

RESOLUTION NO. __:2019

WHEREAS, the City of Morehead, Kentucky Board of City Council (hereinafter referred to as "CITY"), desires to enter into an Agreement with Baldwin CPAs for management advisory services for the year ending June 30, 2020;

WHEREAS, the Board of City Council has reviewed the Engagement Letter from Baldwin CPAs, a copy of which is attached hereto;

NOW, THEREFORE, BE IT RESOLVED by the City of Morehead, Kentucky Board of City Council that the Engagement Letter, a copy which is attached hereto, correctly sets forth the understanding between the City and Baldwin CPAs and Mayor White-Brown shall have the authority to execute said Memorandum of Agreement on the City's behalf.

Passed and adopted by the City Council of the City of Morehead this 8th day of July 2019.

Laura White-Brown, Mayor

ATTEST:

Crissy Cunningham, City Clerk

June 27, 2019

Crissy Cunningham
City of Morehead
Morehead, KY 40351

This letter is to confirm our understanding of the terms and objectives of our engagement and the nature and limitations of the services we will provide for the City of Morehead (City).

During the year ended June 30, 2020, we will provide on request the following management advisory services:

1. Review, consult and assist with the City's internal accounting systems that process accounts receivable, accounts payable, and the general ledger. These services will be performed upon request.
2. Assist the City in preparing an annual management discussion & analysis related to their external annual financial audit.
3. Assist the City in preparation for its annual external financial audit and recording any applicable audit adjustments.
4. Assist the City clerk or accounting personnel with items that might affect the efficiency or operations of the City as requested.
5. Correspond with the IRS regarding inquiries about payroll or other compliance issues that might arise including 1099 reporting issues.
6. Review depreciation schedule at year end and assist as needed for the audit.
7. Provide information about current and proposed changes to GASB accounting pronouncements and potential effects on the City's financial statements.
8. Other accounting related services that might be requested subject to available qualified personnel.

Our engagement is limited to the period and the accounting services indicated above. We will not prepare, compile, review or audit your financial statements, or any other accounting documents and information you provide. Accordingly, we ask that you not in any manner refer to these services as preparation of, compilation, review or audit of your financial statements. Nor will we otherwise verify the data you submit for accuracy or completeness. Rather, we will rely on the accuracy and completeness of the documents and information you provide to us. Accordingly, our engagement cannot be relied upon to disclose errors, fraud, or other illegal acts that may exist. However, it may be necessary to ask you for clarification of some of the information you provide, and we will inform you of any material errors, fraud or other illegal acts that come to our attention, unless they are clearly inconsequential. In addition, we have no responsibility to identify and communicate significant deficiencies or material weaknesses in your internal controls as part of this engagement, and our engagement cannot, therefore be relied upon to make disclosure of such matters.

You are responsible for adopting sound accounting policies, for maintaining an adequate and efficient accounting system, for safeguarding assets, for authorizing transactions, for retaining supporting documentation for those transactions, and for devising a system of internal controls that will, among other things, help assure the preparation of proper financial statements. Furthermore, you are responsible for management decisions and functions, for designating a competent employee to oversee any of the services we provide, and for evaluating the adequacy and results of those services.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the Company involving (a)

management (b) employees who have significant roles in internal control, and (c) others where the fraud could have a material effect on the financial statements. You are also responsible for informing us of your knowledge of any allegations of fraud or suspected fraud affecting the Company received in communications from employees, former employees, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws and regulations.

Prior to preparation and execution of this engagement letter, we discussed with you the fact that we provide clients with higher levels of service, such as audit, review, and compilation services, and we explained to you the manner in which such levels of service differ from bookkeeping or management advisory services. We also explained to you that we provide clients with services specifically focused on identifying and addressing weaknesses in internal controls (internal control review), and on searching for the existence of fraud within your company (fraud audit). We further explained the additional costs associated with such higher and different levels of service. After consideration of such services, you have informed us that you wish to retain us to perform only for the management advisory services described in this letter.

In order for us to complete this engagement, and to do so efficiently, we require unrestricted access to your accounting system and all documents, correspondence and reports related to the services requested. This would include any financial information that is reflected in your accounting records and trial balance.

Any failure to provide such documents and information, and to do so on a timely basis, will impede our services, and may require us to suspend our services or withdraw from the engagement. You agree to accept responsibility for any effect on your accounting records and financial statements of basic financial information or transaction documents not submitted to us for processing and entry, or losses that may result from their absence.

For purposes of entry of the financial information from your basic transaction documents, classification according to the agreed-upon chart of accounts will be performed by you or your employees. As business conditions change, we may mutually agree to change/modify this arrangement.

