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September 27, 2011

Mr. Robert Abboud, President  
Village of Barrington Hills  
112 Algonquin Road  
Barrington Hills, Illinois 60010-5199

Dear Mr. Abboud:

Thank you for using Baker Tilly Virchow Krause, LLP ("Baker Tilly" "we" or "our") as your auditors.

The purpose of this letter is to confirm our understanding of the terms and objectives of our engagement and the nature of the services we will provide as independent accountants of the Village of Barrington Hills.

#### **Services and Related Report**

We will audit the basic financial statements of the Village of Barrington Hills as of and for the year ended December 31, 2011 - 2013. Upon completion of our audit, we will provide the Village of Barrington Hills with our audit report on the financial statements referred to above. If, for any reasons caused by or relating to the affairs or management of the Village of Barrington Hills, we are unable to complete the audit or are unable to or have not formed an opinion, or if we determine in our professional judgment the circumstances necessitate, we may withdraw and decline to issue a report as a result of this engagement.

In order to perform the professional services outlined, Baker Tilly requires access to information subject to Title II of the Health Insurance Portability and Accountability Act of 1996 (HIPAA). Federal law requires Baker Tilly to execute a Business Associate Agreement (BAA) prior to being granted this information. For your convenience, we have attached our firm standard BAA for your review and signature as Addendum A. Please execute and return a copy with this engagement letter, keeping the original BAA on file with your HIPAA compliance records.

Supplementary information also accompanies the Village of Barrington Hills's basic financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the basic financial statements and will provide an opinion on it in relation to the basic financial statements.

#### **Debt Service Fund Budgetary Comparison Schedule**

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 accompany the Village of Barrington Hills's basic financial statements. As part of our engagement, we will apply certain limited procedures to the Village of Barrington Hills's RSI. These limited procedures will consist principally of inquiries of management regarding the methods of measurement and presentation, which management is responsible for affirming to us in its representation letter. Unless we encounter problems with the presentation of the RSI or with procedures relating to it, we will disclaim an opinion on it. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

- Management's Discussion and Analysis
- Budget Comparison Schedules
- Schedule of Funding Progress – OPEB
- Schedule of Funding Progress – Pension

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The document will also include the following additional information that will not be subjected to the auditing procedures applied in our audit of the basic financial statements, and for which our auditor's report will disclaim an opinion:

Schedule of Property Tax Valuations, Rates, Tax Extensions, and Collections

### **Our Responsibilities and Limitations**

The objective of a financial statement audit is the expression of an opinion on the financial statements. We will be responsible for conducting that audit in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform our audit to obtain reasonable, rather than absolute assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. Our audit will include examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit does not relieve management and the audit committee or equivalent group charged with governance of their responsibilities.

The audit will include obtaining an understanding of the entity 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 the audit committee or equivalent group charged with governance internal control matters that are required to be communicated under professional standards.

We may from time to time, and depending on the circumstances, use service providers (e.g., to observe inventory, act as a specialist, or audit an element of the financial statements) in serving your account. We may share confidential information about you with these service providers, but are committed to maintaining the confidentiality and security of your information.

We will design our audit to obtain reasonable, but not absolute, assurance of detecting errors or fraud that would have a material effect on the financial statements as well as other illegal acts having a direct and material effect on financial statement amounts. An audit is not designed to detect errors or fraud that are immaterial to the financial statements. Our audit will not include a detailed audit of transactions, such as would be necessary to disclose errors or fraud that did not cause a material misstatement of the financial statements. It is important to recognize that there are inherent limitations in the auditing process. Audits are based on the concept of selective testing of the data underlying the financial statements, which involves judgment regarding the areas to be tested and the nature, timing, extent and results of the tests to be performed. Our audit is not a guarantee of the accuracy of the financial statements and, therefore, is subject to the limitation that material errors or fraud or other illegal acts having a direct and material financial statement impact, if they exist, may not be detected. Because of the characteristics of fraud, particularly those involving concealment through collusion, falsified documentation and management's ability to override controls, an audit designed and executed in accordance with auditing standards generally accepted in the United States of America may not detect a material fraud. Further, while effective internal control reduces the likelihood that errors, fraud or other illegal acts will occur and remain undetected, it does not eliminate that possibility. For these reasons, we cannot ensure that errors, fraud or other illegal acts, if present, will be detected. However, we will communicate to the Village of Barrington Hills, as appropriate, any such matters identified during our audit.

