

# Pleasantdale School District 107

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Dr. Catherine Chang, Business Manager • cchang@d107.org

**DATE:** May 11, 2017  
**TO:** Board of Education  
**FROM:** Catherine Chang  
**RE:** Audit Services

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**The attached proposal from Miller Cooper & Co., Ltd sets forth their proposal for the 6/30/2017 audit. The fee for the 6/30/2017 audit is \$23,000. Last year's audit fee was \$22,500.**

## **Recommendation**

**The recommendation is that the Board of Education approve Miller Cooper & Co., Ltd for audit services.**

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## Mission

*Ensure that each student is a passionate learner empowered with the academic and social skills to responsibly choose and excel in life pursuits.*

# MILLER COOPER & Co., Ltd

ACCOUNTANTS AND CONSULTANTS

April 19, 2017

Board of Education  
Dr. David Palzet, Superintendent  
Dr. Catherine Change, Business Manager  
Pleasantdale School District 107  
7450 South Wolf Road  
Burr Ridge, Illinois 60527

Attention: Dr. Catherine Chang, Business Manager

## **The Objective and Scope of the Audit of the Financial Statements**

You have requested that we audit Pleasantdale School District 107's (the District) governmental activities, and each major fund and aggregate remaining fund information as of and for the year ending June 30, 2017, which collectively comprise the basic financial statements. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter.

Our audit will be conducted with the objective of our expressing an opinion on the basic financial statements.

Accounting principles generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the basic financial statements. Such information, although not 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 RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist primarily of inquiries of management regarding their 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 form of 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 generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited. These items include the Management's Discussion and Analysis, Illinois Municipal Retirement Fund Pension Data, Teachers' Retirement System Pension Data, Budgetary Comparison Schedules, and Notes to the Required Supplementary Information.

Supplementary financial information other than RSI will accompany the District's basic financial statements. We will subject the supplementary financial information to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling the supplementary financial 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 intend to provide an opinion on the supplementary financial information, which we anticipate this information to be the same as last year, in relation to the financial statements as a whole.

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### **The Objective and Scope of the Audit of the Financial Statements (Continued)**

Other supplemental information, other than RSI and the above mentioned supplementary financial information, will be accompanying the District's basic financial statements. We will not subject the other supplemental information, which we anticipate this information to be the same as last year, to the auditing procedures applied in our audit of the basic financial statements and will not express an opinion or provide any form of assurance on them.

The State Annual Financial Report (AFR), which is also supplementary financial information, will be submitted separately from the District's basic financial statements. We will subject certain portions of the AFR (Basic Financial Statements, Supplementary Schedules, and Notes) to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling certain portions of the AFR to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and additional procedures in accordance with auditing standards generally accepted in the United States of America. We intend to provide an opinion on certain portions of the AFR (Basic Financial Statements, Supplementary Schedules, and Notes), in relation to the financial statements as a whole. The remainder of the AFR will not be subjected to the auditing procedures applied in our audit of the basic financial statements and we will not express an opinion or provide any form of assurance on them.

### **The Responsibilities of the Auditors**

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and *Government Auditing Standards* issued by the Comptroller General of the United States (GAS). 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 management, as well as evaluating the overall presentation of the financial statements.

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. Also, an audit is not designed to detect errors or fraud that are immaterial to the financial statements. The determination of abuse is subjective; therefore, GAS does not expect us to provide reasonable assurance of detecting abuse.

In making our risk assessments, we consider internal control relevant to the District'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 District's internal control or to identify deficiencies in 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.



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**The Responsibilities of the Auditors (Continued)**

We will also communicate to the Board of Education (a) any fraud involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements that becomes known to us during the audit, and (b) any instances of noncompliance with laws and regulations that we become aware of during the audit (unless they are 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, 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.

The funds that you have told us are maintained by the District and that are to be included as part of our audit will be the same as the funds reported in the District's financial statements, for the year ending June 30, 2016.

**The Responsibilities of Management and Identification of the Applicable Financial Reporting Framework**

Our audit will be conducted on the basis that management and when appropriate, the Board of Education, the Superintendent, and the Business Manager, acknowledge and understand that they have responsibility:

1. For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and preparation of the AFR, which is prepared using the regulatory basis of accounting as prescribed by the Illinois State Board of Education;
2. To evaluate subsequent events through the date the financial statements are issued or available to be issued, and to disclose the date through which subsequent events were evaluated in the financial statements. Management also agrees that it will not evaluate subsequent events earlier than the date of the management representation letter referred to below;
3. For the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error;
4. For establishing and maintaining effective internal control over financial reporting, and for informing us of all significant deficiencies and material weaknesses in the design or operation of such controls of which it has knowledge;
5. To provide us with:
  - a. 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;
  - b. Additional information that we may request from management for the purpose of the audit; and
  - c. Unrestricted access to persons within the District from whom we determine it necessary to obtain audit evidence.

