

CITY COUNCIL AGENDA ITEM COVER SHEET

ITEM NO: Consent C 5

DATE: December 10, 2009

SUBJECT: Interlocal Agreement with Fire District 7 for Financial Review

CONTACT PERSON: Laura Koenig, Clerk/Deputy Finance Director

ISSUE:

The issue before the Council is the authorization for the Mayor to sign an Interlocal Agreement with Fire District 7 (Attachment A) to provide an independent review of the City's annual financial report.

STAFF RECOMMENDATION

Staff recommends the Mayor be authorized to sign the Interlocal Agreement with Fire District 7 for Financial Review of the City's annual financial report in accordance with the State Auditor's compliance review for SAS 112 (Attachment B).

SUMMARY:

In accordance with RCW 43-09-020, the City prepares an annual financial report for submittal to the State Auditor. The report includes detailed reports of revenues and expense, summaries of each fund, debt service payments and information on federal and state grant expenditures. The reports must all balance out to one another as well as balance out to the City's financial records.

The State Auditor has recommended the City have an independent review of the reports performed by someone other than the person who prepared the reports. The problem the City has encountered is the staff (other than the Deputy Finance Director) does not have adequate knowledge of the reports to perform the necessary review.

The City requested the assistance of the City of Marysville to review the 2007 report however their staff did not have access to all the supporting documents to do a complete review. For the 2008 report, the City hired staff from Fire District 7 (a former Auditor) who reviewed the report and supporting documents on site. They also provided assisted to City staff in resolving issues with the warrant account.

ALTERNATIVES:

1. Do not approve the Interlocal Agreement for an independent review of the annual report. This will assume that City staff will perform the review in house.
2. Approve the Interlocal Agreement for an independent review of the annual report. This will provide compliance with the State Auditor's SAS 112 requirements for review of the financial reports

MOTION:

Move to authorize the Mayor to sign the Interlocal Agreement with Fire District 7 for Financial Review of the City's annual report.

Attachments: A. Interlocal Agreement with Fire District 7
B. State Auditor's Review of Annual Financial Report

**INTERLOCAL AGREEMENT
FIRE DISTRICT 7 AND THE CITY OF SULTAN
FOR FINANCIAL REVIEW SERVICES**

THIS AGREEMENT, is made and entered into this _____ day of _____ 2009, by and between the Fire District 7, a municipal corporation of the State of Washington (hereinafter “District”) and the City of Sultan (hereinafter “City”) to provide financial report and review assistance.

WHEREAS, the City’s Deputy Finance Director prepares the annual financial reports in compliance with State Audit requirements; and

WHEREAS, the State Auditor has provided guidelines for the review of the annual financial report; and

WHEREAS, the State Auditor has recommended an independent review of the City’s financial reports; and

WHEREAS, the City has limited staff that are not familiar with the State Auditor’s requirement for preparation of the annual financial reports;

WHEREAS, Fire District 7 provided staff to perform the independent review for the 2008 annual report; and

WHEREAS, it is in the best interest of the citizens of Sultan to continue to provide the independent review;

NOW, THEREFORE, IT IS MUTUALLY AGREED AS FOLLOWS:

1.0 PURPOSE: The purpose of the agreement is to provide for an independent review of the City of Sultan’s annual financial report by staff that is trained and familiar with the requirements of the State Auditor.

2.0 SCOPE OF SERVICES TO BE PERFORMED

The District will be responsible for:

- Providing financial review of the annual financial report based on guidelines from the State Auditor’s office
- Provide assistance to help City staff resolve issues with the financial reports
- Invoicing the City for the actual cost of the city’s share not to exceed \$4,500 once the work has been completed and accepted by the District

The City will be responsible for:

- Reimbursing the District up to \$4,500 but not more than the actual cost for the work performed by the District’s staff.
- Providing the draft annual financial report
- Providing supporting documents to allow staff to verify information

3.0 COMPENSATION

The City shall pay the District not more than the lesser of a total of four thousand five hundred dollars (\$4,500) or actual costs incurred for the services described in this Agreement. This is the maximum amount to be paid under this Agreement.