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We are also responsible for determining that the audit committee or equivalent group charged with governance is informed about certain other matters related to the conduct of the audit, including (i) our responsibility under auditing standards generally accepted in the United States of America, (ii) an overview of the planned scope and timing of the audit, and (iii) significant findings from the audit, which include (a) our views about the qualitative aspects of the Village of Barrington Hills's significant accounting practices, accounting estimates, and financial statement disclosures; (b) difficulties encountered in performing the audit; (c) uncorrected misstatements and material corrected misstatements that were brought to the attention of management as a result of auditing procedures; and (d) other significant and relevant findings or issues (e.g., any disagreements with management about matters that could be significant to the Village of Barrington Hills's financial statements or our report thereon, consultations with other independent accountants, issues discussed prior to our retention as independent auditors, fraud and illegal acts, and all significant deficiencies and material weaknesses identified during the audit). Lastly, we are responsible for ensuring that the audit committee or equivalent group charged with governance receives copies of certain written communications between us and management including written communications on accounting, auditing, internal control or operational matters and representations that we are requesting from management.

The audit will not be planned or conducted in contemplation of reliance by any specific third party or with respect to any specific transaction. Therefore, items of possible interest to a third party will not be specifically addressed and matters may exist that would be assessed differently by a third party, possibly in connection with a specific transaction.

### **Management's Responsibilities**

The Village of Barrington Hills's management is responsible for the financial statements referred to above. In this regard, management is responsible for establishing policies and procedures that pertain to the maintenance of adequate accounting records and effective internal controls over financial reporting, the selection and application of accounting principles, the authorization of receipts and disbursements, the safeguarding of assets, the proper recording of transactions in the accounting records, and for reporting financial information in conformity with accounting principles generally accepted in the United States of America.

Management is also responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us (i) about all known or suspected fraud affecting the entity involving: (a) management, (b) employees who have significant roles in internal control over financial reporting, and (c) others where the fraud or illegal acts could have a material effect on the financial statements; and (ii) of its knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, grantors, regulators, or others.

Management is responsible for (i) adjusting the basic financial statements to correct material misstatements and for affirming to us in a management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period under audit are immaterial, both individually and in the aggregate, to the basic financial statements taken as a whole, and (ii) notifying us of all material weaknesses, including other significant deficiencies, in the design or operation of your internal control over financial reporting that are reasonably likely to adversely affect your ability to record, process, summarize and report external financial data reliably in accordance with accounting principles generally accepted in the United States of America. Management also is responsible for identifying and ensuring that the Village of Barrington Hills complies with the laws and regulations applicable to its activities.

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As part of management's responsibility for the financial statements and the effectiveness of its system of internal control over financial reporting, management is responsible for making available to us, on a timely basis, all of your original accounting records and related information and for the completeness and accuracy of that information and your personnel to whom we may direct inquiries. As required by auditing standards generally accepted in the United States of America, we will make specific inquiries of management and others about the representations embodied in the financial statements and the effectiveness of internal control over financial reporting. Auditing standards generally accepted in the United States of America also require that we obtain written representations covering audited financial statements from certain members of management. The results of our audit tests, the responses to our inquiries, and the written representations, comprise the evidential matter we intend to rely upon in forming our opinion on the financial statements.

#### **Non-Attest Services**

Prior to or as part of our audit engagement, it may be necessary for us to perform certain non-attest services including, but not limited to, preparing drafts of your financial statements and proposing general, adjusting, or correcting journal entries to your financial statements. You are responsible for reviewing the entries and understanding the nature of any proposed entries and the impact they have on the financial statements. In addition, you will be required to review and approve the financial statements and approve that document prior to its issuance and have a responsibility in fact and appearance to make an informed judgment on that document.

We will not perform any management functions or make management decisions on your behalf with respect to any non-attest services we provide.

