Item #2:

Resolution Accepting Proposal For Continued Auditing Services Submitted By *Baker Tilly Virchow Krause, LLG*.

VILLAGE OF LONG GROVE
RESOLUTION NO. 2013-R-__

A RESOLUTION APPROVING A
PROPOSAL FOR CONTINUED AUDITING SERVICES

WHEREAS, in 2007 the President and Board of Trustees of the Village of Long Grove approved Resolution 2007-R-13 which determined that it was in the best interests of the Village to retain *Virchow, Krause & Company, LLP* ("***Consultant***") to provide auditing services to the Village;

WHEREAS, the President and Board of Trustees of the Village of Long Grove have determined that it is in the best interests of the Village to continue to retain *Baker Tilly Virchow, Krause & Company, LLG* ("***Consultant***") to provide auditing services to the Village, as set forth in the proposal attached to this Resolution as Exhibit A ("***Proposal***");

NOW, THEREFORE, BE IT RESOLVED BY THE PRESIDENT AND BOARD OF TRUSTEES OF THE VILLAGE OF LONG GROVE, LAKE COUNTY, ILLINOIS, as follows:

SECTION ONE: Recitals. The foregoing recitals are incorporated herein as if fully set forth.

SECTION TWO: Approval; Authorization. The Proposal is hereby approved in substantially the form attached hereto as Exhibit A. The Village President and Village Clerk are hereby authorized and directed to execute and attest, respectively, the Proposal on behalf of the Village following the delivery of the executed Proposal by Consultant.

SECTION THREE: Effective Date. This Resolution shall be in full force and effect upon its passage and approval in the manner provided by law.

PASSED this 27th day of August, 2013.
AYES: (__) Trustees
NAYS: (__)
ABSENT: (__)
APPROVED this 27th day of August, 2013.

_____
Village President, Angela Underwood

ATTEST:

_____
Village Clerk, Heidi Locker-Scheer

DRAFT

EXHIBIT A

Proposal

DRAFT

CLIENT COPY

BAKER TILLY

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August 5, 2013

Mr. David Lothspeich
Village of Long Grove
3110 RFD
Long Grove, Illinois 60047

Dear Mr. Lothspeich:

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 Long Grove.

Services and Related Report

We will audit the basic financial statements of the Village of Long Grove as of and for the year ended April 30, 2013. Upon completion of our audit, we will provide the Village of Long Grove with our audit report on the financial statements and supplemental information referred to below. If, for any reasons caused by or relating to the affairs or management of the Village of Long Grove, 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.

The following supplementary information accompanying the financial statements will also be subjected 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 our auditor's report will provide an opinion on it in relation to the financial statements as a whole.

Detailed Schedules of Revenues and Expenditures
Combining and Individual Fund Financial Statements

Services and Related Report (cont.)

Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), to supplement the Village of Long Grove's 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 Long Grove's 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 response 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:

Budget Comparison Schedules
Schedule of Funding Progress – Illinois Municipal Retirement Plan

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.

Our Responsibilities and Limitations (cont.)

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 Long Grove, as appropriate, any such matters identified during our audit.

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 Long Grove'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 Long Grove'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 Long Grove'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's Responsibilities (cont.)

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 Long Grove complies with the laws and regulations applicable to its activities.

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. None of these non-attest services constitute an audit under generally accepted auditing standards including *Government Auditing Standards.* 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.

Non-Attest Services (cont.)

> 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 annual Illinois Comptroller's Annual Financial Report See Addendum A attached, which is an integral part of this engagement letter.

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.

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 Long Grove 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 Long Grove 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 Long Grove for any amount in excess of the total professional fees paid by the Village of Long Grove 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 Long Grove 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 Long Grove 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 Long Grove 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.

Timing and Fees

Completion of our work is subject to, among other things, (i) appropriate cooperation from the Village of Long Grove'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 Long Grove 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.

Timing and Fees (cont.)

We estimate that our fees will be $27,000. 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. Bookkeeping fees, if required, will be in addition to the audit fees and itemized separately on the invoice.

