

Memo

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To: Karen Selman, Finance Committee Chairman
From: Rosemary N. Ryba, Treasurer
CC: Board of Trustees, Village President
Date: October 24, 2014
Re: Auditing Services Acceptance [Resolution 14-]

Pursuant to the Finance Committee Meeting of October 23, 2014, the auditing firm of Sikich, LLP was recommended to be awarded the contract to provide auditing services for the years 2014 – 2016. An engagement letter is attached to the Resolution as Exhibit “A” to be signed by the Village President to commence the agreement.

This Resolution has been reviewed by the Village Attorney and will be provided at the regular meeting of the Board of Trustees on October 27, 2014 for consideration.

**A RESOLUTION AUTHORIZING THE ACCEPTANCE OF
AN ENGAGEMENT LETTER FOR AUDITING SERVICES
FOR THE YEARS 2014 – 2016**

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 Qualifications for the performance of the Village’s annual audit; and

WHEREAS, the Village is in receipt of responses to the Request for Qualifications, and now desires to accept the terms of an Engagement Letter for such purposes with Sikich, LLP, 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, the President and Board of Trustees of the Village deem it in the best interests of the Village to execute the Engagement Letter.

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 a Home Rule Municipality the following:

SECTION ONE: The recitals set forth above are found to be true and 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.

APPROVED THIS _____ DAY OF _____, 2014

AYES: _____, NAYS: _____, ABSENT: _____, ABSTAIN: _____

ATTEST:

Village President

Village Clerk

Exhibit “A”

Engagement Letter



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Certified Public Accountants & Advisors
Members of American Institute of Certified Public Accountants

October 24, 2014

Mr. Martin McLaughlin
Village President
Village of Barrington Hills
112 Algonquin Road
Barrington Hills, IL 60010

Dear Mr. McLaughlin:

We are pleased to confirm our understanding of the services we are to provide the Village of Barrington Hills (The Village) for the year ended December 31, 2014. We will audit the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, which collectively comprise the basic financial statements of the Village as of and for the year ended December 31, 2014.

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.
2. Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual, for the General Fund and any major special revenue funds.
3. Schedule of Funding Progress and Schedule of Employer Contributions for the Illinois Municipal Retirement Fund and Police Pension Fund.
4. Notes to 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. Combining and Individual Fund Financial Statements and Schedules

The following other information accompanying the financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements, and our auditor's report will not provide an opinion or any assurance on that other information.

1. Other Information

Audit Objectives

The objective of our audit is the expression of opinions as to whether your basic financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and will include tests of accounting records and other procedures we consider necessary to enable us to express such opinions and to render the required reports. 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 to issue a report as a result of this engagement.

Management Responsibilities

Management is responsible for the financial statements and all accompanying information as well as all representations contained therein. As part of the audit, we will assist with preparation of your financial statements and related notes. These nonaudit services do not constitute an audit under auditing standards generally accepted in the United States of America and such services will not be conducted in accordance with such standards. You agree to assume all management responsibilities relating to the financial statements, related notes, and any other nonaudit services we provide.

You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements and related notes and that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of those 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, 2014 as specified in the Village's 2014 *Request for Proposal* are as follows:

1. Prepare two (2) hard copies and one electronic copy (.pdf) of the annual financial report (AFR) of the Village (Management's Discussion and Analysis to be provided by Village).
2. Prepare ten (10) copies of the management letter.
3. Prepare two (2) hard copies, one electronic copy (.pdf) and submission of the electronic filing of the Illinois Comptroller Annual Financial Report.
4. Prepare ten (10) copies of the Single Audit Report, if applicable.

Management is responsible for establishing and maintaining effective internal controls, and for evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met. You are also responsible for the selection and application of accounting principles; for the preparation and fair presentation in the financial statements in conformity with U.S. generally accepted accounting principles; and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us and for ensuring that management is reliable and financial information is reliable and properly recorded. 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 also include identifying significant vendor relationships in which the vendor has responsibility for program compliance and for the accuracy and completeness of that information. Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the written 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, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the Village complies with applicable laws, regulations, contracts, agreements, and grants.

You are also responsible for the preparation of the other supplementary information, which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon OR make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) that you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) that the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your 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.

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 Village or to acts by management or employees acting on behalf of the Village.

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 or 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; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

Audit Procedures - Internal Controls

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 Village's compliance with provisions of applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion.

Engagement Administration, Fees, and Other

In accordance with professional standards, any discussions during the period of the engagement between your village and a member of the Sikich engagement team regarding potential employment or association with your company creates an impairment of independence for the Sikich employee and possibly the firm. Such a situation could require us to temporarily or permanently remove that person from your engagement or to perform additional procedures or re-perform procedures, which would increase our fees. Should we not become aware of the impairment until after the conclusion of the engagement, the firm's independence would be deemed to have been impaired. Please inform appropriate personnel in your Village to refrain from any such discussions with any Sikich staff while the engagement is ongoing and notify Frederick G. Lantz immediately if you or anyone else in your Village becomes aware that any such discussions may have occurred.

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.