In connection with our performance of any non-attest services, you agree that you will:

- > Continue to make all management decisions and perform all management functions, including approving all journal entries and general ledger classifications when they are submitted to you.
- > Designate an employee with suitable skill, knowledge, and/or experience, preferably within senior management, to oversee the services we perform.
- > Evaluate the adequacy and results of the non-attest services we perform.
- > Accept responsibility for the results of our non-attest services.
- > Establish and maintain internal controls, including monitoring ongoing activities related to the non-attest function.

On a periodic basis, as needed, we will meet with you to discuss your accounting records and the management implications of your financial statements. We will notify you, in writing, of any matters that we believe you should be aware of and will meet with you upon request.

In addition to the audit services discussed above, we will compile the State of Illinois Annual Financial Report.

#### **Other Documents**

Auditing standards generally accepted in the United States of America require that we read any annual report that contains our audit report. The purpose of this procedure is to consider whether other information in the annual report, including the manner of its presentation, is materially inconsistent with information appearing in the financial statements. We assume no obligation to perform procedures to corroborate such other information as part of our audit.

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If you intend to reproduce or publish the financial statements, and make reference to our firm name in connection therewith, you agree to publish the financial statements in their entirety. In addition, you agree to provide us, for our approval and consent, proofs before printing and final materials before distribution.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your Internet website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

The documentation for this engagement, including the workpapers, is the property of Baker Tilly and constitutes confidential information. We may have a responsibility to retain the documentation for a period of time sufficient to satisfy any applicable legal or regulatory requirements for records retention. If we are required by law, regulation, or professional standards to make certain documentation available to Regulators, the Village of Barrington Hills hereby authorizes us to do so.

#### **Release and Indemnification**

Because of the importance of oral and written representations to an effective audit, the Village of Barrington Hills releases Baker Tilly and its current, former or future partners, principals, employees, and personnel from any and all claims, liabilities, costs, and expenses attributable to any misrepresentation by management. Further, Baker Tilly and its current, former or future partners, principals, employees, and personnel shall not be liable to the Village of Barrington Hills for any amount in excess of the total professional fees paid by the Village of Barrington Hills under this engagement letter, except to the extent finally determined to have resulted from willful misconduct or fraudulent behavior of Baker Tilly relating to such services. In addition, in no event shall either party be liable for any consequential, indirect, lost profit, punitive, or similar damages relating to Baker Tilly's services provided under this engagement letter.

In addition, the Village of Barrington Hills agrees to indemnify and hold harmless Baker Tilly and its current, former or future partners, principals, employees, and personnel from any and all claims, liabilities, costs, and expenses (including reasonable attorney's fees) relating to Baker Tilly's services under this engagement letter, except to the extent finally determined to have resulted from the willful misconduct or fraudulent behavior of Baker Tilly relating to such services.

The terms of this section shall apply to any claims of any kind, including but not limited to contract, tort, or negligence of any party, including the Village of Barrington Hills or Baker Tilly.

#### **Resolution of Disagreements**

In the unlikely event that differences concerning our services or fees should arise that are not resolved by mutual agreement, to facilitate judicial resolution and save time and expense of both parties, the Village of Barrington Hills and Baker Tilly agree not to demand a trial by jury in any action, proceeding, or counterclaim arising out of or relating to our services and fees for this engagement. Our services shall be evaluated solely on our substantial conformance with the terms expressly set forth herein, including all applicable professional standards. Any claim of nonconformance must be clearly and convincingly shown.

No action, regardless of form, arising out of the services under this agreement may be brought by either party more than two years after the act, event, or service that is the subject of such action; or more than one year after discovery of such act, error, or omission, whichever occurs first.

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### Timing and Fees

Completion of our work is subject to, among other things, (i) appropriate cooperation from the Village of Barrington Hills's personnel, including timely preparation of necessary schedules, (ii) timely responses to our inquiries, and (iii) timely communication of all significant accounting and financial reporting matters. When and if for any reason the Village of Barrington Hills is unable to provide such schedules, information, and assistance, Baker Tilly and you will mutually revise the fee to reflect additional services, if any, required of us to complete the audit. Delays in the issuance of our audit report beyond the date that was originally contemplated may require us to perform additional auditing procedures which will likely result in additional fees.