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**The Responsibilities of Management and Identification of the Applicable Financial Reporting Framework**  
(Continued)

As part of our audit process, we will request from management and, when appropriate, the Superintendent, Business Manager, and the Board of Education, written confirmation concerning representations made to us in connection with the audit, including among other items:

1. That management has fulfilled its responsibilities as set out in the terms of this letter; and
2. That it believes 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 taken as a whole, if any.

You are also responsible for all management decisions and responsibilities, and for designating an individual with suitable skills, knowledge, and experience to oversee our preparation of your financial statements and any other non-audit services. You are responsible for evaluating the adequacy and results of services performed and accepting responsibility for such services.

Management is responsible for identifying and ensuring that the District complies with the laws and regulations applicable to its activities, and for informing us about all known material violations of such laws or regulations. In addition, management is responsible for the design and implementation of programs and controls to prevent and detect fraud or abuse, and for informing us about all known or suspected fraud or abuse affecting the District involving management, employees who have significant roles in internal control, and others where the fraud or abuse could have a material effect on the financial statements or compliance. Management is also responsible for informing us of its knowledge of any allegations of fraud or abuse, or suspected fraud or abuse, affecting the District received in communications from employees, former employees, analysts, regulators or others.

Management is responsible for the preparation of the supplementary information (RSI, supplementary financial information, and other supplemental information), in accordance with accounting principles generally accepted in the United States of America. Management agrees to include the auditor's report on the supplementary information in any document that contains the supplementary information and indicates that the auditor has reported on such supplementary information. Management also agrees to present the supplementary information with the audited financial statements or, if the supplementary information will not be presented with audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.

The Board of Education is responsible for informing us of its views about the risks of fraud or abuse within the District, and its knowledge of any fraud or abuse or suspected fraud or abuse affecting the District.

You have informed us that, in the event that the District may issue public debt in the future, that you may include our report on your financial statements in the offering statement. You have further informed us that you do not intend for us to be associated with the proposed offering.

We agree that our association with any proposed offering is not necessary, providing the District agrees to clearly indicate that we are not associated with the contents of any such official statement or memorandum. The District agrees that the following disclosure will be prominently displayed in any such official statement or memorandum:

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**The Responsibilities of Management and Identification of the Applicable Financial Reporting Framework**  
(Continued)

Miller, Cooper & Co., Ltd., our independent auditor, has not been engaged to perform, and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Miller, Cooper & Co., Ltd. also has not performed any procedures relating to this statement or memorandum.

Because of the importance of oral and written representations to an effective engagement, the District hereby releases Miller, Cooper & Co., Ltd., its current, former and future partners, principals, employees, and personnel from any or all claims, liabilities, losses, and expenses attributable to a misrepresentation by District management or false or incomplete information provided by any of the District's personnel or agents to us in the performance of our services. This provision shall survive the termination of this arrangement for services.

**Pleasantdale School District 107's Records and Assistance**

If circumstances arise relating to the condition of the District's records, the availability of appropriate audit evidence or indications of a significant risk of material misstatement of the financial statements because of error, fraudulent financial reporting or misappropriation of assets which, in our professional judgment, prevent us from completing the audit or forming an opinion, we retain the unilateral right to take any course of action permitted by professional standards, including declining to express an opinion or issue a report, or withdrawing from the engagement. The District agrees that Miller, Cooper & Co., Ltd. shall have no liability for any damages to the District that arise from any actions Miller, Cooper & Co., Ltd. may take pursuant to this paragraph.

During the course of our engagement, we may accumulate records containing data that should be reflected in the District's books and records. The District will determine that all such data, if necessary, will be so reflected. Accordingly, the District will not expect us to maintain copies of such records in our possession.

The assistance to be supplied by District personnel, including the preparation of schedules and analyses of accounts, will be discussed and coordinated with Dr. Catherine Chang, Business Manager. The timely and accurate completion of this work is an essential condition to our completion of the audit and issuance of our audit report.

