

VILLAGE OF WINNEBAGO

RESOLUTION NO. 2024 - _____ R

**A RESOLUTION AUTHORIZING EXPENDITURES AND AUTHORIZING THE
VILLAGE ADMINISTRATOR, TREASURER, OR THEIR DESIGNEES TO EXECUTE
ANY AGREEMENTS NECESSARY FOR THE AUDIT**

ADOPTED BY THE BOARD OF TRUSTEES

VILLAGE OF WINNEBAGO

THIS _____ DAY OF _____, 2024

Published in pamphlet form by authority of the Village Board of Trustees of the
Village of Winnebago, Illinois, this _____ day of _____, 2024

RESOLUTION NO. 2024- _____

A RESOLUTION AUTHORIZING EXPENDITURES AND AUTHORIZING THE VILLAGE ADMINISTRATOR, TREASURER, OR THEIR DESIGNEES TO EXECUTE ANY AGREEMENTS NECESSARY FOR THE AUDIT

WHEREAS, the Village of Winnebago (the "Village") requires an audit of its financial statements for the fiscal year ending December 31, 2023, and subsequent years; and

WHEREAS, the Benning Group, LLC has been proposed to conduct the audit as outlined in their engagement letter dated April 26, 2024 (see attached Exhibit "A"), and the accompanying audit proposal for the years 2023, 2024 and 2025 (see attached Exhibit "B"); and

WHEREAS, the audit fee for the fiscal year 2023 have been proposed at \$26,000, with fees for the fiscal years 2024 and 2025 proposed at \$27,300 and \$28,700, respectively, subject to conditions specified in the engagement documents; and

WHEREAS, additional fees may be incurred for services outside the scope of the audit, and for and for additional time required for the proper completion of the audit.

NOW THEREFORE, BE IT RESOLVED by the President and the Board of Trustees of the Village of Winnebago, in the County of Winnebago, Illinois, as follows:

SECTION I – Authorization of Expenditures

The Village is hereby authorized to expend funds for the audit services as proposed by the Benning Group, LLC, including the audit fees of \$26,000 for the fiscal year 2023, \$27,300 for the fiscal year 2024, and \$28,700 for the fiscal year 2025, and any additional fees as necessary for supplementary audit services.

SECTION II - Execution of Agreements

The Village Administrator, Treasurer, or their designees are hereby authorized to execute any agreements, engagement letters, or necessary documents with Benning Group, LLC for the purpose of conducting the audit for the fiscal years 2023, 2024 and 2025.

SECTION III - Effective Date

This resolution shall be effective immediately from and after its passage and approval as provided by law.

APPROVED BY: _____

Franklin J. Eubank, Jr., President of the Board
of Trustees of the Village of Winnebago, Illinois

ATTEST:

Sally Jo Huggins, Village Clerk

PASSED: _____

APPROVED: _____

**PUBLISHED IN
PAMPHLET FORM:** _____



BENNING GROUP, LLC

CERTIFIED PUBLIC ACCOUNTANTS

www.BenningGroup.com

April 26, 2024

Village of Winnebago
Franklin Eubank, Village President
108 W. Main Street
Winnebago, IL 61088

Dear Frank:

We are pleased to confirm our understanding of the services we are providing to the Village of Winnebago (Village) for the year ended December 31, 2023.

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, and the disclosures, which collectively comprise the basic financial statements of the Village of Winnebago as of and for the year ended December 31, 2023. 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 the 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). This information is the responsibility of management. These limited procedures will primarily 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 appropriate 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:

- 1) Management's Discussion and Analysis.
- 2) Budgetary comparison information (major funds).
- 3) Schedule of Changes in the Net Pension Liability and Related Ratios.

50 W. Douglas Street, Suite 300
Freeport, Illinois 61032
(815) 235-3157
Fax (815) 235-3158

6815 Weaver Road, Suite 300
Rockford, Illinois 61114
(815) 316-2375
Fax (815) 316-2389

1809 10th Street
Monroe, Wisconsin 53566
(608) 325-5035
Fax (608) 328-2843

- 4) Multiyear Schedule of Contributions for the Illinois Municipal Retirement Fund.
- 5) Notes to Schedule of Contributions for the Illinois Municipal Retirement Fund.
- 6) Notes to Required Supplementary Information.

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:

- 1) Combining Statements for Nonmajor Governmental Funds.
- 2) Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (for the non-major funds).
- 3) Illinois Grant Accountability and Transparency Act – Consolidated Year-End Financial Report

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:

- 1) Schedule of Detailed Revenues and Expenditures – Budget and Actual – General Fund
- 2) Schedule of Revenues, Expenses and Changes in Net Position – Budget to Actual – Enterprise Fund – Water Fund
- 3) Schedule of Assessed Valuations, Tax Rates, Extensions and Collections.
- 4) Schedule of Legal Debt Margin.

