



**AGENDA
FINANCE COMMITTEE
Village of Hoffman Estates
October 26, 2009**

Immediately following Public Health & Safety

Members: Cary Collins, Chairperson
Jacquelyn Green, Vice Chairperson
Anna Newell, Trustee

I. Roll Call

II. Approval of Minutes – September 28, 2009

NEW BUSINESS

1. Request authorization to award the professional audit services contract for the 2009 fiscal year to Lauterbach & Amen, LLP for a cost not to exceed \$41,500, with the option of extending the contract for each of the years 2010, 2011, 2012, and 2013.
2. Request acceptance of Finance Department Monthly Report.
3. Request acceptance of Information Systems Department Monthly Report.

III. President's Report

IV. Other

V. Items in Review

VI. Adjournment

Village of Hoffman Estates

FINANCE COMMITTEE MEETING MINUTES

September 30, 2009

I. Roll Call

Members in Attendance:

**Cary Collins, Chairperson
Jacquelyn Green, Vice-Chairperson
Anna Newell, Member**

**Other Corporate Authorities
in Attendance:**

**Trustee Karen Mills
Trustee Ray Kincaid
Trustee Gary Pilafas
Village President William McLeod**

**Management Team Members
in Attendance:**

**James Norris, Village Manager
Dan O'Malley, Deputy Village Manager
Bev Romanoff, Village Clerk
Mark Koplín, Asst. Vlg. Mgr., Dev. Services
Mike DuCharme, Director of Finance
Gary Salavitch, Director of Engineering
Ken Hari, Director of Public Works
Algean Garner, Dir. of Health & Human Svcs.
Mike Hish, Deputy Police Chief
Bob Gorvett, Fire Chief
Dave Christensen, Emergency Svcs. Coord.**

Others in Attendance

**Reporter from the Daily Herald
Nancy Harbottle, Arnstein & Lehr**

The Finance Committee meeting was called to order at 7:30 p.m.

II. Approval of Minutes

Motion by Trustee Mills, seconded by Trustee Pilafas, to approve the Finance Committee meeting minutes of August 24th, 2009. Voice vote taken. All ayes. Motion carried.

NEW BUSINESS

- 1. Presentation and discussion of Water Rate Study conducted by Alvord, Burdick & Howson for the Village of Hoffman Estates for 2010-2014 and consideration of recommendation to proceed with the rates as outlined in the study.**

An item summary sheet was submitted to the Committee.

Trustee Pilafas asked Mr. DuCharme about the financial impact of rate increases to the residents. Mr. Jim Norris explained that the rate increases from the previous rate study were not passed

specifically on to the residents and businesses, but rather to JAWA, who sells the water to member communities. In effort to minimize the impact, JAWA issued a bond that would stretch the increases out over 20 years. This resulted in a minimum increase of 3.2% for member communities, each year for 20 years. Mr. Norris stated that the 3.2% increase was only JAWA related and did not include other costs, such as electric. The Village of Hoffman Estates tried to weather the storm until the next rate study and did not pass along rate increases to residents and businesses. Mr. DuCharme added the previous rate increase impacted the current study as the Village had previously absorbed those rates.

Trustee Pilafas asked to confirm that the previous rate increases from JAWA had not been passed along to residents and businesses in the Village. He also asked for clarification that the new rate study was proposing rate increases as a result. Mr. DuCharme confirmed that the previous rate increases were absorbed in the rate structure that the Board approved in 2004.

Trustee Pilafas asked for the financial impact to the Village between 2003 and 2009. Mr. Norris stated that the increases were only 3.2% per year. Mr. DuCharme added that cost for water was probably slightly above \$2 per thousand at that time.

Trustee Pilafas asked for an explanation of the financial impact to the Village over the next 5 years if rate increases are not enacted. Mr. DuCharme indicated that the Village would be \$6.5 million "in the hole" and stated that a representative named Mr. William Nyanue from Alvord, Burdick & Howson (now called AB&H Donahue) was present.

Trustee Collins asked if there was any reason the rate increase couldn't be moved back one year. Mr. Norris confirmed that nothing prevents the Board from taking action at a later time regarding rate increases.

Trustee Collins stated he was concerned about passing along rate increases to residents and businesses in light of the current economy. Trustee Collins asked if the Board would be able to make adjustments to the rate increase to condense the increase over four years instead of five. Mr. Norris confirmed that the rates could be condensed over a shorter period of time.

Trustee Collins suggested that when the economy starts to recover, the public and the residents will likely be in a better position to absorb the cost increases. Trustee Collins asked if the Village was better able to absorb the increase now and then pass it along later when the general public and residents are able to pay for it.

Trustee Pilafas asked the staff how Trustee Collins' deferred rate proposal would affect the Village budget in the next year. Mr. DuCharme replied that additional costs absorbed by the Village would come from the reserves in the Water and Sewer Funds, which were \$8.4 million dollars at the end of last year.

Mr. Norris clarified that Mr. DuCharme included the reserves in the rate increase estimates. Mr. Norris stated that if cost increases were not approved, the Village would start with \$8.4 million in reserve and end with a deficit of \$6.5 million.

Trustee Pilafas questioned whether or not there was a difference in the Water and Sewer Reserve Fund and the General Reserve Fund. Trustee Pilafas also wanted to know what the reserves were being held to cover. Mr. DuCharme replied that they are separate funds and that the reserves are used for capital projects and emergency situations. Mr. DuCharme stated that the Village targets a reserve level of \$2 million, which would be met if the rate increases were

approved. Mr. Norris added that an emergency fund was required because nothing underground is insured and that many communities carry a significantly higher Water and Sewer Fund Reserve

Trustee Pilafas asked the staff if Mr. Nyanue would confirm their statements. Mr. DuCharme formally introduced Mr. William Neonu from Alvord, Burdic & Howson.

Mr. Neonu confirmed that the staff was correct in their statements. He outlined that the rate increases were based on necessary revenue to cover costs and maintain a reserve. Mr. Neonu also indicated that the Village's water rate increases would be the median of what other communities proposed.

Trustee Collins restated his concerns about economic factors and the impact of a rate increase. Trustee Collins also restated his interest in delaying the increase.

Mayor McLeod stated that the water rate increase was a classic user fee that needs to be passed along to the end user in order to maintain the water system. Mayor McLeod also stated that there were no assurances that the economy would improve in the next year and that it wasn't fair to pass along the costs to people who move to the Village in the future.

Trustee Mills pointed out that without rate increases, the bottom line reserve drops to \$500,000 the first year and a deficit of \$1.5 million the second year. Trustee Mills expressed concern with the amount of money the Village would need to provide to meet the \$2 million reserve. Trustee Mills agreed with Mayor McLeod about passing along the rate increase to maintain the system for the people.

Trustee Collins suggested holding off on a rate increase until 2011.

Motion by Mayor McLeod, seconded by Trustee Mills, to approve the recommendation to proceed with the rates as outlined in the study conducted by Alvord, Burdick & Howson for the Village of Hoffman Estates for 2010 through 2014.

Roll call:

Aye: Mills, Kincaid, Newell

Nay: Collins, Pilafas

Mayor McLeod voted aye.

Motion carried.

2. Request acceptance of Finance Department Monthly Report.

An item summary sheet from Rachel Musiala was submitted to the Committee.

Motion by Trustee Mills seconded by Trustee Pilafas, to accept the Finance Department Monthly Report. Voice vote taken. All ayes. Motion carried.

3. Request acceptance of Information Systems Department Monthly Report.

An item summary sheet from Gordon Eaken was submitted to the Committee.

Motion by Trustee Mills, seconded by Trustee Pilafas, to accept Information Systems Department Monthly Report. Voice vote taken. All ayes. Motion carried.

III. President's Report

Mayor McLeod thanked the 50th Anniversary Commission and the Celebrations Commission for the 50th Anniversary Celebration on September 26th, 2009. The Mayor attended a District 15 Advisory meeting. Mayor McLeod thanked the Director of Operations – Office of the Mayor and Board for helping a Hoffman Estates business on her own time.

IV. Other

V. Adjournment

Motion by Trustee Mills, seconded by Trustee Pilafas, to adjourn the meeting at 7:56 p.m. Voice vote taken. All ayes. Motion carried.

Minutes submitted by:

Emily Kerous, Director of Operations
Office of the Mayor & Board

Date

**COMMITTEE AGENDA ITEM
VILLAGE OF HOFFMAN ESTATES**

SUBJECT: Approval of Audit Contract for Fiscal Year 2009

MEETING DATE: October 26, 2009

COMMITTEE: Finance

FROM: Michael DuCharme, Director of Finance

PURPOSE: Request authorization to award the professional audit services contract for the 2009 fiscal year to Lauterbach & Amen, LLP for a cost not to exceed \$41,500, with the option of extending the contract for each of the years 2010, 2011, 2012, and 2013.

BACKGROUND: In 1996, we entered into a three-year contract for auditing services (for fiscal years 1997, 1998, and 1999) with Sikich LLP based on the results of a Request for Proposal. After the 1999 audit was completed, we received approval from the Village Board for a contract extension for the 2000, 2001, and 2002 year-end audits. In 2003 and 2006, we again received approval from the Board for two more three-year extensions, with the understanding that when that period was up, we would go out for proposal to assure the Village that the prices we were paying were fair. The 2008 audit was the final year under the previous contract.

DISCUSSION: Requests for proposals were sent to twelve different auditing firms in the area. Five firms submitted proposals and the pricing results were as follows (please note: these prices include all of the services the auditors will be performing, including the Single Audit report, TIF reports, Pension Fund Department of Insurance reporting, and CAFR preparation):

<u>Firm</u>	<u>FY2009</u>	<u>FY2010</u>	<u>FY2011</u>	<u>FY2012</u>	<u>FY2013</u>
Baker Tilly	\$34,900	\$35,500	\$36,100	\$37,000	\$38,400
Lauterbach & Amen	\$41,500	\$42,750	\$44,000	\$45,250	\$46,500
Sikich LLP	\$42,268	\$43,534	\$44,840	\$46,185	\$47,571
Crowe Horwath	\$54,800	\$56,995	\$59,300	\$61,680	\$64,275
Wolf & Company	\$58,240	\$60,300	\$62,440	\$64,625	\$66,880

Interviews were set up with the four lowest priced proposing firms. During these interviews, questions were asked pertaining to firm and staff qualifications as well as specific audit

approaches. References were also checked. Based on this information, as well as information directly from the proposals, a scoring system was applied to each of the firms. Firms were scored based on municipal client experience, GFOA award experience, number of audit hours proposed, partner involvement, staff qualifications, references, and price, with a maximum score possible of 75. The scoring results were as follows:

<u>Firm</u>	<u>Score</u>
Sikich LLP	72
Lauterbach & Amen	66
Baker Tilly	62
Crowe Horwath	61
Wolf & Company	61

We understand the Village Board's desire to rotate out the current auditing firm of Sikich due to the fact that they have been auditing the Village for 12 consecutive years.

