



**TOWN OF MILLIKEN
TOWN BOARD
AGENDA MEMORANDUM**

To: Mayor Tokunaga and Board of Trustees From: Jennifer Nash, Director Finance & Accounting Via: Kent Brown, Town Administrator		Meeting Date: Wednesday, October 28, 2015	
Consent: x	Action:	Discussion:	Information:
Agenda Title: Acceptance of the Engagement Proposal for the Audit of the Town's Basic Financial Statements for the Fiscal Year Ended December 31, 2015			
Attachments: Engagement Letter from Anderson & Whitney			

PURPOSE

The Town of Milliken is required by the State to submit annual financial statements which have been audited by an independent Certified Public Accountant. The Auditor is contracted by the Town Board and is charged with evaluating these statements and rendering an opinion as to their conformance with the generally accepted accounting principles (GAAP) of the United States.

BACKGROUND INFORMATION

Last year, the firm of Anderson & Whitney provided auditing services to the town. Total fees and costs for the 2014 audit were \$11,500. At the completion of the audit, the Town received an Unqualified Opinion on the conformity of its statements to GAAP and the report was submitted to the Office of the State Auditor before the deadline requirement.

It has been determined that the retention of Anderson & Whitney is in the best financial and operational interest of the Town. The projected fees for the 2015 audit should not exceed \$11,800 per the attached engagement proposal, which will include Anderson & Whitney auditing and preparing the basic financial statements. Alan Holmberg and Melissa Bigler from Anderson & Whitney, who worked on the Town's 2014 audit, will be returning for the 2015 audit to work with the Finance Staff. Accordingly, it is expected that the final financial report will be submitted to the State well before the deadline of July 31, 2015.

BUDGET IMPLICATIONS

The fees proposed are included in the amount submitted as part of the Proposed Budget for 2016.

POSSIBLE MOTION

"I move that the Town approve the proposed Engagement Letter from Anderson & Whitney, for performing the required audit of the Town's basic Financial Statements for December 31, 2015."



October 13, 2015

Mayor and Board of Trustees
Town of Milliken
1101 Broad Street
Milliken, CO 80543

Ladies & Gentleman:

This letter will confirm our understanding of the terms and objectives of our engagement and the nature and limitations of the services we will provide. We shall be pleased to discuss this letter with you at any time.

AUDIT SERVICE

Audit Scope and Objective:

We will audit the financial statements of the Town of Milliken as of and for the year ending December 31, 2015. The objective of our audit is the expression of an opinion about whether your financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States.

We will conduct the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatements whether caused by error, or fraud. Accordingly, there is an unavoidable risk that material misstatements may remain undetected. Also, an audit is not designed to detect errors or frauds that are immaterial to the financial statements.

An audit of financial statements also 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 and design the nature, timing and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, we will communicate to management and the board of trustees any significant deficiencies or material weaknesses that become known to us during the course of the audit.

We will also communicate to the board of trustees (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, (b) any illegal acts that come to our attention (unless they are clearly inconsequential), (c) any disagreements with the management and other serious difficulties encountered in performing the audit, and (d) various matters related to the entity's accounting policies and financial statements.

If circumstances arise relating to the condition of the entity'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 withdrawal from the engagement.

We will issue a written report upon completion of our audit of the Town of Milliken's financial statements. Our report will be addressed to the Mayor and Town Council of the Town of Milliken. 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.

Management Responsibilities:

As you know, management is responsible for:

1. the financial statements, including the selection and application of accounting policies,
2. providing us with a written management representation letter confirming certain representations made during the course of our audit of the financial statements and affirming to us 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,
3. 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,
4. identifying and ensuring that the entity complies with the laws and regulations applicable to its activities, and for informing us about all known material violations of such laws or regulations,
5. 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 entity involving management, employees who have significant roles in internal control and others where the fraud could have a material effect on the financial statements,
6. informing us of its knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, regulators, or others,
7. making all financial records and related information available to us,
8. adjusting the financial statements to correct material misstatements,
9. providing access to persons within the entity from whom we determine it necessary to obtain audit evidence.

