

**Village of North Aurora
Memorandum**



To: President and Village Board of Trustees
From: Jason Paprocki, Finance Director
CC: Steven Bosco, Village Administrator
Date: March 6, 2023
RE: Award of Audit Services Agreement

In 2018, the Village entered into a five-year agreement for audit services with Lauterbach & Amen, LLP for fiscal years 2018-2022. The Village has concluded this agreement and solicited proposals for a new audit services agreement. The request for proposals (RFP) was sent to 12 firms, with three (3) firms submitting a response. Responses were received from Lauterbach & Amen, Sikich, and GW & Associates.

Staff reviewed the responses and evaluated on the principal selection criteria stated in the RFP document. This primarily included:

- Fees
- Firm experience/expertise with municipal audits
- Experience of audit staff
- Audit plan/approach
- Experience with the Government Finance Officers Association’s (GFOA) Certificate of Achievement for Excellence in Financial Reporting program

In the RFP, the Village is seeking pricing for a three-year agreement, with two additional option years. Although the RFP seeks pricing for five years total, the agreement serves as one-year engagements that automatically renew for five years unless the Village notifies the auditor otherwise. Below is a summary of the expected costs of the responses received.

Firm	Expected 3-Year Cost*	Expected 5-Year Cost*
GW & Associates	\$ 82,400	\$ 136,150
Lauterbach & Amen	85,160	139,600
Sikich	92,158	157,563

*Expected fee includes base audit, 2 TIF compliance audits, Police Pension DOI report completion, and assumed Single Audit reports for FY24 and FY25 related to the ARPA grant.

After considering all criteria, staff is recommending that the Village enter an audit services agreement with Lauterbach & Amen. All three responding firms are highly qualified, however, staff feels that Lauterbach & Amen offers the best mix of experience and total cost to the Village. Although Lauterbach & Amen came back as the second of three in terms of total expected fees, its firm and staff experience with municipal audits rated higher than the lowest bidder. Lauterbach & Amen works with over 65 municipalities that hold the GFOA Certificate of Achievement in Financial Reporting. Staff has maintained a satisfactory working relationship with Lauterbach & Amen and expects that to continue with the proposed agreement.

Expected fees for the FY2022-23 audit are \$25,260, which includes the base audit, two TIF compliance audits, and the Police Pension DOI report completion. Total fees for the FY2021-2022 audit were \$26,590. The Village will be seeing a reduction in audit fees of \$1,330 compared to last year under the new agreement.



February 23, 2023

The Honorable Village President
Members of the Board of Trustees
Village of North Aurora, Illinois

We are pleased to confirm our understanding of the services we are to provide the Village of North Aurora, Illinois for the years ended May 31, 2023, May 31, 2024, May 31, 2025, May 31, 2026, and May 31, 2027.

Audit Scope and Objectives

We will audit the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, including the related notes to the financial statements, which collectively comprise the basic financial statements of the Village as of and for the years ended May 31, 2023, May 31, 2024, May 31, 2025, May 31, 2026, and May 31, 2027. Accounting standards generally accepted in the United States of America (GAAP) provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement Village'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's RSI in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 GAAP and will be subjected to certain limited procedures, but will not be audited: management's discussion and analysis, the budgetary comparison schedules, and GASB-required pension and other postemployment benefit (OPEB) reporting.

We have also been engaged to report on supplementary information other than RSI that accompanies the Village's 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 GAAS, and we will provide an opinion on it in relation to the financial statements as a whole, in a report combined with our auditor's report on the financial statements: combining and individual fund statements and budgetary comparison schedules, and other information listed as supplemental schedules.

In connection with our audit of the basic financial statements, we will read the following other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report: introductory and statistical information.

Audit Scope and Objectives – Continued

The objectives of our audit are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; issue an auditor's report that includes our opinion about whether your financial statements are fairly presented, in all material respects, in conformity with GAAP; and 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. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment of a reasonable user made based on the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

We will conduct our audit in accordance with GAAS and will include tests of your accounting records and other procedures we consider necessary to enable us to express such opinions. As part of an audit in accordance with GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit.

We will evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management. We will also evaluate the overall presentation of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. We will plan and perform the audit to obtain reasonable 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 an unavoidable risk that some material misstatements may not be detected by us, even though the audit is properly planned and performed in accordance with GAAS. 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, fraudulent financial reporting, or misappropriation of assets that comes 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.

We will also conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

Auditor's Responsibilities for the Audit of the Financial Statements – Continued

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, if applicable, and direct confirmation of receivables and certain assets and liabilities by correspondence with selected customers, creditors, and financial institutions. We will also request written representations from your attorneys as part of the engagement.

Our audit of the financial statements does not relieve you of your responsibilities.

