

**RESOLUTION No. 2009-18**

**A RESOLUTION BY THE COUNCIL OF THE CITY OF COATESVILLE, CHESTER COUNTY, PENNSYLVANIA, APPOINTING BARBACANE THORNTON & COMPANY TO PERFORM THE 2008 AUDIT**

**WHEREAS**, the City of Coatesville is a Third Class City operating under a Home Rule Charter in the Commonwealth of Pennsylvania; and

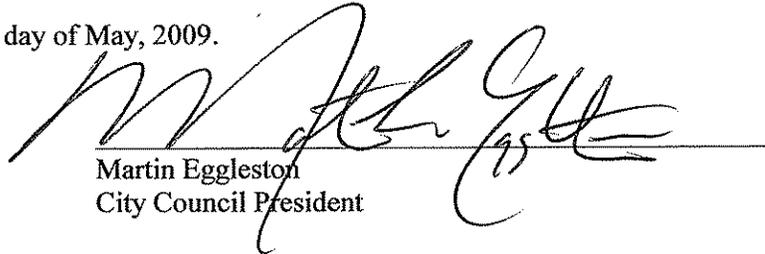
**WHEREAS**, the City of Coatesville retains the services of many varied professionals and professional companies to meet the needs of services for the City; and

**WHEREAS**, the City Council acknowledges the need to audit the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Coatesville as of and for the year ended December 31, 2008; and

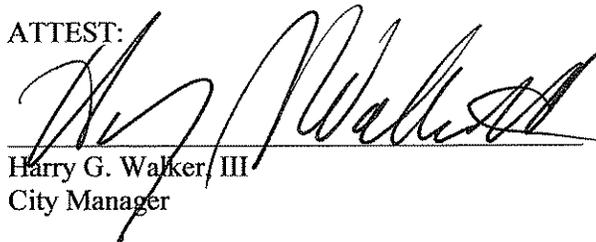
**NOW, THEREFORE BE IT RESOLVED**, that the Council for the City of Coatesville hereby appoints Barbacane Thornton & Company to serve as an Accountant to the City of Coatesville, as well as to the City's Redevelopment Authority to complete said 2008 Audit. The City Council hereby agrees to the terms of engagement as set forth in Exhibit "A," which is attached hereto and incorporated herein by reference.

**IN WITNESS THEREOF**, the Council of the City of Coatesville hereby authorizes the execution and attestation of this resolution.

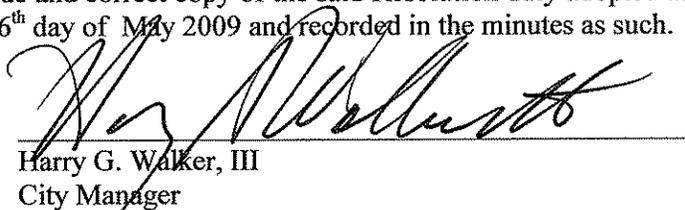
RESOLVED AND ENACTED, this 26<sup>th</sup> day of May, 2009.

  
\_\_\_\_\_  
Martin Eggleston  
City Council President

ATTEST:

  
\_\_\_\_\_  
Harry G. Walker, III  
City Manager

I HEREBY CERTIFY that the foregoing is a true and correct copy of the said Resolution duly adopted at a regular meeting of City Council held on the 26<sup>th</sup> day of May 2009 and recorded in the minutes as such.

  
\_\_\_\_\_  
Harry G. Walker, III  
City Manager

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April 8, 2009

Mr. Martin L. Eggleston  
Council President  
and  
Mr. Harry G. Walker, III  
City Manager  
City of Coatesville  
One City Hall Place  
Coatesville, PA 19320-3446

Dear Mr. Eggleston and Mr. Walker:

We are pleased to confirm our understanding of the services we are to provide the City of Coatesville for the year ended December 31, 2008. We will audit the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information, which collectively comprise the entity's basic financial statements, of the City of Coatesville as of and for the year ended December 31, 2008. Also, the document we submit to you will include the following additional information that will be subjected to the auditing procedures applied in our audit of the financial statements:

- Annual Audit and Financial Report (DCED)
- Concise Financial Statements

Accounting standards 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 accompany the City of Coatesville's basic financial statements. As part of our engagement, we will apply certain limited procedures to the City of Coatesville's RSI. These limited procedures will consist principally of inquiries of management regarding the methods of measurement and presentation, which management is responsible for affirming to us in its representation letter. Unless we encounter problems with the presentation of the RSI or with procedures relating to it, we will disclaim an opinion on it. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

- Management's Discussion and Analysis

Supplementary information other than RSI, such as combining and individual fund financial statements, also accompanies the City of Coatesville's basic financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the basic financial statements and will provide an opinion on it in relation to the basic financial statements:

- Combining Non-major Governmental Fund Financial Statements
- Combining Fiduciary Fund Financial Statements

BARBACANE  
THORNTON  
& COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS

## Audit Objectives

The objective of our audit is the expression of opinions as to whether your basic financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America and to report on the fairness of the additional information referred to in the first paragraph when considered in relation to the basic financial statements taken as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of the accounting records of the City of Coatesville and other procedures we consider necessary to enable us to express such opinions. If our opinions on the financial statements are other than unqualified, we will fully 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.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of applicable laws, regulations, contracts, agreements and grants, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and compliance will include a statement that the report is intended solely for the information and use of the audit committee, management and specific legislative or regulatory bodies and is not intended to be and should not be used by anyone other than these specified parties. If during our audit we become aware that the City of Coatesville is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with auditing standards generally accepted in the United States of America and the standard for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory or contractual requirements.

## Management Responsibilities

Management is responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Coatesville and the respective changes in financial position and cash flows, where applicable, in conformity with accounting principles generally accepted in the United States of America. Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein.

