

# Memo

**To:** Trustee Croll  
**From:** Robert Kosin  
**cc:** Village President, Board of Trustees, Treasurer  
**Date:** March 25, 2016  
**Re:** VBH Audit Services

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The process has concluded with the proposal for audit service for Fiscal Year 2015. It began in February with the intent to obtain a type of audit services specific to the financial management of the Village of Barrington Hills. Overall guidelines of the required audit are as followed in 65 ILCS 5/8-8-1. A RFP was drafted and distributed to eight firms as well as posted on the Village website. Responses were received from three firms of which two submitted responses to the RFP, Evans Marshall and Klien Hall.

A letter of engagement was received from both firms and upon consideration and examination, there is then proposed the acceptance of the Letter of Engagement from Klien Hall. A resolution has been prepared by the office of the Village Attorney to present the acceptance of the LE by the Board of Trustees at its March meeting.

In terms of schedule, upon its acceptance, Klien Hall would begin their audit work with the Treasurer by the first week in April and conclude by the end of June. The final audit product is posted on the Village Website and provided to the State Comptroller in accordance to statute.

**A RESOLUTION AUTHORIZING THE ACCEPTANCE OF AN ENGAGEMENT LETTER FOR  
AUDITING SERVICES FOR THE YEAR 2015**

**WHEREAS**, the Village of Barrington Hills (the “Village”) is a home-rule municipality pursuant to Article VII, Section 6, of the Constitution of the State of Illinois, and as such is authorized to take all reasonable action pertaining to its affairs in accordance therewith; and

**WHEREAS**, the Village of Barrington Hills (“Village”) is required by the Illinois Municipal Code, 65 ILCS 5/8-8-3, to have an audit of its accounts performed annually; and

**WHEREAS**, in support of this requirement, the Village issued a Request for Proposals to secure proposals from auditors engaged in the practice of performance of municipal audits; and

**WHEREAS**, Klein Hall CPAs, located in Aurora, Illinois, was among those who submitted proposals for selection as the auditor of the 2015 calendar year, and for purposes of recommendation to the Village Board, it has tendered an Engagement Letter to the Village for purposes of conducting the annual audit for the 2015 calendar year, which Engagement Letter is attached hereto and incorporated herein by reference as Exhibit “A;” and

**WHEREAS**, the Village is authorized to execute the Engagement Letter contracting for audit services pursuant to the Illinois Municipal Code, 65 ILCS 5/2-3-8 and 5/8-1-7(b)(2); and

**WHEREAS**, upon the recommendation of the Finance Committee, the President and Board of Trustees of the Village deem it in the best interests of the Village to execute the Engagement Letter as attached hereto as Exhibit “A.”

**NOW, THEREFORE, BE IT RESOLVED** by the President and Board of Trustees of the Village of Barrington Hills, a home rule community, located in the Counties of Cook, Kane, Lake and McHenry, Illinois, as follows:

**SECTION ONE:** The recitals set forth above are incorporated herein and made a part hereof.

**SECTION TWO:** The Village President is hereby authorized and directed to execute on behalf of the Village of Barrington Hills, the Engagement Letter attached hereto and incorporated herein by reference as Exhibit “A,” with such modifications as may be deemed necessary by the Village President and the Village Attorney.

**SECTION THREE:** This Resolution shall take effect immediately upon its passage and approval as provided by law.

Ayes:      Nays:      Absent:

**PASSED AND APPROVED** by the President and Board of Trustees of the Village of Barrington Hills, Illinois, this 30<sup>th</sup> day of March, 2016.

APPROVED:

ATTEST:

\_\_\_\_\_  
Village President

\_\_\_\_\_  
Village Clerk

March 30, 2016

Members of the Village Board  
Village of Barrington Hills  
112 Algonquin Road  
Barrington Hills, Illinois 60010

Ladies and Gentlemen:

We are pleased to confirm our understanding of the services we are to provide the Village of Barrington Hills for the year ended December 31, 2015. We will audit the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, including the related notes to the financial statements, which collectively comprise the basic financial statements of the Village of Barrington Hills as of and for the year ended December 31, 2015.

Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the Village of Barrington Hills' basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the Village of Barrington Hills' RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1. Management's Discussion and Analysis (if presented)
2. Statement of Changes in the Employer's Net Pension Liability and Related Ratios – Police Pension Fund
3. Statement of Changes in the Employer's Net Pension Liability and Related Ratios – Illinois Municipal Retirement Fund
4. Schedule of Employer Contributions – Police Pension Fund
5. Schedule of Employer Contributions – Illinois Municipal Retirement Fund
6. Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual for the General Fund and Major Special Revenue Funds
7. Notes to the Required Supplementary Information

We have also been engaged to report on supplementary information other than RSI that accompanies the Village of Barrington Hills' financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and will provide an opinion on it in relation to the financial statements as a whole:

1. The Individual Fund Financial Schedules
2. Supplemental Data
3. Schedules of Expenditures of Federal Awards, if applicable

### **Audit Objective**

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with generally accepted accounting principles. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and will include tests of the accounting records and other procedures we consider necessary to enable us to express such an opinion. We will issue a written report upon completion of our audit of the Village of Barrington Hills' financial statements. Our report will be addressed to the members of the Board of the Village of Barrington Hills. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the financial statements are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or may withdraw from this engagement.

### **Audit Procedures—General**

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards. In addition, an audit is not designed to detect immaterial misstatements, or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

## **Audit Procedures—Internal Control**

Our audit will include obtaining an understanding of the government and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards.

## **Audit Procedures—Compliance**

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Village of Barrington Hills' compliance with the provisions of applicable laws, regulations, contracts, and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion.

## **Other Services**

We will also prepare the financial statements of the Village of Barrington Hills in conformity with U.S. generally accepted accounting principles based on information provided by you.

## **Management Responsibilities**

Management is responsible for establishing and maintaining effective internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the preparation and fair presentation of the financial statements in conformity with U.S. generally accepted accounting principles.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

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 government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws and regulations.

You agree to assume all management responsibilities for financial statement preparation services and any other nonattest services we provide; oversee the services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them.

The nonattest services expected to be performed during our audit of the financial statements as of and for the year ended December 31, 2015 as specified by the Village are as follows:

1. Prepare two (2) copies and one electronic copy (.pdf) of the annual financial report.
2. Preparation of ten (10) copies and one (1) searchable PDF of the management letter containing comments and recommendations relative to the Village's internal controls and communication with those charged with governance.
3. Preparation of ten (10) copies and one (1) searchable PDF copy of the Single Audit Report, if required.
4. Preparation of two (2) copies and one (1) PDF copy and electronic submission of the Annual Financial Report required by the State of Illinois Comptroller's office.

### **Engagement Administration, Fees, and Other**

We may from time to time, and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

We understand that your employees will prepare all cash or other confirmations we request and will locate any documents selected by us for testing.

The audit documentation for this engagement is the property of Klein Hall CPAs and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to the U.S. Government Accountability Office or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Klein Hall CPAs personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend or decide to distribute the copies or information contained therein to others, including other governmental agencies.

We expect to begin our audit in April 2016 and to issue our reports no later than May 2016. Scott Duenser is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

Our fee for these services will be at our standard hourly rates plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.) except that we agree that our gross fee, including expenses will not exceed \$17,400 (\$15,900 if no single audit is needed). Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Services will be invoiced to you from time to time as work progresses. In accordance with Illinois Compiled Statutes, payments for all services are due within sixty days of receipt of an invoice. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant

additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

We appreciate the opportunity to be of service to the Village of Barrington Hills 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,



Klein Hall CPAs  
By: Scott W. Duenser, CPA  
Partner

RESPONSE:

This letter correctly sets forth the understanding of the Village of Barrington Hills.

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_