



Plante & Moran, PLLC
27400 Northwestern Highway
P.O. Box 307
Southfield, MI 48037-0307
Tel: 248.352.2500
Fax: 248.352.0018
plantemoran.com

May 19, 2015

Joseph M. Sobota, City Administrator
City of Pontiac
47450 Woodward Avenue
Pontiac, MI 48341

Dear Mr. Sobota:

We continue to be complimented by your selection of our firm to assist you. We are sending this letter and the accompanying Professional Services Agreement and Additional Services Addendum, which are hereby incorporated as part of this engagement letter, to confirm our understanding of the nature, limitations, and terms of the services we will provide to The City of Pontiac.

Scope of Services

We will provide temporary financial assistance from July 1, 2015 to June 30, 2018 at your discretion. Our work product will be in the form of preparing and reviewing financial schedules and analysis created under the direction and supervision of Joseph Sobota, City Administrator and Nevrus Nazarko, Finance Director. Our consulting services will be provided to assist you with the following activities:

1. Controller's Office:

- A. Controller's Office Monthly Activities –The work we perform will include the review of certain activity and schedules prepared other departments. The work performed by other departments has been noted when applicable. We will work with other departments to make corrections and adjustments when necessary.
- Reconciliation of bank and investment account activity from the General Ledger (GL) to the bank statements. Cash receipts and disbursements are recorded in the GL by other departments.
 - Record the City's property tax receivable and revenue in the GL from the tax warrant summary prepared by Treasury.
 - Record property tax distributions to the City and reconcile City property tax activity from the GL to supporting documentation provided by the Treasurer's office. The Treasurer's office records property tax receipts and calculates the amount to be disbursed to the City.
 - Reconcile property tax disbursements to other entities from the GL to supporting documentation provided by Treasury. The Treasurer's office records property tax receipts and disbursements to other entities.



- Reconcile the City's delinquent property tax activity from the GL to supporting documentation. The receipts and disbursements are recorded by other departments.
- Reconcile the tax settlement with Oakland County to the City's GL. The tax settlement is prepared by the Treasurer's office.
- Reconcile other miscellaneous receivables, including due from other governmental units, from the GL to the subsidiary ledger. Other departments record the receivable and subsequent cash collection.
- Record and reconcile receivables not processed through the City's billing system such as state-shared revenue and Act 51 receivables. Other departments record the subsequent cash collection.
- Reconcile accounts payable from the GL to the subsidiary ledger. Other departments record the payable and the subsequent cash disbursement.
- Record and reconcile other liability and debt activity. Other departments record the subsequent cash disbursement.
- Record grant related accruals and deferred inflow of resources per governmental accounting rules. Other departments approve and record the expenditures, request and record the grant reimbursements and comply with grant specific requirements. We will work with the departments to properly report their grant activity in the general ledger.
- Reconcile City interfund receivable, payable and transfer balances.
- Review and reconcile all other significant balance sheet and income statement accounts as deemed necessary. Work with City departments to correct and adjust activity in their department as necessary.
- Record recurring and other adjusting journal entries and provide to Finance Director for review
- Journalize and post Court invoices and checks in BS&A. The Court approves all invoices and checks. We will work with the Court to correct posting errors to the GL.
- Create monthly schedule of income tax ACH bank deposits and send to Income Tax department.
- Update Fire Escrow Fund schedule with monthly GL activity and reconcile to GL. Other departments collect and disburse the funds.
- Review Insurance Fund activity and adjust insurance deposits and liabilities as necessary. Review cost reimbursement allocations to other City Funds versus actual expenses and budget. Other departments record and process insurance

invoices and cost reimbursements from Non-City Funds. We will work with the City to correct over/shortage of cost reimbursements needed from the City.

