

RESOLUTION NO. 2024-21
INTRODUCED BY: Mayor Bodnar

**AN EMERGENCY RESOLUTION
AUTHORIZING THE MAYOR AND PRESIDENT OF COUNCIL
TO ENTER INTO AN AUDIT ARRANGEMENT WITH THE AUDITOR OF STATE
BY MEANS OF AN ENGAGEMENT LETTER FOR THE AUDIT
OF THE VILLAGE'S BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2023
AND TO AUTHORIZE AN EXPENDITURE TO THE
TREASURER, STATE OF OHIO IN AN AMOUNT NOT TO EXCEED \$14,000.00**

WHEREAS, pursuant to Ohio Revised Code Section 117.11, Mayfield Village is required to undergo auditing by the Ohio Auditor of State or an assigned representative; and

WHEREAS, based upon recommendation by the Director of Finance, Mayfield Village wishes to enter into an engagement letter with the Ohio Auditor of State for the 2023 financial audit; and

WHEREAS, the fee for the 2023 financial audit of Mayfield Village will not exceed \$14,000.00.

BE IT RESOLVED BY THE COUNCIL OF MAYFIELD VILLAGE, OHIO, THAT:

SECTION 1. Mayfield Village is hereby authorized to enter into an arrangement with the Auditor of State of Ohio by means of an engagement letter for the audit of the Village's basic financial statements as of and for the year ended December 31, 2023, a copy of which is attached hereto and incorporated herein as Exhibit "A".

SECTION 2. The Council of Mayfield Village hereby approves and authorizes an expenditure at a total cost not to exceed \$14,000.00 to the Treasurer, State of Ohio, for the 2023 financial audit of Mayfield Village.

SECTION 3. The Council finds and determines that all formal actions of this Council relating to the adoption of this Resolution have been taken at open meetings of this Council; and that deliberations of this Council and of its committees, resulting in such formal action, took place in meetings open to the public, in compliance with all statutory requirements including requirements of Section 121.22 of the Ohio Revised Code.

SECTION 4. This Resolution is hereby declared to be an emergency measure immediately necessary for the preservation of health, safety and welfare of the residents of

Mayfield Village, Ohio, for the reason that it allows time for the necessary action required to satisfy the audit requirements of Section 117.11 of the Ohio Revised Code. It shall, therefore, take effect immediately upon the passage by the affirmative vote of not less than five (5) members elected to Council and approved by the Mayor or otherwise at the earliest time allowed by law.

STEPHEN SCHUTT
Council President

First Reading: _____, 2024

Second Reading: _____, 2024

Third Reading: _____, 2024

PASSED: _____, 2024

BRENDA T. BODNAR, Mayor

APPROVED AS TO FORM:

DIANE A. CALTA, ESQ.
Director of Law

ATTEST: _____
MARY E. BETSA, MMC
Clerk of Council

EXHIBIT "A"

OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
(800) 282-0370

April 4, 2024

Ronald Wynne, CPA, Director of Finance
Village of Mayfield
Cuyahoga County
6622 Wilson Mills Road
Mayfield Village, Ohio 44143

This engagement letter between the Village of Mayfield, Cuyahoga County, Ohio (the Village) and the Auditor of State describes the objective and scope of the services we will provide, the Village's required involvement and assistance in support of our services, the related fee arrangements, and other terms and conditions designed to ensure that our professional services satisfy the Village's audit requirements.

SUMMARY OF SERVICES

We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter.

We will audit the Village's basic financial statements as of and for the year ended December 31, 2023 to express our opinion concerning whether the basic financial statements and related disclosures present fairly, in all material respects, the Village's cash receipts, disbursements and balances in accordance with the Village's reporting framework.

The objectives of our audit are to obtain reasonable assurance about whether the financial statements for each opinion unit and related disclosures are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America (GAAS) and the financial audit standards in the Comptroller General of the United States' Government Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

We will read other information such as the *Management's Discussion and Analysis*, in order to identify material inconsistencies, if any, with the audited financial statements.

We expect to deliver our report on or about July 31, 2024.