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. 126 – "The Auditor's Consideration of An Entity's Ability to Continue as a Going Concern (Redrafted)," all accounting standards through Governmental Accounting Standards Board (GASB) No. *64 – "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an amendment of GASB Statement No. 53," excluding GASB No. 61 – "The Financial Reporting Entity: Omnibus an amendment of GASB Statement No. 14 and 34,'* and the current federal 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 Long Grove 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 Long Grove, 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 Long Grove, the Village of Long Grove 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.

Other Matters (cont.)

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 Long Grove 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 Long Grove violates this non-solicitation clause, the Village of Long Grove 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.

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 Long Grove'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 Long Grove.

If there are any questions regarding the engagement letter, please contact Tom Scheidegger, 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. Tom Scheidegger is available at 608.240.2303.

Sincerely,

BAKER TILLY VIRCHOW KRAUSE, LLP

Baker Tilly Virchow Krause, LLP

Enclosure

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

We will perform the following services:

1. We will compile, from information you provide, the Illinois Comptroller's Annual Financial Report for the year ended April 30, 2013. Upon completion of the compilation of the annual Financial Report Form, we will provide the village with our accountants' compilation report. If, for any reason caused by or relating to affairs or management of the village, we are unable to complete the compilation or if we determine in our professional judgment the circumstances necessitate, we may withdraw and decline to submit the annual Financial Report Form to you as a result of this engagement.

   Our report on the annual Financial Report Form of the Village of Long Grove is presently expected to read as follows:

   > We have compiled the FY 2013 Annual Financial Report Multi-Purpose Long Form for the year ended April 30, 2013 included in the accompanying prescribed form. We have not audited or reviewed the FY 2013 Annual Financial Report Multi-Purpose Long Form included in the accompanying prescribed form and, accordingly, do not express an opinion or any assurance about whether the FY 2013 Annual Financial Report Multi-Purpose Long Form is in accordance with the form prescribed by the Illinois Office of the Comptroller.
   >
   > Management is responsible for the preparation and fair presentation of the FY 2013 Annual Financial Report Multi-Purpose Long Form included in the form prescribed by the Illinois Office of the Comptroller and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the FY 2013 Annual Financial Report Multi-Purpose Long Form .
   >
   > Our responsibility is to conduct the compilation in accordance with *Statements on Standards for Accounting and Review Services* issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of the FY 2013 Annual Financial Report Multi-Purpose Long Form without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the FY 2013 Annual Financial Report Multi-Purpose Long Form .
   >
   > The FY 2013 Annual Financial Report Multi-Purpose Long Form included in the accompanying prescribed form is presented in accordance with the requirements of the Illinois Office of the Comptroller, and is not intended to be a presentation in accordance with accounting principles generally accepted in the United States of America.
   >
   > This report is intended solely for the information and use of the Illinois Office of the Comptroller and is not intended to be and should not be used by anyone other than this specified party.

Our Responsibilities and Limitations

We will be responsible for performing the compilation in accordance with *Statements on Standards for Accounting and Review Services* established by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements. We will utilize information that is the representation of management without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements in order for the statements to be in conformity with accounting principles generally accepted in the United States of America.

Our engagement cannot be relied upon to disclose errors, fraud, or other illegal acts that may exist and, because of the limited nature of our work, detection is highly unlikely. However, we will inform the appropriate level of management of any material errors, and of any evidence that fraud may have occurred. In addition, we will report to you any evidence or information that comes to our attention during the performance of our compilation procedures regarding illegal acts that may have occurred, unless they are clearly inconsequential. We have no responsibility to identify and communicate deficiencies in your internal control as part of this engagement.

Management's Responsibilities

The village's management is responsible for the financial statements referred to above. In this regard, management is responsible for (i) the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, (ii) designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements, (iii) preventing and detecting fraud, (iv) identifying and ensuring that the entity complies with the laws and regulations applicable to its activities, and (v) making all financial records and related information available to us. Management also is responsible for identifying and ensuring that the village complies with the laws and regulation applicable to its activities.

Management is responsible for providing us with the information necessary for the compilation of the financial statements and the completeness and the accuracy of that information and for making village personnel available to whom we may direct inquiries regarding the compilation. We may make specific inquiries of management and others about the representations embodied in the financial statements.