

Ordinance 04- 24

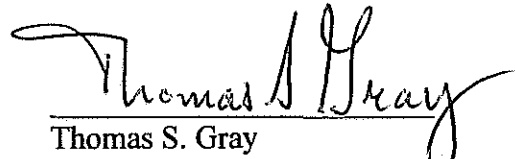
AN ORDINANCE APPROVING THE ENAGEMENT OF SIKICH GARDNER & ASSOCIATES FOR AUDIT SERVICES FOR FISCAL YEAR 2004

SECTION 1: The Village of Chatham shall engage the firm of Sikich Gardner & Associates to perform the fiscal year 2004 audit for a price of \$15,785, attached hereto as Exhibit A is hereby approved.

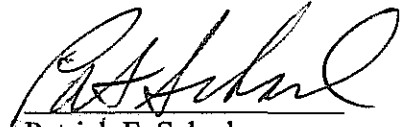
SECTION 2: The Village President is hereby authorized to engage Sikich Gardner & Associates to perform audit services for fiscal year 2004 and the proper officers of the Village shall carry out the terms of the engagement.

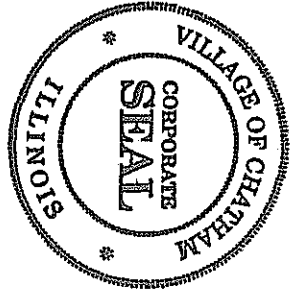
SECTION 3: This Ordinance is effective immediately.

PASSED the 11th day of May, 2004.


Thomas S. Gray
Village of Chatham President

ATTEST:


Patrick F. Schad
Village of Chatham Clerk



AYES: 5 HERR McADAMS BOYLE PASSED: 5-11-04
MCCORTHY McGRATH
NAYES: 0 APPROVED: 5-11-04
ABSENT: 1 KOUANAGH

STATE OF ILLINOIS)

)

COUNTY OF SANGAMON)

I, the undersigned, do hereby certify that I am the duly qualified and acting Village Clerk of the Village of Chatham, Sangamon County, Illinois.

I do hereby certify that the ordinance attached hereto is a full, true, and exact copy of Ordinance No. 04-~~27~~²⁴ adopted by the President and the Board of Trustees of said Village on the 11th day of May, 2004 said Ordinance being entitled:

**AN ORDINANCE APPROVING THE ENAGEMENT OF SIKICH GARDNER &
ASSOCIATES
FOR AUDIT SERVICES FOR FISCAL YEAR 2004**

I do further certify that prior to making of this certificate, the said Ordinance was spread at length upon the permanent records of said Village, where it now appears and remains.

ON WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of said Village this 11th day of May, 2004.

CHATHAM VILLAGE CLERK

PAT SCHAD

Pat Schad



Exhibit A

VILLAGE OF CHATHAM, ILLINOIS

PROPOSAL FOR AUDIT SERVICES

For the Fiscal Year Ending April 30, 2004

Sikich Gardner & Co, LLP
Consultants and Accountants
1000 Churchill Road
Springfield, Illinois 62702
(217) 793-3363
March 26, 2004

Contact: *Mike Noonan and Chad Lucas*

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 A MEMBER OF SIKICH GROUP, LLC

SIKICH GARDNER & CO, LLP
CONSULTANTS & ACCOUNTANTS

March 26, 2004

Ms. Sherry K. Dierking, Treasurer
Village of Chatham
117 E. Mulberry
Chatham, Illinois 62629

Sikich Gardner & Co, LLP is pleased to be considered for appointment as independent auditors for the Village of Chatham, Illinois. Our Firm is nationally recognized for its expertise in the state and local government accounting, auditing and financial reporting industry, and we have developed a significant practice in the state, including comparable governments in Downstate Illinois. We have a particular interest in providing these services to the Village as we provided auditing and accounting services for the Village from 1997 through 2002.

We recognize that it can be a difficult task to effectively compare the qualifications of the various firms that may submit proposals. However, we believe that our qualifications exceed the special requirements of the Village and are clearly distinguishable as we indicate in our proposal on the following pages. Moreover, while our fee for the services required by the Village may be higher than other proposals that you may receive, we must stress that the quality of our services, the depth of our audit procedures and the technical support and the information that we can provide to the Village can be justified by:

- The quality of our professional staff, as noted by their advanced degrees and through their active participation in numerous civic and professional organizations;
- The expertise that we possess in the state and local government industry. This is demonstrated by our clients' success in obtaining the coveted Certificate of Achievement for Excellence in Financial Reporting, our staff's presentations at conferences, seminars and training courses for various state and local government organizations. It is further demonstrated by our leadership roles in the state CPA Society and the Illinois Government Finance Officers Association on implementing complex new pronouncements, most recently Governmental Accounting Standards Board Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB S-34) (we assisted the Village of Carol Stream in implementing GASB S-34 as of April 30, 2001, the first general purpose government in Illinois to implement this pronouncement);

- The depth of our audit procedures, as depicted in our specific audit approach and stated by our government clients; and
- The quality and timeliness of the information that we can provide to the Village.