Changes to our audit procedures resulting in increased hours and expense could result from the current credit crisis and economic conditions. Examples of issues we have seen include unexpected asset impairment analysis, liquidity and going concern evaluations, debt covenant violations, inventory lower of cost or market declines, customer credit risk issues, and increased risk of employee fraud, to name a few. If these issues or others are identified which increase our level of service effort and cause revisions in the scope of our work, we will discuss these with you before incurring additional time and effort. We will, of course, solicit the efforts of you and your staff to minimize the impact these incremental efforts will have on the fees.

Revisions to the scope of our work due to delays in the issuance of the audit report or increased procedures as a result of the current credit crisis and economic conditions will be set forth in the form of an "Amendment to Existing Engagement Letter."

We estimate that our fees for the audit will be as follows:

2011	\$24,000
2012	\$24,000
2013	\$24,000

Invoices for these fees will be rendered each month as work progresses and are payable on presentation. A charge of 1.5% per month shall be imposed on accounts not paid within 30 days of receipt of our statement for services provided. In accordance with our firm policies, work may be suspended if your account becomes 30 days or more overdue and will not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notice 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 expenditures through the date of termination.

The fees above do include eight (8) hours of accounting assistance per year. These services may be in the form of meetings or assistance provided at the Village hall, phone conference, or work performed on behalf of the Village at a Baker Tilly Virchow Krause office. The audit fees include converting the Village's financial records from the cash basis to the modified accrual basis for the accounting for financial reporting purposes. Our fees do not include accounting assistance that may be necessary to reconcile the Village's accounting records. For example, reconciling cash and investments, interfund balances, capital assets, debt payments, debt proceeds, and fund balance would be considered accounting assistance. This type of assistance is not included in the fees above.

In addition, these fees do not include consulting services such as educational meetings or correspondence with trustees, review of ordinances, review of board documents and other advisory services which will be billed separately at our hourly rates.

We may use temporary contract staff to perform certain tasks on your engagement and will bill for that time at the rate that corresponds to Baker Tilly staff providing a similar level of service. Upon request, we will be happy to provide details on training, supervision, and billing arrangements we use in connection with these professionals.

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Our fees are based on known circumstances at the time of this agreement. Should circumstances change significantly during the course of this engagement, we will discuss with you the need for any revised audit fees. This can result from changes at your organization, such as the turnover of key accounting staff, the addition of new funds or significant federal or state programs, or changes that affect the amount of audit effort from external sources, such as new accounting and auditing standards that become effective that increase the scope of our audit procedures. This agreement currently includes all auditing standards through Statement on Auditing Standards (SAS) No. 120 – “Required Supplemental Information,” all accounting standards through Governmental Accounting Standards Board (GASB) No. 64 – “Derivative Instruments” and the current federal and state single audit guidance.

We would expect to continue to perform our services under the arrangements discussed above from year to year, unless for some reason you or we find that some change is necessary. We will, of course be happy to provide the Village of Barrington Hills with any other services you may find necessary or desirable.

#### **Other Matters**

Baker Tilly is owned by professionals who hold CPA licenses as well as by professionals who are not licensed CPAs. Depending on the nature of the services we provide, non-CPA owners may be involved in providing services to you now or in the future.

Any additional services that may be requested and we agree to provide will be the subject of separate arrangements.

In the event we are requested or authorized by the Village of Barrington Hills, or required by government regulation, subpoena, or other legal process to produce our working papers or our personnel as witnesses with respect to our engagement for the Village of Barrington Hills, the Village of Barrington Hills will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such a request.

Neither this engagement letter, any claim, nor any rights or licenses granted hereunder may be assigned, delegated, or subcontracted by either party without the written consent of the other party. Either party may assign and transfer this engagement letter to any successor that acquires all or substantially all of the business or assets of such party by way of merger, consolidation, other business reorganization, or the sale of interest or assets, provided that the party notifies the other party in writing of such assignment and the successor agrees in writing to be bound by the terms and conditions of this engagement letter.

Our dedication to client service is carried out through our employees who are integral in meeting this objective. In recognition of the importance of our employees to Baker Tilly, it is hereby agreed that the Village of Barrington Hills will not solicit our employees for employment or enter into an independent contractor arrangement with any individual who is or was an employee of Baker Tilly for a period of twelve months following the date of the conclusion of this engagement. If the Village of Barrington Hills violates this non-solicitation clause, the Village of Barrington Hills agrees to pay to Baker Tilly a fee of 30% of the hired individual's new annual compensation within 30 days of such event.