Engagement Team

The engagement will be led by:

- * William Ward, CPA, Assistant Chief Auditor, who will be responsible for assuring the overall quality, value, and timeliness of our services to you;
- * Matthew Goldman, Senior Audit Manager, who will be responsible for managing the delivery of our services to you; and

* Josh Ziegler, Audit Manager, who will be responsible for on-site administration of our services to you.

OUR AUDITOR RESPONSIBILITIES

We will conduct our audit in accordance with GAAS and the Comptroller General of the United States' standards for financial audits in *Government Auditing Standards*. As part of an audit in accordance with GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
4. Test the Village's compliance with certain provisions of laws, regulations, contracts, and grants if noncompliance might reasonably directly and materially affect the financial statements. However, our objective is not to opine on overall compliance with these provisions.
5. Conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about your ability to continue as a going concern for a reasonable period of time.

Because of inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatement, whether due to fraud or error, may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS. It is not cost-efficient to design procedures to detect immaterial error or immaterial fraud. Also, because of the characteristics of fraud noted above, a properly designed and executed audit may not detect a material fraud.

Additional Auditor Communication

As part of this engagement the Auditor of State will communicate certain additional matters (if applicable) to the appropriate members of management and to those charged with governance. These matters include:

1. Misstatements for correction, whether corrected or uncorrected,
 - a. We will present those charged with governance our Summary of Identified Misstatements (if any) at the conclusion of our audit.

2. Instances where we believe fraud may exist to you. These would include instances where we:
 - a. Have persuasive evidence that fraud occurred.
 - b. Determined fraud risks exist and were unable to obtain convincing evidence to determine that fraud was unlikely.
3. Noncompliance that comes to our attention. However, our audit provides no assurance that noncompliance generally will be detected and only reasonable assurance that we will detect noncompliance directly and materially affecting the determination of financial statement amounts;
4. Significant risks identified during the audit;
5. Any disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the financial statements or our opinion;
6. Our views about matters that were the subject of management's consultation with other accountants about auditing and accounting matters;
7. Significant, unusual transactions (if any);
8. Major issues that were discussed with management related to retaining our services, including, among other matters, any discussions regarding the application of accounting principles and auditing standards;
9. Significant difficulties we encountered during the audit, including significant delays by management, the unavailability of Village personnel, or an unwillingness by management to provide information necessary to perform our procedures; and
10. Matters that are difficult or contentious for which we consulted outside the engagement team and that are, in our professional judgment, significant and relevant to those charged with governance regarding their responsibility to oversee the financial reporting process.

We will also communicate pertinent information, as necessary in our professional judgment, to those that have ongoing oversight responsibilities for the audited entity, including contracting parties or legislative committees, if any.

Our evaluation of internal control may provide evidence of waste or abuse. Because the determination of waste and abuse is subjective, we are not required to perform specific procedures to detect waste or abuse. If we detect waste or abuse, we will determine whether and how to communicate such matters.

If for any reason we are unable to complete the audit or are unable to form an opinion, we may disclaim an opinion on your financial statements. In this unlikely event, we will communicate the reason for disclaiming an opinion to you, and to those charged with governance, in writing.

YOUR MANAGEMENT RESPONSIBILITIES AND IDENTIFICATION OF THE APPLICABLE REPORTING FRAMEWORK

We will audit assuming management and those charged with governance acknowledge and understand they are responsible for:

1. Preparing the financial statements and other financial information, including related disclosures, and selecting and applying accounting principles in accordance with the Village's reporting framework. This includes compliance with Ohio Admin. Code 117-2-01 which requires designing, implementing, and maintaining internal controls relevant to preparing and fairly presenting financial statements free from material misstatement whether due to fraud or error.

2. Providing us with:
 - a. draft financial statements, including all information relevant to their preparation and fair presentation, whether obtained from within or outside of the general and subsidiary ledgers (including all information relevant to the preparation and fair presentation of disclosures) and any accompanying other information in time to allow the auditor to complete the audit in accordance with the proposed timeline;
 - b. access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements, including an expectation that management will provide access to information relevant to disclosures;
 - c. written representations as part of the engagement, from management and/or attorneys,
3. Inform us of events occurring or facts discovered subsequent to the date of the financial statements, of which management may become aware, that may affect the financial statements.
4. Preparing other information, including but not limited to, annual reports as defined by AU-C 720, Other Information in Documents Containing Audited Financial Statements. Annual reports, including the final version of the Entity's annual report, will be made available for our review prior to the date of the auditor's report.
5. Reporting fraud and noncompliance of which you are aware to us.
6. Reviewing drafts of the audited financial statements, disclosures, any supplemental information, auditor's reports, and any findings; and informing us of any edits you believe may be necessary.
7. Designing and implementing programs and controls to prevent and detect fraud.

