

REQUEST FOR AUDIT PROPOSALS

I. INTRODUCTION

A. General Information

The City of Hillsdale, Michigan invites independent Certified Public Accountants doing business in the State of Michigan to submit proposals for the performance of audits of the City's financial accounts and records for the fiscal years ending June 30, 2023, June 30, 2024, and June 30, 2025. There will be an option to extend the contract for auditing the City's financial statements for each of the subsequent two fiscal years. The continuation of the contract after each year is solely at the discretion of the City of Hillsdale.

A firm quotation for the annual audit is requested for each of these years. The auditing services will include a financial and compliance examination of the City's Annual Financial Report in accordance with the laws and/or regulations for the State of Michigan, which include requirements for the minimum scope of the audit. The financial and compliance audit will cover federal, state, and local funding sources in accordance with applicable laws and regulations. The City of Hillsdale may be subject to a Single Audit and separate pricing is requested for this service. The audit must be conducted in a timely manner such that all necessary financial and compliance information, including draft financial statements are completed and presented to the City Finance Director, no later than November 1st each year. If the City is unable to provide schedules and/or documents per the agreed-upon schedule, the November 1 date will be appropriately extended.

There is no expressed or implied obligation for the City of Hillsdale to reimburse responding firms for any expenses incurred in preparing proposals in response to this request.

To be considered, three copies of a proposal must be received by the City Clerk's Office, at City Hall, 97 N. Broad St., Hillsdale, Michigan, 49242, by 1:00 PM EST, Monday, March 6, 2023. The City of Hillsdale reserves the right to reject any or all proposals submitted, and to award an engagement that is most advantageous to the City. Proposals submitted will be evaluated by the City for a recommendation to the City Council.

During the evaluation process, the City of Hillsdale reserves the right, where it may serve the City's best interests, to request additional information or clarification from proposers, or to allow corrections of errors or omissions. At the discretion of the City, firms submitting proposals may be requested to make oral presentations as part of the evaluation process.

It is anticipated the selection of a firm will be completed by April 3, 2023. Following the notification of the selected firm, it is expected an engagement letter or contract will be executed between the parties no later than May 5, 2023.

Anyone submitting a proposal acknowledges and agrees that all documents that it has

provided to Hillsdale in connection with or regarding its proposal or its performance and compensation are subject to disclosure under an order or subpoena from a court or tribunal, or in response to a request under the Freedom of Information Act or other applicable law, and they hereby expressly consent to the City's reproduction and release of such documents, in whole or in part, in response to any such order or request.

All questions regarding this Request for Proposal shall be submitted via email to finance@cityofhillsdale.org by Monday, February 27, 2023, at 4pm.

B. Term of Engagement

A three-year engagement with an option for two additional years is contemplated, subject to the annual review and recommendation of the City staff, the satisfactory negotiation of terms (including a price acceptable to the City and the selected firm), the concurrence of the City Council, and the annual availability of an appropriation.

C. Subcontracting

Firms submitting proposals may consider subcontracting portions of the engagement to other audit firms, especially other firms owned and controlled by socially and economically disadvantaged individuals (Disadvantaged Business Enterprises). If this is to be done, that fact, and the name of the proposed subcontracting firms, must be clearly identified in the proposal. Following the award of the audit contract, no additional subcontracting will be allowed without the express prior written consent of the City.

II. NATURE OF SERVICES REQUIRED

A. Scope of work to be performed

The auditing services will include a financial and compliance examination of the City's Annual Financial Report in accordance with the laws and/or regulations for the State of Michigan, which include requirements for the minimum scope of the audit. The financial and compliance audit will cover federal, state, and local funding sources in accordance with applicable laws and regulations. The City of Hillsdale may be subject to a Single Audit. The City desires the auditor to prepare the financial statements.

The City would also like additional services (priced separately) as follows:

1. Preparation and filing of the F-65 Local Unit Fiscal Report
2. Preparation and filing of the Act 51 Report to MDOT
3. Preparation and filing of the 5572 Form under PA202 of 2017

B. Irregularities and illegal acts.

The auditors shall be required to make an immediate, written report of all irregularities and illegal acts, or indications of illegal acts of which they become aware to the following parties: the Deputy State Treasurer in charge of the Local Audit Division of the Michigan Department of Treasury; the Mayor of the City of Hillsdale; and the City Attorney.

C. Special Conditions.

The City of Hillsdale currently anticipates that it may be required to prepare one or more official statements in connection with the sale of debt securities which will contain the financial statements and the auditor's report thereon. The auditor shall be required, if requested by the fiscal advisor and/or the underwriter, to issue a "consent and citation of expertise" as the auditor.

D. Working Paper Retention and Access to Working Papers.

All working papers and reports must be retained, at the auditor's expense, for a minimum of seven (7) years, unless the firm is notified in writing by the City of Hillsdale of the need to extend the retention period. The auditor will be required to make working papers available, on request, to the following parties:

- City of Hillsdale
- U. S. Department of Transportation
- U. S. Department of Housing and Urban Development
- Michigan Department of Transportation
- Michigan Department of Treasury
- Auditors of entities of which the City of Hillsdale is a direct recipient or a sub-recipient of grant funds.