Although the lowest priced proposal was from Baker Tilly (formerly known as Virchow Krause), other factors such as the expertise of the staff that will be working on our audit and the number of other municipal clients causes us concern.

It is for these reasons that we are recommending the Village contract with Lauterbach & Amen, LLP for auditing services for FY2009. You may remember the last time we brought a recommendation before the Finance Committee for auditing services we discouraged the Village from going with Lauterbach & Amen due to what we perceived as a lack of expertise of their staff since most of their personnel are not CPA's. This was again a high concern of ours. When it comes to accounting issues and questions that arise during the year, it is imperative that our Finance Department staff is able to contact knowledgeable people to provide assistance. We were not confident that this would be the case with Lauterbach & Amen. However, every reference we checked for Lauterbach & Amen was so positive in this regard that our concerns have been put at ease. Also, with Lauterbach & Amen, the amount of Partner involvement with our audit was extremely high, and since the Partner is a CPA, we feel comfortable with our recommendation.

The attached spreadsheet summarizes the proposals that were received and the criteria we were looking for in an auditing firm. We have also attached the actual proposals from each of the firms for your review.

RECOMMENDATION: Request authorization to award the professional audit services contract for the 2009 fiscal year to Lauterbach & Amen, LLP for a cost not to exceed \$41,500, with the option of extending the contract for each of the years 2010, 2011, 2012, and 2013.

ATTACHMENTS

**Analysis of Proposals for
Auditing Services
August 31, 2009**

Company	Sikich LLP					Lauterbach & Amen, LLP				
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 1	Year 2	Year 3	Year 4	Year 5
Current Contract										
Pricing Information:										
CAFR, etc.	29,228	30,105	31,008	31,938	32,896	32,400	33,100	33,800	34,500	35,200
Single Audit Report	4,429	4,561	4,698	4,839	4,984	2,500	2,600	2,700	2,800	2,900
Comptroller AFR	643	662	682	702	723	400	450	500	550	600
Police DOI	1,607	1,655	1,705	1,756	1,809	1,600	1,700	1,800	1,900	2,000
Fire DOI	1,607	1,655	1,705	1,756	1,809	1,600	1,700	1,800	1,900	2,000
Barrington TIF	2,377	2,448	2,521	2,597	2,675	1,500	1,600	1,700	1,800	1,900
Roselle TIF	2,377	2,448	2,521	2,597	2,675	1,500	1,600	1,700	1,800	1,900
TOTAL ANNUAL COST	42,268	43,534	44,840	46,185	47,571	41,500	42,750	44,000	45,250	46,500
Additional Questions/Assistance	Included with above fees									
Cost per audit hour	\$ 64.43	\$ 66.36	\$ 68.35	\$ 70.40	\$ 72.52	\$ 94.32	\$ 97.16	\$ 100.00	\$ 102.84	\$ 105.68
Minimum Standards:	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable
Independent & Licensed	200	50	200	50	200	200	50	200	50	200
Number of IL municipal clients	50	50	50	50	50	50	50	50	50	50
Number of above with GFOA Award	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable
External Quality Control Review	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable
Understands objectives & needs	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable
Office Qualifications:	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable
Firm size and location	656	60	656	60	656	440	120	440	120	440
Can meet time requirements	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable
Number of Audit Hours	656	60	656	60	656	440	120	440	120	440
Number of Partner Audit Hours	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable
Firm Qualifications & Experience	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable
Other services offered	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable
Participation in training	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable
Data processing capabilities	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable
References	Outstanding	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable
Staff Qualifications:	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable
(CPA, adequate CPE, experience)	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable
Partner	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable
Supervisory/Manager	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable
Audit Staff	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable
Total Rating Score	72	72	72	72	72	66	66	66	66	66

**Analysis of Proposals for
Auditing Services
August 31, 2009**

Company	Baker Tilly (Virchow/Krause)					Crowe Horwath				
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 1	Year 2	Year 3	Year 4	Year 5
Current Contract										
Pricing Information:										
CAFR, etc.	29,700	30,300	30,900	31,800	33,100	46,500	48,355	50,305	52,340	54,560
Single Audit Report	1,600	1,600	1,600	1,600	1,700	4,800	4,990	5,200	5,400	5,620
Comptroller AFR	-	-	-	-	-	400	420	435	450	465
Police DOI	800	800	800	800	800	550	575	600	625	650
Fire DOI	800	800	800	800	800	550	575	600	625	650
Barrington TIF	1,000	1,000	1,000	1,000	1,000	1,000	1,040	1,080	1,120	1,165
Roselle TIF	1,000	1,000	1,000	1,000	1,000	1,000	1,040	1,080	1,120	1,165
TOTAL ANNUAL COST	34,900	35,500	36,100	37,000	38,400	54,800	56,995	59,300	61,680	64,275
Additional Questions/Assistance	Included with above fees									
Cost per audit hour	\$ 83.10	\$ 84.52	\$ 85.95	\$ 88.10	\$ 91.43	\$ 109.60	\$ 113.99	\$ 118.60	\$ 123.36	\$ 128.55
Minimum Standards:	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable
Independent & Licensed	29	29	29	29	29	19	19	19	19	19
Number of IL municipal clients	4	4	4	4	4	5	5	5	5	5
Number of above with GFOA Award	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable
External Quality Control Review	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable
Understands objectives & needs	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable
Office Qualifications:	656	656	656	656	656	500	500	500	500	500
Firm size and location	30	30	30	30	30	33	33	33	33	33
Can meet time requirements	Good	Good	Good	Good	Good	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable
Number of Audit Hours	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable
Number of Partner Audit Hours	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable
Firm Qualifications & Experience	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable
Other services offered	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable
Participation in training	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable
Data processing capabilities	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable
References	Outstanding	Outstanding	Outstanding	Outstanding	Outstanding	Good, but not comparable to VOHE	Good, but not comparable to VOHE	Good, but not comparable to VOHE	Good, but not comparable to VOHE	Good, but not comparable to VOHE
Staff Qualifications:	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable
(CPA, adequate CPE, experience)	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable
Partner	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable
Supervisory/Manager	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable
Audit Staff	Acceptable	Acceptable	Acceptable	Acceptable	Acceptable	Fair	Fair	Fair	Fair	Fair
Total Rating Score	62	62	62	62	62	61	61	61	61	61

**Analysis of Proposals for
Auditing Services
August 31, 2009**

Company

Pricing Information:

CAFR, etc.
Single Audit Report
Comptroller AFR
Police DOI
Fire DOI
Barrington TIF
Roselle TIF

TOTAL ANNUAL COST

Additional Questions/Assistance

Cost per audit hour

Minimum Standards:

Independent & Licensed
Number of IL municipal clients
Number of above with GFOA Award
External Quality Control Review
Understands objectives & needs

Office Qualifications:

Firm size and location
Can meet time requirements
Number of Audit Hours
Number of Partner Audit Hours
Firm Qualifications & Experience
Other services offered
Participation in training
Data processing capabilities

References

Staff Qualifications:
(CPA, adequate CPE, experience)

Partner
Supervisor/Manager
Audit Staff

Total Rating Score

Current Contract	Year 1	Year 2	Year 3	Year 4	Year 5
29,228	47,600	49,250	51,000	52,775	54,600
4,429	4,200	4,350	4,500	4,650	4,800
643	440	460	480	500	520
1,607	1,320	1,370	1,410	1,460	1,520
1,607	1,320	1,370	1,410	1,460	1,520
2,377	1,360	1,400	1,440	1,480	1,520
2,377	2,000	2,100	2,200	2,300	2,400
42,268	58,240	60,300	62,440	64,625	66,880
	Included with above fees				
\$ 64.43	\$ 129.71	\$ 134.30	\$ 139.06	\$ 143.93	\$ 148.95
Acceptable			Acceptable	Unknown	
Acceptable			Unknown	Acceptable	
Acceptable			Acceptable	Acceptable	
Acceptable			Acceptable	Acceptable	
Acceptable			449	34	
656			34	Acceptable	
Acceptable			Acceptable	Acceptable	
Acceptable			Acceptable	Acceptable	
Acceptable			Acceptable	Acceptable	
Outstanding			Unknown		
Acceptable			Acceptable		
Acceptable			Acceptable		
Acceptable			Acceptable		
					61

Wolf & Company LLP

Certified Public Accountants



A Wolf Financial Group Member

August 27, 2009

Mr. Michael DuCharme
Director of Finance
Village of Hoffman Estates
1900 Hassell Road
Hoffman Estates, Illinois 60169

Dear Mr. DuCharme:

Wolf & Company LLP is pleased to submit this proposal to provide professional services for the Village of Hoffman Estates for the years ending December 31, 2009 through 2013. We are confident that Wolf & Company LLP can exceed your expectations in providing you with the technical expertise, quality service, and timely information you require.

At Wolf & Company, service means taking the time to get to know our clients, anticipating and responding to their needs promptly and efficiently, and being perceived as a resource rather than just a cost of doing business. We believe that we can become a valuable business partner to the Village of Hoffman estates. Many of our clients are comparable to the Village in the size and scope of their operations. Accordingly, you will find that we understand and relate to your needs, and are able to respond quickly with practical business solutions.

Enclosed is information about our firm, references that can elaborate on our performance and service, as well as an explanation of our scope of the audit process. Wolf & Company has the resources and desire to effectively and efficiently perform the required audit services.

We look forward to developing a professional relationship while providing excellent services to the Village of Hoffman Estates.

If you have any questions regarding this proposal, please feel free to contact me.

Sincerely,

John C. DeLand
Partner



Fifty years of unity

Proposal to
Provide Professional Services

Proposal for

Village of Hoffman Estates

— *Prepared by* —

Wolf & Company LLP
Certified Public Accountants

Contact:
John C. DeLand
630-545-4504
john.deland@wolfco-fs.com

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Peer Review Report
ATTACHMENT A



Executive Summary

Background

The Village of Hoffman Estates is seeking a relationship with an auditing firm that will provide timely and efficient audit and regulatory filing services. This firm needs to have extensive experience and expertise with audits of villages and other governmental units.

The Village desires that the auditor express an opinion on the fair representation of its governmental activities, its business-type activities, each of its major funds, and its aggregate remaining fund information in conformity with generally accepted accounting principles. The Village of Hoffman Estates also desires the auditor to do the following:

- Provide an "in-relation-to" opinion reference to non-major combining and individual fund statements and supplemental schedules included in the report.
- Customary review of required Supplementary Information,
- Audit the Village's two Tax Increment Finance Districts, Barrington-Higgins TIF and Roselle Road TIF, and issue required compliance reports thereon.
- Prepare and file the Annual Report with the Illinois Comptroller, and prepare and file with the Illinois Division of Insurance annual reports of the Police and Firefighters Pension Funds.
- Prepare a Report on Internal Control which will include comments and recommendations on the policies, procedures and internal controls of the Village of Hoffman Estates.

