

**VILLAGE OF DOWNERS GROVE**  
**Report for the Village Council Meeting**  
**9/1/2015**

<b>SUBJECT:</b>	<b>SUBMITTED BY:</b>
One Year Extension of Agreement with Baker Tilly Virchow Krause, LLP for independent audit	Judy Buttny Finance Director

**SYNOPSIS**

A resolution has been prepared to authorize the approval of a one-year extension of the agreement with Baker Tilly Virchow Krause, LLP for the independent audit for the fiscal year ending December 31, 2015.

**STRATEGIC PLAN ALIGNMENT**

Strategic Plan Goals for 2011-2018 identified *Steward of Financial and Environmental Sustainability*.

**FISCAL IMPACT**

The audit will be conducted in FY16. The not-to-exceed costs for the 2015 financial audit are \$38,045 which will be included in the 2016 Budget.

**RECOMMENDATION**

Staff recommends approval on the September 1, 2015 consent agenda.

**BACKGROUND**

In November of 2010 the Village entered into a five-year contract with Baker Tilly Virchow Krause, LLP after completion of competitive proposal process. This contract ends with the 2014 fiscal year audit. Staff recommends a one-year extension to this contract. The extension will allow the Village to make a smooth transition to new accounting standards issued by the Governmental Accounting Standards Board (GASB), the organization that oversees and establishes the Village's required accounting standards.

GASB released two new statements (Statement 67, *Financial Reporting for Pension Plans* and Statement 68, *Accounting and Financial Reporting for Pensions*) effective for fiscal years ending December 31, 2014 and 2015. GASB 67 was implemented in 2014, and GASB 68 is to be implemented in 2015. GASB 67 lays the groundwork for GASB 68. With GASB 67, there are changes to the footnotes and GASB 68 will make changes to the Village's financial statements.

Implementation of the new accounting standards has been complex, and since the Village is only halfway through implementing the GASB statements, staff is recommending an extension to the agreement with Baker Tilly Virchow Krause. The fee increase is 2%, which is compliant with the Village's Purchasing Policy.

**ATTACHMENTS**

Resolution  
Agreement

## RESOLUTION NO. \_\_\_\_\_

**A RESOLUTION AUTHORIZING EXECUTION OF AN EXTENSION TO THE  
AGREEMENT BETWEEN THE VILLAGE OF DOWNERS GROVE AND  
BAKER TILLY VIRCHOW KRAUSE, LLP**

BE IT RESOLVED by the Village Council of the Village of Downers Grove, DuPage County, Illinois, as follows:

1. That the form and substance of a certain Extension (the "Agreement"), between the Village of Downers Grove (the "Village") and Baker Tilly Virchow Krause, LLP (the "Consultant"), for independent auditing services, as set forth in the form of the Agreement submitted to this meeting with the recommendation of the Village Manager, is hereby approved.

2. That the Village Manager and Village Clerk are hereby respectively authorized and directed for and on behalf of the Village to execute, attest, seal and deliver the Agreement, substantially in the form approved in the foregoing paragraph of this Resolution, together with such changes as the Manager shall deem necessary.

3. That the proper officials, agents and employees of the Village are hereby authorized and directed to take such further action as they may deem necessary or appropriate to perform all obligations and commitments of the Village in accordance with the provisions of the Agreement.

4. That all resolutions or parts of resolutions in conflict with the provisions of this Resolution are hereby repealed.

5. That this Resolution shall be in full force and effect from and after its passage as provided by law.

\_\_\_\_\_  
Mayor

Passed:

Attest:

\_\_\_\_\_  
Village Clerk

**EXTENSION TO THE AGREEMENT BETWEEN  
THE VILLAGE OF DOWNERS GROVE AND  
BAKER TILLY VIRCHOW KRAUSE, LLP**

The Village of Downers Grove, Illinois and Baker Tilly Virchow Krause, LLP ("Consultant") entered into a five-year Agreement for services to perform annual independent audits of the Village's financial statements on or about November 9, 2010. Pursuant to the terms stated therein, the parties desire to extend that contract for a one-year period under the following terms:

1. The Scope of Work shall be amended by adding the work identified in Consultant's proposal letter dated July 10, 2015, which is attached hereto and incorporated herein as Exhibit A.
2. The fees shall increase with a not-to-exceed amount of \$38,045.00 as set forth in Exhibit A.
3. All other terms from the 2010 Agreement remain in full force and effect.
4. The extension shall continue for a one-year period ending November 9, 2016.

**VILLAGE OF DOWNERS GROVE**

**BAKER TILLY VIRCHOW  
KRAUSE, LLP**

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Attest:

Attest:

\_\_\_\_\_  
April Holden, Village Clerk

  
\_\_\_\_\_

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

Date: 7/22/15  
\_\_\_\_\_



Baker Tilly Virchow Krause, LLP  
1301 W 22nd St, Ste 400  
Oak Brook, IL 60523-3389  
tel 630 990 3131  
fax 630 990 0039  
bakertilly.com

July 10, 2015

Ms. Judy Buttny  
Finance Director  
Village of Downers Grove  
801 Burlington Ave  
Downers Grove, Illinois 60515

Dear Ms. Buttny:

Baker Tilly Virchow Krause, LLP (Baker Tilly) looks forward to continuing to assist the Village of Downers Gove (the Village) with your professional audit needs for the fiscal year ending December 31, 2015. We have provided our proposed fees for the audit services as requested.