- Meet with City Administrator and Finance Director to discuss financial reports and other financial matters

B. Receivership Transition Advisory Board Items

- Prepare monthly balance sheet, income statement and cash balance reports for all City Funds
- Prepare quarterly General Fund cash flow statements and prepare monthly as deemed necessary for internal purposes

C. Other Annual Items

- Prepare forms to escheat old, outstanding accounts payable and payroll checks to the State of Michigan annually. The Court and Income Tax department perform their escheatment process independent of the Controller's office.
- Assist with filing the Act 51 report
- Assist with filing the Metro Authority report each
- Assist with filing the F-65 report
- Assist with filing the Qualifying Statement

D. Audit Preparation Assistance

- Preparing "prepared by client" (PBC) schedules as requested by auditors
- Obtain audit schedules as necessary from other departments
- Calculate and record year end accruals
- Assist in the accumulation of data for audit report footnotes
- Prepare GASB 34 entries and related reconciliations
- Record litigation and lawsuit activity brought to our attention by Management
- Record final transfers between City Funds at Management's direction
- Assistance with implementation of new GASB requirements
- Prepare the Schedule of Expenditures of Federal Awards

- Assist the City in the year end close of BS&A after the audit is complete

2. Budget Assistance:

- Review budget amendments submitted by other departments
- Assist Finance Director with creating budget amendments
- Provide budgetary level approval of departmental requisitions and purchase orders with available budgets
- Review personnel change forms for impact on budget
- Update budget amendment form for changes in policy administration and distribute to departments
- Perform general review of annual budget prepared by the Finance Director, City Administrator and Mayor
- Prepare schedules for the budget including administrative cost allocations, telephone and internet cost allocations and debt service payments

The above tasks list is based on the current operations of the City but is not all-inclusive of the work we will provide. Specific additional tasks may be requested by the City and performed by Plante Moran as contractual time permits.

It should be noted that we will not be responsible for making investment decisions, signing checks, making bank transfers, initiating ACH or wire transfers, and handling cash in any way. We also will not be responsible for the preparation, printing, or submitting to the State of Michigan the audited financial statements as this is the responsibility of the City's external auditors.

Timing of Services

PM Staff will be available, on average, 8 days per week for this project. We may increase staffing during certain busy times such as the annual audit and decrease staffing at other times depending on the City's needs. Absences for vacations, holidays and training will be communicated to you in advance and arrangements will be made to ensure all necessary financial tasks are completed.

We are available to provide assistance with preparing the City's budget according to the GFOA Distinguished Budget Presentation Awards Program and preparing the City's financial statements according to the GFOA Certificate of Achievement for Excellence in Financial Reporting Program. An addendum stating our fees for these additional services accompanies this engagement letter.

May 19, 2015

Fees and Payment Terms

Our fee for this engagement, subject to the terms and conditions of the accompanying Professional Services Agreement, will be as follows:

Controller's Office Work:

July 1, 2015 – June 30, 2016	\$250,000
July 1, 2016 – June 30, 2017	\$256,250
July 1, 2017 – June 30, 2018	\$262,655

The fee for the Controller's Office work in the previous contract from July 1, 2012 – June 30, 2015 was \$250,000 annually which was a \$20,000 reduction from the prior contract prior.

Budget Assistance:

July 1, 2015 – June 30, 2016	\$10,000
July 1, 2016 – June 30, 2017	\$10,250
July 1, 2017 – June 30, 2018	\$10,505

The fee for the Budget Assistance in the previous contract from July 1, 2014 – June 30, 2015 was \$10,000 which was a \$30,000 reduction from the prior contract due to the City preparing more of the annual budget. The fee for July 1, 2012 – June 30, 2014 was \$40,000 annually (which included preparation of the annual budget assistance) and was a \$20,000 reduction from the prior contract.

Our invoices will be rendered monthly and are due upon receipt.

Termination – The City can terminate the contract only for cause with 60 days written notice. If the City is operating under the supervision of a Transition Advisory Board or other form of monitoring by the State of Michigan, contract termination if initiated by the City shall not be effective until such termination is confirmed by the Transition Advisory Board or State of Michigan.

If you are in agreement with our understanding of this engagement, as set forth in this engagement letter and the accompanying Professional Services Agreement, please sign the enclosed copy of this letter and return it to us with the accompanying Professional Services Agreement.