Baker Tilly Virchow Krause, LLP is a member of Baker Tilly International Limited. Each member firm of Baker Tilly International Limited is a separate and independent legal entity. Baker Tilly International Limited and its other members are not responsible or liable for any acts or omissions of Baker Tilly Virchow Krause, LLP. Baker Tilly Virchow Krause, LLP and its subsidiaries are not responsible for or liable for any acts or omissions of any other member of Baker Tilly International Limited. Baker Tilly International Limited does not render any professional services and does not have an ownership or partnership interest in Baker Tilly Virchow Krause, LLP.

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Baker Tilly International Limited is an English Company. Neither Baker Tilly International Limited nor any other member firm has a right to exercise management control over any other member firm. Baker Tilly Virchow Krause, LLP is not Baker Tilly International Limited's agent and does not have authority to bind Baker Tilly International Limited or act on Baker Tilly International Limited's behalf.

This engagement letter reflects the entire agreement between us relating to the services covered by this letter. It replaces and supersedes any previous proposals, correspondence, and understandings, whether written or oral. The agreement contained in this engagement letter shall survive the completion or termination of this engagement. If because of a change in the Village of Barrington Hills's status or due to any other reason, any provision in this agreement would be prohibited by, or would impair our independence under, laws, regulations or published interpretations by governmental bodies, commissions, or other regulatory agencies, such provision shall, to that extent, be of no further force and effect and this agreement shall consist of the remaining portions.

The validity, construction and enforcement of this engagement letter shall be determined in accordance with the laws of the State of Illinois, without reference to its conflicts of laws principles, and any action arising under this engagement letter shall be brought exclusively in the State of Illinois.

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

If there are any questions regarding the engagement letter, please contact Carla Gogin, the engagement partner on this engagement who is responsible for the overall supervision and review of the engagement and for determining that the engagement has been completed in accordance with professional standards. Carla Gogin is available at 608 240 2460.

Sincerely,

BAKER TILLY VIRCHOW KRAUSE, LLP



Enclosures

The services and terms as set forth in the engagement letter are agreed to by:

\_\_\_\_\_  
Official's Name

\_\_\_\_\_  
Official's Signature

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date

**ADDENDUM A  
BUSINESS ASSOCIATE AGREEMENT  
BETWEEN VILLAGE OF BARRINGTON HILLS  
and  
BAKER TILLY VIRCHOW KRAUSE, LLP**

THIS BUSINESS ASSOCIATE AGREEMENT ("BA Agreement") replaces previous business associate agreements between Baker Tilly Virchow Krause, LLP ("Business Associate") and the Village of Barrington Hills ("Covered Entity") (each a "Party" and collectively the "Parties"), and is effective on September 27, 2011 ("Effective Date").

The Parties hereby agree as follows:

**1. DEFINITIONS**

- 1.1 Unless otherwise specified in this BA Agreement, all capitalized terms used in this BA Agreement not otherwise defined in this BA Agreement have the meanings established for purposes of the Health Insurance Portability and Accountability Act of 1996 and its implementing regulations (collectively, "HIPAA") and ARRA, as each is amended from time to time.
- 1.2 "ARRA" shall mean the Health Information Technology for Economic and Clinical Health Act provisions of the American Recovery and Reinvestment Act of 2009, 42 U.S.C. §§17921-17954, and any and all references in this BA Agreement to sections of ARRA shall be deemed to include all associated existing and future implementing regulations, when and as each is effective.
- 1.3 "Breach" shall mean the acquisition, access, use, or disclosure of PHI in a manner not permitted by the Privacy Rule that compromises the security or privacy of the PHI as defined, and subject to the exceptions set forth, in 45 C.F.R. 164.402.
- 1.4 "Compliance Date" shall mean, in each case, the date by which compliance is required under the referenced provision of ARRA and/or its implementing regulations, as applicable; provided that, in any case for which that date occurs prior to the effective date of this BA Agreement, the Compliance Date shall mean that Effective Date of this BA Agreement.
- 1.5 "Electronic Protected Health Information" ("ePHI") shall mean PHI as defined in Section 1.7 that is transmitted or maintained in electronic media.
- 1.6 "PHI" shall mean Protected Health Information, as defined in 45 C.F.R. 160.103 and 45 C.F.R. 164.501, and is limited to the Protected Health Information received from, or received or created on behalf of, Covered Entity by Business Associate.
- 1.7 "Privacy Rule" shall mean the federal privacy regulations issued pursuant to the Health Insurance Portability and Accountability Act of 1996, as amended from time to time, codified at 45 C.F.R. Parts 160 and 164 (Subparts A & E).
- 1.8 "Security Rule" shall mean the federal security regulations issued pursuant to the Health Insurance Portability and Accountability Act of 1996, as amended from time to time, codified at 45 C.F.R. Parts 160 and 164 (Subparts A & C).