Summary of Wolf & Company Capabilities

Wolf & Company LLP is ideally suited for this work in light of our experience in working with a large number of local governmental units located throughout the Chicagoland area. We combine partner accessibility, teamwork, and communication to assist clients in achieving their goals. You can be assured that the team assigned to your account will invest the time and effort necessary to provide you with proactive advice and updates on accounting issues. We provide clients with the following benefits:

Experience – Wolf has extensive experience in providing audit and other services to organizations that are similar to the Village in terms of size and the nature of their operations.

Expertise – We have a core group of professionals with expertise in governmental units, who are available to address financial reporting, audit, and other business matters that arise. The Village would be an important client to Wolf & Company and would benefit from a strong team of professionals.



Executive Summary

Firm Size – Our firm is large enough to be a resource to the Village, providing specialized services for local governmental organizations, yet small enough to be responsive and provide personal service. Partners play an active role in both planning and executing the engagement and are present at client meetings and presentations.

Commitment to Quality and Integrity – We have established a reputation in the business community for quality and integrity. Our goal is to provide excellent service to you and to become a valuable resource for your organization.

Quality Control Policies and Procedures – Wolf & Company LLP has a formal quality control committee and quality control manual. Our quality control manual incorporates the following basic elements of quality control:

- **Leadership Responsibilities for Quality within the Firm** – Ultimate responsibility for the firm's system of quality control
- **Relevant Ethical Requirements** – Assurance that the firm and its personnel comply with relevant ethical requirements
- **Human Resources** – Hiring, engagement staffing, and professional development practices
- **Acceptance and Continuance of Clients** – Criteria for new client acceptance and continuance of existing client relationships
- **Engagement Performance** – General engagement performance standards
- **Monitoring** – Guidelines for monitoring compliance with Quality Control policies

Continuity of Personnel – Continuity of personnel is a priority of ours because we understand that professional services are provided most efficiently and effectively when personnel do not need to repeat the learning curve each year. We will strive to maintain the same engagement team on your audit from year to year.

Licensing and Continuing Education – The firm and all partners are licensed to practice in the State of Illinois. We maintain, for each employee required to obtain continuing education, a record of requirements and credits earned.



Engagement Qualifications

Wolf & Company LLP has been practicing public accounting in Illinois for over 30 years. We have a staff of approximately 110 professionals. Our qualifications to perform this engagement are summarized below.

- We have extensive experience in the field of governmental accounting and auditing. We currently serve as auditors for a substantial number of municipalities, townships, library, park and special districts. We have included a partial list of such clients and would encourage you to contact any or all of them to obtain their opinions as to our qualifications and service. Many of our governmental and not-for-profit clientele require Single Audits of Federal Awards, and include Tax Increment Financing Districts and similar issues. We have also assisted numerous clients in applying for and receiving the GFOA Certificate of Achievement.
- We utilize a team approach to provide continuity and effective service to our clients. A team consisting of a partner, manager, senior, and appropriate staff is assigned to serve each client. Before determining the makeup of our team, we identify our client's requirements and select personnel with the technical skills and experience that match our client's needs. Because of the degree of governmental experience that our partners, managers and staff possess, we are able to conduct the audit in an efficient, orderly fashion.
- Wolf & Company believes that its most effective contribution to its clients is when we function more as business advisors and consultants than just as traditional accountants. By providing constructive insights that we obtain during the audit process, we feel that we can assist our clients in meeting their objectives of providing efficient services to residents and the business community.
- A partner will supervise the field audit and be available for any questions from the Village Board of Trustees, management, or staff, both during the course of the audit and on an on-going basis throughout the year.

Unlike most public accounting firms, both large and local, a major emphasis for Wolf & Company is governmental auditing and consulting. A significant percentage of our time is spent on governmental clients. Three partners, five managers, and approximately 20 audit staff members perform governmental audit services. Accordingly, our partners, managers and staff, as outlined in later sections of this proposal have acquired a wide range of experience in the governmental field in terms of both direct engagement responsibilities as well as in memberships on committees in various governmental organizations. We view each governmental engagement as an important commitment.



Scope of the Engagement

We propose that Wolf & Company will perform an audit of the Village of Hoffman Estates, Illinois in accordance with auditing standards generally accepted in the United States of America. The reporting entity will, as required by generally accepted accounting principles, include all funds of the Village. We would deliver the comprehensive Annual Financial Report for the Village of Hoffman Estates and other reports in accordance with the requirements of the Village.

Our opinion will be expressed on the basic financial statements defined by the reporting model as promulgated by GASB Statement No. 34 and subsequent pronouncements. We will also provide an "in relation to" opinion reference to non-major combining and individual fund statements and supplemental schedules included in the report.

We will not provide an opinion on Management's Discussion and Analysis or Required Supplementary Information, but will provide the customary review of those documents. The Introductory and Statistical Sections of the CAFR will not be audited by us. If our opinion on the basic financial statements is other than unqualified, we will meet to discuss those reasons before we issue the report.

We will also audit the Village's two Tax Increment Finance Districts, Barrington-Higgins TIF and Roselle Road TIF, and issue required compliance reports thereon.

We will prepare and file the Annual Report with the Illinois Comptroller. We will also prepare and file with the Illinois Division of Insurance annual reports of the Police and Firefighters Pension Funds.

We will prepare a Report on Internal Control which will include our comments and recommendations on the policies, procedures and internal controls of the Village of Hoffman Estates.

John DeLand, partner, has been designated as team leader for this engagement and is authorized to make representations on behalf of Wolf & Company.



Audit Engagement Approach

The Audit Process



Wolf & Company's approach to an audit is ever mindful of our professional responsibilities and that sufficient audit evidence has to be obtained before an opinion is rendered on any financial statements. We do recognize that our audits have to be accomplished efficiently and effectively especially since we realize that the cost of an audit should not exceed the benefits that can be derived. The primary benefit of an audit is that users of the financial statements are confident that the statements are fairly presented in accordance with generally accepted accounting principles for governmental entities.

A key element of our audit process is effective communication among audit team members, client staff, and representatives of the client governing body. In addition, we make a concerted effort to ensure that the impact of the auditing process on your organization is minimized. We will provide you with a comprehensive list of required audit information well in advance of our fieldwork so that you have ample time to prepare for the audit.

Our audits are organized into three phases – planning, risk assessment and internal control evaluation; fieldwork; and report preparation and review. The following is a brief synopsis of each of these phases.

Planning & Internal Control Evaluation

- Meet with management and appropriate personnel to address questions or concerns regarding the audit and discuss changes in operations and accounting practices that may affect the audit.
- Establish audit timeline with management.
- Submit schedule of requested information to government.
- Determine proper staffing needs.
- Perform preliminary analytical review based on the most recent internal financial statements and obtain an understanding of significant variations from current year budgeted amounts and prior year actual results.
- Understand the entity's environment, including documenting internal controls.
- Risk assessment to determine anticipated reliance on internal controls and projected use of sampling methods, test of controls, and substantive tests.



Methodology/Approach for Proposed Services

In the planning phase, significant emphasis is placed on obtaining an understanding of the entity and documenting its internal controls in order to assess audit risk. Our understanding of internal controls allows us to determine whether we can rely upon those controls to ensure that operations are conducted as authorized, transactions are recorded accurately, assets are properly safeguarded, and financial statements are free of material misstatement.

Statement on Auditing Standards No. 99 – Consideration of Fraud in a Financial Statement Audit, expands the auditor's procedures to detect fraud and evaluate the auditee's efforts to prevent fraud. Our initial planning of the audit process will include procedures to identify and evaluate the possible fraud risk factors. The standard requires expanded study, including additional inquiries of financial and non-financial personnel who may be in a position to affect financial controls and reporting. Obviously, these procedures require additional efforts by the audit team and we have included the necessary hours in our fee proposal.

Fieldwork

- Tests of internal controls are performed in selected areas to support our preliminary assessment of control risk.
- Audit procedures are revised based on the results of our tests of internal controls.
- Detail audit testing and analytical procedures are performed and audit procedures and results are properly documented to provide assurance that financial statement assertions are adequately supported.
- Potential internal control related matters as well as management letter comments are noted.
- Audit evidence is reviewed by the engagement partner for accuracy, completeness and proper documentation.

At the conclusion of audit fieldwork, the engagement partner and manager will meet with Village management to discuss the audit, including audit findings and potential internal control related matters and management letter comments.



Audit Engagement Approach

Report Preparation

- The financial statements, report on internal controls, management letter and other required reports are drafted.
- The client manager and partner review for completeness, accuracy, and consistency with audit results and supporting documentation.
- Preliminary drafts of reports are reviewed and discussed with the client.
- All reports are reviewed by a non-client related partner or manager for compliance with appropriate technical standards and the firm's quality control policies. No report is issued until the compliance reviewer and engagement partner are both satisfied that the engagement was performed in accordance with professional and firm standards.

Internal Control Reports and Management Letter Comments

Generally accepted auditing standards require that we communicate to those charged with governance any significant deficiencies or material weaknesses in internal control that we become aware of during the audit. It is also our practice to proactively seek to identify and communicate to client management areas where clients may be able to realize operating efficiencies or improve financial reporting even though these matters may not represent significant deficiencies in internal control.

During our audit engagement we would be particularly sensitive to the opportunity to evaluate existing accounting and operational processes and identify and recommend possibilities for improvement. Of course, part of any discussion regarding potential changes to accounting and operational processes would include an evaluation of what the Village of Hoffman Estates' experience has been with specific processes and the likely cost and benefits of changes to existing processes.

New Pronouncements

GASB Statements No. 53 – Accounting and Financial Reporting for Derivative Instruments, addresses recognition, measurement and disclosure of information pertaining to derivatives.

GASB Statements No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions, establishes new definitions of fund balances and provides consistency between the governmental fund statements and the entity-wide statements.



Audit Engagement Approach

Identification of Anticipated Potential Audit Issues

The Village of Hoffman Estates includes a large Economic Development Area, for which it has issued debt. A first year audit will require an understanding of the contractual rights and obligations related to the EDA.

There has been public discussion of the Village's position in the Sears Centre Arena. Should the Village deem it appropriate to move to enforce its rights as the issuers of debt used to construct this facility, there will be significant financial reporting and audit issues.

The Village has entered into various economic incentive agreements, which will require significant audit effort to confirm financial reporting and payments.

An interest-rate swap agreement entered into in conjunction with the 2005 TIF Bonds will require an outside valuation, and high level audit review.

The Village had major capital projects in progress at December 31, 2008, which should be completed in 2009.

New GASB pronouncements No. 51 (Intangible Assets) and No. 53 (Derivatives) may have financial impact to the Village.