In connection with our audit, you have requested us to perform certain non-audit services necessary for the preparation of the financial statements, including drafting of the financial statements and AFR, assistance with modified accrual adjustments, and GASB 34 entries and filing the AFR with the Illinois State Board of Education. The GAS independence standards require that the auditor maintain independence so that opinions, findings, conclusions, judgments and recommendations will be impartial and viewed as impartial by reasonable and informed third parties. Before we agree to provide a non-audit service to the District, we determine whether providing such a service would create a significant threat to our independence for GAS audit purposes, either by itself or in aggregate with other non-audit services provided. A critical component of our determination is consideration of management's ability to effectively oversee the non-audit services to be performed. The District has agreed that Dr. Catherine Chang, Business Manager, possesses suitable skill, knowledge or experience and that the individual understands the non-audit services listed above to be performed sufficiently to oversee them. Accordingly, the management of the District agrees to the following:

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**Pleasantdale School District 107's Records and Assistance (Continued)**

1. The District has designated Dr. Catherine Chang, Business Manager, as a senior member of management who possesses suitable skill, knowledge and experience to oversee the services;
2. Dr. Catherine Chang, Business Manager, will assume all management responsibilities for subject matter and scope of the non-audit services listed above;
3. The District will evaluate the adequacy and results of the services performed; and
4. The District accepts responsibility for the results and ultimate use of the services.

GAS further requires that we establish an understanding with the District's management and those charged with governance of the objectives of the non-audit services, the services to be performed, the District's acceptance of its responsibilities, the auditor's responsibilities and any limitations of the non-audit services. We believe this letter documents that understanding.

**Other Relevant Information**

Miller Cooper & Co., Ltd. may mention the District's name and provide a general description of the engagement in Miller Cooper & Co., Ltd's. client lists and marketing materials.

From time to time and depending upon the circumstances, we may use third-party service providers to assist us in providing professional services to you. In such circumstances, it may be necessary for us to disclose confidential client information to them. We enter into confidentiality agreements with all third-party service providers and we are satisfied that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others.

In accordance with GAS, a copy of our most recent peer review report is enclosed for your information.

**Fees, Costs, and Access to Workpapers**

Our fees for the audit and non-audit services described above are based upon the value of the services performed and the time required by the individuals assigned to the engagement. Our fee estimate and completion of our work are based upon the following criteria:

- a. Anticipated cooperation from District personnel
- b. Timely responses to our inquiries
- c. Timely completion and delivery of client assistance requests
- d. Timely communication of all significant accounting and financial reporting matters
- e. The assumption that unexpected circumstances will not be encountered during the engagement
- f. No new accounting or auditing standards need to be implemented.

As stated above, all of the information we have requested needs to be completed by the dates that have been agreed to for the start of audit fieldwork in order for the audit to be completed in an efficient and timely manner and for the deliverables to be completed in accordance with the agreed upon timeline. If information is not available and additional time needs to be scheduled for the completion of the audit, we will discuss with management applicable inefficiencies and agree on additional charges in advance.

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**Fees, Costs, and Access to Workpapers (Continued)**

Our fees for the year ending June 30, 2017 will be \$23,000 for the audit and non-audit services described above. This fee estimate will be subject to adjustments based on unanticipated changes in the scope of our work and/or incomplete or untimely receipt by us of information on the client participation list. Additional non-audit services that may be required will be billed at our standard rates in effect at the time the services are provided. All other provisions of this letter will survive any fee adjustment. Interim billings will be submitted as work progresses and as expenses are incurred. Billings are due upon submission.

Our professional standards require that we perform certain additional procedures, on current and previous years' engagements, whenever a partner or professional employee leaves the firm and is subsequently employed by or associated with a client in a key position. Accordingly, the District agrees it will compensate Miller Cooper & Co., Ltd for any additional costs incurred as a result of the District's employment of a partner or professional employee of Miller Cooper & Co., Ltd. To ensure that Miller, Cooper & Co., Ltd.'s independence is not impaired under professional standards, you agree to inform the engagement principal before entering into any substantive employment discussions with any of our personnel.

In the event we are requested or authorized by the District or are required by government regulation, subpoena or other legal process to produce our documents or our personnel as witnesses with respect to our engagement for the District, the District will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests.

The documentation for this engagement is the property of Miller Cooper & Co., Ltd. However, you acknowledge and grant your assent that representatives of the cognizant or oversight agency or their designee, other government audit staffs, and the U.S. Government Accountability Office shall have access to the audit documentation upon their request and that we shall maintain the audit documentation for a period of at least three years after the date of the report, or for a longer period if we are requested to do so by the cognizant or oversight agency. Access to requested documentation will be provided under the supervision of Miller Cooper & Co., Ltd. audit personnel and at a location designated by our firm, and such access shall not affect our ownership of or privilege over these documents.