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 above 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 government or to acts by management or employees acting on behalf of the government.

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 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 come 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 government's ability to continue as a going concern for a reasonable period of time.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected customers, 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.

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

Audit Procedures - Internal Control

We will obtain an understanding of the government and its environment, including internal control, 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
- Lack of segregation of duties

Audit Procedures - Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of Village of Winnebago'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 prepare the financial statements of Village of Winnebago in conformity with accounting principles generally accepted in the United States of America based on information provided by you. We will also assist in preparation of the Illinois Comptroller's Annual Financial Report.

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

You agree to assume all management responsibilities relating to the financial statement preparation services and any other nonattest services we provide; oversee the nonattest services by designating an individual, preferably from senior management, who possesses 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 also responsible for making 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 government 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.

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 include the audited financial statements with any presentation of the supplementary information that includes 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) that you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) that 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.

With regard to electronic dissemination of audited financial statements, including financial statements published electronically on your website, you understand that electronic sites are a

means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

Engagement Administration, Fees, and Other

We understand that your employees will prepare confirmations we request and will locate any documents selected by us for testing.

We understand that the Village will provide us with the basic information required for our audit, including information specified in the listing of *Items Needed for the Audit* and that the Village is responsible for the accuracy and completeness of that information.

The audit documentation for this engagement is the property of Benning Group, LLC, and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to state agencies or their designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Benning Group, LLC personnel. Furthermore, upon request, we may provide photocopies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies. It is our policy to keep records related to this engagement for seven years. However, Benning Group, LLC does not keep any original client records, so we will return those to you at the completion of the services rendered under this engagement. When records are returned to you, it is your responsibility to retain and protect your records for possible future use, including potential examination by government or regulatory agencies.

Jenny L. Blocker is the engagement partner and is responsible for supervising the engagement and signing or authorizing another qualified firm representative to sign the audit report. We expect to begin our audit in May 2024, assuming the listing of items needed for the audit are prepared, and to issue our reports in preliminary form in June 2024. Final reports will be issued upon your approval of the preliminary drafts.

Our fees for these services are not expected to exceed \$26,000. The fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. **The fees for our services are contingent upon the records of the Village being properly reconciled as of December 31, 2023; at a minimum, we will require bank reconciliations completed by the Village, a detailed listing of all receipts and expenditures for the fiscal year, and a summarized trial balance as of December 31, 2023.** There are several items which can significantly increase the time required to perform the engagement – 1) adjustments recorded after we are provided a trial balance at the commencement of the audit 2) lack of consistency of your key personnel who are involved with the engagement 3) lack of ready availability of your key personnel to respond to our

questions and 4) not being ready with all requested items at the audit commencement which can lead to a temporary suspension of the audit. Should any of these situations be encountered, it will be necessary to increase our fees for the incremental time. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Services will be invoiced to you from time to time as work progresses. In accordance with Illinois Compiled Statutes, payments for all services are due within sixty days of receipt of an invoice. Invoices not paid within sixty days are subject to finance charges of 1% per month (12% annually).

If we elect to terminate our services for nonpayment, or other reasonable causes such as failure to provide the information or cooperation necessary for successful performance of our services, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination.

Management may request that we perform additional services not contemplated by this engagement letter. If this occurs, we will communicate with management regarding the scope of the additional services and the estimated fees. We also may issue a separate engagement letter covering the additional services. In the absence of any other written communication from us documenting such additional services, our services will continue to be governed by the terms of this engagement letter.

If any dispute, controversy or claim arises in connection with the performance or breach of this agreement, either party may, on written notice to the other party, request that the matter be mediated. Such mediation will be conducted by a mediator appointed by and pursuant to the Rules of the American Arbitration Association or such other neutral facilitator acceptable to both parties. Both parties will exert their best efforts to discuss with each other in good faith their respective positions in an attempt to finally resolve such dispute or controversy.

Each party may disclose any facts to the other party or the mediator which it, in good faith, considers necessary to resolve the matter. All such discussions, however, will be for the purpose of assisting in settlement efforts and will not be admissible in any subsequent litigation against the disclosing party. Except as agreed by both parties, the mediator will keep confidential all information disclosed during negotiations.

The mediation proceedings will conclude within sixty days from receipt of the written notice unless extended or terminated sooner by mutual consent. Each party will be responsible for its own expenses. The fees and expenses of the mediator, if any, will be borne equally by the parties.