Projected Hours and Fees by Level

Audit of Financial Statements and CAFR Preparation

Projected Hours

	Planning and Systems Evaluation	Fieldwork	Report Preparation and Review	Total Hours
Partner(s)	6	12	16	34
Manager(s)	16	30	16	62
Senior Auditor	16	80	14	110
Staff	6	120	10	136
Administration			16	16
Total Village Financial Audit	44	242	72	358
Single Audit	5	25	5	35
Illinois Comptroller's AFR			4	4
TIF Compliance Report(s)	6	16	6	28
Illinois Department of Insurance Report			24	24
Total Engagement	55	283	111	449

Proposed Fees for Audit Services – 2009 Fiscal Year

	Hours (Above)	Standard Rate	Proposed Rate	Extended
Partner(s)	34	\$310	\$215	\$7,310
Manager	62	230	165	10,230
Senior Auditor	110	180	130	14,300
Staff	136	150	110	14,960
Administrative	16	75	50	800
Total Village Audit	358			\$47,600
Single Audit	35	\$175	\$120	\$4,200
Illinois Comptroller's AFR	4	150	110	440
TIF Compliance Report(s)	28	175	120	3,360
Illinois Department of Insurance Report	24	150	110	2,640
2009 Total	449			\$58,240



Projected Hours and Fees by Level

Our fee estimate is based on the understanding that the Village will provide supporting schedules to assist with the audit. We will provide a list of requested schedules before work begins. The Village will provide all accrual entries and all bank/investment accounts will be reconciled. The auditors will review and assist in this process.

Additionally, all beginning fund balance/net asset amounts will be reconciled to the previous year's audit balances. All interfund activity will be reconciled.

We will assist in the preparation of financial statements and footnotes. Management's Discussion and Analysis will be prepared by the Village with review provided by the auditors.



Staff Training and Experience

Following are resumes of key employees who may be assigned to the audit engagement. Specific assignments would be made at the time the audit is scheduled. In an engagement of this size we would have assigned a partner, manager, senior auditor and one staff level auditor. The senior and staff auditor would be performing most of the fieldwork at the Village under the direction of the partner and manager.

All key employees will be licensed CPAs with continuing professional education which includes governmental auditing and reporting. This education includes memberships in organizations such as the Government Finance Officers Association (GFOA), the Illinois CPA Society, and the American Institute of Certified Public Accountants. We also have an annual internal governmental/non-profit training session, which all professional audit staff attend.

We do recognize the advantages, both to the firm and client, of staff continuity. We have been successful in maintaining that level as staff personnel progress through their careers. We try to promote our people while keeping them involved with same or similar clients, to best utilize their experience with certain industries, etc. We are confident that our level of staff quality will remain high as normal progression occurs. We shall notify the Village for their approval in writing, of any proposed change in personnel assigned to your engagement once a team has been assigned for the initial year.

Our approach to staff retention is based on the belief that professionals are likely to remain with us and perform at a high level if they are challenged by and enjoy their work. Wolf strives to create an environment where accomplishments and effort are recognized, and initiatives that fail are viewed as a learning opportunity. Additionally, we provide the following:

- Ongoing training and development, both in-house and offered through PKF North American Network and other organizations.
- Regularly scheduled one-on-one evaluations.
- A formal **Development Advisor Program** where all employees have an advisor that serves as a mentor and provider of career guidance.
- Competitive salaries and ongoing compensation reviews.
- Open door policy access to all levels of firm management.



Engagement Team

<p>Education:</p> <p>Bachelor of Business Administration in Accounting, Western Michigan University</p>	<p>John C. DeLand, CPA</p> <p>Partner, Audit and Accounting Services</p> <p>Professional Experience:</p> <ul style="list-style-type: none">▪ Partner with Wolf & Company LLP and is the team leader of the firm's Governmental Services Group and has been in public accounting most of his professional career.▪ Areas of expertise since 1985 is with governmental accounting and consulting engagements. Has worked on a variety of assignments including the Villages of Streamwood, Bloomingdale, Oak Lawn, Glen Ellyn, Lincolnwood, Streamwood and Niles, DuPage County and the DuPage Airport Authority. <p>Professional Activities and Memberships:</p> <ul style="list-style-type: none">▪ Is an active member of the Government Finance Officers Association (GFOA) and the Illinois Government Finance Officers Association, and serves as a quality reviewer for the GFOA Certificate of Achievement for Excellence in Financial Reporting program.▪ In addition, he is a member of the American Institute of Certified Public Accountants and the Illinois CPA Society (formerly Chair of the Government Report Review Committee) and for nine years has instructed at the ICPAS Annual Government Report Review Conference.▪ A frequent presenter to business and civic organizations, John has also authored articles on a wide range of topics and issues that are relevant for governmental, non-profit and professional services entities.
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Engagement Team

<p>Education:</p> <p>Bachelor of Science in Accounting, Illinois State University</p>	<p>Michael C. Senko, CPA</p> <p>Partner, Audit and Accounting Services</p> <p>Professional Experience:</p> <ul style="list-style-type: none">▪ Joined Wolf & Company in August 1995 and has been involved in a wide variety of engagements.▪ Has extensive experience in accounting and financial planning issues.▪ Spends considerable time working with Wolf's Governmental Services Group which includes various local municipalities. Governmental responsibilities include audits of the Villages of Niles, Bloomingdale and Grayslake, United City of Yorkville, DuPage County, and Indian Trails Library District. <p>Professional Activities and Memberships:</p> <ul style="list-style-type: none">▪ Member of the American Institute of Certified Public Accountants and Illinois CPA Society.▪ Member of the Illinois Government Finance Officers Association (IGFOA), Club Managers Association, Club Accountant's Association, Hospitality Financial and Technology Professionals and PKF Hospitality Task Force.▪ Member of the firm's Governmental Services Group.▪ Presenter on various emerging topics within governmental accounting industry, including forensic accounting hot topics and promulgated language updates.▪ Board member for the DuPage Community Clinic, Bolingbrook Chamber of Commerce and the Graue Mill.
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Engagement Team

<p>Education:</p> <p>Bachelor of Science in Accounting, Elmhurst College</p>	<p>Jody A. Gauthier, CPA</p> <p>Partner, Audit and Accounting Services</p> <p>Professional Experience:</p> <ul style="list-style-type: none">• Has full responsibility and authority for quality control and review. Energies and efforts focused on working with small to medium sized closely held businesses and on supporting non-profit, association and governmental clients with their accounting and planning needs.• Has been involved in a wide range of assignments including audits for the Villages of River Forest and Streamwood, the Cities of Darien and Oakbrook Terrace, and the Solid Waste Agency of Northern Cook County. <p>Professional Activities and Memberships:</p> <ul style="list-style-type: none">• Member of the firm's Quality Control Committee and provides technical review services to many other Wolf & Company audits.• Member of Wolf & Company's <i>Governmental Services Group</i> and <i>Non-Profit Services Group</i> and Continuing Professional Education Committee for PKF North American Network.• Member Illinois Government Finance Officers Association (IGFOA) and Member Special Review Committee of the Government Finance Officers Association (GFOA).• Member of the American Institute of Certified Public Accountants and Illinois CPA Society.
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Engagement Team

<p>Education:</p> <p>Bachelor of Science, University of Illinois at Chicago</p>	<p>Scott C. Termine, CPA</p> <p>Senior Manager, Audit and Accounting Services</p> <p>Professional Experience:</p> <ul style="list-style-type: none">▪ Prior to joining Wolf & Company, worked for a major regional CPA firm. Has over thirteen years of experience in public accounting.▪ Member of the firm's <i>Governmental Services Group</i> and <i>Not-for-Profit Group</i>.▪ Areas of expertise include accounting, auditing and consulting engagements with governmental and not-for-profit entities.▪ On those engagements, he has managed audits of federal funds received from several agencies. Additionally, as part of these engagements, he has assisted in preparing numerous Comprehensive Annual Financial Reports for successful participation in the GFOA Certificate of Achievement for Excellence in Financial Reporting program. <p>Professional Activities and Memberships:</p> <ul style="list-style-type: none">▪ Member of the American Institute of Certified Public Accountants and the Illinois CPA Society.▪ Member of the Illinois Government Finance Officers Association (GFOA).▪ Scott also serves as a quality reviewer for the GFOA Certificate of Achievement for Excellence in Financial Reporting program.
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Engagement Team

<p>Education:</p> <p>Bachelor of Science in Accounting, University of Illinois</p>	<p>Mary Ventrella, CPA</p> <p>Senior Manager, Audit and Accounting Services</p> <p>Professional Experience:</p> <ul style="list-style-type: none">▪ Has over fourteen years of diversified accounting and auditing experience.▪ Mary works with small to medium sized, closely held businesses and not-for-profit organizations, as well as governmental clients.▪ Is a member of Wolf & Company's <i>Not-for-Profit Group</i> and <i>Governmental Services Group</i>▪ Has led audit engagements for various corporate clientele, not-for-profit, and governmental organizations including the Villages of River Forest, Lincolnwood, Fox Lake and Berkeley, Homewood-Flossmoor Park District, and the City of Hickory Hills. <p>Professional Activities and Memberships:</p> <ul style="list-style-type: none">▪ Member of the American Institute of Certified Public Accountants and Illinois CPA Society.▪ Member of the Government Finance Officers Association (GFOA) and the Illinois Government Finance Officers Association (IGFOA).
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Engagement Team

<p>Education:</p> <p>Bachelor of Science in Accounting, Illinois State University</p>	<p>Tina C. Ward, CPA</p> <p>Manager, Audit and Accounting Services</p> <p>Professional Experience:</p> <ul style="list-style-type: none">▪ Has over seven years of accounting and auditing experience with governmental and not-for-profit entities.▪ On numerous engagements has assisted with preparing both Annual Financial Reports and Comprehensive Annual Financial Reports for participation in the GFOA Certificate of Achievement for Excellence in Financial Reporting.▪ Has extensive experience with audits of federal awards and reporting under OMB Circular A-133.▪ Governmental client experience includes audits for Algonquin Area Public Library, Fountaindale Public Library District, Villages of Bloomingdale and Streamwood, United City of Yorkville, DuPage County, and numerous other engagements. <p>Professional Activities and Memberships:</p> <ul style="list-style-type: none">▪ Member of the American Institute of Certified Public Accountants, Illinois CPA Society and the Illinois Government Finance Officers Association (IGFOA).▪ Speaker at IGFOA 2007 training program and frequent speaker for our annual internal government training sessions.
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References

We perform annual audits and financial consulting services for a substantial number of governmental entities. We believe that one of the most important and frequent questions directed to prospective auditing firms is... *Which local governmental units engage your services?* It is our viewpoint that our clients' opinions of our capabilities and performance provide the fairest evaluation of our firm.

We currently perform audits for approximately 40 governmental entities, ten of which participate in the GFOA Certificate of Achievement Program. Each of the following clients has received the GFOA Certificate of Achievement Award with Wolf & Company's assistance.

We would encourage you to contact any or all of the references listed in the attachment.