Our technical expertise in the state and local government industry has enabled our Firm to assist several of our clients in receiving the coveted GFOA Certificate of Achievement for Excellence in Financial Reporting. This capability is spearheaded by Frederick G. Lantz, the team leader of our government practice and the firm's Director of Government Services. Mr. Lantz is a nationally recognized expert in the state and local government accounting, auditing and financial reporting industry. Prior to joining our Firm, Mr. Lantz was the Assistant Director of Technical Services at GFOA where he was responsible for managing the day to day operations of the Certificate of Achievement for Excellence in Financial Reporting Program, developing the criteria used to evaluate state and local government financial reports and assisting over 2,000 governmental entities in receiving the Certificate of Achievement. Our Firm's expertise will enable the Village to correctly implement new statements and interpretations issued by the Governmental Accounting Standards Board and will improve the Village's financial reporting techniques.

We believe that this proposal demonstrates our capabilities to serve not only as independent auditors, but also as valued advisors and assistants to the Village, the Mayor, the Village Board and management.

Sikich Gardner & Co, LLP is a subsidiary of the Sikich Group LLC, a corporation created and owned by the partners of Sikich Gardner & Co, LLP. Other entities in the Sikich Group include; ICS Advantage, LLC (technology selection/production and implementation), Sikich Health Care Consulting, LLC (serving the health care industry), Sikich Cozad Asset Management, LLC (investment managers for individuals and pension plans) and Sikich HR Solutions (a recruitment and human resource consulting firm). Through the Sikich Group, our management advisory services are available when the need for such assistance arises. Our governmental clients often require services in special areas such as budget development, trend monitoring and forecasting, rate settings, bond issuances and refundings, escrow verifications, cash management, employee benefits, EDP applications, policies and procedures documents, training, temporary staffing, insurance analysis, and personnel policy development and implementation. We have a proven track record of assisting our governmental clients in these as well as other specialized areas. Such services, however, can only be provided in circumstances that would not impair our independence under guidelines recently adopted under *Government Auditing Standards*, if applicable.

We have received and reviewed the Village's *Request for Proposals for Auditing Services* (RFP) and are prepared to commit the resources necessary to provide services of the highest quality to the Village of Chatham, not only to perform the audit in accordance with the RFP, but also to provide governmental accounting and financial reporting expertise and technical assistance throughout the year. We understand the scope of our work to include expression of an opinion on the Village's general purpose financial statements with "in-relation-to" coverage on its combining, individual fund and account group financial statements and schedules. The audit will be performed in accordance with generally accepted auditing standards, and if applicable,

Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. In addition, we understand the scope of our work to include preparation of the State of Illinois Comptroller's "Annual Financial Report" and a management letter to the Village Board of any recommendations for improvement developed during the audit. We understand the timing requirements as specified in the Time and Report Requirements section of the RFP and are committed to performing the specified services within the stipulated timing requirements.

We appreciate the opportunity to present this proposal, which is a firm and irrevocable offer for sixty days, and look forward to the possibility of serving the Village. Sikich Gardner & Co, LLP reserves the right to withdraw from the engagement with prior written notice should unanticipated circumstances arise that would necessitate such withdrawal. In addition, we look forward to the opportunity to meet with members of management from the Village and the Village Board to discuss our proposal and the high quality services that we can provide.

Sincerely,

SIKICH GARDNER & CO, LLP

Handwritten signature of Gary D. Neubauer in cursive script, reading "Sikich Gardner & Co, LLP".

Gary D. Neubauer, CPA
Partner

STATEMENT OF INDEPENDENCE

Sikich Gardner & Co, LLP has evaluated its independence from the Village of Chatham in accordance with the first general standard for performing government audits as defined by the U.S. General Accounting Office's *Government Auditing Standards* (2003) and the AICPA Code of Professional Conduct. Based upon our evaluation, Sikich Gardner & Co, LLP is free of any personal and external impairments to independence from the Village of Chatham both in fact and in appearance to any knowledgeable third party.

LICENSE TO PRACTICE IN ILLINOIS

The Firm of Sikich Gardner & Co, LLP is a licensed Public Accountant Limited Liability Partnership in Illinois (license #066-003584). All key staff to be assigned to the engagement are licensed Certified Public Accountants (CPAs) in Illinois. In addition, all of the professional staff assigned to the engagement are full-time employees of Sikich Gardner & Co., LLP and are either registered Certified Public Accountants or are completing the exam.

FIRM QUALIFICATIONS AND EXPERIENCE PARTNER, MANAGER AND STAFF QUALIFICATIONS

EXPERIENCE

The Firm of Sikich Gardner & Co, LLP traces its foundation to a predecessor firm founded in 1928. Today, we are one of the fastest growing regional firms in Illinois with two offices located in Springfield and Aurora. Our Springfield office has six partners, seven managers and approximately twenty-five professional staff. Our Aurora office has eleven partners, ten managers and approximately forty professional staff. Through these offices, we provide a wide spectrum of services including audit, tax, accounting and management consulting services. In addition, through our subsidiaries of the Sikich Group, we provide insurance, technology, investment and human resources services.

Sikich Gardner & Co, LLP uses a team approach to servicing clients within various industries. As such, we have a state and local government industry team that specializes in providing services to this unique and challenging industry. During 2003, the local government team in our Springfield and Aurora offices conducted audits of over eighty cities, villages, towns, state agencies and other units of government. Many of these have been long standing clients and are evidence of our dedication to the state and local government industry and our abilities to provide high quality, timely services within this specialized industry. These clients and related work have enabled our Firm to develop an extensive expertise in governmental accounting, auditing and financial reporting procedures and practices.

QUALIFICATIONS AND TECHNICAL EXPERTISE

Our government industry team has twenty-five professional staff engaged in audits of governmental units and federal financial assistance programs year round, including five partners and four managers. The audit would be conducted by approximately four members of this team from our Springfield office with consultation and engagement assistance from Fred Lantz from our Aurora office.

Senior members of our government team in our Springfield and Aurora offices who will be directly involved in your engagement presently hold memberships and are actively involved in numerous governmental organizations. These memberships include the Government Finance Officers Association of the United States and Canada (GFOA), the Association of School Business Officials International (ASBO), the Illinois Government Finance Officers Association (IGFOA), the Illinois City Management Association, the Illinois Municipal Treasurers Association (IMTA), the American Institute of Certified Public Accountants (AICPA) and the Illinois CPA Society (ICPAS).

In addition, members of this team serve on the GFOA Special Review Committee (SRC), the ASBO Panel of Reviewers (Arbitrator), the IGFOA Technical Accounting Review Committee and the ICPAS Board of Directors, Governmental Report Review, Government Accounting Executive and Government Audit Quality Committees. Moreover, members of this team have served as expert speakers to these organizations, state GFOAs and others for formal presentations at local meetings and annual conferences on a variety of governmental accounting, auditing and financial reporting topics. Finally, we have also developed governmental accounting, auditing and financial reporting training courses for various organizations with members of our Firm serving as lead instructors for the courses.

The Illinois Government Finance Officers Association sponsored an Advanced Governmental Accounting and Financial Reporting seminar in July 1993 that was developed and instructed by our staff. Furthermore, our staff assisted IGFOA in developing a new reporting model and in testifying before the Governmental Accounting Standards Board (GASB) in October 1994 on this new proposed model and continued in this capacity by testifying before GASB in November 1995. In addition, we published an article in the IGFOA *Communiqué* on the effect of GASB's three new pension pronouncements on local governments in Illinois and have instructed sessions at the Illinois CPA Society Annual Government Conference on these pronouncements. In February 1997, we served as instructors for the IGFOA Finance Officers Institute for the sessions on accounting, auditing and financial reporting for state and local governments. In March 1997 and March 1998, we served as instructors for the IGFOA Pension Institute, developing a case study for implementing the new pension guidance on local police and fire pension plans in Illinois. In 1999 we developed three levels of governmental accounting courses for the IGFOA, basic, intermediate and advanced, and served as instructors for these courses in statewide offerings and in 1999, 2000 and 2001, we developed courses for implementing GASB's new reporting model (GASB S-34) for local governments and have presented it to numerous state GFOAs, including two seminars for the Illinois GFOA and prepared and presented a joint seminar of the WGFOA/IGFOA in May 2001.

In 2001, our Aurora office assisted with the implementation of GASB S-34, including the retroactive reporting of infrastructure, for the Village of Carol Stream, Illinois which is the first complete implementation for a general purpose local government in Illinois. In 2002, our Springfield office assisted the Springfield Airport Authority and the Springfield Mass Transit District with the implementation of GASB S-34. In 2003, our Springfield office assisted the City of Springfield and the City of Champaign with the implementation of GASB S-34. We have also assisted in the planning process and provided technical assistance for several other general purpose local governments that are required to implement GASB S-34 in 2004, including reviewing financial statements to determine the necessary changes, analyzing and determining major and non-major funds and providing advice on policy decisions relating to fixed assets and infrastructure. In addition, we assisted the Springfield Airport Authority in preparing and submitting their first Comprehensive Annual Financial Report to GFOA for the Certificate of Achievement for Excellence in Financial Reporting Program for the fiscal year ending June 30, 2003.

QUALITY CONTROL

Our Firm has been a member of the Private Companies Practice Section (PCPS) of the Division for CPA Firms of the AICPA since 1982. As such, we have voluntarily submitted our audit and accounting practice to quality control reviews of our compliance with professional standards as established by the AICPA and, more recently by the Government Accounting Office (GAO), for over nineteen years. We have exceeded these standards and have received unqualified opinions on each of our six reviews. Attached to this proposal is the report from our most recent review dated May 2002, which included a review of specific government engagements since this accounts for a significant segment of our practice.

Our state and local government reports have been reviewed by numerous federal and state oversight bodies and professional organizations. These reports have been judged to meet and, in most instances, exceed industry standards and requirements. We have never had any disciplinary action taken nor is any pending against the Firm with any state regulatory body or professional organization.

PARTNER, SUPERVISORY AND STAFF QUALIFICATIONS

Because of our substantial local government practice, Sikich Gardner & Co, LLP would be able to staff the engagement with professional staff from our government team, primarily from the Springfield office. This proposed audit team devotes a substantial portion of their time working on governmental engagements and all of them meet or exceed the CPE requirements contained in the U.S. General Accounting Office, *Government Auditing Standards*. The audit team would include:

Gary D. Neubauer, Engagement Partner - As engagement partner, Mr. Neubauer is responsible for the overall management of the audit. This includes developing and coordinating the overall audit plan, the in-depth review of all workpapers and the preparation of the Village's annual financial report (Mr. Neubauer is a member of the SRC). Mr. Neubauer has over twenty years of experience in the state and local government industry. Mr. Neubauer, a licensed certified public accountant, is a graduate of Illinois State University with a degree in Accounting.

Frederick G. Lantz, Partner, Director of Government Services - As Director of Government Services and engagement technical partner, Mr. Lantz has oversight responsibility for the overall management of the audit and will perform the concurring partner review of the Village's financial statements. Mr. Lantz, based in our Aurora office, has over nineteen years of experience in the state and local government industry, and is a nationally recognized expert in the industry. Mr. Lantz, a licensed certified public accountant, is a graduate of Northern Illinois University with a degree in Accounting.

Michael T. Noonan, Manager - Mr. Noonan will be responsible for coordinating the audit activity between the Village and the Firm. Mr. Noonan has over twenty-nine years of experience including audits of various local governments and private industries. Mr. Noonan, a licensed certified public accountant, is a graduate of St. Louis University with a degree in Accounting.

Chad A. Lucas, Engagement Manager - As engagement manager, Mr. Lucas will be responsible for the day-to-day fieldwork and execution of the audit engagement. (Mr. Lucas is a member of the SRC). Mr. Lucas has over eight years of experience auditing governmental entities, including serving as engagement in-charge for the audits of the Village, City of Springfield, the City of Champaign, the Town of Normal and the Springfield Airport Authority. Mr. Lucas, a certified public accountant, is a graduate of Illinois State University with a degree in Accounting.

* * * * *

We currently anticipate one to two other professional staff will be assigned to this engagement. All professional staff are full time employees of the Firm from our Springfield office and would have a minimum of one to three years of auditing experience, including local government auditing experience. Staffing our engagements with proven professionals from top to bottom enables Sikich Gardner & Co, LLP to complete the audit more efficiently by using highly skilled and trained professionals at competitive hourly rates.

In addition, all staff in the Firm that are assigned to government engagements exceed the continuing professional education (CPE) requirements contained in the U.S. General Accounting Office, *Government Auditing Standards*. Moreover, our government staff has specific knowledge of local government accounting and reporting requirements and their application for Illinois governments. This is achieved by attending at least forty hours per year of external courses sponsored by the AICPA, ICPAS, GFOA, IGFOA and internal courses including courses instructed by Fred Lantz who has over ten years of experience instructing national governmental accounting, auditing and financial reporting courses for the GFOA, IGFOA, AICPA and ICPAS. The staff to be assigned to the engagement has attended numerous seminars and training sessions relating to GASB S-34 sponsored by GFOA and IGFOA. This enables our firm to staff our governmental engagements with qualified professionals in the industry, providing valuable services to our governmental clients during the audit and throughout the year, as well as consistency in staffing multi-year engagements. We can assure the Village that none of the staff assigned to the engagement would need any "on the job accounting or financial reporting training" by the Village's staff. Moreover, we can assure the Village of the quality of staffing for a multi-year engagement, even if a change in personnel is required.

GARY D. NEUBAUER

Mr. Neubauer is a Partner with Sikich Gardner & Co, LLP who has specialized in the governmental, not-for-profit and construction industries. He is directly responsible for services in both the audit and management consulting areas.

Mr. Neubauer is a member of the Firm's Assurance Services Executive Committee with primary responsibility for technical issues, quality control and continuing professional education. Mr. Neubauer performs a substantial portion of the independent partner reviews of audit, review and compilation reports issued by both offices, including local government Single Audit and A-133 audit reports issued. In addition, Mr. Neubauer is responsible for updating and maintaining the firm's internal quality control document, performing research on technical issues and overseeing the Firm's continuing education program for professional staff.

Mr. Neubauer has had direct involvement in the following audits consisting of local governmental entities and audits performed under the Single Audit Act Amendments of 1996 and OMB Circular A-133 *Audits of States, Local Governments and Non-Profit Organizations*:

- City of Springfield (Single Audit)
- City of Champaign (Single Audit)
- Town of Normal (Single Audit)
- Illinois Department of Central Management Services
- Illinois Department of Insurance
- Springfield Airport Authority (Single Audit)
- Village of Pleasant Plains
- Gardner Township
- City of Virden
- Various fire protection and other special districts

Mr. Neubauer graduated in 1979 with a B.S. in Accounting from Illinois State University. He is a licensed Certified Public Accountant in Illinois and a member of the American Institute of Certified Public Accountants, the Illinois CPA Society and the Illinois Government Finance Officers Association and GFOA Special Review Committee. Mr. Neubauer is a past member of the Springfield Public School Foundation board, the United Way of Central Illinois, Inc. board and the United Way Foundation of Central Illinois, Inc. board.

FREDERICK G. LANTZ

Mr. Lantz is a Partner and Director of Government Services at Sikich Gardner & Co, LLP. Mr. Lantz is responsible for providing technical services to Sikich Gardner's governmental clients in all areas of governmental accounting, auditing, financial reporting, budget development, revenue and expenditure forecasting and cash and debt management. Prior to joining Sikich Gardner, Mr. Lantz was the Assistant Director for the Technical Services Center of the Government Finance Officers Association of the United States and Canada (GFOA), where he was a nationally recognized expert in the state and local government industry. At GFOA, Mr. Lantz was responsible for:

- Managing the Certificate of Achievement for Excellence in Financial Reporting Program;
- Providing accounting, auditing and financial reporting assistance to state and local government officials and their auditors;
- Developing and serving as lead instructor for a variety of governmental accounting, auditing and financial reporting training courses;
- Developing financial indicator data bases for local governments.

In addition, Mr. Lantz has spoken extensively at state GFOA and CPA Society meetings and conferences on a variety of government accounting and financial reporting topics.

Mr. Lantz has a Bachelor of Science Degree in Accounting from Northern Illinois University in DeKalb, Illinois. In addition, he is a graduate of the Advanced Government Finance Institute at the University of Wisconsin-Madison. He is a licensed Certified Public Accountant and a member of the American Institute of Certified Public Accountants and the Illinois CPA Society, Government Finance Officers Association (GFOA), Illinois Government Finance Officers Association (IGFOA), Illinois Municipal Treasurers Association (IMTA), Illinois City Management Association, ICPAS Government Audit Quality Committee, GFOA Special Review Committee, and IGFOA Technical Accounting Review Committee.

MICHAEL T. NOONAN

Mr. Noonan is a Manager with Sikich Gardner & Co, LLP who has specialized in governmental, small business, income tax and construction industries. He is directly responsible for services in all phases of audit management to consulting and tax areas.

Mr. Noonan has had direct involvement in the following audits of local governmental entities:

- Village of Pleasant Plains
- Gardner Township

Mr. Noonan graduated in 1972 with a B.S. in Accounting from St. Louis University. He is a licensed Certified Public Accountant in Illinois and a member of the American Institute of Certified Public Accountants, the Illinois CPA Society and the Sangamon Valley Estate Planning Council. Mr. Noonan is also a member of Alterna-Care, Inc. Professional Advisory board and Springfield Chamber of Commerce.

CHAD A. LUCAS

Mr. Lucas is a Manager with Sikich Gardner & Co, LLP who has specialized in the governmental and construction industries. He is directly responsible for day-to-day fieldwork and execution of audit services in these industries.

Mr. Lucas has had direct involvement in the following audits consisting of local governmental entities and audits performed under the Single Audit Act Amendments of 1996 and OMB Circular A-133 *Audits of States, Local Governments and Non-Profit Organizations*:

- City of Springfield (Single Audit)
- City of Champaign (Single Audit)
- Town of Normal (Single Audit)
- Springfield Airport Authority (Single Audit)
- Logan County (Single Audit)
- Village of Pleasant Plains
- Gardner Township
- City of Virden
- Various fire protection and other special districts

Mr. Lucas graduated in 1995 with a B.S. in Accounting from Illinois State University. He is a licensed Certified Public Accountant in Illinois and a member of the American Institute of Certified Public Accountants, the Illinois CPA Society and the Illinois Government Finance Officers Association. Mr. Lucas is a graduate of the Springfield Chamber of Commerce Leadership Springfield Program.

SIMILAR ENGAGEMENTS WITH OTHER GOVERNMENT ENTITIES

Following is a list of significant engagements performed last year that are similar to the engagement that we are proposing for the Village of Chatham. All of these engagements were led by Mr. Lantz or Mr. Neubauer.

Name	Approximate Number of Hours
*(**) City of Champaign	700
*(**) City of Springfield	1,000
Logan County	600
* Town of Normal	400
*(**) Village of Carol Stream	400
*(**) Springfield Airport Authority	170
(**) Springfield Mass Transit District	175

We provide a full scope audit, including a single audit, for all of the clients noted above.

- * These governments participate in GFOA's Certificate of Achievement for Excellence in Financial Reporting Program.
- ** Financial statements were prepared in accordance with GASB S-34

In addition, our Springfield and Aurora office's governmental team has performed numerous other audits of local governments, special districts and state agencies with accounting, reporting and compliance issues similar to those addressed by the Village of Chatham. In 2001, our Aurora office assisted with the implementation of GASB S-34, including the retroactive reporting of infrastructure, for the Village of Carol Stream, Illinois which is the first complete implementation for a general purpose local government in Illinois. In 2002, our Springfield office assisted the Springfield Airport Authority and the Springfield Mass Transit District with the implementation of GASB S-34. In 2003, our Springfield office assisted the City of Springfield and the City of Champaign with the implementation of GASB S-34. We have also assisted in the planning process and provided technical assistance for several other general purpose local governments that are required to implement GASB S-34 in 2004, including reviewing financials statements to determine the necessary changes, analyzing and determining major and non-major funds and providing advice on policy decisions relating to fixed assets and infrastructure.

In addition, our Springfield office assisted the Springfield Airport Authority in preparing and submitting their first Comprehensive Annual Financial Report to GFOA for the Certificate of Achievement for Excellence in Financial Reporting Program for the fiscal year ending June 30, 2003. Our Aurora office assisted Waubensee Community College in obtaining their first ever GFOA Certificate of Achievement for Excellence in Financial Reporting for the fiscal year ending June 30, 2000 and assisted and Elgin Community College in preparing and submitting their first Comprehensive Annual Financial Report to GFOA for the Certificate of Achievement for Excellence in Financial Reporting Program for the fiscal year ending June 30, 2003.

SPECIFIC AUDIT APPROACH

AUDIT STANDARDS AND WORK TO BE PERFORMED

The audit shall be conducted in accordance with generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants, and, if necessary, generally accepted government auditing standards issued by the United States General Accounting Office (GAO 2003), the Single Audit Act Amendments of 1996 and OMB Circular A-133. Our Firm will issue an opinion on the general purpose financial statements with "in-relation-to" coverage provided on the combining, individual fund and account group financial statements and schedules. In addition, we will apply certain limited procedures to the Required Supplementary Information (pension trend information). However, we will not audit the information and will not express an opinion on it. This is consistent with the audit scope coverage in the Village's most recent financial statements.

We are proposing to provide the following services to the Village:

- Audit of all fund types and account groups of the Village;
- Assist the Village in the preparation of the financial statements;
- Preparation of the independent auditor's report;
- Preparation of the Comptroller's Annual Financial Report;
- Preparation of an opinion on management's assertion that the Village complied with the requirements of subsection (q) of Section 11-74.4-3 of the Illinois Tax Increment Redevelopment Allocation Act (Illinois Public Act 85-1142);
- Preparation of the management report (letter), in which we provide suggestions for opportunities to strengthen internal controls and operating efficiency;
- Reporting to the Administration Committee in accordance with Statement on Auditing Standards (SAS) No. 61, Communications with Audit Committees;
- Exit conference(s) with Village Trustees to present the completed audit and related materials;
- Limited technical assistance related to financial accounting and reporting to the Village throughout the duration of the contract.

In addition to the above required services, we propose to provide assistance in the implementation of GASB Statement No. 34. The level of assistance and corresponding fees will be determined based on discussions with Village personnel.

IDENTIFICATION OF ANTICIPATED POTENTIAL AUDIT PROBLEMS

The Firm's approach to resolving any problems arising during the audit is the same as its overall approach to the audit, professionalism. Professionalism in performing the audit is the cornerstone to our philosophy during all phases of the audit. Any problems encountered during the audit, except for irregularities and illegal acts, will be discussed and documented with the Treasurer. The timing of this discussion will provide the Village with ample time to rectify any situations that may otherwise result in the issuance of a qualified audit opinion. Any irregularities and illegal acts detected or of which we become aware will be communicated to the Village President, the Administration Committee and the Treasurer.

The Firm's philosophy on additional fees and/or billings is based on an understanding between the Firm and the client of the scope of the work to be performed. We have bid a "not to exceed fee" for the audit, the scope and timing of which was specified by the Village. The billings for the audit would not exceed this fee unless the Village specifically requests that the scope of the engagement be expanded or additional services are requested and the Village and the Firm reach a mutual agreement, as to the expanded scope of the engagement or additional services requested and the fee, if any, for the expanded scope. This is based on our initial understanding that the Village is not required to have a Single Audit under the guidelines of the Office of Management and Budget (OMB) Circular A-133 (as revised subsequent to passage of the Single Audit Act Amendments of 1996). Should a Single Audit under the guidelines of OMB Circular A-133 be required, we will revise our proposal, as necessary, and discuss any changes with the Administration Committee before completing the engagement.

SIKICH GARDNER & CO, LLP AUDIT FEES

The fee for all professional services and deliverables specified in this *Proposal For Audit Services*, including all direct and indirect costs, will not exceed \$15,785 for the fiscal year ending April 30, 2004.

We invoice our clients on a monthly basis as services are provided. In accordance with Illinois Compiled Statutes, payments for all services are due within sixty (60) days of receipt of an invoice. Invoices not paid within sixty days are assessed a finance charge of one (1) percent per month (12% annually).

These fees assume that the Village will provide us with adjusted trial balances by individual fund, confirmations of account balance and other supporting schedules of account balances as requested. These fees include the cost to implement any new GASB pronouncements during the duration of the contract except GASB Statement No. 34.

GASB S-34 Implementation

The above fees do not take into consideration the costs to implement GASB Statement No. 34, *Basic Financial Statements – for State and Local Governments and Management's Discussion and Analysis*. Based on our discussions with management, the Village will implement GASB No. 34 for the fiscal year ending April 30, 2005. Implementation will require changes to the format of the financial statements, analyzing budget methodology/fund structure/account structure, determining major and non-major funds and depreciation of fixed assets and infrastructure. We propose to provide assistance in the implementation of GASB Statement No. 34, but the level of assistance and corresponding fees will be determined based on discussions with Village personnel.

SAS 99

The above fees also take into consideration the impact of recently issued Statements on Auditing Standards. One pronouncement in particular will have a significant effect on the conduct of all audits performed in accordance with auditing standards generally accepted in the United States. Statement on Auditing Standards No. 99, *Consideration of Fraud in a Financial Statement Audit*, imposes dramatic changes in the nature and extent of procedures to be performed during an audit. These changes will be noticeable to all audit clients as they require greater interaction with client personnel and additional hours by audit firms to ensure compliance. The additional effort and interaction is necessary on all engagements, not just those where fraud is suspected.

HEINOLD - BANWART, LTD.

Certified Public Accountants



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May 15, 2002

To the Partners
Sikich Gardner & Co, LLP

We have reviewed the system of quality control for the accounting and auditing practice of Sikich Gardner & Co, LLP (the firm) in effect for the year ended December 31, 2001. A system of quality control encompasses the firm's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of complying with professional standards. The elements of quality control are described in the Statements on Quality Control Standards issued by the American Institute of Certified Public Accountants (the "AICPA"). The design of the system, and compliance with it, are the responsibilities of the firm. In addition, the firm has agreed to comply with the membership requirements of the SEC Practice Section of the AICPA Division for CPA Firms (the Section). Our responsibility is to express an opinion on the design of the system, and the firm's compliance with that system and the Section's membership requirements based on our review.

Our review was conducted in accordance with standards established by the Peer Review Committee of the Section and included procedures to plan and perform the review that are summarized in the attached description of the peer review process. Our review would not necessarily disclose all weaknesses in the system of quality control or all instances of lack of compliance with it or with the membership requirements of the Section since it was based on selective tests. Because there are inherent limitations in the effectiveness of any system of quality control, departures from the system may occur and not be detected. Also, projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the system of quality control for the accounting and auditing practice of Sikich Gardner & Co, LLP in effect for the year ended December 31, 2001, has been designed to meet the requirements of the quality control standards for an accounting and auditing practice established by the AICPA, and was complied with during the year then ended to provide the firm with reasonable assurance of complying with professional standards. Also, in our opinion, the firm has complied with the membership requirements of the Section in all material respects.

Heinold - Banwart, Ltd.

Attachment to the Peer Review Report of Sikich Gardner & Co, LLP

Description of the Peer Review Process

Overview

Member firms of the AICPA SEC Practice Section (the Section) must have their system of quality control periodically reviewed by independent peers. These reviews are system and compliance oriented with the objective of evaluating whether:

The reviewed firm's system of quality control for its accounting and auditing practice has been designed to meet the requirements of the Quality Control Standards established by the AICPA.

The reviewed firm's quality control policies and procedures were being complied with to provide the firm with reasonable assurance of complying with professional standards.

The reviewed firm was complying with the membership requirements of the SECPS in all material respects.

The Section's Peer Review Committee (PRC) establishes and maintains review standards. At regular meetings and through report evaluation task forces, the PRC considers each peer review, evaluates the reviewer's competence and performance, and examines every report, letter of comments, and accompanying response from the reviewed firm that states its corrective action plan before the peer review is finalized. The staff of the Public Oversight Board, an independent oversight body, plays a key role in overseeing the performance of peer reviews working closely with the peer review teams and the PRC.

Once the PRC accepts the peer review reports, letters of comments, and reviewed firms' responses, they are maintained in a file available to the public. In some situations, the public file also includes a signed undertaking by the firm agreeing to specific follow-up action requested by the PRC. That file also includes the firm's annual report which contains information regarding the number of firm offices, firm professionals, and SEC clients for which the firm is principal auditor-of-record.

Planning the Review

To plan the review of Sikich Gardner & Co, LLP, we obtained an understanding of (1) the nature and extent of the firm's accounting and auditing practice, and (2) the design of the firm's system of quality control sufficient to assess the inherent and control risks implicit in its practice. Inherent risks were assessed by obtaining an understanding of the firm's practice, such as the industries of its clients and other factors of complexity in serving those clients, and the organization of the firm's personnel into practice units. Control risks were assessed by obtaining an understanding of the design of the firm's system of quality control, including its audit methodology, and monitoring procedures. Assessing control risk is the process of evaluating the effectiveness of the reviewed firm's quality control system in preventing the performance of engagements that do not comply with professional standards.

Performing the Review

Based on our assessment of the combined level of inherent and control risks, we identified practice units and selected engagements within those units to test for compliance with the firm's quality control system. The engagements selected for review included audits performed under the Government Auditing Standards and audits of Employee Benefit Plans. The engagements selected for review represented a cross-section of the firm's accounting and auditing practice with emphasis on higher-risk engagements. The engagement reviews included examining working paper files and reports and interviewing engagement personnel.

The scope of the peer review also included examining selected administrative and personnel files to determine compliance with the firm's policies and procedures for the elements of quality control pertaining to independence, integrity, and objectivity; personnel management; and acceptance and continuance of clients and engagements. In addition, we tested compliance with the membership requirements of the Section, including those pertaining to independence quality controls.

Prior to concluding the review, we reassessed the adequacy of scope and conducted an exit conference with firm management to discuss our findings and recommendations.