You agree that our maximum liability to you for any negligent errors or omissions committed by us in the performance of the engagement will be limited to one times the amount of our fees for this engagement, except to the extent determined to result from our gross negligence or willful misconduct.

You acknowledge that as a condition of our agreement to perform an audit, you agree to the best of your knowledge and belief to be truthful, accurate, and complete in the representations you make to us during the course of the audit and in the representations provided to us at the completion of the audit.

Reporting

We will issue a written report upon completion of our audit of Village of Winnebago's financial statements. Our report will be addressed to the The Honorable President and Members of the Board of Trustees of the Village of Winnebago. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. Depending on the nature of these circumstances, it may be necessary for us to modify our opinions, add a separate section, 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 on the financial statements 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 issue reports, or may withdraw from this engagement.

We appreciate the opportunity to be of service to the Village of Winnebago 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 and return it to us.

Very truly yours,



Jenny L. Blocker, CPA
Member

RESPONSE:

This letter correctly sets forth the understanding of the Village of Winnebago.

By: _____

Title: _____

Date: _____



BENNING GROUP, LLC

CERTIFIED PUBLIC ACCOUNTANTS

www.BenningGroup.com

April 26, 2024

Village of Winnebago
Frank Eubank, Village President
108 W. Main Street
Winnebago, IL 61088

Dear Frank:

Over the past several years, we have seen continual changes in the audit industry with the implementation of new procedural and reporting changes. We have continually allocated substantial firm resources into keeping up with regulatory changes both from an accounting perspective as well as an auditing perspective, and thus far have attempted to absorb the additional cost of doing so for the sake of our clients. In fact, our audit fees for our governmental clients have largely remained the same for the past ten years or more.

Beyond just the changes in standards, we have seen tremendous increases in staff costs and technology costs over the past year. As I've communicated to the Board in the past, the pipeline for accounting graduates has been drying up over the past 10 years or more; recruiting new staff to work in our area is extremely difficult since we're surrounded by the metropolitan markets of Madison, Milwaukee, and Chicago. We feel very strongly that we have a fantastic staff, and we've taken steps to increase pay and benefits commensurate with nationwide trends in the accounting industry in order to make sure that we keep them. We have taken on additional recruiting expenses as well, and we're hoping to see the results of these efforts pay off in the near future. Data security is also a primary concern in any accounting firm, and we have invested heavily in making sure we are exceeding best practices in our technology platform as well. All of the staffing and technology initiatives come at a price, of course. After considerable deliberation in the past year, we have concluded that we must raise our audit fees across the firm.

Breaking down your audit specifically, we have averaged approximately 200 hours per year for the audit over the past 7 years. According to our analysis, we need to average at least \$130 per hour for our audit fees in our current environment; as a result, our proposed fees for the 2023 audit have been set at \$26,000. We recognize, and very much appreciate, our long history with the Village, and do not make pricing changes of this magnitude lightly. We anticipate the increase to be a one-time adjustment, with future year increases to be inflationary in nature, assuming no significant changes in accounting or auditing standards. To that end, we would commit to the following three year fee proposal as follows:

FY2023 Audit fees – \$26,000

FY2024 Audit fees – \$27,300

FY2025 Audit fees – \$28,700

Our fees are based on the accounting, reporting, and auditing standards currently in effect as of December 31, 2023. If changes in any of these standards should arise during the term of this

50 W. Douglas Street, Suite 300
Freeport, Illinois 61032
(815) 235-3157
Fax (815) 235-3158

6815 Weaver Road, Suite 300
Rockford, Illinois 61114
(815) 316-2375
Fax (815) 316-2389

1809 10th Street
Monroe, Wisconsin 53566
(608) 325-5035
Fax (608) 328-2843

Exhibit "B"
page 2 of 2

agreement which require significant additional audit resources, Benning Group will communicate to the Village the corresponding increase in fees due to those changes before formally engaging for each year.

Additional services outside of the audit services mentioned above will be billed separately. If the Village expends more than \$750,000 in federal funds and requires a Single Audit under the provisions of the Uniform Guidance, the fees for those procedures will be \$5,000.

The proposed fees are contingent on the Village's records being properly reconciled and balanced at the end of the fiscal year. If significant additional time is required to assist the Village, such as assistance in posting prior audit adjustments or reconciling adjustments made between funds, that time will be accumulated separately and billed in addition to the proposed fees above.

We have truly enjoyed working with you and your staff in the past. We look forward to continuing our relationship with the Village.

Very truly yours,

BENNING GROUP, LLC



Jenny L. Blocker, Partner

Proposal accepted by _____ Date _____