You should not rely on our audit as your primary means of detecting fraud.

Compliance with Laws and Regulations

Management and those charged with governance are responsible for:

1. Being knowledgeable of, implementing systems designed to achieve compliance with, and complying with, laws, regulations, contracts, and grants applicable to the Village.
2. Identifying for us other financial audits, attestation engagements, performance audits, internal audits, reports from regulators or other studies related to the Village (if any), and the corrective actions taken to address these audits' significant findings and recommendations.
3. Tracking the status of prior audit findings.
4. Taking timely and appropriate steps to remedy fraud, noncompliance, violations of provisions of laws, regulations, contracts, or grant agreements, or abuse we may report.
5. Providing your views and planned corrective action on audit findings we may report.

Internal Control

Management and those charged with governance are responsible for designing, implementing, and maintaining internal control relevant to compliance and the preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error. Appropriate supervisory reviews are necessary to reasonably assure that adopted policies and prescribed procedures are followed.

Service Organizations:

Service organizations are other governmental entities, organizations or companies that provide services to you, as the user Village, relevant to your internal controls over financial reporting. Service organizations process transactions reflected in your Village's financial statements, and therefore fall within the scope of our audit. While service organizations are responsible for establishing and maintaining their internal control, you are responsible for being aware of the service organizations your Village uses, and for establishing controls to monitor the service organization's performance. Because the complexity of service organization transaction processing can vary considerably, your monitoring activities can vary accordingly.

When transaction processing is complex and the volume of transactions is relatively high, obtaining and reviewing a service organization auditor's *Independent Service Auditor's Report on Management's Description of a Service Organization's System and the Suitability of the Design and Operating Effectiveness of Controls* Report (Type 2 Service Organization Control Report (SOC 1)) may be the most effective method of meeting your responsibility to monitor a service organization, and may also be the only efficient means by which we can obtain sufficient evidence regarding their internal controls. AT-C Section 320, *Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial* discusses the aforementioned report. (In some circumstances, we can accept a suitably designed agreed-upon procedures report (AUP) in lieu of a SOC 1 report.)

You are responsible for informing our staff of the service organizations your Village uses, and for monitoring these service organizations' performance.

Service organizations of which we are aware are:

- Regional Income Tax Agency, which collects your Village's income taxes.
- Life Force Management, which bills and collects your Village's EMS charges for services.
- Sensys Gatso, which bills and collects your Village's photo enforcement program.
- Cuyahoga County, which bills and collects your property taxes.

Please confirm to us that, to the best of your knowledge, the above listing is complete.

Of the service organizations above, those for which we believe the complexity of processing and volume of transactions warrant a SOC 1 (or AUP) report are:

- Regional Income Tax Agency, which collects your Village's income taxes.
- Life Force Management, which bills and collects your Village's EMS charges for services.
- Sensys Gatso, which bills and collects your Village's photo enforcement program.

Without an acceptable SOC 1 or AUP report for the above-listed organizations, generally accepted auditing standards may require us to qualify our opinion on your Village's financial statements due to an insufficiency of audit evidence regarding service organization transactions included in your Village's financial statements. You are responsible for communicating the need for a SOC 1 or AUP report to these service organizations.

REPRESENTATIONS FROM MANAGEMENT

Upon concluding our engagement, management and, when appropriate, those charged with governance will provide to us written representations about the audit that, among other things, will confirm, to the best of their knowledge and belief:

- management's responsibility for preparing the financial statements and relevant disclosures in conformity with the Village's accounting basis;
- the availability of original financial records and related data, the completeness and availability of all minutes of the legislative or other bodies and committee meetings;
- management's responsibility for the Village's compliance with laws and regulations;

- the identification and disclosure to the auditor of all laws, regulations, and provisions of contracts and grant agreements directly and materially affecting the determination of financial statement amounts; and
- the absence of fraud involving management or employees with significant roles in internal control.

