
**VILLAGE OF SUGAR GROVE
BOARD REPORT**

TO: VILLAGE PRESIDENT & BOARD OF TRUSTEES
FROM: MATT ANASTASIA, FINANCE DIRECTOR
SUBJECT: AUTHORIZING AGREEMENT FOR AUDIT SERVICES – POLICE PENSION FUND
AGENDA: FEBRUARY 18, 2020
DATE: FEBRUARY 14, 2020

ISSUE

Shall the Village authorize the execution of an agreement with Sikich LLP. for Audit Services for Fiscal Year 2020 in relation to the Police Pension Fund.

DISCUSSION

In the past, the Police Pension Board has conducted their own audit for the Police Pension Fund. It is law that the Pension Fund be audited and included with the Village's Annual CAFR. The Pension Board has notified the Village that they are not going to be doing an independent audit on their own, therefore, the Village must complete an audit of the Fund separately.

Currently, Lauterbach & Amen who completes the Village's Audit, also handles the accounting services for the Police Pension Fund. Due to this, Lauterbach & Amen is unable to complete the Police Pension Fund audit as part of the Village's annual audit. I have requested a proposal from Sikich LLP., who handles many other Municipal and Pension Fund audits in the area.

COST

The cost of the FY2020 audit would be an amount not to exceed \$5,500, which would be budgeted for in the FY2021 budget.

RECOMMENDATION

Approve Resolution 20200218C Authorizing Execution of an Agreement with Sikich, LLP. For Audit Services.



**VILLAGE OF SUGAR GROVE
KANE COUNTY, ILLINOIS**

Resolution No. 20200218C

**A Resolution Approving an Agreement with Sikich, LLP. for Audit Services
Village of Sugar Grove,
Kane County, Illinois**

Adopted by the
Board of Trustees and President
of the Village of Sugar Grove
this 18th day of February, 2020.

Published in Pamphlet Form
by authority of the Board of Trustees
of the Village of Sugar Grove, Kane County,
Illinois, this 18th day of February, 2020.

RESOLUTION 20200218C

RESOLUTION AUTHORIZING EXECUTION OF AN AGREEMENT WITH SIKICH, LLP.

WHEREAS, the Village of Sugar Grove Board of Trustees find that it is in the best interest of the Village to engage the services of Sikich, LLP. to provide professional audit services, and to execute the attached agreement;

NOW, THEREFORE, BE IT RESOLVED by the President and Board of Trustees of the Village of Sugar Grove, Kane County, Illinois as follows:

The attached hereto and incorporated herein by reference is an engagement agreement between the Village of Sugar Grove and Sikich, LLP. for audit services for fiscal year 2020. And that the Finance Director or the Village Administrator are hereby authorized to execute said agreement on behalf of the Village and to take such further actions as are necessary to fulfill the terms of said agreement.

PASSED AND APPROVED by the President and Board of Trustees of the Village of Sugar Grove, Kane County, Illinois this 18th day of February, 2020.

P. Sean Michels
President of the Board of Trustees
of the Village of Sugar Grove, Kane County, Illinois

	Aye	Nay	Absent	Abstain
Trustee Heidi Lendi	___	___	___	___
Trustee Jennifer Konen	___	___	___	___
Trustee Sean Herron	___	___	___	___
Trustee Ted Koch	___	___	___	___
Trustee Rick Montalto	___	___	___	___
Trustee Ryan Walter	___	___	___	___

ATTEST: _____
Cynthia L. Galbreath
Clerk, Village of Sugar Grove

December 4, 2019

The Honorable President
Members of the Board of Trustees
Police Pension Fund
Village of Sugar Grove
10 South Municipal Drive
Sugar Grove, Illinois 60554

Ladies and Gentlemen:

This engagement letter (the "Agreement") between Sikich LLP, an Illinois limited liability partnership, ("Sikich," "we," "us," or "our") and the Police Pension Fund, a pension trust fund of the Village of Sugar Grove (the "Client," "you," or "your") sets forth the mutual agreements of the parties regarding the audit of the Client's basic financial statements for the year ended April 30, 2020.

The Services will include an audit of the financial statements and the notes to financial statements which collectively comprise the basic financial statements of the Client as of and for the year ended April 30, 2020.

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 Client'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 Services, we will apply certain limited procedures to the Client'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 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. Schedule of Employer Contributions for the Police Pension Fund.
2. Schedule of Changes in the Employer's Net Pension Liability and Related Ratios for the Police Pension Fund.
3. Schedule of Investment Returns for the Police Pension Fund.

AUDIT OBJECTIVE

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and will include tests of accounting records and other procedures we consider necessary to enable us to express such opinions and to render the required report. 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 circumstances occur related to the condition of your records, the availability of sufficient, appropriate audit evidence, or the existence of a significant risk of material misstatement of the financial statements caused by error, fraudulent financial reporting, or misappropriation of assets, which in our professional judgment prevent us from completing the audit or forming an opinion on the financial statements, we retain the right to take any course of action permitted by professional standards, including declining to express an opinion or issue a report, or withdrawing from the Agreement.

