

070377

VILLAGE OF LOMBARD  
REQUEST FOR BOARD OF TRUSTEES ACTION

For Inclusion on Board Agenda

Resolution or Ordinance (Blue) \_\_\_\_\_  
*Waiver of First Requested*  
Recommendations of Board, Commissions & Committees (Green) \_\_\_\_\_  
Other Business (Pink) \_\_\_\_\_

TO: PRESIDENT AND BOARD OF TRUSTEES

FROM: William T. Lichter, Village Manager

DATE: May 30, 2007 (BOT) Date: June 7, 2007

TITLE: Motion to Authorize the Village President to Execute an Engagement Letter for Auditing Services-FY2007, FY2008 & FY2009

SUBMITTED BY: Timothy Sexton, Assistant Director of Finance

BACKGROUND/POLICY IMPLICATIONS:

On May 6, 2004, the Board authorized the execution of an Engagement Letter with Lauterbach & Amen, LLP for auditing services for FYE 2004 through FYE 2006 with an option to renew for three additional years. Lauterbach & Amen LLP is an auditing firm specializing in the governmental sector; they have greatly assisted Finance Department staff with implementation of GASB pronouncements, financial policies, internal control changes, and operating improvements. Lauterbach & Amen has had a good working relationship with Village management and staff and has provided assistance and advice throughout the year, without ever charging additional fees. Staff recommends that the Village Board authorizes execution of an Engagement Letter with Lauterbach & Amen, LLP for auditing services for FYE 2007, FYE 2008 & FYE 2009.

FISCAL IMPACT/FUNDING SOURCE:

Review (as necessary):

Finance Director X \_\_\_\_\_

Village Manager X \_\_\_\_\_

*William T. Lichter*

Date: \_\_\_\_\_

5/30/07  
5/30/07

NOTE: All materials must be submitted to and approved by the Village Manager's office by 12:00

noon, Wednesday, prior to the Agenda Distribution.

Management is responsible for making all financial records and related information available to us. We understand that you will provide us with such information required for our audit and that you are responsible for the accuracy and completeness of that information. We will advise you about appropriate accounting principles and their application and will assist you in the preparation of your financial statements, but the responsibility for the financial statements remains with you. You are responsible for making all management decisions, performing all management functions, and designating a management-level employee with sufficient skills, knowledge, or experience to oversee our financial statement preparation services and to evaluate the adequacy and results of those services. As part of our engagement, we may propose standard, adjusting, or correcting journal entries to your financial statements. You are responsible for reviewing the entries and understanding the nature of any proposed entries and the impact they have on the financial

### Management Responsibilities

The objective of our audit is the expression of an opinion as to whether your 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 additional information referred to in the second paragraph when considered in relation to the financial statements taken as a whole. Our audit will be conducted in accordance with U.S. generally accepted auditing standards and will include tests of the accounting records and other procedures we consider necessary to enable us to express such an opinion. If our opinion on the financial statements is other than unqualified, we will fully 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 an opinion, we may decline to express an opinion or issue a report as a result of this engagement.

### Audit Objective

Also, the document we submit to you will include the following additional information listed as supplemental and schedules that will be subjected to the auditing procedures applied in our audit of the basic financial statements: combining, individual fund and governmental capital asset schedules; and other information listed as supplemental and schedules. The document will also include the following additional information that will not be subject to the auditing procedures applied in our audit of the basic financial statements, and for which our accountant's report will disclaim an opinion: introductory and statistical information; management's discussion and analysis; the budgetary comparison schedules; pension plan funding progress and employer contribution schedules.

We are pleased to confirm our understanding of the services we are to provide for the Village of Lombard, Illinois for the year ended May 31, 2007, 2008 and 2009. We will audit the financial statements of the governmental activities, the business-type 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 May 31, 2007, 2008 and 2009. We understand that the financial statements will be presented in accordance with the financial reporting model as described in GASB Statement NO. 34.

The Honorable President  
Members of the Board of Trustees  
Village of Lombard, Illinois

May 31, 2007

CERTIFIED PUBLIC ACCOUNTANTS

Lauterbach & Amen, LLP

(847) 562-9252

P.O. BOX 4236 • WHEATON, ILLINOIS 60189-4236

**Management Responsibilities (Continued)**

statements. That responsibility includes the establishment and maintenance of adequate records and effective internal control over financial reporting, the selection and application of accounting principles, and the safeguarding of assets.

Management is responsible for adjusting the financial statements to correct material misstatements and for confirming to us in the 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 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 or illegal acts affecting the Village involving (a) management, (b) employees who have significant roles in internal control, and (c) others where the fraud could have a material effect on the financial statements. You are also responsible for informing us of your knowledge of any allegations of fraud or suspected fraud or illegal acts affecting the Village received in communications from employees, former employees, regulators, or others. In addition, you are responsible for identifying and ensuring that the Village complies with applicable laws and regulations, and for taking timely and appropriate steps to remedy any fraud, illegal acts, or violations of contracts or grant agreements that we may report.

**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. Also, 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 errors, fraudulent financial reporting, misappropriation of assets or violations of laws or government regulations that are attributable to the Village or to acts by management or employees acting on behalf of the Village. Because an audit is designed to provide reasonable, but not absolute, assurance 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. In addition, an audit is not designed to detect immaterial misstatements, or violations of laws or government regulations that do not have a direct and material effect on the financial statements. However, we will inform you of any material errors that come to our attention, and we will inform you of any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform you 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 matters that might arise during 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, 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 also require certain written representations from you about the financial statements and related matters.

Identifying and ensuring that the Village complies with laws, regulations, contracts and agreements is the responsibility of management. As part of obtaining reasonable assurance about whether the financial statements

**Audit Procedures – General (Continued)**

are free of material misstatement, we will perform test of the Village's compliance with applicable laws and regulations and the provisions of 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.

**Audit Procedures – Internal Control**

In planning and performing our audits, we will consider the internal control sufficient to plan the audit in order to determine the nature, timing and extent of our auditing procedures for the purpose of expressing our opinion on the Village's financial statements.

An audit is not designed to provide assurance on internal control or to identify reportable conditions. However, we will inform the governing body of any matters involving internal control and its operations that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

**Audit Fees**

Our fees for the May 31, 2007, 2008 and 2009 audit will be as stated in our proposal.

We appreciate the opportunity to be of service to the Village of Lombard and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Cordially,

LAUTERBACH & AMEN, LLP



Ronald J. Amen, Partner

RESPONSE:

This letter correctly sets forth the understanding of the Village of Lombard, Illinois.

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_