Thank you for the opportunity to serve you.

Very truly yours,

PLANTE & MORAN, PLLC



Beth A. Bialy

Joseph Sobota, City Administrator
City of Pontiac

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May 19, 2015

Agreed and Accepted

We accept this engagement letter and the accompanying Professional Services Agreement and Other Services Addendum, which set forth the entire agreement between The City of Pontiac and Plante & Moran, PLLC with respect to the services specified in the Scope of Services section of this engagement letter.

The City of Pontiac



Joseph M. Sobota, City Administrator

6/18/15

Date

Title

Professional Services Agreement – Temporary Finance Assistance Addendum to Plante & Moran, PLLC Engagement Letter

This Professional Services Agreement is part of the engagement letter for our temporary finance assistance services dated May 19, 2015 between Plante & Moran, PLLC (referred to herein as "PM") and The City of Pontiac (referred to herein as "the City of Pontiac").

- 1. Management Responsibilities** – The services PM will provide are inherently advisory in nature. PM has no responsibility for any management decisions or management functions. Further, the City of Pontiac acknowledges that the City of Pontiac is responsible for all such management decisions and management functions; for evaluating the adequacy and results of the services PM will provide and accepting responsibility for the results of those services.; the City of Pontiac is responsible for the design, implementation, and maintenance of internal controls, including monitoring ongoing activities in connection with our engagement. Accordingly, PM accepts no responsibility as a responsible party for the payment of taxes of any nature, including, but not limited to income, withholding, sales, excess of other taxes assessed at the Federal, State or local levels that may be owed or otherwise arise. The City of Pontiac has designated Joseph Sobota, City Administrator and Ndevrus Nazarko, Finance Director to oversee the services PM will provide. Oversight includes evaluating the adequacy and the results of the services PM will provide and accepting responsibility for the results of those services.
- 2. Review and Supervision** – The City of Pontiac understands and acknowledges that all PM staff assigned to this project are working solely at the City of Pontiac's direction and agree that all work performed will be subject to the same supervision, review and approval practices that the City of Pontiac undertakes with its own staff. It is further understood that the work of PM staff assigned to this project is not being reviewed by any other person at PM and that the City of Pontiac supervision, review and approval practices will include review and approval of any journal entries prepared by PM staff after posting in order to facilitate the workflow. Any entries not approved by the City of Pontiac will be reversed.
- 3. Nature and Limitations of Services** – PM's project activities will be based on information and records provided by the City of Pontiac. PM will rely on such underlying information and records and PM's project activities will not include audit or verification of the information and records provided to PM in connection with PM's project activities.

The project activities PM will perform will not constitute an examination or audit of any the City of Pontiac financial statements or any other items, including the City of Pontiac's internal controls. If the City of Pontiac requires financial statements or other financial information for third-party use, or if the City of Pontiac requires tax preparation or consulting services, a separate engagement letter will be required. Accordingly, the City of Pontiac agrees not to associate or make reference to PM in connection with any financial statements or other financial information of the City of Pontiac. In addition, PM's engagement is not designed and cannot be relied upon to disclose errors, fraud or illegal acts that may exist. However, PM will inform the City of Pontiac of any such matters that come to its attention.

- 4. Project Deliverables** – At the conclusion of PM's project activities and periodically as the project progresses, PM will review the results of the project work with the City of Pontiac and provide the City of Pontiac with any observations related to PM's services that PM believes warrant the City of Pontiac's attention. PM also will provide the City of Pontiac with copies of analyses, tax filings, or other materials that PM may develop in the course of this engagement upon the City of Pontiac's request. PM will not issue a written report as a result of this engagement and the City of Pontiac agrees that the nature and extent of the work product that PM will provide, as outlined in this agreement, are sufficient for the City of Pontiac's purposes.
- 5. Confidentiality, Ownership, and Retention of Workpapers** – During the course of this engagement, PM and PM staff may have access to proprietary information of the City of Pontiac, including, but not limited to, information regarding trade secrets, business methods, plans, or projects. PM acknowledges that such information, regardless of its form, is confidential and proprietary to the City of Pontiac, and PM will not use such information for any purpose other than our consulting engagement or disclose such information to any other person or entity without the prior written consent of the City of Pontiac.