## 2. RESPONSIBILITIES OF BUSINESS ASSOCIATE

With regard to its use and/or disclosure of PHI, Business Associate agrees to:

- 2.1 use and/or disclose PHI only as necessary to provide services, as permitted or required by this BA Agreement and/or the Agreement, and in compliance with each applicable requirement of 45 C.F.R. 164.504(e) or as otherwise Required by Law.
- 2.2 implement and use appropriate administrative, physical, and technical safeguards to (i) prevent use or disclosure of PHI other than as permitted or required by this BA Agreement; (ii) reasonably and appropriately protect the confidentiality, integrity, and availability of the ePHI that Business Associate creates, receives, maintains, or transmits on behalf of the Covered Entity; and (iii) as of the Compliance Date of 42 U.S.C. § 17931, comply with the Security Rule requirements set forth in 45 C.F.R. §§ 164.308, 164.310, 164.312, and 164.316.
- 2.3 without unreasonable delay, report to Covered Entity (i) any use or disclosure of PHI, of which it becomes aware, that is not provided for by this BA Agreement; and/or (ii) any Security Incident of which Business Associate becomes aware in accordance with 45 C.F.R. 164.314(a)(2)(C).
- 2.4 with respect to any use or disclosure of Unsecured PHI not permitted by the Privacy Rule that is caused solely by Business Associate's failure to comply with one or more of its obligations under this BA Agreement, Covered Entity hereby delegates to Business Associate the responsibility for determining when any such incident is a Breach and for providing all legally required notifications to Individuals, HHS, and/or the media, on behalf of Covered Entity. Business Associate shall provide these notifications in accordance with the data breach notification requirements set forth in 42 U.S.C. §17932 and 45 C.F.R. Parts 160 and 164 subparts A, D, & E as of their respective Compliance Dates, and shall pay for the reasonable and actual costs associated with such notifications. In the event of a Breach, without unreasonable delay, and in any event no later than sixty (60) calendar days after Discovery, Business Associate shall provide Covered Entity with written notification that includes a description of the Breach, a list of Individuals (unless Covered Entity is a plan sponsor ineligible to receive PHI), and a copy of the template notification letter to be sent to Individuals.
- 2.5 require all of its subcontractors and agents that create, receive, maintain, or transmit PHI to agree, in writing, to the same restrictions and conditions on the use and/or disclosure of PHI that apply to Business Associate; including but not limited to the extent that Business Associate provides ePHI to a subcontractor or agent, it shall require the subcontractor or agent to implement reasonable and appropriate safeguards to protect the ePHI consistent with the requirements of this BA Agreement.
- 2.6 make available its internal practices, books, and records relating to the use and disclosure of PHI to the Secretary for purposes of determining Covered Entity's compliance with the Privacy Rule.
- 2.7 document, and within thirty (30) days after receiving a written request from Covered Entity or an Individual, make available directly to an Individual, an accounting of disclosures of PHI about the Individual, in accordance with 45 C.F.R. 164.528.
- 2.8 notwithstanding Section 2.7, in the event that Business Associate in connection with services uses or maintains an Electronic Health Record of PHI of or about an Individual, then Business Associate shall when and as reasonably directed by Covered Entity or an Individual, make an accounting of disclosures of PHI directly to an Individual within thirty (30) days after receiving a written request, in accordance with the requirements for accounting for disclosures made through an Electronic Health Record in 42 U.S.C. § 17935(e), as of its Compliance Date.
- 2.9 provide access, within thirty (30) days after receiving a written request from Covered Entity or an Individual, to PHI in a Designated Record Set about an Individual, directly to the Individual, in accordance with the requirements of 45 C.F.R. 164.524.

