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**THE CITY OF BLUE ISLAND  
COOK COUNTY, ILLINOIS**

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**RESOLUTION  
NUMBER 2016-013**

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**A RESOLUTION AUTHORIZING EXECUTION OF AGREEMENT  
BETWEEN JOHN KASPEREK CO. INC. AND  
CITY OF BLUE ISLAND.**

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**DOMINGO F. VARGAS, Mayor  
Randy Heuser, City Clerk**

**1st Ward TOM HAWLEY  
2nd Ward LETICIA VIEYRA  
3rd Ward NANCY RITA  
4th Ward CANDACE CARR  
5th Ward JANICE OSTLING  
6th Ward DEXTER JOHNSON  
7th Ward NANCY THOMPSON**

**GEORGE POULOS  
FRED BILOTTO  
KEVIN DONAHUE  
ALECIA SLATTERY  
KENNETH PITTMAN  
JAIRO FRAUSTO  
JAMES JOHANSON**

**Aldermen**

**RESOLUTION NO. 2016-013**

**A RESOLUTION AUTHORIZING EXECUTION OF AGREEMENT BETWEEN JOHN KASPEREK CO. INC. AND CITY OF BLUE ISLAND**

Whereas, the City of Blue Island has the authority to contract and be contracted with pursuant to 65 ILCS 5/2-2-12;

Whereas, the city as a governmental entity is required to conduct certain audits of its financial statements and records;

Whereas, John Kasperek Co., Inc. employs certified public accounts who conduct financial audits of governmental entities and related tasks to accomplish the same; and

Whereas, the appropriate city officials have considered and reviewed the agreement attached as Exhibit A and find the same to be in the best interests of the City;

NOW AND THEREFORE, BE IT RESOLVED by the City Council of the City of Blue Island, Cook County, Illinois, as follows:

**SECTION 1: SCOPE OF AUTHORITY**

The authority under this Resolution shall extend to the execution of all necessary documents required for the provision of accounting and audit services by certified public accountants employed by John Kasperek Co., Inc.

**SECTION 2: AUTHORIZATION OF AGENT TO EXECUTE AND ACT IN ACCORDANCE WITH AGREEMENT**

The City Council further authorizes the Mayor or his designee to execute any and all documentation that may be necessary to carry out the intent of this Resolution. The officers, employees, and/or agents of the City shall take all action necessary or reasonably required by the City to carry out, give effect to, and consummate the intent of this Resolution.

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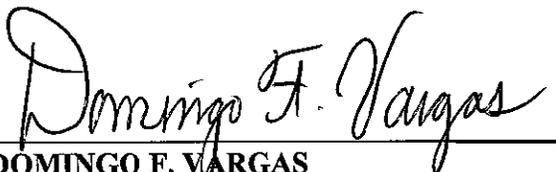
**SECTION 3: EFFECTIVE DATE**

This resolution shall be in full force and effect upon its passage and approval as required by law.

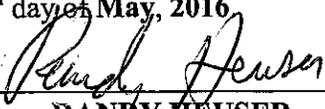
ADOPTED this 24th day of May, 2016, pursuant to a roll call vote as follows:

	YES	NO	ABSENT	PRESENT	ABSTAIN
Alderman Hawley			X		
Alderman Poulos	X				
Alderman Vieyra	X				
Alderman Bilotto	X				
Alderman Rita	X				
Alderman Donahue			X		
Alderman Carr	X				
Alderman Slattery			X		
Alderman Ostling	X				
Alderman Pittman	X				
Alderman Johnson			X		
Alderman Frausto	X				
Alderman Thompson			X		
Alderman Johanson			X		
Mayor Vargas					
TOTAL	8		6		

APPROVED by the Mayor on May 24, 2016.

  
 DOMINGO F. VARGAS  
 MAYOR OF THE CITY OF BLUE ISLAND,  
 COUNTY OF COOK AND STATE OF ILLINOIS

ATTESTED and Filed in my office this  
 24<sup>th</sup> day of May, 2016

  
 RANBY HEUSER  
 CITY CLERK



An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by the City's management, as well as evaluating the overall presentation of the financial statements.

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. Our audit procedures may include tests of documentary evidence supporting the transactions recorded in the accounts, test of the physical existence of inventories, and direct confirmation of certain assets and liabilities by correspondence with selected customers, creditors, and financial institutions. We may also request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry.

An audit includes obtaining an understanding of the entity and its environment, including its internal control sufficient to assess the risks of material misstatement of the financial statements whether due to error or fraud 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, we are responsible for communicating to you and those charged with governance internal control related matters that are required to be communicated under Statements on Auditing Standards.