The assistance to be supplied by Village personnel is described in the client assisted workpaper request list which outlines the specific schedules and analyses of accounts we are requesting for this engagement. The request list will be discussed with and coordinated with Ms. Rosemary Ryba, Treasurer. The timely and accurate completion of this work is an essential condition to our completion of the audit and issuance of our audit report. This engagement letter assumes that all records, documentation, and information we requested in connection with our audit (and outlined in the client assisted work-paper request list) are complete and available at the beginning of final fieldwork. It also assumes that key personnel are available to us during the duration of the audit. The accuracy of these assumptions will allow us to conduct our audit

without any delays or inefficiencies. The fee noted in our engagement letter is based on the accuracy of these assumptions. If the assumptions are not accurate and you fail to provide the records, documentation, information and key personnel required, there may be additional fees to cover our cost for the delays and possible rescheduling of the engagement. 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 understand that your employees will prepare all cash, accounts receivable, and other confirmations we request and will locate any documents selected by us for testing.

You may request that we perform additional services not addressed in this engagement letter. If this occurs, we will communicate with you regarding the scope of the additional services and the estimated fees. We also may issue a separate engagement letter covering the additional services. In the absence of any other written communication from us documenting such additional services, our services will continue to be governed by the terms of this engagement letter.

The audit documentation for this engagement is the property of Sikich LLP 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 a third party in a legal, administrative, regulatory inquiry or arbitration or similar proceeding in which we are not a party. If requested, access to such audit documentation will be provided under the supervision of Sikich LLP. Our efforts in complying with such requests will be deemed billable to you as a separate engagement. We shall be entitled to compensation for our time and reasonable reimbursement for our expenses (including legal fees) in complying with the request. For all requests we will observe the confidentiality requirements of our profession and will notify you promptly of the request.

The audit documentation for this engagement will be retained for a minimum of seven years after the report release. Sikich LLP does not keep any original client records so we will return those to you at the completion of the services rendered under this engagement. When records are returned to you, it is your responsibility to retain and protect your records for possible future use, including potential examination by any government or regulatory agencies.

We expect to complete our preliminary fieldwork by January 2015 with final fieldwork to begin in February or March 2015 or when the client assist workpapers are prepared, and to issue our reports in preliminary form no later than April 15, 2015. Final reports will be issued upon your approval of the preliminary drafts. Frederick G. Lantz 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 not exceed \$19,950 for the Village; \$2,000 for the Single Audit Report (if necessary); and \$1,000 for the implementation of Governmental Accounting Standards Board Statement No. 67, which includes out-of-pocket costs such as report reproduction, postage, etc. 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. Invoices not paid within sixty days are subject to finance charges of 1% per month (12% annually).

We reserve the right to suspend or terminate services for reasonable cause, such as failure to pay our invoices on a timely basis or failure to provide the information or cooperation necessary for successful performance of our services. Our engagement will be deemed to be completed upon written notification of termination. You will be obligated to compensate us for the time expended to that point and to reimburse us for all out-of-pocket expenditures through the date of termination.

You hereby agree to indemnify and hold harmless Sikich LLP and its partners, directors, employees, agents or subcontractors against all costs, expenses, losses, judgments, damages and liabilities (including reasonable attorneys' fees and expenses) associated with any third party claim, threat or proceeding relating to the performance of any services by Sikich LLP under this engagement, other than as determined through mediation to have been caused by our own gross negligence or willful misconduct.

You agree that our maximum liability to you for any negligent errors or omissions committed by us in the performance of the engagement will be limited to the amount of fees we receive from you for this engagement, except to the extent determined to result from our gross negligence or willful misconduct. You agree that this limitation applies to any and all liability or cause of action against us, however alleged or arising, unless otherwise prohibited by law or professional standards. Additionally, our liability as auditors shall be limited to the period covered by our audit and shall not extend to later periods for which we are not engaged as auditors or prior periods before we were engaged as auditors. In no event will Sikich be liable to you or any third party, whether a claim be in tort, contract or otherwise, for any amount in excess of the total professional fees paid pursuant to this agreement to which the claim relates, or for any consequential, indirect, lost profit, punitive or similar damages relating to Sikich's services provided under this agreement.

If any dispute, controversy or claim arises in connection with the performance or breach of the agreement, either party may, on written notice to the other party, request that the matter be mediated. Such mediation will be conducted by a mediator appointed by and pursuant to the Mediation Rules of the American Arbitration Association. Both parties will exert their best efforts to discuss with each other in good faith their respective positions in an attempt to finally resolve such dispute or controversy.

Each party may disclose any facts to the other party or the mediator which it, in good faith, considers necessary to resolve the matter. All such discussions, however, will be for the purpose of assisting in settlement efforts and will not be admissible in any subsequent litigation against the disclosing party. Except as agreed by both parties, the mediator will keep confidential all information disclosed during negotiations.

The mediation proceedings will conclude within sixty days from receipt of the written notice unless extended or terminated sooner by mutual consent. Each party will be responsible for its own expenses. The fees and expenses of the mediator, if any, will be borne equally by the parties.

Acceptance

You acknowledge having read this agreement in its entirety, have had full opportunity to consider its terms in consultation with your attorney, have had full and satisfactory explanation of the same, and fully understand and agree to be bound by the terms of this agreement.

Please indicate your understanding and acceptance of this agreement and your intention to be legally bound by executing this agreement in the space provided below where indicated and return it to our offices, indicating your authorization for us to proceed on the above terms and conditions.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know.

Very truly yours,



Sikich LLP
By: Frederick G. Lantz, CPA
Partner-in-Charge, Government Services

RESPONSE:

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

By: _____

Title: _____

Date: _____