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

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**RESOLUTION  
NUMBER 2018-008**

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**A RESOLUTION AUTHORIZING EXECUTION OF AGREEMENT  
WITH JOHN KASPEREK., INC. FOR AUDIT SERVICES FOR THE  
CITY OF BLUE ISLAND, COOK COUNTY, ILLINOIS**

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

**DEXTER JOHNSON  
LETICIA VIEYRA  
NANCY RITA  
TOM HAWLEY  
BILL FAHRENWALD  
CANDACE CARR  
KENNETH PITTMAN**

**GEORGE POULOS  
FRED BILOTTO  
KEVIN DONAHUE  
ALECIA SLATTERY  
JANICE OSTLING  
JAIRO FRAUSTO  
NANCY THOMPSON**

**Aldermen**

**RESOLUTION NO. 2018-008**

**A RESOLUTION AUTHORIZING EXECUTION OF AGREEMENT WITH JOHN KASPEREK CO., INC. FOR AUDIT SERVICES FOR THE 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 plans to enter into an agreement with John Kasperek Co., Inc. for audit services for a period of two years for the City of Blue Island;

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: AGREEMENT FORM AND TERMS AUTHORIZED**

The terms and conditions as shown in the Agreement attached as Exhibit A to this Resolution are hereby approved.

**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.

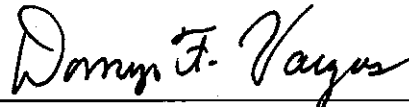
**SECTION 3: EFFECTIVE DATE**

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

ADOPTED this 13th day of February, 2018, pursuant to a roll call vote as follows:

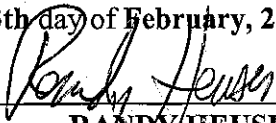
	YES	NO	ABSENT	PRESENT	ABSTAIN
Alderman Hawley			X		
Alderman Poulos	X				
Alderman Vieyra	X				
Alderman Bilotto	X				
Alderman Rita	X				
Alderman Donahue			X		
Alderman Carr	X				
Alderman Slattery			X		
Alderman Ostling	X				
Alderman Pittman	X				
Alderman Johnson			X		
Alderman Frausto	X				
Alderman Thompson	X				
Alderman Fahrenwald	X				
Mayor Vargas					
TOTAL	10		4		

APPROVED by the Mayor on February 13, 2018.



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

ATTESTED and Filed in my office this  
13th day of February, 2018.



RANDY HEUSER  
CITY CLERK

# **K** John Kasperek Co.

CERTIFIED PUBLIC ACCOUNTANTS

1471 Ring Road · Calumet City, IL 60409 · 708.862.2262

February 1, 2018

Mayor Domingo Vargas  
City of Blue Island  
13051 Greenwood Avenue  
Blue Island, IL 60406

Dear Mayor Vargas:

This engagement letter confirms our acceptance and understanding of the terms and objectives of our engagement and the nature and limitations of the services that John Kasperek Co., Inc. will provide to the City of Blue Island, Illinois (“you,” “your,” and the “City”).

## **Scope and Objective of the Audit**

You have requested that we audit the financial statements of the City, which comprise the statements of net position for the years ended December 31, 2017 and December 31, 2018, and the related statements of activities for the years then ended, and the related notes to the financial statements and certain required supplementary information accompanying the basic financial statements.

The objective of our audit is the expression of an opinion about whether the City’s financial statements are fairly presented, in all material respects, in accordance with accounting principles generally accepted in the United States of America.

## **Responsibilities of the Auditor**

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards for financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States (GAGAS). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. 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.

If, during our audit, we become aware that the City is subject to an audit requirement that is not covered in the terms of this engagement letter, then we will communicate to management and those charged with governance that an audit in accordance with GAAS and the standards for financial audits contained in GAGAS may not satisfy the relevant legal, regulatory, or contractual requirement.

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 Uniform Guidance reports, 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 the 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 as required 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 City audit will be \$48,800 for 2017 and \$50,275 for 2018. There will be an additional fee of \$8,250 for 2017 and \$8,500 for 2018 for audit work related to the City of Blue Island Police Pension Fund and an additional fee of \$8,250 for 2017 and \$8,500 for 2018 for audit work related to the City of Blue Island Fire Pension Fund. 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 it comes to our attention that the City meets the 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 years ended December 31, 2017 and December 31, 2018, our fee for this service is \$1,000 for each TIF District Financial and Compliance Report, per year.

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 per year.

If you request us to perform any other 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 engagement.

### **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.

## **Collection of Fees and Expenses**

Any unpaid balance that is past due under this agreement shall bear interest at 1.5% per month. If we terminate our services for nonpayment, or as otherwise provided in this agreement, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our audit. You will be obligated to compensate us for fees earned for services rendered and to reimburse us for all out-of-pocket expenses made through the date of termination. You understand and accept that in an event we stop work or terminate this agreement as a result of your failure to pay on a timely basis as described in this agreement, we shall not be liable to you for any damages that occur as a result of our termination of services.

## **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.



## **Dispute Resolution**

This agreement shall be governed by the laws of the State of Illinois. If a dispute arises out of the December 31, 2016 audit engagement described herein and if the dispute cannot be settled through negotiations, the parties agree first to try in good faith to settle the dispute by mediation using an agreed upon mediator. If the parties are unable to agree on a mediator, the parties shall petition the state court that would have jurisdiction over this matter and request the appointment of a mediator, and such appointment shall be binding on the parties. Each party shall be responsible for its own mediation expenses and shall share equally in the mediator's fees and expenses.

## **Termination**

This agreement may be terminated by either party upon 30 days' written notice. In the event of termination: (a) you shall pay us for services rendered and expenses incurred through the effective date of termination, (b) neither party shall be liable to the other for any damages that occur as a result of our ceasing to render services, and (c) we will require any new accounting firm that you may retain to execute access letters satisfactory to us prior to reviewing our files.

Depending on the nature of the engagement, we may use third-party service providers in connection with the services described in this engagement letter, and that involvement may include sharing confidential information about the City. We will obtain confidentiality agreements with all third-party service providers to maintain the confidentiality of your information, and we will perform reasonable procedures to determine if they have implemented appropriate procedures to prevent the unauthorized release of your confidential information to others. In the event that we are unable to obtain an appropriate confidentiality agreement with the third-party service provider, 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.

## **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 Trustee's 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 Employer Contributions with the Illinois Municipal Retirement Fund, Firefighters' Pension Fund, Police Pension Fund
- Schedule of Changes in Net Pension Liability and Related Ratios with the Illinois Municipal Retirement Fund, Firefighters' Pension Fund, Police Pension Fund
- Schedule of Funding Progress- Other Postemployment Benefit Plan
- Schedule of Investment Returns

- 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 the General Fund
- Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual for any Major Special Revenue Fund
- 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 Debt Service 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.

- Schedule of Valuations, Rates and Extensions for Tax Levies

- Schedule of General Obligation Debt to Maturity
- Legal Debt Margin

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.  
President

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: Mayor

Date: 2-13-18