AUDIT PROCEDURES - GENERAL

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

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance 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 procedures will include tests of documentary evidence supporting the transactions recorded in the accounts and may include tests of the physical existence of inventories and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors and financial institutions. We will request written representations from your attorneys as part of the engagement and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

AUDIT PROCEDURES - INTERNAL CONTROL

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

AUDIT PROCEDURES - COMPLIANCE

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

OTHER SERVICES

We will also assist in preparing the financial statements and related notes of the Client in conformity with U.S. generally accepted accounting principles based on information provided by you.

Other nonattest Services expected to be performed during our audit of the financial statements as of and for the year ended April 30, 2020 and other deliverables are as follows:

1. Prepare ten (10) copies of the annual financial report (AFR) of the Police Pension Fund.
2. Prepare ten (10) copies of the management letter, communication any material weaknesses or significant deficiencies found during the audit and our recommendations for improvement.

MANAGEMENT RESPONSIBILITIES

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

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

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

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

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.

You agree to assume all management responsibilities relating to the financial statements and related notes and any other non-audit Services we provide; oversee the nonattest 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.

ENGAGEMENT ADMINISTRATION, FEES AND OTHER

In accordance with professional standards, any discussions during the period of the Agreement between any individual representing the Client and a member of the Sikich engagement team regarding potential employment or association with the Client creates an impairment of independence for the Sikich employee and possibly Sikich. 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 Agreement, Sikich's independence would be deemed to have been impaired. Please inform appropriate Client personnel to refrain from any such discussions with any Sikich staff while the engagement is ongoing and notify Brian LeFevre immediately if you or anyone else at the Client 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 engaged by us.

Client hereby explicitly acknowledges and consents to Sikich's use of third-party cloud computing services to store confidential and proprietary information and other data of the Client, and agrees that Sikich's use of such cloud services coupled with the use of encrypted devices, password protections and firewall protection shall constitute the best efforts of Sikich to safeguard such information and data from unauthorized disclosure. Client further agrees that, subject to applicable law, Sikich shall only be liable if it has finally judicially been determined that Sikich did not take commercially reasonable measures to protect the confidential and proprietary information and other data of the Client from unauthorized disclosure.

The assistance to be supplied by Client personnel is described in the workpaper request lists for preliminary (interim) and final fieldwork, which outline the specific schedules and information we are requesting for this Agreement. The workpaper request lists will be discussed with and coordinated with the Pension Board and representatives of Lauterbach & Amen. 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 Agreement assumes that all records, documentation and information we requested in connection with our audit (and outlined in the workpaper request lists) are complete and available at the beginning of the respective phases of the engagement. 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 for the fee noted in this Agreement. 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 contemplated by this Agreement. 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 Agreement. Notwithstanding the foregoing, this Agreement will not include any services related to the Affordable Care Act or consideration of taxable fringe benefits including those impacted by Affordable Care Act; in all circumstances, services related to the Affordable Care Act and other taxable fringe benefit reporting will be the subject of a separate engagement letter and will be billable under a separate hourly rate structure than the services provided hereunder.

We will provide copies of our reports to the Client; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our report are to be made available for public inspection.

The audit documentation for this Agreement is the property of Sikich and constitutes confidential information. However, subject to applicable laws and regulations, audit and examination documentation and appropriate individuals will be made available upon request and in a timely manner to cognizant or oversight agency for audit or its designee. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Sikich personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

As a result of our prior or future services to you, we might be requested or required to provide information or documents to you or a third party in a legal, administrative, regulatory inquiry (other than that mentioned in the previous paragraph) or arbitration or similar proceeding in which we are not a party. If this occurs, 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.

The audit documentation for this Agreement will be retained for a minimum of seven years after the report release date or for any additional period requested by the cognizant or oversight agency for audit or its designee. Sikich does not keep any original client records so we will return those to you at the completion of the Services rendered under this Agreement. 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.

Final reports will be issued upon your approval of the preliminary drafts. Our audit engagement ends on delivery of our audit report. Any follow-up services that might be required will be a separate, new engagement. The terms and conditions of that new engagement will be governed by a new, specific engagement letter for that service. Brian LeFevre is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

Our fee for these services will not exceed \$5,500, which includes out-of-pocket costs such as report reproduction, postage, etc. These fees are based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. 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 the Services. Our Services will be deemed to be completed upon written notification of termination, even if we have not completed our report. 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 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 the Services by Sikich under this Agreement, 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 Services will be limited to the amount of fees we receive from you under this Agreement, 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 hereby 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 Agreement accurately summarizes the significant terms of our engagement. If you have any questions, please let us know.

Very truly yours,



By: Brian D. LeFevre, CPA, MBA
Partner
On behalf of Sikich LLP

RESPONSE:

This letter correctly sets forth the understanding of the Village of Sugar Grove Police Pension Fund.

By: _____

Title: _____

Date: _____