

Item #6:

Resolution Accepting Proposal From Baker Tilly Re: Audit

**VILLAGE OF LONG GROVE
RESOLUTION NO. 2014-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 22nd day of April, 2014.

AYES: () Trustees:

NAYS: ()

ABSENT: ()

APPROVED this 22nd day of April, 2014.

Village President, Angela Underwood

ATTEST:

Village Clerk, Heidi Locker-Scheer

EXHIBIT A

Proposal

DRAFT



Baker Tilly Virchow Krause, LLP
Ten Terrace Ct, PO Box 7398
Madison, WI 53707-7398
tel 608 249 6622
fax 608 249 8532
bakertilly.com

April 16, 2014

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, 2014, and the related notes to the financial statements. 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

Mr. David Lothspeich
Village of Long Grove

April 16, 2014
Page 3

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.

Mr. David Lothspeich
Village of Long Grove

April 16, 2014
Page 5

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.
- > 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.

Mr. David Lothspeich
Village of Long Grove

April 16, 2014
Page 7

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.

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.

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. 127 – "Omnibus Statement on Auditing Standards - 2013," all accounting standards through Governmental Accounting Standards Board (GASB) No. 66 – "Technical Corrections - 2012 - an amendment of GASB Statement No. 10 and No. 62," 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.

Mr. David Lothspeich
Village of Long Grove

April 16, 2014
Page 9

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

Enclosures

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

Official's Name

Official's Signature

Title

Date

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.