Contact	Contact	Phone
Village of Bloomingdale	Gary Szott	630-893-7000
Village of Niles	Scot Neukirch	847-588-8000
Village of Streamwood	David Richardson	630-837-0200
DuPage County	Jan Marchese	630-407-6140
Village of Lincolnwood	Robert Merkel	847-745-4703



Schedule of Events

The following is our planned schedule of events for the Village of Hoffman Estates for the fiscal year ended December 31, 2009.

Event	2009 Week of	Person Assigned
Entrance conference with the Village to discuss fieldwork and timetable, to complete internal control, risk assessment and planning preliminary checklists, supply list of required information.	November 30	Partner/Manager/Senior
Planning of engagement by Wolf & Company, including initial risk analysis and financial reporting issues and formats.	December 7	Partner/Manager/Senior
The Village closes and balances all accounts for all funds and prepares work papers, individual and financials, schedules, etc.	February 1	N/A
Begin fieldwork. Prepare audit work papers, tests, analyses, etc.	February 8	Manager/Senior/Staff
Completion of fieldwork – complete work papers, programs, etc. and hold exit conference with Village including approval of audit adjusting entries.	February 22	Manager/Senior/Staff
Wolf prepares financial statements and disclosures for Village. Draft CAFR and submit to Village for review.	March 15	N/A
Review draft financial statements with client. Village furnishes Management Discussion and Analysis, Transmittal Letter, Statistical Schedules, etc.	May 15	Partner/Manager/Senior
Submit revised draft with all sections completed.	May 29	Partner/Manager/Senior
Deliver 60 copies of CAFR, 12 copies of Report on Internal Control, 12 copies of Report on Federal Awards, and 20 copies of TIF District Reports.	June 7	N/A
Submit AFR to Comptroller and Pension Reports to IDOT, and printed copies (5) to the Village.	June 21	N/A



Firm Information

Statement of Independence

Wolf & Company LLP is independent of the Village of Hoffman Estates as defined by generally accepted auditing standards, and by the U.S. General Accounting Office's Governmental Auditing Standards.

License to Practice in Illinois

Wolf & Company LLP is registered to practice public accounting under registration number 066-003283. All key members of the audit team would be licensed public accountants in the State of Illinois.

Firm Qualifications and Experience

Wolf & Company's latest external quality control review was performed as of August 31, 2006 and a Peer Review Certificate of Recognition is included in the addendum. The review included governmental audit engagements.

There have been no findings or comments of State or Federal desk or field reviews of engagements during the past three years. There have been no actions taken by state regulatory bodies or other professional organizations. There is no pending or previous litigation the firm was involved with in the last three years which related to the quality of audit work or the pricing of audit services rendered.

Equal Employment Opportunity (a)

Wolf & Company LLP recruits, hires and promotes for all job classifications without regard to race, religion, color, national origin, age or sex. Employment decisions are based on the qualifications of each individual.

Wolf & Company LLP administers this policy of equal opportunity through its continuing program designed to meet the requirements of federal and state laws.

(a) Excerpts from Wolf & Company LLP Staff Guide regarding Affirmative Action.



November 22, 2006

To the Partners
Wolf & Company LLP

We have reviewed the system of quality control for the accounting and auditing practice of Wolf & Company LLP (the firm) in effect for the year ended August 31, 2006, and have issued our report thereon dated November 22, 2006. That report should be read in conjunction with the comments in this letter, which were considered in determining our opinion. The matters described below were not considered to be of sufficient significance to affect the opinion expressed in that report.

Comment – The firm’s quality control policies and procedures require obtaining engagement letters on compilation engagements or otherwise documenting their understanding with their clients. However, we noted a few engagements where the firm did not comply with recently-issued professional standards that require the firm to document their understanding with their clients regarding certain matters on such engagements. We were able to conclude through discussions with firm personnel that the work performed, including the documentation we reviewed, included the appropriate understanding with their clients.

Recommendation – The firm should remind its professionals to be aware of specific requirements regarding the firm’s understanding with the clients on compilation engagements. This matter should receive additional attention in the firm’s monitoring procedures.

Comment – The firm’s quality control policies and procedures require the use of certain audit programs and practice aids in the performance of audit engagements. We noted a few instances where the failure to properly complete their audit programs and practice aids resulted in the failure to document the completion of certain required procedures related to fraud testing and other general procedures on audit engagements, including an audit of an employee benefit plan. The firm will add additional documentation of their testing related to these areas on these engagements.

Recommendation – The firm should remind its professionals of the requirement to properly complete and document all required procedures in their audit programs and practice aids. The firm’s reviewers should pay careful attention to insure that all required procedures are performed and documented. This matter should also receive additional emphasis in the firm’s monitoring procedures.

Wolf & Company LLP
November 22, 2006
Page 2

Comment – The firm’s quality control policies and procedures require consultation in certain circumstances, including unusual reporting requirements. We noted a report on agreed-upon procedures did not comply with all of the requirements of professional standards. The deficiencies in the report were not significant enough to make it misleading.

Recommendation – The firm should remind its professionals of the requirement to consult with professional standards in certain circumstances, including unusual reporting requirements. This matter should also receive additional emphasis in the firm’s monitoring procedures.

Heinold - Banwart, Ltd.

December 15, 2006

Illinois CPA Society
Peer Review Report Acceptance Committee
550 West Jackson, Suite 900
Chicago, Illinois 60606

Ladies and Gentlemen:

This letter represents our response to the report and letter of comments issued in connection with the review of our accounting and auditing practice for the year ended August 31, 2006. The matters discussed herein will be brought to the attention of all personnel and discussed in a meeting scheduled for January 5, 2007.

The letter of comments discusses that engagement letters or memorandums on compilation engagements did not comply with recently-issued professional standards that require the firm to document their understanding with their clients regarding certain matters on such engagements. We have reminded our professionals to be aware of specific requirements regarding the firm's understanding with clients on compilation engagements. We have also reminded our professionals that engagement letters should be drafted using the guidance in our reference manuals.

The letter of comments discusses documentation deficiencies related to fraud and general audit procedures. We have reminded our professionals that we require the use of the programs from our purchased audit manuals along with other practice aids to insure we perform and document all of the requirements of professional standards in these areas.

The letter of comments discusses the failure to perform consultation and the resulting deficiencies in a report on agreed-upon procedures. We have reminded our professionals that we require consultation in such circumstances. We have also designated one reviewer to be responsible for reviewing unusual reports.

All of these matters will receive additional attention in our monitoring procedures.

We believe these actions are responsive to the findings of the review.

Sincerely,



Wolf & Company LLP

ATTACHMENT A

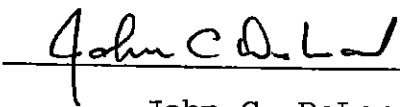
**AUDITING SERVICES RFP
RESPONSE FORM**

Firm: Wolf & Company LLP

Firm Contact/Project Manager: John C. DeLand, Partner

Address: 2100 Clearwater Drive
Oak Brook, IL 60523

Telephone and fax numbers: 630-545-4504 Fax 630-545-4604

Signature of Authorized agent: 

Print name and position of Authorized Agent: John C. DeLand

Date of proposal submission: August 28, 2009

FEE STRUCTURE: (if more space is needed, please attach a separate worksheet)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
CAFR, etc. ¹	\$ <u>47,600</u>	\$ <u>49,250</u>	\$ <u>51,000</u>	\$ <u>52,775</u>	\$ <u>54,600</u>
Single Audit	<u>4,200</u>	<u>4,350</u>	<u>4,500</u>	<u>4,650</u>	<u>4,800</u>
Comptroller AFR	<u>440</u>	<u>460</u>	<u>480</u>	<u>500</u>	<u>520</u>
Police DOI	<u>1,320</u>	<u>1,370</u>	<u>1,410</u>	<u>1,460</u>	<u>1,520</u>
Fire DOI	<u>1,320</u>	<u>1,370</u>	<u>1,410</u>	<u>1,460</u>	<u>1,520</u>
Barrington TIF	<u>1,360</u>	<u>1,400</u>	<u>1,440</u>	<u>1,480</u>	<u>1,520</u>
Roselle TIF	<u>2,000</u>	<u>2,100</u>	<u>2,200</u>	<u>2,300</u>	<u>2,400</u>
Total	\$ <u>58,240</u>	\$ <u>60,300</u>	\$ <u>62,440</u>	\$ <u>64,625</u>	\$ <u>66,880</u>
Fees for additional accounting-related questions throughout the year	\$ <u>TBD</u>	\$ <u>TBD</u>	\$ <u>TBD</u>	\$ <u>TBD</u>	\$ <u>TBD</u>

¹CAFR, Management Letter, and GFOA Certificate Response

SAMPLE AUDITING CONTRACT

This agreement entered into this _____ day of, 200 __, between the Village of Hoffman Estates, Counties of Cook and Kane, State of Illinois, hereinafter referred to as the Village and Wolf & Company LLP, hereinafter referred to as the Auditor. The parties hereto agree as follows:

1. The Auditor shall conduct an examination of the records, accounts, and procedures of the Village for the Fiscal period **January 1, 2009 – December 31, 2009**, with the option of auditing the Village's financial statements for each of the subsequent four fiscal years (January 1, 2010 – December 31, 2010, through January 1, 2013 – December 31, 2013). The annual audit will take place during the annual schedule as presented in the Request for Proposals dated July 20, 2009. Permission for extension for time of completion may be granted for good cause by the Director of Finance.
2. Village and auditor agree to terms as outlined in the Request for Proposals dated July 20, 2009.
3. The examination shall be made of all funds of the Village.
4. The Auditor shall review the audit program with the Director of Finance, identifying the records to be audited and the procedures to be followed. The Village may require that the Auditor include in the audit additional records and procedures which are generally accepted, as defined in standard provisions referenced in 10 and 11 below.
5. The Village shall have closed and balanced all accounts and will provide trial balances for all funds to be examined by the auditor.
6. The Village shall provide for each fund the following records for examination
 - a. A Balance Sheet
 - b. A statement of revenues and expenditures and comparison with appropriation and/or budget.
7. The Village shall supply additional financial and statistical information, not subject to examination by the Auditor, but necessary to substantially conform to the principles and standards of public financial reporting prescribed by the Governmental Accounting Standards Board.
8. The Village shall provide space, deemed adequate by the Auditor, in which the Auditor may effectively conduct the examination.

9. The audit shall be in compliance with the Single Audit Act of 1984 and as subsequently amended.
10. The examination shall be made in accordance with generally accepted auditing standards as adopted by the membership of the American Institute of Certified Public Accountants (AICPA) in the statement of Auditing Standards No. 1, "Codification of Auditing Standards and Procedures"/
11. The examination shall be made in accordance with generally accepted governmental auditing procedures as prescribed by the National Committee on Governmental Accounting in Governmental Accounting, Auditing and Financial Reporting and by the AICPA in Industry Audit Guide-Audits of State and Local Governmental Units. The audit shall conform generally to the "Guide to Reporting for Illinois Cities and Villages" published by the Illinois CPA Society.
12. The Auditor shall complete the Illinois "Annual Municipal Supplemental Report" ("Comptroller Report"), and shall provide such statements and supplementary data as may be referenced in said report.
13. The Auditor shall observe the adequacy of the system of internal control. If weaknesses are noted, appropriate recommendations should first be reviewed with the appropriate public official and then included in a separate letter to the legislative body.
14. The Village authorizes the Auditor to disclose immediately all findings of fraud or embezzlement to the appropriate law enforcement agency after notifying the appropriate Village authorities.
15. The auditor shall express an unqualified opinion on all funds or shall state the reasons, in detail, for qualifications or disclaimer opinions.
16. The Auditor shall provide sixty (60) bound copies and one (1) electronic copy of the municipal audit report. The bound copies shall be printed on regular letter size (8 1/2" x 11") paper, using both sides of the page whenever possible.
17. The Auditor may submit periodic progress billing as work progresses, but not more often than monthly and not to exceed a total of 60% of the annual fee until the audit has been completed and accepted.
18. If unusual circumstances are encountered during the course of the audit, making it necessary for the Auditor to do added work, the Auditor shall immediately report such conditions to the responsible Village official and both parties may negotiate such additional compensation as appears justified.

19. The Village shall pay the Auditor a fee as follows

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
CAFR, etc.	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Single Audit	_____	_____	_____	_____	_____
Comptroller AFR	_____	_____	_____	_____	_____
Police DOI	_____	_____	_____	_____	_____
Fire DOI	_____	_____	_____	_____	_____
Barrington TIF	_____	_____	_____	_____	_____
Roselle TIF	_____	_____	_____	_____	_____
Total	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Fees for additional accounting-related questions throughout the year	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

20. Upon completion of the audit, the Auditor shall make an oral report of the audit results to the Village President and Board at a regular meeting of the Village Board or Finance Committee.

21. A Management Letter shall be prepared, outlining any deficiencies found and suggestions for improvement of finances and procedures. The written report shall be delivered no later than June 15 of each year, and prior to the oral presentation to the Board of Trustees.

IN WITNESS WHEREOF, the parties have hereto signed this agreement as of the day and year herein first above written.

Village President

ATTEST:

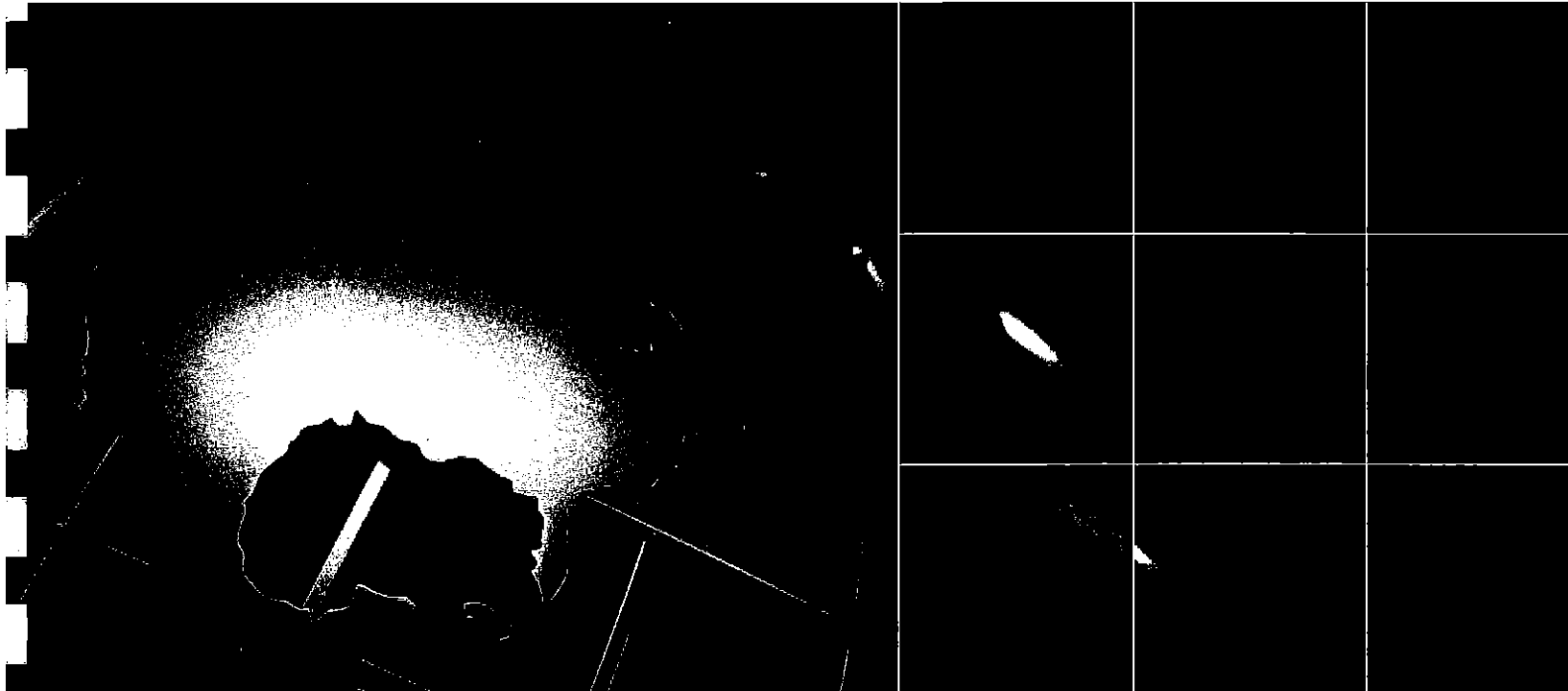
Village Clerk

Auditing Firm
President/Managing Partner

ATTEST:

Auditing Firm Secretary

Proposal to Provide Audit Services – FY2009 – FY2013



August 31, 2009



Submitted to:
Mr. Michael DuCharme, Director of Finance
Village of Hoffman Estates
1900 Hassell Road
Hoffman Estates, Illinois 60169

Submitted by:
Mr. John C. Weber, Partner
Crowe Horwath LLP
One Mid America Plaza, Suite 700
Post Office Box 3697
Oak Brook, Illinois 60522-3697
Direct 630.706.2099
Tel 630.574.7878
Fax 630.574.1608
john.weber@crowehorwath.com

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www.crowehorwath.com

Transmittal Letter

August 31, 2009

Mr. Michael DuCharme, Director of Finance
Village of Hoffman Estates
1900 Hassell Road
Hoffman Estates, Illinois 60169

Dear Mr. DuCharme:

Crowe Horwath LLP (Crowe) appreciates this opportunity to present our firm to the Village of Hoffman Estates (Village). We are proposing to provide audit services to the Village for the fiscal year ending December 31, 2009, with the option of auditing the financial statements for each of the four subsequent fiscal years. As outlined in the following proposal, we will value the Village as an important client and will provide high quality service, aimed at exceeding your expectations on a long-term basis.

This proposal illustrates why Crowe is uniquely qualified to serve as the external audit firm for the Village. It also demonstrates how we differentiate our services from other firms. Our "Areas of Excellence" provide focus for industry and discipline-based specialties. This focused approach allows us to be recognized as a leading provider of services and solutions in government. The leadership that can only come from direct Executive involvement in every client relationship provides a higher level of expertise and commitment to responsive services that is not always found in other firms.

Firm Background and Qualifications

Crowe provides innovative business solutions in the areas of assurance, consulting, risk management, tax and technology. Celebrating more than 66 years of "Building Value with Values," Crowe is one of the top 10 public accounting and consulting firms in the United States. Crowe employs more than 2,400 professionals across many areas of expertise, including Public Sector Services (PSS).

Our Public Sector Services (PSS) Group works with school districts, **state and local government entities**, colleges and universities, membership organizations and many other not-for-profit entities. This group provides expertise in assurance, financial advisory services, and many consulting areas including operations, technology, utility rates, regulatory and other disciplines.

Crowe has implemented the following Client Services Standards to ensure that you receive the highest level of service possible:

- **We Understand.** Our Seek1st process provides us with a thorough understanding of the client's business, current situation, needs and expectations which ensures that there should be no surprises and we should be successful in creating an exceptional customer experience.
- **We Communicate.** We communicate before, during and after an engagement – open and consistent communication at the right time to the right people is a critical component of effective service delivery and the customer experience.

- **We Collaborate.** We collaborate across Crowe Horwath to bring together the right expertise to meet the client's needs. Execution of our collaborative service model earns us a position as a trusted advisor to the client.
- **We Deliver.** We deliver what we promise – on time, on budget and with the highest quality. We anticipate and proactively address issues that arise and our solutions help our clients accomplish their business objectives.

We are confident that we are well qualified to provide these services:

- We are dedicated to working with governments. Our PSS group is comprised of more than 110 individuals, and serves more than 200 governmental organizations nationwide.
- Our firm maintains close working relationships with the American Institute of Certified Public Accountants, the American Association of Government Accountants and the Government Finance Officers Association. We are a strong supporter of the Certificate of Achievement for Excellence in Financial Reporting program and have prepared the annual audit in the years of award for many of our clients, including many first-time recipients. In addition, we actively stay abreast of new accounting standards issued by the Governmental Accounting Standards Board and provide information regarding these pronouncements in our management letters so as to give our clients time to assess their impact before the required implementation dates. We are also pleased to provide our clients additional guidance on how these standards impact their financial reporting.
- Our firm and our employees are **committed to quality**. Our firm has established an internal independent Assurance Professional Practice that reviews all reports to ensure quality control standards of the firm are met. We also maintain close working relationships with the AICPA, including membership in the Governmental Audit Quality Center, the American Association of Government Accountants and the Government Finance Officers Association. Members of our firm are active participants on the **Government Finance Officers Association Comprehensive Annual Financial Report Review Committee**. In addition, members of our firm serve on the ICPA's Ethics Committee, the ICPA's **Government Report Review Committee**, and the AICPA's State and Local Government Expert Panel and CPE Advisory Committee.
- Crowe has recently developed an innovative tool for our clients, as well as our own audit personnel to more effectively manage the many requests for information necessary to conduct an audit. CiRT is a secure web-based repository that allows the auditors to post requests for pre-audit information, and for Village personnel to respond (most often via attachments). As needed, Village personnel can ask clarifying questions and can even delegate requests to other Village personnel. All CiRT requests/responses and questions/answers are maintained in an easy-to-access website for both the current year and the prior year. And, because all CiRT requests are tracked by assigned individual, status, due date and complete date, both Village and the audit team are easily able to monitor the progress and quickly address any issues in the audit information request/response process.
- We have developed an automated workpaper system that allows us to prepare and maintain all of our workpapers electronically. We have been conducting a **paperless audit for more than eight years**. We utilize a **risk-based audit approach**, with audit programs customized to the Village. This allows us to spend less time crunching numbers and typing workpapers and more time analyzing areas that are important to the success of the Village.
- To encourage year-round communication with the Village, **we do not charge a fee for phone consultation**, at any time. The fee quoted is a maximum fee unless a separate and distinct project is initiated at your request.

Statement of Understanding

We understand the requirements set forth by the Village of Hoffman Estates and we have responded to those requirements in our proposal. Crowe will audit the Village's financial statements for the fiscal year ending December 31, 2009, with the option of auditing the financial statements for each of the four (4) subsequent fiscal years. The audit will be made in accordance with generally accepted auditing standards (GAAS), the standards set forth for financial audits in the General Accounting Office's (GAO) *Government Auditing Standards* issued by the Comptroller General of the United States of America and the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organization*. We will prepare the reports as required by the Village.

Timing

Crowe is committed to perform the work and to meet the stipulated timelines identified by the Village of Hoffman Estates. Our proposal represents a firm and irrevocable offer for fiscal year ending December 31, 2009. We will provide an engagement letter annually to reconfirm our understanding.

Fee Schedule

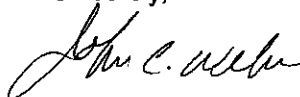
We are competitive in our pricing, yet realistic about the level of effort required to produce high quality audit services, as well as spending an appropriate amount of time on recommendations and business advice. Our approach emphasizes the integration of the collective service team to produce a thorough, yet efficient audit. We conduct working planning meetings to properly coordinate our resources, and pledge to be proactive communicators in leading the team. Our proposed fees have been provided in the Dollar Cost section, utilizing Attachment A: Auditing Services RFP Response Form.

Concluding Comments

Crowe Horwath LLP is fully qualified to provide superior services to the Village of Hoffman Estates. Equally important, we have a strong desire to assist you and believe that we can add value to you by completing the audit in a timely manner and by actively seeking ways to assist you in improving your operations. We understand and agree to meet the audit specifications listed in the Request for Proposal. Should Crowe be selected to provide these services, Crowe reserves the right to negotiate a contract mutually agreeable to Crowe and the Village of Hoffman Estates. Crowe reserves the right in any negotiations for the final agreement to modify, remove, or add to the 'Sample Auditing Contract' set forth in the RFP

Again, we appreciate this opportunity to present our firm for your consideration, and if selected, will give the Village our closest attention. This proposal is being submitted by John C. Weber, who is authorized to represent the firm, is empowered to submit the proposal and is authorized to negotiate and execute a contract with the Village. Should you have any questions or require additional information, please do not hesitate to contact me at 630.706.2099. Our entire team is looking forward to providing high-quality, timely and cost-effective services to the Village of Hoffman Estates.

Sincerely,



John C. Weber
Partner

Independence

Crowe has policies and procedures to provide reasonable assurance that all professional personnel maintain independence, integrity and objectivity, as required under professional standards. Independence precludes relationships that may appear to impair objectivity in rendering attestation services. Integrity requires personnel to be honest and candid within the constraints of client confidentiality. Service and the public trust should not be subordinated to personal gain and advantage. Objectivity is a state of mind and a quality that lends value to a firm's services. The principle of objectivity imposes the obligation to be impartial, intellectually honest, and free of conflicts of interest.

Personnel must consciously refuse to subordinate their judgment to that of others, and avoid relationships which may impair objectivity or influence judgments. Crowe's policy is that all professional personnel must be, and appear to be, independent in attitude, in conduct of the work performed, and in relationships with clients, when required.

All professional personnel shall follow the applicable rules and regulations of the AICPA Code of Professional Conduct, the relevant State Boards of Accountancy, the Securities and Exchange Commission (for public company audit clients), the Government Accounting Office (GAO) (for government audits), the Independence Standards Board (for public company audit clients), and other regulatory agencies relating to independence. We communicate the AICPA rules regarding independence to help provide assurance that our personnel follow these rules.

Crowe is independent (as defined by generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States) of the Village of Hoffman Estates and any of its agencies, its elected or appointed officials and employees, and we will provide the Village of Hoffman Estates written notice of any professional relationships entered into during the period of this engagement. We follow guidance provided by Statement of Auditing Standards (SAS) No. 1, and the second general standard of auditing promulgated by the American Institute of Certified Public Accountants (AICPA) and guidance provided by the second general standard for governmental auditing regarding independence found in *Government Auditing Standards*. Crowe does not have any conflicts of interest relative to performing the proposed audit for the Village of Hoffman Estates.

License to Practice in Illinois

Crowe Horwath LLP is licensed to practice in the State of Illinois, license number 066-003398. In addition, all key professional staff assigned to this engagement are properly licensed to practice in the State of Illinois.



Firm Qualifications and Experience

Firm Overview

Founded in 1942 in South Bend, Indiana, Crowe Horwath LLP (www.crowehorwath.com), is one of the top 10 public accounting and consulting firms in the United States. Under its core purpose of "Building Value with Values®," Crowe assists clients in reaching their goals through audit, tax, risk, and consulting services. Crowe professionals provide public and private company clients with thought leadership in many sectors, including financial and diversified financial services, healthcare, government, private equity sponsored, inventory-based, retail, not-for-profit, higher education, and food and commodities. With more than 20 offices and more than 2,400 personnel, Crowe is recognized by a number of organizations as one of the country's best places to work. Crowe serves clients worldwide as the leading independent member of Crowe Horwath International.

Crowe Horwath International

Crowe is the leading member of Crowe Horwath International, one of the 10 largest global networks of independent accounting and advisory services firms. As one of the largest global professional service organizations, Crowe Horwath International has more than 140 independent member firms operating from close to 560 offices in over 100 countries around the world. Through Crowe Horwath International, Crowe offers innovative business solutions throughout the world.

Position in the Industry

For the 14th consecutive year, *Public Accounting Report* ranked Crowe as one of the top 10 public accounting and consulting firms in the United States. *PAR* ranked Crowe as the ninth largest firm, based on U.S. net revenue, in its list of this year's "Top 100 Firms." *PAR* also noted that Crowe ranked seventh in the number of audit clients in the top 100 list, as ranked by the number of Securities and Exchange Commission registrant companies.

Office Locations

Crowe currently maintains 27 offices throughout the United States, including,



- ▮ California: Los Angeles, Orange County
- ▮ Florida: Fort Lauderdale (2), Tampa, Lakeland
- ▮ Georgia: Atlanta
- ▮ Illinois: Chicago, Oak Brook, Springfield
- ▮ Indiana: Elkhart, Ft Wayne, Indianapolis (2), South Bend
- ▮ Kentucky: Lexington, Louisville
- ▮ Michigan: Grand Rapids
- ▮ New Jersey: Livingston, Mount Laurel
- ▮ New York: New York (2)
- ▮ Ohio: Cleveland, Columbus
- ▮ Tennessee: Knoxville, Nashville
- ▮ Texas: Dallas/Fort Worth



National Expansion Plan

Crowe serves clients in all 50 states. Crowe has established a national expansion strategy and over the past five years has continued to execute against this plan. Crowe recently expanded our West Coast presence through the acquisition of California-based Grobstein, Horwath & Company LLP. Grobstein, Horwath & Company LLP brought more than 140 professionals working from its Sherman Oaks and Costa Mesa offices to Crowe. In addition, Crowe recently expanded its growing presence on the East Coast through its combination with the practice of Hays & Company LLP. Hays & Company LLP brought approximately 50 professionals working from its New York office to Crowe. We are looking at further expansion into other states.

Areas of Specialization

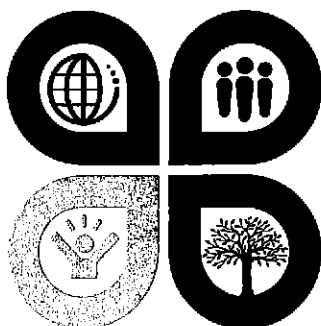
Crowe is unique in that we have dedicated teams focused on key industry issues, including:

	<ul style="list-style-type: none"> ▫ State and Local Government ▫ Higher Education ▫ Not-for-profit ▫ Healthcare ▫ Financial Institutions ▫ Diversified Financial Services ▫ Manufacturing/Distribution ▫ Private Equity Groups ▫ Retail Dealerships ▫ Food & Commodities ▫ Construction
--	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Building Value with Values®

Crowe is dedicated to building value for our clients. We achieve this through a unique management philosophy and a value-driven culture based upon integrity, trust, and mutual respect. For over 65 years, this culture has allowed Crowe to provide uncompromised advice and accountability to our clients with a level of responsiveness and attention that clients may not get from other firms.

Crowe’s mission is to create extraordinary value for our clients and for our people by building an organization with a distinctive culture attuned to the needs of our clients, our people and our communities. We choose to build an inspirational, challenging and values-driven place to live and work, which creates lasting value and growth for our clients, people, communities and our firm.



To our clients, we will be their most highly valued partner with the highest reputation for excellence, innovation and integrity.

For our people, we will provide an environment that enables them to make a difference, achieve their full potential, have fun and be part of building something they care about.

To our communities and business alliances, we will be a highly desirable partner in achieving shared social and economic goals.

Our firm will be financially successful and the **industry leader** in our chosen areas of focus.



We believe that for a partnership to truly succeed, all members of the partnership need to win – the clients who engage us, the professionals who complete the work, and the firm itself. In working with Crowe, our clients find an organization that is both willing and able to work interactively in order to identify problems, develop and implement solutions, and capitalize on opportunities.

The Big Four Reasons to Consult Crowe

- **The value we bring to our clients.** We help clients succeed by combining thought leadership in a number of key industries with a comprehensive set of technical business competencies. By seeking to understand the critical issues facing our clients' businesses, we are able to bring together teams of industry and technical experts who work to create the exact solution that meets the needs of our clients.
- **The values we live daily.** We care, we share, we invest, and we grow. These are the four core values that ground our firm. We care for one another, our clients, our firm, and our communities. We choose to work as a family, sharing responsibilities and outcomes. Our culture is characterized by a desire to invest in our people and to build our resources for the long-term maximization of value to our clients. Through unity of purpose and stewardship, the concept of enriching and holding the firm "in trust" for the legacy of future generations is strong.
- **Integrity and independence.** As a result of changes in Securities and Exchange Commission (SEC) regulations and corporate governance standards, many companies are searching for new providers of assurance and consulting services outside of the Big Four. As a registered firm with the Public Company Accounting Oversight Board (PCAOB), Crowe conducts regular training and testing with respect to current independence rules. It is important to us that we maintain high ethical standards and deliver on our commitments.
- **A high level of service commitment.** We are committed to personal service and integrity. The high expectations we set for our service delivery teams are articulated in client service standards.

State and Local Government Practice

Crowe is unique in that we have dedicated teams focused on key industry issues, including State and Local Government. As such, Crowe understands the challenges public sector entities face and have helped many organizations successfully address them, including state universities, community colleges, cities, villages, towns, counties, school districts, park districts, library districts, special service districts, state agencies and quasi-governmental building corporations, commissions, and joint action committees.