In addition, the firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance.

III. DESCRIPTION OF THE GOVERNMENT

A. Contact persons.

The Auditor's principal contact with the City of Hillsdale will be Tina Bumpus, Assistant Finance Director, or a designated representative, who will coordinate the assistance to be provided by the City of Hillsdale.

B. Background Information.

The City of Hillsdale serves an area of approximately 4.5 square miles with a population of 8,036. The City's fiscal year begins on July 1 and ends on June 30.

The City provides the following services to its citizens:

- Police Department
 - Fire Department
 - Street maintenance and repair
 - Snow plowing of streets
 - Street lighting
 - Electric, Water, and Sewer services
 - Low income housing
 - Public transportation system
 - Community Library
 - Municipal Airport operations
 - Zoning and land use regulation
 - Parks and Recreation
- (This list is not intended to be all inclusive.)

The City of Hillsdale has a total payroll of approximately \$4.2 million covering over 150 employees.

The City is organized into several departments, agencies, boards, and commissions. The accounting and financial reporting functions are divided into the following:

- General City Operations
- City of Hillsdale Tax Increment Finance Authority (Component Unit)
- City of Hillsdale Economic Development Corporation (Component Unit)

More detailed information on the City and its finances can be found in the 2022 annual financial report. A copy of this report is available on the City of Hillsdale's web site: www.Cityofhillsdale.org.

C. Fund Structure

The City of Hillsdale maintains its accounts in accordance with the Michigan Uniform Chart of Accounts for Local Units of Government. Currently, the following funds are being utilized:

- General Fund
- Special Revenue Funds
 - Major Streets
 - Local Streets

- Municipal Street
- Recreation
- Library (Hillsdale Community Library Board)
- American Rescue Plan Act (ARPA)
- Police
- Drug Forfeiture
- Debt Service Fund
- Capital Projects Funds
 - Capital Improvements
 - Airport Improvement
 - Fields of Dreams
 - Mrs. Stock's Park
 - Fire Equipment
- Permanent Funds
 - R. L. Owens Memorial Park Trust
 - Cemetery Perpetual Care
 - Stocks Park Perpetual Maintenance
- Enterprise Funds
 - Electric
 - Water
 - Sewer
 - Dial-A-Ride Transportation System
- Internal Service Funds
 - Department of Public Services Fringe Benefits
 - Department of Public Services Inventory
 - Unemployment Insurance
 - Revolving Mobile Equipment
- Custodial Funds
 - Treasurer's Tax Collection
- Component Units
 - Tax Increment Finance Authority (TIFA Board)
 - Economic Development (EDC Commission)

D. Budgetary Basis of Accounting

The City of Hillsdale prepares its budgets on a basis consistent with generally accepted accounting principles, and in compliance with the requirements of the State of Michigan.

E. Federal and State Financial Assistance

Please note the Single Audit Report is included in the Fiscal Year 2021 Annual Financial Report as well as the required schedules for State Assistance for the City's Dial-A-Ride program. For Fiscal Year 2022, the City did not require a Single Audit.

F. Pension Plans

The City of Hillsdale participates in the Michigan Municipal Employee's Retirement System (MERS) for the defined benefit pension plan. The City does not offer post-employment healthcare benefits.

G. Component Units

The City of Hillsdale has the following component units for inclusion in the City's financial statements and audit under this engagement:

City of Hillsdale Economic Development Commission
City of Hillsdale Tax Increment Finance Authority

H. Joint Ventures

The City does participate in a joint venture with other governments for the production of electric power. The Michigan South Central Power Agency (MSCPA) is not a part of this audit. However, supplementary information from and about MSCPA will be supplied and included as necessary.

The City of Hillsdale participates in agreements with Fayette and Hillsdale Townships that include provisions for the sharing of tax revenues derived from a specific area of land (Act 425 area). Details of these arrangements are available in the agreement documents.

I. Computer Systems

The City of Hillsdale uses BS&A for maintaining the financial records. The following comprise those modules utilized by the City of Hillsdale for general ledger, accounts payable, purchase order, payroll, capital assets, inventory, utility billing, and cash receipts.

J. Availability of prior audit reports

Interested proposers who wish to review prior year's audit reports can view 2007 -2022 on the City's website.

IV. ASSISTANCE TO BE PROVIDED TO THE AUDITOR AND REPORT PREPARATION

A. Staff Assistance

City staff will be available during the audit to assist the firm by providing information, documentation, and explanations.

The auditor will be provided "Read Access" use of the computer hardware and software so that appropriate audit test of the systems may be performed. The auditor will provide their own computer hardware and software to prepare documents, reports and tests related to the audit. The City will provide backups of BS&A modules if the auditor has purchased BS&A licenses.