Additionally, we will request representations, as applicable, regarding:

- the inclusion of all components, and the disclosure of all joint ventures and other related organizations;
- the proper classification of funds and fund balances;
- the proper approval of reserves of fund equity;
- compliance with laws, regulations, and provisions of contracts and grant agreements, including budget laws or ordinances; compliance with any tax or debt limits, and any debt covenants;
- the identification of all federal assistance programs, and compliance with grant requirements; and
- events occurring subsequent to the fiscal year end requiring adjustment to or disclosure in the financial statements.

Management is responsible for adjusting the financial statements to correct misstatements we may detect during our audit and for affirming to us in the representation letter that the effects of any uncorrected misstatements we aggregate during our engagement and pertaining to the latest period the statements present are immaterial, both individually and in the aggregate, to the opinion units (*Financial statements* include the related disclosures and required and other supplemental information).

TERMS AND CONDITIONS SUPPORTING FEE

As a result of our planning process, the Village and the Auditor of State have agreed to an approach designed to meet the Village 's objectives for an agreed-upon fee, subject to the following conditions.

Our Auditor Responsibilities

In providing our services, we will consult with the Village regarding matters of accounting, financial reporting, or other significant business issues. Accordingly, our fee includes estimated time necessary for this consultation. Circumstances may require the Auditor of State to confirm balances with your financial institution resulting in additional nominal charges which will not require an amendment to this agreement. However, should a matter require research, consultation or audit work beyond this estimate, the Auditor of State and the Village will agree to an appropriate revision in services and fee. These revisions will also be set forth in the form of the attached *Amendment to Engagement Letter*.

Your Management Responsibilities

The Village will provide in a timely manner all financial records and related information to us, an initial list of which has been furnished to you, including timely communication of all significant accounting and financial reporting matters, as well as working space and clerical assistance as mutually agreed upon and as is normal and reasonable in the circumstances. When and if for any reason the Village is unable to provide these schedules, information and assistance, the Auditor of State and the Village will mutually revise the fee to reflect additional services, if any, we require to achieve these objectives. These revisions will be set forth in the form of the attached *Amendment to Engagement Letter*.

Confidential Information

You should make every attempt to minimize or eliminate the transmission of personal information to the Auditor of State (AOS). All documents you provide to the AOS in connection with our services including financial records and reports, payroll records, employee rosters, health and medical records, tax records, etc. should be redacted of any personal information. Personal information includes social security numbers, date of birth, drivers' license numbers or financial institution account numbers associated with an individual. The public office should redact all personal information from electronic records before they are transmitted to the AOS. This information should be fully blacked out in all paper documents prior to sending to the AOS. If personal information cannot be redacted from any records or documents; the public office must identify these records to the AOS.

If redacting this personal information compromises the audit or the ability to prepare financial statements, the public office and the AOS will consider these exceptions on a case-by-case basis. Additionally, if redacting this information creates a hardship on the public office in terms of resources, recordkeeping or other issues, the public office and the AOS may collaborate on alternative methods of providing the public office's data to the AOS without compromising the personal information of individuals served by the public office. The AOS is willing to work with the public office and it is our intent to greatly reduce the amount of personal information submitted to the AOS for audit or financial statement preparation purposes. It is important that the public office review internal policies to find ways to eliminate as much personal information from financial records as possible by substituting non-personal information (i.e., change social security numbers to employee identification numbers).

Fee

Except for any changes in fees and expenses which may result from the circumstances described above, we expect our fees and expenses for our audit services will not exceed \$13,735.

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

eServices Portal and Billing

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

Auditor of State billing statements are prepared monthly and are sent to clients who have an outstanding balance through a paperless electronic billing system. Audit and Local Government Services are charged monthly, while clients using the Uniform Accounting Network are charged quarterly. The Village will receive an email notification at the beginning of the month that a statement is available for review. Clients are to access their billing statement upon receipt through eServices, and payment is due by the date identified on the statement.

