. Compliance with laws.

The Auditor shall, in the performance of this Agreement, comply with and give all stipulations and representations required by all applicable federal, state and local laws, ordinances and regulations, and shall require such compliance, stipulations and representations by all other persons with whom it shall enter into any Contract pertaining to the work hereunder.

10. Incorporated documents.

In addition to the terms and conditions stated herein, the Auditor's "Proposal to provide Auditing Services," dated March 1, 2019, is incorporated herein to the extent not inconsistent with this Contract.

11. Term.

This Contract shall apply for the Fiscal Years ending June 30, 2019, June 30, 2020, and June 30, 2021, with an option to renew for June 30, 2022 and June 30, 2023 at the sole option of the City. Such option shall be deemed to have been exercised unless the City notifies the Auditor, in writing, by June 1, 2022 and 2023 for the respective Fiscal Years, that it does not want to exercise the option. If the City does so advise the Auditor, there shall be no further obligation between the parties except as specifically set forth herein.

12. Termination.

The City shall have the right to terminate this Contract with or without cause on thirty (30) days written notice. In the event of termination, the Auditor shall receive just and equitable compensation for any satisfactory work completed to the date termination takes effect and the City shall be entitled to retain and use all audits, reports and recommendations prepared by the Auditor until such date.

13. Disputes.

This Contract shall be governed by and construed in accordance with the laws of the State of Michigan that are applicable to Contracts made and to be performed in that state. Should any court action be commenced at any time involving or concerning this Contract, it is hereby agreed that jurisdiction and venue shall be in the State of Michigan Circuit Court in Oakland County.

In the event of any litigation arising out of this Contract, the prevailing party shall be entitled to recover attorneys' fees and costs from the other party.

14. Debarment, Suspension, Ineligibility and Voluntary Exclusion.

The Auditor shall comply with the provisions of 24 CFR Part 24 that neither it nor its principals is presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation in this Contract.

IN WITNESS WHEREOF, the City and the Auditor have executed this Contract in Oakland County, Michigan, as of the date first listed above.

WITNESS:

Date: _____

Date: _____

WITNESS:

Date : _____

City of Novi ("City"):

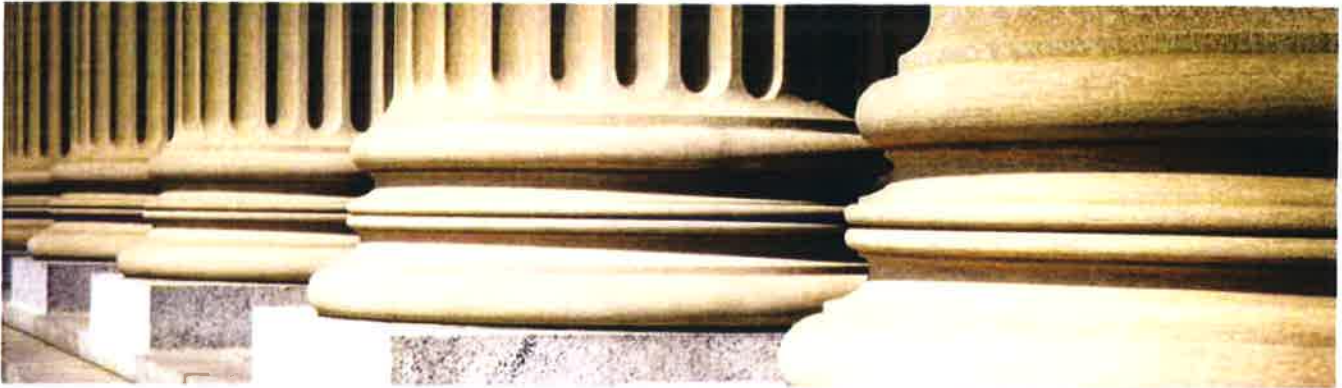
By: _____
Robert J. Gatt, Its Mayor

By: _____
Cortney Hanson, Its Clerk

Rehmann Robson LLC ("Auditor")

By: _____
Nathan Balderman, Principal

March 1, 2019



Fee Proposal

PROPOSAL FOR
City of Novi

Submitted by:

Rehmann

Mark Kettner, CPA, CGFM, Principal

mark.kettner@rehmann.com

Nathan Baldermann, CPA, CGFM, Principal

nathan.baldermann@rehmann.com

 **Rehmann**

City of Novi
Schedule of Professional Fees for the Audit
of the 2019 through 2023 Financial Statements

	<u>6/30/2019</u>	<u>6/30/2020</u>	<u>6/30/2021</u>	<u>6/30/2022</u>	<u>6/30/2023</u>
Proposed fees					
Audit services	\$ 55,100	\$ 56,300	\$ 57,500	\$ 58,700	\$ 59,900
Single audit [1]	3,500	3,500	3,500	3,500	3,500
CAFR drafting [2]	-	-	-	-	-
Total (not to exceed)	<u>\$ 58,600</u>	<u>\$ 59,800</u>	<u>\$ 61,000</u>	<u>\$ 62,200</u>	<u>\$ 63,400</u>

	<u>Hours</u>	<u>Hourly Rate</u>	<u>Total</u>
6/30/2019 audit			
Partners (Principals)	32	\$ 300	\$ 9,600
Managers	100	175	17,500
Seniors	120	125	15,000
Staff	160	100	16,000
Clerical support	10	50	500
	<u>422</u>		<u>\$ 58,600</u>

We acknowledge the following addenda: #1

Signature  March 1, 2019
 Mark Kettner, CPA, CGFM, Principal
mark.kettner@rehmann.com
 Rehmann Robson LLC, 675 Robinson Road, Jackson MI 49203
 (517) 841-4889 direct line (517) 787-6507 office (517) 788-8111 fax

- [1] - The annual single audit fee quote assumes one major federal program; each additional major federal program over one will be billed at \$3,500.
- [2] - Due to the efficiencies we have built into our financial statement preparation process, the price for our audit is the same regardless of whether we are contracted to draft the financial statements. By "drafting the CAFR" we understand this to mean that the auditors will prepare the financial statements from the City's trial balance (with consistent grouping codes to prior reports), prepare the notes to the financial statements, update those statistical section tables that are directly derived from the financial statements, and prepare/insert the MD&A financial tables. The City would be responsible for the CAFR introductory section, writing/updating the narrative in the MD&A, and preparing/updating the rest of the statistical section.