B. Statements and schedules to be prepared by the auditor

The auditor will prepare the statements and schedules contained in the annual financial report, including but not necessarily limited to: Government wide Statement of Net Position, Statement of Activities, Changes in Net Assets and reconciliations to fund financial statements, Combined Balance Sheets; Combined and Combining Statement of Revenue, Expenditures and Changes in Fund Balance; and Combined and Combining Statement of Cash Flows for Proprietary Funds; and the Notes to Financial Statements; the Required Supplemental Information and schedules for the Dial-A-Ride information. The auditor will provide at least fifteen (15) copies of the audit along with the electronic version. Report preparation and printing shall be the responsibility of the auditor.

C. Work Area, Telephone, Photocopying, and Fax Machines

The City of Hillsdale will provide the auditor with reasonable work space, desks, and chairs. The auditor will also be provided with access to local telephone lines, photocopying facilities and a fax machine during the actual on-site examination phase of the audit. It will be the responsibility of the auditor to provide at their expense any long distance telephone charges as well as any other office supplies, and all supplies, costs, and out-of pocket expenses incurred.

V. PROPOSAL REQUIREMENTS

Proposals shall include the following:

A. Qualifications of the firm.

1. A description of the firm and its relevant prior experience.
2. Three (3) references which should include local governments.
3. A biography of the partner(s) and individuals to be assigned to the engagement.
4. An affirmative statement indicating that the firm and all assigned key professional staff are properly licensed to practice in the State of Michigan.
5. An affirmative statement that it is independent of the City of Hillsdale as defined by generally accepted auditing standards and the U. S. General Accounting Office's *Government Auditing Standards*. Also, the statement should indicate that the auditor is independent of all of the component units of the City of Hillsdale.

6. A list and description of any professional relationships involving the City of Hillsdale or any of its component units for the past five (5) years, together with a statement explaining why such relationships do not constitute a conflict of interest relative to performing the proposed audit.

B. Technical Approach

1. Express agreement to meet or exceed the performance specifications stated in this request for audit proposals for each entity.
2. Include a tentative schedule for performance of the key phases of the audit.
3. Identify and describe any anticipated potential audit problems, the firm's approach to resolving these problems, and any special assistance that will be requested from the City of Hillsdale.
4. Approach to be taken to gain and document an understanding of the City of Hillsdale's internal control structures.
5. A brief description of the type and extent of analytical procedures to be used in the engagement.

C. Sealed Dollar Cost Bid

1. Sealed Dollar Cost Bid.

The sealed dollar cost bid should contain all pricing information relative to performing the audit engagement as described in this request for proposals. A total all-inclusive maximum price is required and is to contain all direct and indirect costs including all out-of-pocket expenses. Please list the Single Audit costs, F-65 report, Act 51 report, and 5572 form, if applicable, as a separate cost.

The City of Hillsdale will not be responsible for expenses incurred in preparing and submitting the proposal or the sealed dollar cost bid. Such costs should not be included in the proposal.

The first page of the sealed dollar cost bid should include the following information:

- a. Name of the Firm.
 - b. Certification that the person signing the proposal is entitled to represent the firm, empowered to submit the bid, and authorized to sign a contract or engagement letter with the City of Hillsdale.
 - c. A total all-inclusive maximum price for each of the years 2023, 2024, and 2025 and for the two additional years (2026 and 2027) if the contract is extended.
2. Rates for Additional Professional Services

If it should become necessary for the City of Hillsdale to request the auditor to render

any additional services to either supplement the services requested in this request for proposals or to perform additional work as a result of the specific recommendations included in any report issued on this engagement, then such additional work shall be performed only if set forth in an addendum to the contract or engagement letter. Any such additional work agreed to between the City of Hillsdale and the firm shall be performed at the same rates set forth in the schedule of fees and expenses included in the sealed dollar cost bid.

3. Manner of Payments

Progress payments will be made on percentage completion basis. Interim billings shall cover a period of not less than a calendar month.

D. Audit Timetable

The final report will be presented to the City Council of the City of Hillsdale no later than their first regularly scheduled meeting in December, unless for reasons agreed upon by both the City and the auditor that the deadline cannot be met. The proposal will include an approximate timetable which will identify approximate time frames which will allow the accomplishment of the deadlines in this proposal.

VI. EVALUATION PROCEDURE

Proposals will be evaluated based on qualifications, relevant experience and responsiveness of the proposers as well as the cost of the engagement. Proposals will be reviewed by the City Manager and the City Finance Director. A staff recommendation will be made to the full City Council. Council will make a final determination on or about May 1, 2023. Notification regarding the award of the audit will be provided to all bidders by email within 10 days of the selection. The City of Hillsdale reserves the right to accept or reject any or all proposals.

During the evaluation, the City may at their discretion, request any one or all firms to make an oral presentation. Such presentations will provide firms with an opportunity to answer any questions the City and/or the BPU may have on a firm's proposal. Not all firms may be asked to make such oral presentations.

VII. OTHER INFORMATION

Submission of a proposal indicates acceptance by the firm of the conditions contained in this request for proposals unless clearly and specifically noted in the proposal submitted and confirmed in the contract or engagement letter between the City and the firm selected.