The District shall submit an invoice to the City after such services have been performed, and the City shall make a payment within thirty (30) days after the submittal of the approved invoice.

4 .0 TIME OF PERFORMANCE

The District shall complete the work described in this Agreement by March 31, 2010.

5.0 TERMINATION

Either party may terminate this agreement for any reason by providing written notice to the other party thirty (30) days prior to the effective date of termination, in which case the City shall compensate the District on a pro-rata basis for costs of services provided during the period the agreement remains in effect.

6.0 DISPUTES

Any factual dispute between the City and the District that relates to this Agreement shall be referred for resolution to the Mayor, or his/her designee, and the Commissioners of the District, or his/her designee. In the event the dispute cannot be resolved between the parties to each party's mutual satisfaction, the issue may be submitted to mediation. Both parties agree to utilize this process prior to the institution of any legal action to enforce the terms and conditions of this agreement. The cost of mediation shall be borne equally by the parties.

7.0 RECORDS

The City will be responsible for keeping all records regarding the financial reports and the preparation thereof.

8.0 LEGAL REQUIREMENTS

Both parties shall comply with all applicable federal, state, and local laws in performing the obligations under this Agreement.

9.0 INDEMNIFICATION AND LIABILITY

9.1 The City shall protect, save harmless, indemnify and defend, at its own expense, the District, its elected and appointed officials, officers, employees and agents, from any loss or claim for damages of any nature whatsoever arising out of the City's performance of this Agreement, including claims by the City's employees or third parties, except for those damages caused solely by the negligence or willful misconduct of the District, its elected and appointed officials, officers, employees, or agents.

9.2 The District shall protect, save harmless, indemnify, and defend at its own expense, The City, its elected and appointed officials, officers, employees and agents from any loss or claim for damages of any nature whatsoever arising out of the District's performance of this Agreement,

including claims by the District's employees or third parties, except for those damages caused solely by the negligence or willful misconduct of the City, its elected and appointed officials, officers, employees, or agents.

9.3 In the event of liability for damages of any nature whatsoever arising out of the performance of this Agreement by the City and the District, including claims by the City's or the District's own officers, officials, employees, agents, volunteers, or third parties, caused by or resulting from the concurrent negligence of the District and the City, their officers, officials, employees and volunteers, each party's liability hereunder shall only be to the extent of that party's negligence.

9.4 No liability shall be attached to the City or the District by reason of entering into this Agreement except as expressly provided herein. The City shall hold the District harmless and defend at its expense any legal challenges to mitigation measures imposed at the City's request and/or arising out of RCW 82.02.020 or RCW 82.02.070.

10.0 APPLICABLE LAW AND VENUE

This Agreement shall be construed under the laws of the State of Washington. Venue of any legal action brought to enforce any of the terms and conditions of this Agreement shall be Snohomish County, Washington.

11.0 PREVAILING PARTY ATTORNEY'S FEES

In any legal action brought to enforce any of the terms and conditions of this Agreement, the prevailing party in said legal action shall be entitled to reasonable attorney's fees and costs incurred.

12.0 NOTICE

Any notice to be given to the under this agreement shall be either mailed or personally delivered to:

Fire District 7

Mayor
City of Sultan
PO BOX 1199
Sultan, WA 98294-1199

13.0 ENTIRE AGREEMENT

This document comprises the entire Agreement between parties and supersedes any provision not contained herein.

In witness whereof, the parties have executed this Agreement.

CITY OF SULTAN

Fire District 7

By: _____
Carolyn Eslick, Mayor

By: _____

ATTEST/AUTHENTICATED

By: _____
City Clerk

APPROVED AS TO FORM

By: _____
Office of the City Attorney