We recognize the Village has unique business needs and concerns. We are eager to continue to demonstrate how Baker Tilly can help you address those needs and achieve your goals. The key factors that differentiate Baker Tilly are:

- > Exceptional Client Service
- > A team dedicated to your industry
- > Exemplary CAFR record
- > Value-added services such as webinars and newsletters
- > Proactive industry involvement

#### **Our understanding of your needs**

Given the scope of the Village's operations, you should insist on a responsive partner with significant experience, who is willing to support you year-round beyond the audit, who provides quality service, and who understands the operating environment of the public sector industry. Baker Tilly is that firm, and we are delighted to continue to partner with you.

The purpose of the audit will be to express an opinion on the fair presentation of the Village's financial statements in conformity with accounting principles generally accepted in the United States of America, along with a Single Audit in accordance with OMB Circular A-133, if needed.

We will provide an opinion on the Village's compliance with the provisions of subsection (q) of Section 11-74.4-3 of the Illinois Tax Incremental Redevelopment Allocation Act. We will also express an opinion on the fair presentation of the Downtown and Ogden Tax Incremental Financing Districts' financial statements in conformity with accounting principles generally accepted in the United States of America.

We will also issue a management letter upon completion of the audit, which will outline the audit results and our recommendations for improvements in operations and financial reporting. Our proposal is based on our substantial experience with the Village and with other government entities throughout the United States. We are committed to continuing to meet all established timelines.

Ms. Judy Buttny  
Village of Downers Grove

July 10, 2015  
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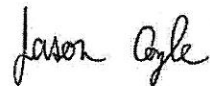
**In summary**

We appreciate the opportunity to submit this proposal and welcome the opportunity to discuss any specific aspects. Jason Coyle can be contacted by e-mail at [jason.coyle@bakertilly.com](mailto:jason.coyle@bakertilly.com) or phone at 630 645 6205. We believe our firm will provide the Village of Downers Grove with the best possible team to serve you. Our firm is large enough to assure you of top quality professional service, yet still offer personalized service responsive to your unique needs.

You are an important client of our firm, and we look forward to continuing a successful and lasting relationship as your Valued Business Advisor.

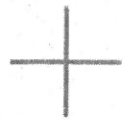
Sincerely,

BAKER TILLY VIRCHOW KRAUSE, LLP



Jason Coyle, CPA, Partner

Enclosures



## Proposed fees

We have prepared a fee estimate for the Village based on the needs and objectives you have shared with us, as well as on our experience conducting the Village's audit and similar auditing engagements with clients in the public sector industry. As noted below, with the exception of the additional audit work required by GASB Statements 67 and 68, we have only increased our fees by 2% from 2014. This increase is less than the yearly increase in our costs, but we have contained the fee increase due to our valued relationship with the Village.

Services	2014 Actual	2015 Proposed
Village CAFR audit	\$28,195	\$28,755
Downtown TIF Financial Statements and Compliance Report	1,625	1,655
Ogden TIF Financial Statements and Compliance Report	1,625	1,655
GASB 67 – additional audit work*	2,000	2,040
GASB 68 – additional audit work*	=	<u>500</u>
<b>Total</b>	<b><u>\$33,445</u></b>	<b><u>\$34,605</u></b>
Single audit, if needed **	N/A	<u>\$3,440</u>

Our proposed fees are based on the assumption that there will be minimal client initiated or audit adjusting entries posted to the general ledger once fieldwork commences. Our fees do not include bookkeeping or accounting assistance for preparation of audit working papers; however, we work with our clients to minimize additional costs. We are sensitive to cost control and have always worked diligently to minimize our fees through adequate planning, detailed client audit or review preparation lists, and other means; all while maintaining high quality standards.

\* The quoted fee includes additional time that is required to audit the Village's pension plans under GASB 67 and 68. The American Institute of Certified Public Accountants is currently finalizing the establishment of an auditing standard that would specify the auditing procedures necessary under these standards. As this guidance is not yet finalized, our fees are an estimated based upon our understanding of the possible additional requirements. If additional if additional audit procedures are required that were not anticipated, we will discuss an appropriate fee adjustment with you at that time.

\*\* The quoted fee for the single audit assumes the testing of one major program or cluster. If additional testing is required, we will work with you to develop an appropriate fee for the increased scope of work to be performed.



## Proposed fees

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### **Manner of payment**

Progress payments will be made on the basis of hours of work completed during the course of the engagement and out-of-pocket expenses incurred in accordance with Baker Tilly's dollar cost bid proposal. Interim billing shall cover a period of not less than a calendar month. Terms will be net/60 days from receipt of invoice. A finance charge of 1.0% per month will be added to invoices over 60 days past due.