- 3.5 shall obtain any consent or authorization that may be required by applicable federal or state laws and regulations prior to furnishing, or directing any of its other business associates to furnish, the PHI to Business Associate.

#### 4. PERMITTED USES AND DISCLOSURES OF PHI

Unless otherwise limited herein, in addition to any other uses and/or disclosures permitted or required by this BA Agreement, Business Associate may:

- 4.1 make any and all uses and disclosures of PHI necessary to provide services to Covered Entity.
- 4.2 use and disclose to subcontractors and agents the PHI in its possession for its proper management and administration or to carry out the legal responsibilities of Business Associate, provided that any third party to which Business Associates discloses PHI for those purposes provides written assurances in advance that: (i) the information will be held confidentially and used or further disclosed only as Required by Law; (ii) the information will be used only for the purpose for which it was disclosed to the third party; and (iii) the third party promptly will notify Business Associate of any instances of which it becomes aware in which the confidentiality of the information has been breached;
- 4.3 De-identify any and all PHI obtained by Business Associate under this BA Agreement, which De-identified information does not constitute PHI, is not subject to this BA Agreement, and may be used and disclosed on Business Associate's own behalf, all in accordance with the De-identification requirements of the Privacy Rule;
- 4.4 provide Data Aggregation services relating to the Health Care Operations of the Covered Entity, including through subcontractors and agents, all in accordance with the Privacy Rule.
- 4.5 identify Research projects conducted by Business Associate, its Affiliates or third parties for which PHI may be relevant; obtain on behalf of Covered Entity documentation of individual authorizations or an Institutional Review Board or privacy board waiver that meets the requirements of 45 C.F.R. 164.512(i)(1) (each an "Authorization" or "Waiver") related to such projects; provide Covered Entity with copies of such Authorizations or Waivers, subject to confidentiality obligations ("Required Documentation"); and disclose PHI for such Research provided that Business Associate does not receive Covered Entity's disapproval in writing within ten (10) days of Covered Entity's receipt of Required Documentation.
- 4.6 make PHI available for reviews preparatory to Research and obtain and maintain written representations in accord with 45 C.F.R. 164.512(i)(1)(ii) that the requested PHI is sought solely as necessary to prepare a Research protocol or for similar purposes preparatory to Research, that the PHI is necessary for the Research, and that no PHI will be removed in the course of the review.
- 4.7 use the PHI to create a Limited Data Set ("LDS") in compliance with 45 C.F.R. 164.514(e).
- 4.8 use and disclose the LDS referenced in Section 4.7 solely for Research, Health Care Operations, or Public Health purposes; provided that, Business Associate shall (1) not use or further disclose the information other than as permitted by this Section 4.8 or as otherwise Required by Law; (2) use appropriate safeguards to prevent use or disclosure of the information other than as provided for by this Section 4.8; (3) report to Covered Entity any use or disclosure of the information not provided for by this Section 4.8 of which Business Associate becomes aware; (4) ensure that any agents or subcontractors to whom Business Associate provides the LDS agrees to the same restrictions and conditions that apply to Business Associate with respect to such information; and (5) not identify the information or contact the individuals.