Delinquent Accounts

A failure to pay the Auditor of State in full within forty-five days of the payment due date, identified on the monthly statement, shall constitute a delinquent account. Continued failure to make payment will result in the delinquent account being certified to the Ohio Attorney General's Office, Collection Enforcement, for collection under Ohio Revised Code 131.02(A). Alternatively, Ohio Revised Code 117.13(D) authorizes the Director of the Office of Budget and Management or the county auditor, in order to satisfy certified balances owed to the office of the Auditor of State, to withhold from a public office with delinquent accounts any amounts that are available up to the amount owed by the public office from those funds lawfully payable and due to the public office.

Audit clients experiencing difficulty meeting these requirements should contact the Auditor of State's Finance Department to make arrangements to pay delinquent balances prior to certification. Outstanding delinquent accounts may impact audit eligibility for reduced services, including agreed upon procedures and basic audits.

REPORTING

We will issue a written report upon completing our audit of your financial statements. We will address our report to those charged with governance. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinion, add an emphasis-of-matter paragraph or other-matter paragraph to our auditor's report, or if necessary, or withdraw from the engagement.

Upon completing our audit, we will also issue a written report in accordance with *Government Auditing Standards* on internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters.

ACCESS TO OUR REPORTS AND WORKING PAPERS

AU-C 905—*Alert That Restricts the Use of the Auditor's Written Communication*, requires our reports to disclose the following:

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards:

This report only describes the scope of our internal control and compliance testing and our testing results and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

AU-C 905 requires us to include this restrictive language in our reports due to concerns that other readers may not fully understand the purpose of the report, the nature of the procedures applied in its preparation, the basis or assumptions used in its preparation, the extent to which the procedures performed are generally known or understood, and the potential for the report to be misunderstood, when taken out of the context for which it was intended.

However, under Revised Code § 117.26, an audit report becomes a public record under Ohio Rev. Code § 149.43 when we file copies of the report with the public officers enumerated in the Revised Code. When we file the reports, our working papers become available to the public, upon request, subject to information protected for criminal investigations, by attorney-client privilege or by local, state, or federal law. AU-C 905 does not affect public access to our reports or working papers.

Under generally accepted auditing standards, we must retain working papers for five years after the release date of our opinion. However, AOS policy requires we retain working papers for seven years or longer, as needed.

PEER REVIEW REPORT

As required by *Government Auditing Standards*, we have made our most recent external quality control review report (Peer Review) publicly available, at https://ohioauditor.gov/publications/Peer_Opinion.pdf. Audit organizations can receive a rating of *pass*, *pass with deficiency(ies)*, or *fail*. The Auditor of State received a peer review rating of *pass*.

Village of Mayfield
April 4, 2024
Page 9

ACKNOWLEDGEMENT AND AGREEMENT

Please sign and return this letter to indicate your acknowledgement of, and agreement with, the arrangements for our audit of the financial statements including our respective responsibilities. If you have any questions, please call Matthew Goldman, Senior Audit Manager, at 216-787-3665.

Sincerely,

KEITH FABER
Auditor of State

William J. Ward Digitally signed by William J.
Ward
Date: 2024.04.04 13:56:42 -04'00'

William Ward, CPA
Assistant Chief Auditor, Northeast Region Region

Attachment

cc: Brenda Bodnar, Mayor
Council


ACKNOWLEDGED AND AGREED TO BY

4-9-2024
DATE

Director of Finance
TITLE

**SAMPLE
AMENDMENT # ___ TO ENGAGEMENT LETTER**

Amendment Date

Chief Financial Officer OR Chief Executive Officer (See AOSAM 30300.7)

Entity Name
County Name
Street Address
City, Ohio Zip Code

Dear Letter Addressee:

The engagement letter dated Engagement Letter Date between the Auditor of State and the Entity Type is hereby amended to reflect the following:

<u>Description of / Causes for Amendment</u>	<u>Estimated Fee Effect</u>
1	
2	
3	
4	
Total this amendment	\$0.00
Previous fee estimate	
Revised fee estimate	<u>\$0.00</u>

Please sign the copy of this letter in the space provided and return it to us. If you should have any questions, please call Name of SAM at Office Phone Number.

Sincerely,

KEITH FABER
Auditor of State

Name of CA/ACA
Assistant Chief Auditor, Region Name Region

cc: Engagement Letter cc's

ACKNOWLEDGED AND AGREED TO BY

DATE

TITLE