In some circumstances, PM may use third-party service providers to assist with our engagement. . PM will inform the City of Pontiac if it intends to use a third-party service provider. In order to enable these service providers to assist PM in this capacity, PM must disclose information to these service providers that is relevant to the services they provide. Disclosure of such information shall not constitute a breach of the provisions of this agreement.

In the interest of facilitating PM's services to the City of Pontiac, PM may communicate or exchange data by internet, e-mail, facsimile transmission, or other method. While PM will use its best efforts to keep such communications and transmissions secure in accordance with PM's obligations under applicable laws and professional standards, the City of Pontiac recognizes and accepts that PM has no control over the unauthorized interception of these communications or transmissions once they have been sent, and consent to PM's use of these electronic devices during this engagement.

Professional Services Agreement – Temporary Finance Assistance

Professional standards require that PM create and retain certain workpapers for engagements of this nature. All workpapers created in the course of this engagement are and shall remain the property of PM. PM will maintain the confidentiality of all such workpapers as long as they remain in PM's possession.

Both the City of Pontiac and PM acknowledge, however, that PM may be required to make its workpapers available to regulatory authorities or by court order or subpoena in a legal, administrative, arbitration, or similar proceeding in which PM is not a party. Disclosure of confidential information in accordance with requirements of regulatory authorities or pursuant to court order or subpoena shall not constitute a breach of the provisions of this agreement. In the event that a request for any confidential information or workpapers covered by this agreement is made by regulatory authorities or pursuant to a court order or subpoena, PM agrees to inform the City of Pontiac in a timely manner of such request and to cooperate with the City of Pontiac should it attempt, at the City of Pontiac's cost, to limit such access. This provision will survive the termination of this agreement. PM's efforts in complying with such requests will be deemed billable to the City of Pontiac as a separate engagement. PM shall be entitled to compensation for its time and reasonable reimbursement of its expenses (including legal fees) in complying with the request.

PM reserves the right to destroy, and it is understood that PM will destroy, workpapers created in the course of this engagement in accordance with PM's record retention and destruction policies, which are designed to meet all relevant regulatory requirements for retention of workpapers. PM has no obligation to maintain workpapers other than for its own purposes or to meet those regulatory requirements.

Upon the City of Pontiac's written request, PM may, at its sole discretion, allow others to view any workpapers remaining in its possession if there is a specific business purpose for such a review. PM will evaluate each written request independently. The City of Pontiac acknowledges and agrees that PM will have no obligation to provide such access or to provide copies of PM's workpapers, without regard to whether access had been granted with respect to any prior requests.

- 6. Fee Quotes** – In any circumstance where PM has provided estimated fees, fixed fees, or not-to-exceed fees ("Fee Quotes"), these Fee Quotes are based on responsibilities under the scope of services. This assistance includes availability and cooperation of those the City of Pontiac personnel relevant to PM's project activities and providing needed information to PM in a timely and orderly manner. In the event that undisclosed or unforeseeable facts regarding these matters causes the actual work required for this engagement to vary from PM's estimates, the estimated fees will be adjusted for the additional time PM incurs as a result.

In any circumstance where PM's work is rescheduled due to the City of Pontiac's failure to provide information necessary for the engagement, PM offers no guarantee, express or implied, that PM will be able to meet any previously established deadline related to the completion of the work. Because rescheduling work imposes additional costs on PM, in any circumstance where PM has provided estimated fees, those estimated fees may be adjusted for additional time PM incurs as a result of rescheduling its work. PM will endeavor to advise the City of Pontiac in the event any circumstances occur which would require PM's work to be rescheduled. However it is acknowledged that the exact impact on the Fee Quote may not be determinable until the conclusion of the engagement. Such fee adjustments will be determined in accordance with the Fee Adjustments provision of this agreement.

- 7. Payment Terms** – PM's invoices for the services provided are due on the agreed-upon dates. In the event any of PM's invoices are not paid in accordance with the terms of this agreement, PM may elect, at PM's sole discretion, to suspend work until PM receives payment in full for all amounts due or terminate this engagement. In the event that work is suspended, for nonpayment or other reasons, and subsequently resumed, PM offers no guarantee, express or implied, that PM will be able to meet any previously established deadlines related to the completion of our consulting work. The City of Pontiac agrees that in the event PM stops work or terminates this Agreement as a result of the City of Pontiac's failure to pay fees on a timely basis for services rendered by PM as provided in this Agreement, or if PM terminates this Agreement for any other reason, PM shall not be liable for any damages that occur as a result of PM ceasing to render services.
- 8. Fee Adjustments** – Any fee adjustments for reasons described elsewhere in this agreement will be determined based on the actual time expended by PM staff at PM's current hourly rates, plus all reasonable and necessary travel and out-of-pocket costs incurred, and included as an adjustment to PM's invoices related to this engagement. The City of Pontiac acknowledges and agrees that payment for all such fee adjustments will be made in accordance with the payment terms provided in this agreement.
- 9. Termination of Engagement** – The City can terminate the contract only for cause with 60 days written notice. If the City is operating under the supervision of a Transition Advisory Board or other form of monitoring by the State of Michigan, contract termination if initiated by the City shall not be effective until such termination is confirmed by the Transition Advisory Board or State of Michigan.

Professional Services Agreement – Temporary Finance Assistance

10. **Hold Harmless and Indemnification** – As a condition of this engagement, The City of Pontiac agrees to hold PM, and all of its partners and staff, harmless against any losses, claims, damages, or liabilities, to which PM may become subject in connection with services performed in the engagement, unless a court having jurisdiction shall have determined in a final judgment that such loss, claim, damage, or liability resulted primarily from the willful misconduct or gross negligence of PM, or one of its partners or staff. This hold harmless includes the agreement to reimburse PM for any legal or other expenses incurred by PM, as incurred, in connection with investigating or defending any such losses, claims, damages, or liabilities. This provision shall survive any termination of this engagement.
11. **Conflicts of Interest** – PM's engagement acceptance procedures include a check as to whether any conflicts of interest exists that would prevent acceptance of this engagement. No such conflicts have been identified. The City of Pontiac understands and acknowledges that PM may be engaged to provide professional services, now or in the future, unrelated to this engagement to parties whose interests may not be consistent with the City of Pontiac. If PM becomes aware of any conflicts of interest during the course of the engagement, PM will immediately disclose that fact to the City of Pontiac upon discovery.
12. **Agreement Not to Influence** – The City of Pontiac and PM each agree that each respective organization and its employees will not endeavor to influence the other's employees to seek any employment or other contractual arrangement with it, during this engagement or for a period of one year after termination of the engagement. The City of Pontiac agrees that PM employees are not "contract for hire." PM may release the City of Pontiac from these restrictions if the City of Pontiac agrees to reimburse PM for its recruiting, training, and administrative investment in the applicable employee. In such event, the reimbursement amount shall be equal to two hundred hours of billings at the current hourly rate for the PM employee.
13. **Governing Law** – This agreement shall be governed by and construed in accordance with the laws of the State of Michigan.

End of Professional Services Agreement –Temporary Finance Assistance Services

Additional Assistance – Temporary Finance Assistance

**Additional Services
Addendum to Plante & Moran, PLLC Engagement Letter**

We are available to provide requested additional assistance for the City's budget and annual financial statements. The assistance for these fees is as follows:

Assistance with preparing the City's budget according to the GFOA Distinguished Budget Presentation Awards Program - \$25,000 annually

Assistance with preparing the City's financial statements according to the GFOA Certificate of Achievement for Excellence in Financial Reporting Program - \$5,000 annually

Approved,
Joseph M. Adrta, M.P.A.
6/18/15