



CPAs and Business Advisors

Where Relationships Count.

March 27, 2017

RECEIVED 4/14/2017
VIA EMAIL

Mr. Jeffrey F. Knoblauch
Finance Director
City of Hudson
115 Executive Parkway
Hudson, Ohio 44236

Dear Jeff:

We are pleased to confirm our understanding of the services we are to provide for the City of Hudson, Ohio (the "City"), for the year ended December 31, 2016.

We will prepare the financial statements of the City, which include the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, as of and for the year ended December 31, 2016, and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements, and perform a compilation engagement with respect to those financial statements. The supplementary information of management's discussion and analysis, schedule of the City's proportionate share of the net pension liability and schedule of the City's contributions accompanying the compiled financial statements will be presented for purposes of additional analysis. Such supplementary information will be compiled from information that is the responsibility of management. We will not audit or review the supplementary information. We will not express an opinion, a conclusion, or provide any assurance on such supplementary information.

We will assist your Finance Department in adjusting the books of accounts with the objective that they will be able to prepare a working trial balance from which financial statements can be prepared. Your Finance Department will provide us with a detailed trial balance and any supporting schedules we require.

Our Responsibilities

The objective of our engagement is to:

- 1) prepare financial statements in accordance with accounting principles generally accepted in the United States of America based on information provided by you, and
- 2) apply accounting and financial reporting expertise to assist you in the presentation of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

We will conduct our compilation engagement in accordance with the Statements on Standards for Accounting and Review Services (SSARS) promulgated by the Accounting and Review Services Committee of the AICPA and comply with applicable professional standards, including the AICPA's *Code of Professional Conduct*, and its ethical principles of integrity, objectivity, professional competence, and due care, when preparing the financial statements and performing the compilation engagement.

We are not required to, and will not, verify the accuracy or completeness of the information you will provide to us for the engagement or otherwise gather evidence for the purpose of expressing an opinion or a conclusion. Accordingly, we will not express an opinion or a conclusion nor provide any assurance on the financial statements.

Our engagement cannot be relied upon to identify or disclose any financial statement misstatements, including those caused by fraud or error, or to identify or disclose any wrongdoing within the entity or noncompliance with laws and regulations.

We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

Your Responsibilities

The engagement to be performed is conducted on the basis that you acknowledge and understand that our role is to prepare financial statements in accordance with accounting principles generally accepted in the United States of America and assist you in the presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America. You have the following overall responsibilities that are fundamental to our undertaking the engagement in accordance with SSARS:

- 1) The selection of accounting principles generally accepted in the United States of America as the financial reporting framework to be applied in the preparation of the financial statements.
- 2) The preparation and fair presentation of financial statements in accordance with accounting principles generally accepted in the United States of America and the inclusion of all informative disclosures that are appropriate for accounting principles generally accepted in the United States of America, if applicable.
- 3) The design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements.
- 4) The prevention and detection of fraud.
- 5) To ensure that the City complies with the laws and regulations applicable to its activities.
- 6) The accuracy and completeness of the records, documents, explanations, and other information, including significant judgments, you provide to us for the engagement.
- 7) To provide us with:
 - access to all information of which you are aware is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - additional information that we may request from you for the purpose of the compilation engagement.
 - unrestricted access to persons within the City of whom we determine it necessary to make inquiries.

You are also responsible for all management decisions and responsibilities and for designating an individual with suitable skills, knowledge, and experience to oversee the preparation of your financial statements. You are responsible for evaluating the adequacy and results of the services performed and accepting responsibility for such services.

Our Report

As part of our engagement, we will issue a report that will state that we did not audit or review the financial statements and that, accordingly, we do not express an opinion, a conclusion, nor provide any assurance on them. If, for any reason, we are unable to complete the compilation of your financial statements, we will not issue a report on such statements as a result of this engagement.

You agree to include our accountant's compilation report in any document containing financial statements that indicates that we have performed a compilation engagement on such financial statements and, prior to the inclusion of the report, to ask our permission to do so.

Other Relevant Information

Reggie Novak is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

In the interest of facilitating our services to you, we may communicate by facsimile transmission or send electronic mail over the Internet. Such communications may include information that is confidential to you.

To ensure that Ciuni & Panichi, Inc.'s independence is not impaired under the AICPA *Code of Professional Conduct*, you agree to inform the engagement partner before entering into any substantive employment discussions with any of our personnel.

During the term of this engagement and for a period of 12 months after an employee or contractor of Ciuni & Panichi, Inc. has completed performance of services under this engagement letter, the City will not directly or indirectly contract with, or solicit to employ (or cause to be solicited for the purpose of employment), the employees and contractors of Ciuni & Panichi, Inc. providing services hereunder. In the event the City fails to comply with its obligation(s) under this paragraph, Ciuni & Panichi, Inc. reserves the right to seek damages resulting from violation of this paragraph, including liquidated damages and, not as a penalty, the compensation paid by Ciuni & Panichi, Inc. to said employee or contractor during the three months preceding the City's breach.

Our fees will be as follows:

GAAP conversion and preparing the financial statements	\$ 25,250
Preparation of the financial statements to comply with the reporting model required by GASB Statement No. 68, <i>Accounting and Financial Reporting for Pensions</i>	\$ 1,500

These fees are based on anticipated cooperation from your personnel, specifically, the completion of the required information outlined in the prepared by client list and the assumption that unexpected circumstances will not be encountered during the compilation. If significant additional time is necessary or if the City has tax abatement agreements that are applicable to Governmental Accounting Standards Board Statement No. 77, *Tax Abatement Disclosures*, we will discuss it with you and arrive at an estimate of additional fees before we incur the additional costs.

Billings will be rendered as work progresses so you may readily relate our charges to the work performed. Each invoice will be payable on receipt. In accordance with our firm policies, work may be suspended if your account becomes 60 days or more overdue and will not be resumed until current status is reached. Amounts due after 60 days will become subject to a 1.5% monthly interest charge, which will be added to the existing outstanding balance.

The parties shall attempt in good faith to resolve any dispute arising out of or relating to the engagement, including any dispute over invoiced amounts, promptly by negotiations between executives who have authority to settle the controversy. Any party may give the other party written notice of any dispute not resolved in the normal course of business. Within 20 days of the delivery of said notice, executives of both parties shall meet at a mutually acceptable time and place, and thereafter as often as they reasonably deem necessary, to exchange relevant information and to attempt to resolve the dispute. If the matter has not been resolved within 30 days of the disputing party's notice, or if the parties fail to meet within 20 days, either party may initiate mediation of the controversy or claim as provided herein.

If the dispute has not been resolved by negotiation as provided above, the parties shall endeavor to settle the dispute by mediation under the then current Center for Public Resources (CPR) Model Procedure for Mediation of Business Disputes. The neutral third party will be selected from the CPR panel of neutrals within 20 days of the initiation of the mediation process. If the parties encounter difficulty in agreeing on a neutral, they will seek the assistance of the CPR in the selection process. The mediation shall occur at the time and place selected by the mediator. In the event mediation does not resolve the dispute, the parties may pursue their respective legal remedies.

You agree to hold us harmless and to release, indemnify, and defend us from any liability or costs, including attorney's fees, resulting from management's knowing misrepresentations to us.

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 agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

Ciuni & Panichi, Inc.

CIUNI & PANICHI, INC.

ACKNOWLEDGED: City of Hudson

Signature

Title