## 5. TERMINATION AND COOPERATION

- 5.1 The Term of this BA Agreement shall be effective as of the Effective Date, and shall terminate when all of the Protected Health Information provided by Covered Entity to Business Associate, or created or received by Business Associate on behalf of Covered Entity, is destroyed or returned to Covered Entity, or, if it is infeasible to return or destroy Protected Health Information, protections are extended to such information, in accordance with the termination provisions in Section 5.2 of this BA Agreement.
- 5.2 If either Party knows of a pattern of activity or practice of the other Party that constitutes a material breach or violation of this BA Agreement then the non-breaching Party shall provide written notice of the breach or violation to the other Party that specifies the nature of the breach or violation. The breaching Party must cure the breach or end the violation on or before sixty (60) days after receipt of the written notice. In the absence of a cure reasonably satisfactory to the non-breaching Party within the specified time frame, or in the event the breach is reasonably incapable of cure, then the non-breaching Party may do the following:
- (i) if feasible, terminate the Agreement, including this BA Agreement; or
  - (ii) if termination of the Agreement is infeasible, report the issue to HHS.
- 5.3 Within sixty (60) days after the termination or expiration of this BA Agreement, Business Associate shall return or destroy all PHI, if feasible to do so, including all PHI in possession of Business Associate's agents or subcontractors. If Business Associate determines that return or destruction of the PHI is not feasible, Business Associate may retain the PHI subject to this Section 5.3. Under any circumstances, Business Associate shall extend any and all protections, limitations, and restrictions contained in this BA Agreement to Business Associate's use and/or disclosure of any PHI retained after the expiration or termination of this BA Agreement, and shall limit any further uses and/or disclosures solely to the purposes that make return or destruction of the PHI infeasible.
- 5.4 Each Party shall cooperate in good faith in all respects with the other Party in connection with any request by a federal or state governmental authority for additional information and documents or any governmental investigation, complaint, action, or other inquiry.

## 6. MISCELLANEOUS

- 6.1 The terms of this BA Agreement to the extent they are unclear shall be construed to allow for compliance by Covered Entity and Business Associate with HIPAA and ARRA.
- 6.2 Nothing in this BA Agreement shall confer upon any person other than the Parties and their respective successors or assigns, any rights, remedies, obligations, or liabilities whatsoever.
- 6.3 Business Associate will indemnify, defend, and hold Covered Entity harmless from and against any and all claims, losses, liabilities, costs, and expenses (including reasonable attorneys' fees) which, are finally determined to have resulted solely from Business Associates, their agents or subcontractors' negligence, willful misconduct, or material failure to follow the terms of this BA Agreement.
- 6.4 Sections 4.8, 5.3, 5.4, 6.1, 6.2, 6.3, and 6.4 shall survive the expiration or termination for any reason of this BA Agreement.
- 6.5 Business Associate and Covered Entity are and shall remain independent contractors throughout the term. Nothing in this BA Agreement shall be construed to constitute Business Associate and Covered Entity as partners, joint venturers, agents, or anything other than independent contractors.

IN WITNESS WHEREOF, the parties have signed this BA Agreement on the dates indicated below.

BAKER TILLY VIRCHOW KRAUSE, LLP

VILLAGE OF BARRINGTON HILLS

By \_\_\_\_\_  
Signature

By \_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Print Name

Title \_\_\_\_\_

Title \_\_\_\_\_

Date Signed \_\_\_\_\_

Date Signed \_\_\_\_\_

**RESOLUTION AUTHORIZING THE ACCEPTANCE OF AN ENGAGEMENT LETTER FOR AUDIT SERVICES WITH BAKER TILLY**

**WHEREAS**, Baker Tilly Virchow Krause, LLP (“Baker Tilly”) has submitted to the Village of Barrington Hills (“Village”) an engagement letter pursuant to which Baker Tilly has agreed to provide to the Village certain auditing services (“Engagement Letter”), a copy which is attached hereto as Exhibit A; and

**WHEREAS**, the Village Board of Trustees believes it to be in the best interests of the Village to accept the Engagement Letter with Baker Tilly and to have Baker Tilly perform the auditing services set forth in the Engagement Letter; and

**WHEREAS**, the Village may enter into contracts pursuant to 65 ILCS 5/2-2-12.

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

**Section One.** The Village President is hereby authorized to accept the Engagement Letter, substantially on the terms set forth in the copy attached hereto as Exhibit A, with such modifications as may be deemed necessary or desirable by the Village President and the Village Attorney.

**Section Two.** If any part or provision of this Resolution shall be held deemed to be invalid, such invalidity shall not have the affect of rendering another part or provision of this Resolution invalid.

**Section Three.** This Resolution shall be in full force and effect f rom and after its passage and approval as provided by law.

**APPROVED THIS** \_\_\_\_\_ **day of** \_\_\_\_\_, **2011**

**AYES:** \_\_\_\_\_, **NAYS:** \_\_\_\_\_, **ABSENT:** \_\_\_\_\_, **ABSTAIN:** \_\_\_\_\_

**ATTEST:**

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

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