John Kasperek, Jr. is responsible for supervising the engagement and authorizing the signing of our report. We expect the audit engagement will require three weeks of on-site procedures. Our scheduling is contingent on the completion of the year-end closing and adjusting process prior to our arrival to begin the fieldwork. We may experience delays in completing our audit procedures as a result of your staff's availability or delays in your financial closing process.

In addition, we will provide the City with the following nonattest services:

1. Prepare the financial statements based on information in the trial balance and other relevant information this is provided by, and is the responsibility of management.
2. Preparation of the data collection form, if applicable.
3. Preparation of the single audit reports (A-133 and/or Uniform Guidance), if applicable.

Our professional standards require that we remain independent with respect to our audit clients, including those situations when we also provide nonattest services, such as those identified above. As a result, you accept the responsibilities set forth below related to our performance of nonattest service as a part of this engagement:

- Assume all management responsibilities.
- Oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, and/or experience.
- Evaluate the adequacy and results of the services performed.
- Accept responsibility for the results of the services.

It is our understanding that Matt Anastasia, Director of Finance and Administration, who understands the services to be performed sufficiently to satisfy management's responsibilities for oversight related to the nonattest service, has been designated by the City to oversee the nonattest services. If any issues or concerns in this area arise during the course of our engagement, we will discuss them with you prior to continuing with the engagement.

## **Limitations of the Audit**

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS and GAGAS.

In making our risk assessments, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit under GAAS and GAGAS.

Our audit cannot be relied upon to disclose all errors, fraud, or noncompliance with laws and regulations that may exist. However, we will inform the City of any material errors, fraud, or noncompliance with laws and regulations that come to our attention, unless they are clearly inconsequential.

## **Management's Responsibilities**

Our audit will be conducted on the basis that the City's management and the Board of Trustee's acknowledge and understand that they have the following responsibilities:

- a.* The preparation and fair presentation of the financial statements in accordance with auditing standards generally accepted in the United States of America. This responsibility includes the establishment and maintenance of adequate records and effective internal controls over financial reporting, the selection and application of accounting principles, and the safeguarding of assets. We may advise you about appropriate accounting principles and their application, but you are responsible for the financial statements.
- b.* The design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; and
- c.* To provide us with:
  - i.* Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters. You will provide us with information that significantly affects any material transactions, and that information will be accurate to the best of your knowledge and belief;
  - ii.* Additional information that we may request from management for the purpose of the audit; and
  - iii.* Unrestricted access to persons within the City from whom we determine it necessary to obtain audit evidence.

As part of our audit process, we will request from management and the Board of Trustee's written confirmation concerning representations made to us in connection with the audit. Management's and the Board of Trustee's failure to provide representations to our satisfaction will preclude us from issuing our audit report. This management representation letter will confirm to us that the effects of any uncorrected misstatements aggregated by us during the audit engagement are immaterial, both individually and in the aggregate, to the financial statements as a whole.

### **Fees**

We estimate that our fees for the audit will be \$46,000. You will also be billed for out-of-pocket costs such as confirmations, postage, travel, etc.

This fee estimate is based on anticipated cooperation from, and availability of, your personnel, the expectation that the City's records will be in good condition, and the assumption that unexpected circumstances will not be encountered during the audit. If we believe that significant additional time is likely to be necessary in order to complete our audit procedures, we will attempt to discuss it with you and arrive at a new fee estimate before we incur significant additional fees or costs. Our invoices for these fees will be rendered monthly as work progresses and are payable on presentation. Work may be terminated or suspended if your account becomes 60 days or more overdue.

### **Additional Services**

If you request us to perform additional services not contemplated or described in this engagement letter, we will provide you with a separate agreement describing those additional services and related fees. However, unless otherwise stated in that separate agreement, the terms of the engagement letter shall also apply to the additional services and fees described in that separate agreement.

If it comes to our attention that the City meets the requirements of OMB Circular A-133 (Single Audit) and/or the audit requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and audit requirements for Federal Awards (Uniform Guidance), then we will perform the necessary work and complete the necessary audit reports to make sure the City is in compliance with the Single Audit requirements. Our fee for this additional service is \$6,000 which includes out-of-pocket expenses. This fee is based on the assumption that you will provide assistance, and anticipated cooperation from your personnel.

For the preparation of the Financial and Compliance Reports of the City's Tax Incremental Financing ("TIF") Districts for the period ended December 31, 2014, our fee for this service is \$1,000 for each TIF District Financial and Compliance Report.