The board of trustees is responsible for informing us of its views about the risks of fraud within the entity, and its knowledge of any fraud or suspected fraud affecting the entity.

We will assist in drafting the entity's financial statements, and propose adjustments to the trial balance which are reviewed and approved by management. The drafts and the adjustments are the responsibility of management.

You agree to perform all of the following functions in connection with our engagement to provide financial statement preparation services:

- Make all management decisions and perform all management functions.
- Designate a competent employee to oversee the services.
- Evaluate the adequacy and results of the services performed.
- Accept responsibility for the results of the services.
- Establish and maintain internal controls, including monitoring ongoing activities.

The assistance to be supplied by the entity's personnel, including the preparation of schedules and analyses of accounts, has been discussed and coordinated with Jennifer Nash. The timely and accurate completion of this work is an essential condition to our completion of the audit and issuance of our audit report. Delays in providing the requested information to us may create conflicts with our commitments to other clients, which may result in prolonged delays in completing your audit.

Certain information returns (such as tax forms related to retirement plans, payments to outside contractors, and interest and dividend payments) may be required for your entity. Also, most entities providing employee benefits, such as health insurance, should review their benefit plans to insure compliance with applicable rules and regulations. We are available to assist you in fulfilling these requirements at your request.

GENERAL TERMS

If you intend to publish the financial statements and make reference to our firm, you agree to provide us with printers' proofs or masters for our review and approval before printing. (This does not include photocopying or printing of the complete financial statements.) You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed.

Fees for our services are based on the complexity of the engagement, the time and expertise required of the individuals assigned, and direct expenses involved. Invoices will be rendered each month as work progresses and are payable on presentation. A finance charge is added on balances unpaid from prior months at the rate of 1.5% per month (18% per annum). Our fees will not exceed \$11,800. These fee estimates may be subject to adjustments based on unanticipated changes in the scope of our work and/or the incomplete or untimely receipt by us of the information on the client preparation list. All other provisions of this letter will survive any fee adjustment.

The Town of Milliken hereby indemnifies Anderson & Whitney, P.C. and its shareholders, principals and employees and holds them harmless from all claims, liabilities, losses and costs arising in circumstances where there has been a known misrepresentation by a member of the Town of Milliken's management, regardless of whether such person was acting in the Town of Milliken's interest. This indemnification will survive termination of this letter.

It is agreed that any claim arising out of the services rendered pursuant to this agreement will be submitted to final and binding arbitration conducted in accordance with Colorado Revised Statutes. There shall be a single arbitrator, who shall be a member of the Colorado Society of Certified Public Accountants, with a minimum of ten years in practice. The arbitrator will be selected by Anderson & Whitney, P.C., subject to your approval. The arbitrator shall have authority to award compensatory damages, but only for such damages as found to have been directly and solely caused by acts, errors, or omissions committed in violation of our professional duties. It is agreed by the Town of Milliken and Anderson & Whitney, P.C. or any successors in interest that no claim arising out of services rendered pursuant to this agreement by or on behalf of the Town of Milliken shall be asserted more than two years after the date of the last audit report issued by Anderson & Whitney, P.C.

Our firm is a member of the American Institute of Certified Public Accountants, which requires that our firm submit itself to a peer review by independent, outside personnel, approved by the AICPA, once every three years. The review team will not disclose any of the information obtained in the review process. The client files selected for review will be on a random basis and will be chosen by the review team. It is our mutual understanding that the review team has permission to examine your files should they be selected for review.

This letter constitutes the complete and exclusive statement of agreement between Anderson & Whitney, P.C. and the Town of Milliken, superseding all proposals, oral or written, and all other communication, with respect to the terms of the engagement between the parties.

We are pleased to serve as your independent certified public accountants and look forward to a continuing pleasant relationship. Please indicate your agreement with the arrangements discussed herein by signing and returning the enclosed copy of this letter using the enclosed envelope.

Sincerely,

Anderson & Whitney, P.C.

A&W:djb
Enclosure

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This letter correctly sets forth the understanding of the Town of Milliken.

Signature:

[Handwritten Signature]
Mayor

Date:

10/21/15

Title: