

RESOLUTION NO. 2017-12-13

A RESOLUTION TO APPOINT  
AN INDEPENDENT AUDITOR FOR INDIAN LAKE BOROUGH

**WHEREAS**, Section 1005(7) of the Pennsylvania Borough Code provides that a Borough may, “by ordinance passed by a two-thirds vote of the entire number of members of council elected, for the appointment of an independent auditor who shall be a certified public accountant registered in this Commonwealth, a firm of certified public accountants registered in this Commonwealth or a competent public accountant or a competent firm of public accountants,” 8 Pa. Cons. Stat. Ann. §1005(7);

**WHEREAS**, on December 20, 1968, the Council of the Borough of Indian Lake took appropriate action to enact Ordinance No. 12 to appoint an independent auditor pursuant to the Borough Code;

**WHEREAS**, Section 1005(7)(i) of the Borough Code further provides that “[w]hen an ordinance has been adopted, an independent auditor shall be appointed annually, by resolution before the close of the fiscal year, to make an independent examination of the accounting records of the borough for the fiscal year, and the independent auditor shall also perform the other duties and exercise the powers as conferred upon the independent auditor under Subchapter C (relating to auditors),” 8 Pa. Cons. Stat. Ann. § 1005(7)(i);

**WHEREAS**, by engagement letter dated November 6, 2017, a true and correct copy of which is attached hereto as **Exhibit A**, Stephanie A. Stohon, CPA, CBM, CFE, MAFF, of Wessel & Company of 215 Main Street, Johnstown, Pennsylvania 15901 set forth a proposal to perform the Indian Lake Borough Financial Statement Audit DCED Report as of December 31, 2017 for an estimated cost of Eleven Thousand Five Hundred and 00/100 (\$11,500.00) Dollars; and

**WHEREAS**, pursuant to Section 1005(7)(i) of the Borough Code, the Council of Indian Lake Borough desires to appoint Wessel & Company to perform the 2017 Municipal Annual Audit

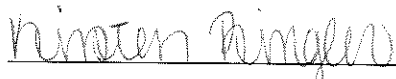
and Financial Report under the terms and conditions more particularly set forth in the attached November 6, 2017 engagement letter.

**NOW, THEREFORE, BE IT RESOLVED**, that the Borough Council of Indian Lake, Somerset County, Pennsylvania, hereby adopts this resolution to appoint Wessel & Company to perform the 2017 Municipal Annual Audit and Financial Report at a cost not to exceed Eleven Thousand Five Hundred and 00/100 (\$11,500.00) Dollars and under terms and conditions more particularly set forth in the attached November 6, 2017 engagement letter that are not otherwise inconsistent herewith; and

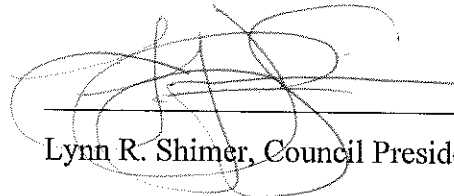
**BE IT FURTHER RESOLVED**, that a copy of this resolution, together with an executed original of the attached engagement letter, be delivered to Wessel & Company.

**THIS RESOLUTION DULY ADOPTED** this 13<sup>th</sup> day of December, 2017 by the Borough Council of Indian Lake, Somerset County, Pennsylvania.

**ATTEST:**

  
\_\_\_\_\_  
Kirsten Ringler, Borough Secretary

**BOROUGH OF INDIAN LAKE**

  
\_\_\_\_\_  
Lynn R. Shimer, Council President

# Exhibit A

# WESSEL & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS CONSULTANTS

November 6, 2017

Indian Lake Borough  
1301 Causeway Drive  
Central City, PA 15926

Dear Borough Council:

The following represents our understanding of the services we will provide Indian Lake Borough.

You have requested that we audit the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Indian Lake Borough (the Borough), as of December 31, 2017, and for the year then ended and the related notes, which collectively comprise Indian Lake Borough's basic financial statements as listed in the table of contents. 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 each opinion unit applicable to those basic financial statements.

Accounting principles generally accepted in the United States of America, (U.S. GAAP) as promulgated by the Governmental Accounting Standards Board (GASB) require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, 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 required supplementary information (RSI) in accordance with auditing standards generally accepted in the United States of America, (U.S. GAAS). These limited procedures will consist primarily of inquiries of management regarding their methods of measurement and presentation, and comparing the information for consistency with management's responses to our inquiries. We will not express an opinion or provide any form of assurance on the RSI. The following RSI is required by U.S. GAAP. This RSI will be subjected to certain limited procedures but will not be audited:

- The budgetary comparison schedules
- The management's discussion and analysis that the Governmental Accounting Standards Board requires to supplement, although not to be a part of, the basic financial statements will not be presented by Indian Lake Borough.

[www.wesselcpa.com](http://www.wesselcpa.com)

**Johnstown**

215 Main Street, Johnstown, PA 15901  
(814) 536-7864 FAX (814) 535-4332

**Ebensburg**

120 West High Street, Ebensburg, PA 15931  
(814) 472-5924 FAX (814) 472-5926

**Bedford**

100 East Pitt Street, Bedford, PA 15522  
(814) 623-1403

In accordance with the requirements of the Commonwealth of Pennsylvania Department of Community and Economic Development, we will prepare from your records and information you will provide, the 2017 Municipal Annual Audit and Financial Report.

With respect to any nonattest services we perform (i.e. financial statement and DCED preparation including any proposed journal entries relating to financial statement preparation), Indian Lake Borough's management is responsible for (a) making all management decisions and performing all management functions; (b) assigning a competent individual to oversee the services; (c) evaluating the adequacy of the services performed; (d) evaluating and accepting responsibility for the results of the services performed; and (e) establishing and maintaining internal controls, including monitoring ongoing activities.

Government Auditing Standards require that we document an assessment of the skills, knowledge, and experience of management, should we participate in any form of preparation of the basic financial statements and related schedules or disclosures as these actions are deemed a non-audit service.

### **Auditor's Responsibilities**

We will conduct our audit in accordance with U.S. GAAS. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements.

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 basic financial statements. If appropriate, our procedures will therefore include tests of documentary evidence that support the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of cash, investments, and certain other assets and liabilities by correspondence with creditors and financial institutions. As part of our audit process, we will request written representations from your attorneys, and they may bill you for responding. At the conclusion of our audit, we will also request certain written representations from you about the basic financial statements and related matters.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements (whether caused by errors, fraudulent financial reporting, misappropriation of assets, or violations of laws or governmental regulations) may not be detected exists, even though the audit is properly planned and performed in accordance with U.S. GAAS.

In making our risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the basic 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 entity'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 basic financial statements that we have identified during the audit. Our responsibility as auditors is, of course, limited to the period covered by our audit and does not extend to any other periods.

We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the basic 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 to issue a report as a result of this engagement.

### **Compliance with Laws and Regulations**

As previously discussed, as part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we will perform tests of Indian Lake Borough'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.

### **Management Responsibilities**

Our audit will be conducted on the basis that management and, when appropriate, those charged with governance acknowledge and understand that they have responsibility:

- a. For the preparation and fair presentation of the basic financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America;
- b. For the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of basic financial statements that are free from material misstatement, whether due to error, fraudulent financial reporting, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements; 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 basic financial statements such as records, documentation, and other matters;

- ii. Additional information that we may request from management for the purpose of the audit; and
  - iii. Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence.
- d. For including the auditor's report in any document containing basic financial statements that indicates that such basic financial statements have been audited by the entity's auditor;
  - e. For identifying and ensuring that the entity complies with the laws and regulations applicable to its activities;
  - f. For adjusting the basic 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 current year period under audit are immaterial, both individually and in the aggregate, to the basic financial statements as a whole; and
  - g. For maintaining adequate records, selecting and applying accounting principles, and safeguarding assets.

With regard to the supplementary information referred to above, you acknowledge and understand your responsibility: (a) for the preparation of the supplementary information in accordance with the applicable criteria; (b) to provide us with the appropriate written representations regarding supplementary information; (c) to include our report on the supplementary information in any document that contains the supplementary information and that indicates that we have reported on such supplementary information; and (d) to present the supplementary information with the audited financial statements, or if the supplementary information will not be presented with the audited basic financial statements, or if the supplementary information will not be presented with the audited basic financial statements, to make the audited basic financial statements readily available to the intended users of the supplementary information no later than the date of issuance by you of the supplementary information and our report thereon.

As part of our audit process, we will request from management and, when appropriate, those charged with governance, written confirmation concerning representations made to us in connection with the audit.

## **Reporting**

We will issue a written report upon completion of our audit of Indian Lake Borough's basic financial statements. Our report will be addressed to the governing body of Indian Lake Borough. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement.

## Other

We understand that your employees will prepare all confirmations we request and will locate any documents or support for any other transactions we select for testing.

If you intend to publish or otherwise reproduce the basic 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. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed.

## Provisions of Engagement Administration, Timing and Fees

During the course of the engagement, we may communicate with you or your personnel via fax or e-mail, and you should be aware that communication in those mediums contains a risk of misdirected or intercepted communications.

Stephanie A. Stohon is the engagement partner for the audit services specified in this letter. Her responsibilities include supervising Wessel & Company's services performed as part of this engagement and signing or authorizing another qualified firm representative to sign the audit report.

We estimate that our fee for these services will be as follows:

Indian Lake Borough Financial Statement Audit	
DCED Report as of December 31, 2017	<u>\$11,500</u>

The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. We will notify you immediately of any circumstances we encounter that could significantly affect this initial fee estimate.

Whenever possible, we will attempt to use Indian Lake Borough's personnel to assist in the preparation of schedules and analyses of accounts. This effort could substantially reduce our time requirements and facilitate the timely conclusion of the audit. Further, we will be available during the year to consult with you on financial management and accounting matters of a routine nature.

During the course of the audit, we may observe opportunities for economy in, or improved controls over, your operations. We will bring such matters to the attention of the appropriate level of management, either orally or in writing.

You agree to inform us of facts that may affect the basic financial statements of which you may become aware during the period from the date of the auditor's report to the date the financial statements are issued.



We agree to retain our audit documentation or work papers for a period of at least five (5) years from the date of our report.

At the conclusion of our audit engagement, we will communicate to Borough Council the following significant findings from the audit:

- Our view about the qualitative aspects of the entity's significant accounting practices;
- Significant difficulties, if any, encountered during the audit;
- Uncorrected misstatements, other than those we believe are trivial, if any;
- Disagreements with management, if any;
- Other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process;
- Material, corrected misstatements that were brought to the attention of management as a result of our audit procedures;
- Representations we requested from management;
- Management's consultations with other accountants, if any; and
- Significant issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management.

The audit documentation for this engagement is the property of Wessel & Company and constitutes confidential information. However, we may be requested to make certain audit documentation available to regulators pursuant to authority given to them by law or regulation, or to peer reviewers. If requested, access to such audit documentation will be provided under the supervision of Wessel & Company's personnel. Furthermore, upon request, we may provide copies of selected audit documentation to regulators. The regulators may intend, or decide, to distribute the copies of information contained therein to others, including other governmental agencies.

Please sign and return the attached 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 the opportunity to be your financial statement auditors and look forward to working with you and your staff.

Respectfully,

WESSEL & COMPANY  
Certified Public Accountants



Stephanie A. Stohon, CPA, CBM, CFE, MAFF  
Shareholder

SAS/AJE/smb

\*\*\*\*\*

**RESPONSE:**

This letter correctly sets forth our understanding.

Indian Lake Borough

Acknowledged and agreed on behalf of Indian Lake Borough by:

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date