



MAYOR & COUNCIL COMMUNICATION

DATE: August 4, 2015
CONSENT
ITEM #5
MOTION

AGENDA ITEM: Approve Auditor Contract extension

SUBMITTED BY: Cathy Bendel, Finance Director

THROUGH: Cathy Bendel, Finance Director

REVIEWED BY: Finance Committee

SUGGESTED ORDER OF BUSINESS:

- Introduction of Item Interim City Administrator
- Report/Presentation.....Interim City Administrator
- Questions from Council to Staff Mayor Facilitates
- Call for Motion Mayor & City Council
- Discussion Mayor & City Council
- Action on Motion Mayor Facilitates

POLICY RECOMMENDER: Finance

FISCAL IMPACT: NA

SUMMARY AND ACTION REQUESTED: As part of its Consent Agenda, the City Council is asked to approve a three year contract extension for Audit services. No specific motion is needed as this is recommended to be part of the overall approval of the *Consent Agenda*.

BACKGROUND INFORMATION: In 2012, the City of Lake Elmo put out an RFP for audit services to be provided on an annual basis. At that time, the City made the decision to hire Smith Schafer & Associates to provide audit services, prepare and review the annual audit report and to prepare and submit the report to the Minnesota state auditor. The contract at that time was for three years and covered the 2012-2014 financial reports.

STAFF REPORT: In 2012, it was decided to put out an RFP related to the contract services for the performance of the annual audit and preparation of the annual financial report. As a result of the bids received, the City decided to change audit firms which resulted in a cost savings.

Due to the growth and increased bonding needs of the City of Lake Elmo, it was decided late in 2013 to upgrade the annual report presentation to a Comprehensive Annual Financial Report (“CAFR”) for the 2013 Audit report. Smith Schafer & Associates was very accommodating in assisting the City to make this happen. They were able to convert the annual report and assist the Finance Department to build the statistical schedules which make this version of the report extremely informative and a critical component for the bond rating agencies.

It is very time consuming and draining on resources to switch audit firms. The proposal from Smith Schafer reflects an annual increase of 3% which is below market level annual increases for audit services (typically 4-5%). At the recommendation of the Finance Committee, the Finance Director did request if there was any room to reduce the rate further. However the quoted rate was as low as Smith Schafer could offer.

The Finance department has been very impressed with the audit team from Smith Schafer & Associates. They have been very professional, knowledgeable and efficient. As a result, the Finance Director recommends extending the audit contract to cover the 2015-2017.

RECOMMENDATION: Based on the aforementioned, the staff recommends the City Council approve extending the contract with Smith Schafer & Associates for three additional years (2015 – 2017).

ATTACHMENT:

1. Proposal from Smith Schafer & Associates to provide Audit Services to the City of Lake Elmo for 2015 - 2017

May 26, 2015

Cathy Bendel, Finance Director
City of Lake Elmo
 3800 Laverne Avenue North
 Lake Elmo, MN 55042

Dear Cathy:

Thank you for the opportunity to propose continuing professional services for the City of Lake Elmo for the years ended December 31, 2015, 2016 and 2017.

We propose the following fee structure for the three-year term of this proposal:

Description of Services	2015	2016	2017
Audit services including presentation of the financial statements to the City Council	\$21,400	\$21,975	\$22,700
Preparation and review of the City's comprehensive annual financial report (CAFR)	\$6,300	\$6,550	\$6,750
Preparation and submission of the Minnesota State Auditor's Annual Financial Reporting Form	\$950	\$975	\$975
Totals	\$28,650	\$29,500	\$30,425

The quoted fees are all-inclusive unless unusual circumstances are encountered during our examinations. If such circumstances occur, we would discuss any additional fees with you prior to performing the services.

For your reference, the fees for the year ended December 31, 2014 were \$20,725 for the audit services, \$6,150 for the preparation and review of the City's CAFR, and \$950 for preparation and submission of the Minnesota State Auditor's Annual Financial Reporting Form.

If you would like to retain the services of our firm in accordance with the above, please sign where indicated on the next page and return this letter to us in the enclosed return envelope. We will issue an engagement letter with the above quoted prices before we begin fieldwork each year.

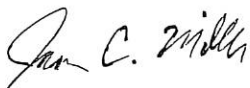
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Cathy Bendel, Finance Director
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A second copy of this letter is provided for your records.

We hope that you have enjoyed working with us and we appreciate the opportunity to propose continuing services for the City of Lake Elmo. If you have any questions, please feel free to call.

Sincerely,

SMITH, SCHAFFER AND ASSOCIATES, LTD.



Jason C. Miller, CPA
Principal

Response:

On behalf of the City of Lake Elmo, I am in agreement with the terms listed in this letter.

Signature: X _____

Title: _____

Date: _____