For the preparation and submission of the City's Annual Financial Report on-line at the Illinois Comptroller's website, our fee for this service is \$2,000.

### **Distribution of the Auditor's Report**

Our report on the financial statements must be associated only with the financial statements that were the subject of our audit engagement. You may make copies of our report but only if the entire financial statements are reproduced and distributed with our report. You may not use our report with any other financial statements that are not the subject of this audit engagement.

## **Changes in Accounting or Professional Standards**

If future professional or accounting standards require modification of our audit procedures or related scope of work, we will advise you of such changes and the impact on our fee estimate. If we are unable to agree on the additional fees that may be required to implement such new standards that are required to be adopted and applied as part of our engagement, we may terminate this agreement as provided herein, regardless of the stage of completion.

## **Release of Documents**

As a result of our audit engagement, we may be required or requested to provide information or documents to you or a third party in connection with governmental regulations or a legal proceeding. If it is ultimately determined that we must comply with such requirements or requests, our efforts in complying with such requests or demands will be deemed a part of this audit engagement, and we shall be entitled to additional compensation for our time and reimbursement for our out-of-pocket expenditures (including legal fees) in complying with such request or demand.

## **Document Retention Policy**

At the conclusion of our audit engagement, we will return all original documents you supplied to us. The City's records are the source documents for your operations and financial statements and comprise the support for the results of this audit engagement. Our audit engagement files, including our working papers and documents obtained directly from third parties, are our property and are not a substitute for your own records. It is your responsibility to retain and protect your records for possible future use, including potential examination by any government or regulatory agencies. John Kasperek Co., Inc. policy calls for us to retain all pertinent information for five years (or longer, if required by law or regulation).

## **Electronic Communications**

In the performance of services described in this engagement letter, we may communicate to you and third parties by facsimile or send electronic mail ("e-mail") over the Internet. Such communications may include information that is confidential to the City. Although we will use our best efforts to keep such communications secure in accordance with our obligations under applicable laws and professional standards, you understand and accept that we have no control over the unauthorized interception of these communications once they have been sent. Unless you issue specific instructions to do otherwise, you are consenting to our use of electronic communications during this engagement as we deem appropriate.

## **Reporting**

We will issue a written report upon the completion of our audit of the City's financial statements. Our report will be addressed to the Board of Trustees of the City. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the audit engagement. If our opinion is modified, then we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit of your financial statements, we will not issue a report on such statements as a result of this engagement.

Accounting principles generally accepted in the United States of America require that the:

- Management's Discussion and Analysis
- Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual for the General Fund
- Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual for any Major Special Revenue Fund
- Schedule of Employer Contributions with the Illinois Municipal Retirement Fund, Firefighters' Pension Fund, Police Pension Fund
- Schedule of Changes in net Pension Liability and Related Ratios
- Schedule of Funding Progress- Other Postemployment Benefit Plan
- Notes to Required Supplementary Information

be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting and for placing the basic financial statements in an appropriate operational, economic, or historical context. We will apply certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consists of inquiries of management about 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 will obtain 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 will not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit will be conducted for the purpose of forming an opinion on the financial statements as a whole. The

- Combining and Individual Fund Financial Statements and Schedules
- Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual for Nonmajor Special Revenue Funds.
- Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual for Non-major Capital Project Fund
- Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual for Enterprise Funds

will be presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and will be derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information will be subjected to the auditing procedures applied in the 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. We will express an opinion about whether the supplementary information is fairly stated in all material respects to the financial statements as a whole.

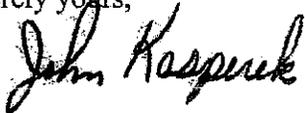
The following other information accompanying the financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements, and our auditor's report will not provide an opinion or any assurance on that other information.

- Statistical Information
- Continuing Bond Disclosures

Regardless of the level of any assistance we provide in connection with the preparation of the financial statements, whether in the normal course of the engagement or as part of a nonattest service, any preliminary draft financial statements (including supplementary information) available prior to the release date of the auditor's report should not be relied upon without our written consent.

If the above terms are acceptable to the City's and the services outlined are in accordance with your understanding, then please sign the enclosed copy of this letter in the space provided and return it to us.

Sincerely yours,



John Kasperek, Jr.

ACCEPTED AND AGREED:

This engagement letter sets forth the entire understanding of City of Blue Island, Illinois with respect to the services to be provided by John Kasperek Co, Inc.:

Signature: Domingo F. Vargas

Print Name: DOMINGO F. VARGAS

Title: MAJOR

Date: 6-3-16