You are responsible for management decisions and functions. As part of the audit, we will prepare a draft of your financial statements and related notes. In accordance with *Government Auditing Standards*, you will be required to review and approve those financial statements prior to their issuance and have a responsibility to be in a position in fact and appearance to make an informed judgment on those financial statements. Further, you are required to designate a qualified management-level individual to be responsible and accountable for overseeing our services.

Management is responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. Management's responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the 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 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 (a) management; (b) employees who have significant roles in internal control; and (c) others where the fraud or illegal acts 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, or illegal acts 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 entity complies with applicable laws, regulations, contracts, agreements, and grants and for taking timely and appropriate steps to remedy any fraud, illegal acts, violations of contracts or grant agreements or abuse that we may report.

Management is responsible for establishment and maintenance of a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous audits or other engagements or studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits or other engagements or studies. You are also responsible for providing management's views on our current findings, conclusions and recommendations, as well as your planned corrective actions and the timing and format related thereto.

With regard to using the auditor's report, you understand that you must obtain our prior written consent to reproduce or use our report in bond offering official statements or other documents.

With regard to the 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.

During the course of our engagement, we will request information and explanations from management regarding the government's operations, internal controls, future plans, specific transactions and accounting systems and procedures. At the conclusion of our engagement, we will require, as a precondition to the issuance of our report, that management provide certain representations in a written representation letter. The procedures we will perform in our engagement and the conclusions we reach as a basis for our report will be heavily influenced by the written and oral representations that we receive from management. In view of the foregoing, the government agrees to release our firm and its personnel from any liability and costs relating to our services under this letter resulting from false or misleading representations made to us by any member of the government's management.

In addition, the government further agrees to indemnify and hold us harmless for any liability and all reasonable costs, including legal fees, that we may incur as a result of the services performed under this engagement in the event there are false or misleading representations made to us by any member of the government's management.

In no event shall Barbacane, Thornton & Company be liable to the City of Coatesville, whether a claim be in tort, contract or otherwise, for any consequential, indirect, lost profit or similar damages relating to Barbacane, Thornton & Company services provided under this engagement letter, except to the extent finally determined to have resulted from the negligence or the willful misconduct or fraudulent behavior of Barbacane, Thornton & Company relating to such services.

### Audit Procedures - General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (a) errors; (b) fraudulent financial reporting; (c) misappropriation of assets; or (d) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse. Because an audit is designed to provide reasonable, but not absolute assurance and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us. 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 you of any material errors and any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform you 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.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected funding sources, creditors and financial institutions. We will also request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

### Audit Procedures - Internal Control

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies. 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 professional standards and *Government Auditing Standards*.

### Audit Procedures - Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the City of Coatesville's compliance with the provisions of applicable laws, regulations, contracts, agreements and grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

#### Audit Administration, Fees and Other

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

We will provide copies of our reports to the City of Coafesville; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Barbacane, Thornton & Company and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to a federal agency providing direct or indirect funding, or the U.S. Government Accountability office for purposes of a 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 Barbacane, Thornton & Company personnel. Furthermore, upon request, we may provide copies 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.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by a regulator. If we are aware that a federal awarding agency or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

Our fee for these services will be at our standard hourly rates plus out-of-pocket costs such as report reproduction, typing, postage, travel, copies, telephone, etc. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable upon presentation. Interest is charged at a rate of 1½ percent per month on past due invoices. In accordance with our firm policies, work may be suspended if your account becomes 90 days or more overdue and will not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report(s). 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. The suspension or termination of our work may result in adverse consequences to you including your failure to meet deadlines imposed by governments, lenders or other third parties. You agree that we will not be responsible for your failure to meet such deadlines, or for penalties or interest that may be assessed against you resulting from such failure. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. The fee does not include a single audit in accordance with OMB Circular A-133. 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.

You may request that we perform additional services not contemplated by this engagement letter. If this occurs, we will communicate with you 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.

Our audit engagement ends on delivery of our audit report. Any follow-up services that might be required will be a separate, new engagement. The terms and conditions of that new engagement will be governed by a new, specific engagement letter for that service.

*Government Auditing Standards* require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our 2008 peer review report accompanies this letter.

We appreciate the opportunity to be of service to the City of Coatesville 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 the enclosed copy and return it to us.

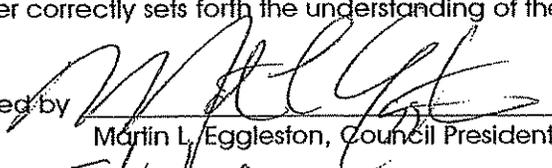
Very truly yours,

*Barbacane, Thornton & Company*  
Barbacane, Thornton & Company

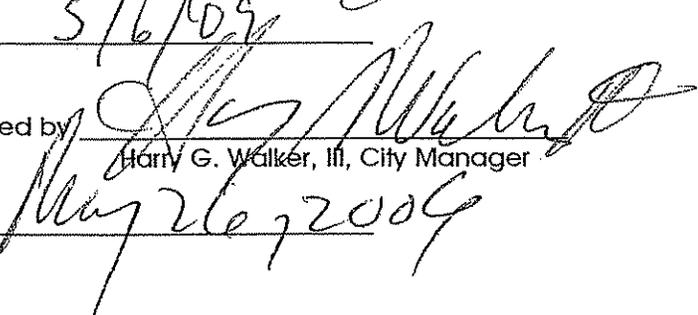
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RESPONSE:

This letter correctly sets forth the understanding of the City of Coatesville.

Approved by   
Martin L. Eggleston, Council President

Date 5/6/09

Approved by   
Harry G. Walker, III, City Manager

Date May 26, 2009