Audit Procedures – Internal Control

We will obtain an understanding of the Village and its environment, including internal control relevant to the audit, sufficient to identify and assess the risks of material misstatement of the financial statements, whether due to error or fraud, and to design and perform audit procedures responsive to those risks and obtain evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. Accordingly, we will express no such opinion. 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.

We have identified the following significant risks of material misstatement as part of our audit planning: management override of controls, improper revenue recognition, and general or local economic challenges. Planning for this engagement has not concluded and is subject to change.

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 Village's compliance with the 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 required audit adjustments, if any, for the Village in conformity with accounting principles generally accepted in the United States of America based on information provided by you.

We will perform these services in accordance with applicable professional standards. The other services are limited to the financial statement services previously defined. We, in our sole professional judgement, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

Other Services – Continued

You agree to assume all management responsibilities for the financial statement preparation services and any other nonattest services we provide; oversee the services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them.

Responsibilities of Management for the Financial Statements

Our audit will be conducted on the basis that you acknowledge and understand your responsibility for designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, 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 accounting principles generally accepted in the United States of America with the oversight of those charged with governance.

Management is responsible for making drafts of financial statements, all financial records and related information available to us and for the accuracy and completeness of that information (including information from outside of the general and subsidiary ledgers). 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, such as records, documentation, identification of all related parties and all related-party relationships and transactions, and other matters; (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. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

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 of each opinion unit 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 Village 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 government complies with applicable laws and regulations.

Responsibilities of Management for the Financial Statements – Continued

You are responsible for the preparation of the supplementary information in conformity with accounting principles generally accepted in the United States of America (GAAP). 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 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 representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) 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.

Engagement Administration, Fees, and Other

Our fees for the May 31, 2023, May 31, 2024, May 31, 2025, May 31, 2026, and May 31, 2027 audits will be as stated in our proposal.

The Village agrees that during the term of this agreement and for a period of twelve months thereafter, the Village shall not solicit, or arrange an employment contract with personnel of Lauterbach & Amen, LLP. Violation of this provision shall, in addition to other relief, require the Village to compensate Lauterbach & Amen, LLP with one hundred percent of the solicited person's annual compensation.

Reporting

We will issue a written report upon completion of our audit of the Village's financial statements. Our report will be addressed to the Board of Trustees of the Village. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinions or add an emphasis-of-matter or other-matter paragraph to our auditor's report, or if necessary, withdraw from this engagement. If our opinions 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 withdraw from this engagement.

Village of North Aurora, Illinois
February 23, 2023
Page 6

We appreciate the opportunity to be of service to the Village of North Aurora, Illinois 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 below and return it to us.

Cordially,

Lauterbach & Amen, LLP

LAUTERBACH & AMEN, LLP

RESPONSE:

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

By: _____

Title: _____

Resolution No. _____
Resolution Approving Proposal for Audit Services

WHEREAS, the Village of North Aurora has completed its most recent audit engagement for the May 31, 2022 audit; and

WHEREAS, the Village recently issued a request-for-proposals (RFP) for professional auditing services for the three-year period with an option to renew for two additional years, beginning with the audit of the Village’s financial statements for the year ending May 31, 2023; and

WHEREAS, after evaluating the proposals, the Village has determined that Lauterbach & Amen, LLP presented the best overall value to the Village based on factors including, without limitation, price, qualifications, experience, and the understanding of the Village’s needs; and

WHEREAS, the President and Board of Trustees have determined that is in the best interests of the Village to enter into the Agreement with Lauterbach & Amen, LLP.

NOW, THEREFORE, BE IT RESOLVED by the President and the Board of Trustees as follows:

1. The recitals set forth above are incorporated herein as the material findings of the President and the Board of Trustees.
2. The Village hereby determines that it is in the best interest of the Village to accept the auditing services proposal from Lauterbach & Amen, LLP dated February 3, 2023.
3. The proposal from Lauterbach & Amen referenced above is attached to this Resolution as Exhibit “A”, including the Engagement Letter for services provided for the fiscal year ending May 31, 2023.
4. This Resolution shall take immediate full force and effect from and after its passage and approval.

Presented to the Board of Trustees of the Village of North Aurora, Kane County, Illinois this _____ day of _____, 2023, A.D.

Passed by the Board of Trustees of the Village of North Aurora, Kane County, Illinois this _____ day of _____, 2023, A.D.

Mark Carroll _____

Laura Curtis _____

Mark Guethle _____

Michael Lowery _____

Todd Niedzwiedz _____

Carolyn Bird Salazar _____

Approved and signed by me as President of the Board of Trustees of the Village of North Aurora, Kane County, Illinois this _____ day of _____, 2023 A.D.

Village President

ATTEST:

Village Clerk