We do not keep any of your original records and for the services we are engaged, in most cases we will not need any original records. However, if we should obtain original documents, we will return those to you upon the completion of the engagement. When records are returned to you, it is your responsibility to retain and protect the records for possible future use, including potential examination by governmental or regulatory agencies. Any schedules, work papers or similar documents which we prepare are the property of Baldwin CPAs, PLLC and will be retained in our files. Documents, schedules and work papers you prepare or furnish to us are your property and they will be returned to you upon the completion of our work or earlier if you so request. In accordance with our Code of Ethics and various state and federal laws, all contents of your file are held in strictest confidence.

This engagement will be renewed on an annual basis. The engagement can be terminated by Baldwin CPAs, PLLC or the City of Morehead upon a 60-day written notice to the other party.

Our fees are based on the amount of time required by the engagement at the various levels of responsibility, plus actual out-of-pocket expenses, and are payable upon presentation of our invoice. Hourly rates range between \$90 and \$300 for the personnel that may be utilized in performing your engagement services. A finance (service) charge of one- and one-half percent per month will be assessed on any unpaid balance after deduction of current payments, credits, and allowances made within 30 days of billing. This is an Annual Percentage Rate of eighteen percent.

In the event we are required to respond to a subpoena, court order or other legal process for the production of documents and/or testimony relative to information we obtained and/or prepared during the course of this engagement, you agree to compensate us at our standard hourly rates then existing for the time we expend in connection with such response, and to reimburse us for all of our out-of-pocket costs incurred in that regard.

In the event that we are or may be obligated to pay any cost, settlement, judgment, fine, penalty, or similar award or sanction as a result of a claim, investigation, or other proceeding instituted by any third party, and

if such obligation is or may be a direct or indirect result of any inaccurate or incomplete information that you provide to us during the course of this engagement, you agree to indemnify us, defend us, and hold us harmless as against such obligation.

You agree that any dispute (other than our efforts to collect an outstanding invoice) that may arise regarding the meaning, performance or enforcement of this engagement or any prior engagement that we have performed for you, will, prior to resorting to litigation, be submitted to mediation, and that the parties will engage in the mediation process in good faith once a written request to mediate has been given by any party to the engagement. The results of any such mediation shall be binding only upon agreement of each party to be bound. The costs of any mediation proceeding shall be shared equally by the participating parties.

Any litigation arising out of this engagement, except actions by us to enforce payment of our professional invoices, must be filed within one year from the accrual of the cause of action, notwithstanding any statutory provision to the contrary. In the event of litigation brought against us, any judgment you obtain shall be limited in amount, and shall not exceed the amount of the annual fee charged by us, and paid by you, for the services set forth in this engagement letter

This letter shall serve as the City of Morehead's authorization for the use of e-mail and other electronic methods to transmit and receive information, including confidential information, between our organizations. The City of Morehead acknowledges that e-mail travels over the public internet, which is not a secure means of communication and, thus, confidentiality of the transmitted information could be compromised through no fault of Baldwin CPAs, PLLC. Baldwin CPAs, PLLC will employ commercially reasonable efforts and take appropriate precautions to protect the privacy and confidentiality of transmitted information. As e-mails can be intercepted and read, disclosed or otherwise used or communicated by an unintended third party or may not be delivered to each of the parties to whom they are directed and only to such parties, we cannot guarantee or disclaim and waive any liability or responsibility whatsoever for interception or unintentional disclosure or communications, of e-mail transmissions, or for the unauthorized use or failed delivery of e-mail transmissions, including any consequential, incidental, direct, indirect, or special damages, such as loss of sales or anticipated profits, or disclosure or communication of confidential or proprietary information.

As part of this bookkeeping engagement, Baldwin CPAs, PLLC, upon request, will provide you with secure online access through our firm website www.baldwincpas.com. This service provides clients and authorized employees of clients with access to information displayed on the portal for inquiries and deliveries of documents and communications for their account only. The information, documents and communications on the portal are provided as a convenient resource to clients and may be used for informational purposes only. Using the online access and its related services requires the use of a password and a user name. The confidentiality of your password and account is your responsibility. Any activities that occur under your account are your responsibility. You agree to notify us immediately of any change in authorized users, unauthorized use of your account or any other breach of security. It is prohibited to use anyone else's account without the express permission of that account holder.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you acknowledge and agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

By your signature below, you acknowledge that you understand and agree that our services are limited in scope and they are not designed to detect employee embezzlement or other fraudulent activities involving your bank accounts.

We trust that our association will continue to be a long and pleasant one.

Sincerely,

Baldwin CPAs, PLLC
Baldwin CPAs, PLLC

ACKNOWLEDGED:

City of Morehead

By: _____

Date: _____

Primary e-mail address: _____