**Claim Resolution**

Any claim arising out of services rendered pursuant to this agreement shall be resolved in accordance with the laws of Illinois. The District and Miller, Cooper & Co., Ltd. agree that no claim arising out of services rendered pursuant to this agreement shall be filed more than two years after the date of the audit report issued by Miller, Cooper & Co., Ltd. or the date of this arrangement letter if no report has been issued, without delay in the running of this period based on the time of discovery of the claim. The District and Miller, Cooper & Co., Ltd. agree that neither of their liability to the other for any damages incurred as a result of this engagement, shall exceed the amount paid by you for services under this engagement. This damages limitation shall occur regardless of the nature of the claim, whether in contract, tort or otherwise, and including but not limited to Miller, Cooper & Co., Ltd.'s own negligence, but shall not apply to the extent that Miller, Cooper & Co., Ltd. is found to have acted with willful misconduct or fraudulent behavior. Furthermore, the District agrees that Miller, Cooper & Co., Ltd. shall not under any circumstances be liable for any special, consequential, incidental or exemplary damages or loss (nor any lost profits, taxes, interest, tax penalties savings or business opportunity).



### **Claim Resolution** (Continued)

In addition, the District agrees to indemnify, defend, and hold harmless Miller, Cooper & Co., Ltd. and its current, former and future partners, principals, employees, and personnel from any and all claims, liabilities, costs, and expenses, including attorney fees, relating to Miller, Cooper & Co., Ltd.'s services under this arrangement letter arising from or relating to the District's misrepresentations or false or incomplete information provided to us during the engagement, except to the extent finally determined to have resulted from the willful misconduct or fraudulent behavior of Miller, Cooper & Co., Ltd. relating to such services.

If any term or provision of this agreement is determined to be invalid or unenforceable, such term or provision will be deemed stricken and all other terms and provisions will remain in full force and effect.

### **Reporting**

We will issue a written report upon completion of our audit of the District's financial statements. Our report will be addressed to the Board of Education of the District. 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 engagement. Susan Jones is the engagement principal and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

Our work is prepared as a result of this engagement of Miller, Cooper & Co., Ltd. by you and the information contained, and any opinions expressed therein are solely for your internal use. Miller, Cooper & Co., Ltd. is not aware that this work is intended to benefit or influence any other party. This agreement can be altered only by an additional written agreement executed by both of us.

This letter constitutes the complete and exclusive statement of agreement between Miller, Cooper & Co., Ltd. and the District, superseding all proposals, oral or written, and all other communications, with respect to the terms of the engagement between the parties. If because of a change in the District's status or due to any other reason, any provision in this letter would be prohibited by, or would impair our independence under, laws, regulations or published interpretations by governmental bodies, commissions, or other regulatory agencies, such provision shall, to that extent, be of no further force and effect and this letter shall consist of the remaining portions.

At the conclusion of this arrangement, we will return all original records you supplied to us. Your records comprise of the backup and support for your basic financial statements. Our firm destroys our files and all pertinent workpapers for current clients after a retention period of seven years.

April 19, 2017  
Board of Education  
Dr. David Palzet, Superintendent  
Dr. Catherine Change, Business Manager  
Pleasantdale School District 107

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**Reporting** (Continued)

Please sign and return a copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the financial statements, including our respective responsibilities. We appreciate your business.

Sincerely,

MILLER, COOPER & CO., LTD.



Susan Jones, Principal  
Enclosures

ENG/Pleasantdale SD 107 17 ENG np

Confirmed on behalf of Pleasantdale School District 107:

\_\_\_\_\_  
President of the Board of Education

\_\_\_\_\_  
Date

\_\_\_\_\_  
Superintendent

\_\_\_\_\_  
Date

\_\_\_\_\_  
Business manager

\_\_\_\_\_  
Date

OCT - 3 2016



CPAs & Advisors

## SYSTEM REVIEW REPORT

September 2, 2016

To the Principals  
Miller Cooper & Co., Ltd.  
and the Peer Review Committee of the  
Illinois CPA Society

We have reviewed the system of quality control for the accounting and auditing practice of Miller Cooper & Co., Ltd., (the firm) in effect for the year ended May 31, 2016. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary).

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards* and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of Miller Cooper & Co., Ltd., in effect for the year ended May 31, 2016, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Miller Cooper & Co., Ltd. has received a peer review rating of *pass*.

*Haddox Reid Eubank Betts PLLC*