Our PSS Group is comprised of over 110 individuals, of which more than 80 specialize in providing audit and assurance services. This group serves over 200 governmental organizations nationwide. Our Illinois PSS group is comprised of more than 50 individuals, of which approximately 40 specialize in providing audit and assurance services. Since we focus on your market – and many of our professionals are former elected or appointed officials – we quickly become trusted advisors. In addition, Crowe's strong reputation for serving state and local government makes us a safe choice, providing local resources at a competitive price.

Local Office and Professional Staff

The proposed engagement team, employed by Crowe on a full-time basis, will consist of one Partner, one Senior Manager, one Senior Staff, and at least one Staff Accountant. The work on this engagement will be performed out of our Oak Brook, Illinois Office which employs approximately 95 Partners and over 550 professional staff. Please see the *Partner, Supervisory and Staff Qualifications and Experience* section of our proposal for detailed information on the key personnel.

We offer the following services to public sector clients:



Service Category	Services Offered
Assurance	<ul style="list-style-type: none"> ▪ Financial and Compliance Audits ▪ Agreed Upon Procedures
Accounting Consulting	<ul style="list-style-type: none"> ▪ Internal Control Documentation and Implementation ▪ New Standard Implementation Assistance ▪ CAFR Preparation and Review
Economic Development Consulting	<ul style="list-style-type: none"> ▪ Tax Increment Financing ▪ Fiscal Impact Studies ▪ Smart Growth Initiatives
Financial Advisory	<ul style="list-style-type: none"> ▪ Debt Issuance and Management ▪ Financial Management ▪ Revenue and Fee Analysis ▪ Budgeting and Forecasting ▪ Arbitrage Rebate Services ▪ Verification Services
Forensic Services	<ul style="list-style-type: none"> ▪ Forensic Accounting ▪ Fraud Investigations ▪ Information Security and Cybercrime
Performance Consulting	<ul style="list-style-type: none"> ▪ Strategy and Business Design ▪ Process Design and Performance Improvement ▪ Information Technology Planning and Implementation ▪ Program and Project Management ▪ Shared Services ▪ Service Program Development and Management ▪ Staffing Assignment
Risk Consulting	<ul style="list-style-type: none"> ▪ Internal Audit Services ▪ Risk and Compliance Management

Please visit the State and Local Government section of our website to find detailed information on each of the above services: (<http://www.crowehorwath.com/Crowe/IndustryLeadership/StateandLocalGovernment/>)

Quality Control

Crowe places strong emphasis on maintaining the highest level of professional excellence. To ensure quality control we have developed an internal quality control process led by our Assurance Professional Practice (APP) Group. We also undergo a triennial external peer review and as one of the eight U.S. firms auditing more than 100 public companies, Crowe is subject the full, detailed annual inspection process of the Public Company Accounting Oversight Board (PCAOB). In addition, Crowe has a long-standing role of participation and leadership in national professional standards associations and regulatory organizations. Members of our firm serve on the Ethics Committees in their relevant states and the AICPA's State and Local Government Expert Panel and CPE Advisory Committee.



Internal Quality Control Review

Crowe has a fully developed set of policy, procedure and review activities supporting our audit practice. Quality control for all assurance efforts is established by the Assurance Professional Practice Group (APP). APP is responsible for managing and communicating independence and ethics directives of the firm. APP is responsible for knowing and understanding important Firm protocol, including:

- Independence;
- Integrity and Objectivity;
- Technical and General Standards, including AICPA and accounting principals;
- Information about our responsibilities to clients, including listings regarding commissions, confidential information and contingent fees; and
- Information about our other responsibilities and practices, including general information and listings related to commissions and discreditable acts.

The group is also responsible for handling inquiries from engagement teams on matters related to those policy areas.

APP also performs a function within our Firm which we believe is unique among major firms. Each audit engagement, public or private, is subject to a pre-issuance review by APP. This review includes a review of the financial statements and other deliverables, a review of the workpapers supporting our judgments on key accounting and auditing areas, and a review of those matters which need emphasis based on our PCAOB and Peer Review feedback. APP is not a substitute for a concurring partner; it is an important quality control step provided for all engagements.

In addition to the PCAOB and Peer Review inspections, APP also performs an annual internal inspection of our audit engagements. These inspections focus on adherence to our policies and procedures and our progress against recommendations arising from PCAOB inspections and Peer reviews.

External Quality Control Review

Crowe is subject to a Peer Review of our entire practice every three years. Crowe's external quality control review organization is Moss-Adams LLP. Moss-Adams has 20 locations in Washington, Oregon, California, Arizona and New Mexico. We have had ten Peer Reviews completed and, as in all previous reviews, our Firm received an *unqualified* opinion (the best opinion allowed). The review included reviews of specific public sector engagements as well as other aspects of our Firm's operations. We have included a copy of our most recent Peer Review Report in **Appendix A** of our proposal. The Peer Review Report provided is of Crowe Chizek and Company LLC because the peer review was conducted prior to our legal name change on September 1, 2008.

PCAOB Inspection

As previously mentioned Crowe is one of the eight U.S. firms auditing more than 100 public companies and is therefore subject the annual inspection process of the PCAOB. Our philosophy regarding the inspection process is to use it as a tool to improve the quality of our audit practice. Well before a report is issued, we are monitoring the comments provided by the inspection team and formulating procedural changes, where required, to improve our audit process. Once we understand the basis behind a criticism by the PCAOB we move quickly to modify our procedures to eliminate that criticism.

National Professional Standards Associations and Regulatory Organizations

Crowe has a long-standing role of participation and leadership in national professional standards associations and regulatory organizations such as:

- American Institute of Certified Public Accountants (AICPA)
- American Institute of Certified Public Accountants Governmental Audit Quality Center
- Public Company Accounting Oversight Board (PCAOB) Standing Advisory Group
- Financial Accounting Standards Board (FASB)
- Center for Audit Quality (CAQ)



- Tax Executives Institute (TEI)
- International Federation of Accountants
- Internal Revenue Service (IRS)
- U.S. Securities Exchange Commission (SEC)
- Institute of Internal Auditors (IIA)
- American Productivity and Quality Center (APQC)
- Association of Certified Fraud Examiners (ACFE)

AICPA's Governmental Audit Quality Center

Crowe is a member of the AICPA's Governmental Audit Quality Center (the Center), which is a firm-based, voluntary membership Center designed to help CPAs meet the challenges of performing quality single audits in this unique and complex area. The Center's primary purpose is to promote the importance of quality governmental audits and the value of such audits to purchasers of governmental audit services. The Center also offers resources to enhance the quality of a firm's governmental audits. The mission of the Governmental Audit Quality Center is to:

- Raise awareness about the importance of governmental audits;
- Serve as a comprehensive resource provider on governmental audits for member firms;
- Create a community of firms that demonstrates a commitment to governmental audit quality;
- Provide Center members with an online forum tool for sharing best practices as well as discussions on audit, accounting, and regulatory issues; and
- List member firms to enable purchasers of governmental audit services to identify firms that are members.

Field and Desk Reviews – Federal and State

We have had audits reviewed by Federal Inspector General Offices as a part of desk and field reviews. All single audits performed are submitted to the Federal Audit Clearinghouse for distribution to the appropriate federal agency. Our Single Audit Reports are regularly accepted by those federal agencies. We have performed single audits of federal funds from the following Federal agencies:

- U.S. Department of Education
- U.S. Department of Transportation
- Federal Highway Administration
- Federal Transit Administration
- Railroad Administration
- National Traffic Safety Administration
- U.S. Environment Protection Agency
- U.S. Department of Agriculture
- Federal Emergency Management Agency
- U.S. Department of the Interior
- U.S. Department of Justice
- U.S. Department of Health & Human Services
- U.S. Department of Labor
- U.S. Department of Homeland Security

Additionally, the U.S. Department of Transportation's Office of the Inspector General, U.S. Department of Education's Office of the Inspector General and the U.S. Federal Emergency Management Agency's Inspector General have performed field reviews of our workpapers. All reviews performed resulted in the acceptance of the work performed.



Partner, Supervisory and Staff Qualifications and Experience

Key Personnel

Crowe’s audit experience and organizational structure offer clear advantages. However, the ultimate success of our relationship is largely attributable to one key component – our people. The proposed Engagement Team is well qualified to provide outstanding, timely, and personalized service to the Village. The work that we will perform for the Village will be conducted in a timely, planned and orderly manner, without the uncertainty and confusion associated with a delayed, last minute performance. Your Engagement Team is available to address your needs and concerns.

We would like to emphasize our commitment to maintaining professional staff continuity in servicing this audit engagement. Many of our clients rely on having the same resources available to them because it reflects a commitment to their organization and a deeper understanding of what their organization is trying to achieve. Our staff builds a relationship based upon integrity, trust, and mutual respect, which is a primary reason that we maintain long-term professional relationships. In addition, we provide active Executive involvement in the audit fieldwork and presentations to allow you to directly benefit from their industry knowledge and expertise. This active involvement in the project by Crowe executives is also critical to ensure adequate supervision of the audit and continually improve upon efficiency.

The engagement executives that you would deal with take pride in their client service ethic and in responding promptly to client inquiries. Their policy is to check voice mail throughout the day and return phone calls usually on the day received or within 24 hours at the latest. Likewise, they are typically able to access e-mail even when out of the office and respond promptly.

We have provided resumes for several individuals who are available to serve on your audit team for your approval. The resumes found in **Appendix B** detail educational background as well as educational level, years of experience, professional affiliations and client names for governmental audits. **The following individuals currently have availability in their schedules during the timeframes outlined by the Village.** The audit team and roles are listed below:

An overview of how we plan to structure your engagement team is as follows:

Member Initials	Role
John Weber, CPA	Engagement Partner
Todd Buikema, CPA	Senior Manager
Edwin Calvache	IT Auditor
Ashlee Wallace, CPA	Senior Staff

Continuing Professional Education

Each of our accountants are educated in their chosen profession and hold a minimum of a four-year college degree in accounting. Several have advanced degrees and/or multiple degrees in related areas. All personnel assigned to the engagement have completed continuing professional education (CPE) requirements that exceed the minimum required for state licensing (on average 60-80 hours per year), including CPE that is necessary under Governmental Auditing Standards.



This includes formalized training specific to government and higher education either through attendance at seminars and classes provided by outside sources such as GFOA, ASBO, NACUBO, CACUBO, or through attendance at courses developed in-house, specific to colleges, universities and audits of compliance under OMB circulars.

During the past three years, the audit engagement team members have attended classes and conferences including the following topics: GAAP Updates; Auditing Standard Updates; Governmental and Single Audit Report Review; FASB Updates; Financial Reporting for Non-Profit Organizations; Peer Review and Quality Control; and Compliance and Performance Auditing. In addition, several members of the firm have taught or led seminars sponsored by professional organizations.

Our Human Resources staff maintains a full-time employee to administer an HR database of all licensing and related CPE requirements. Careful monitoring and management of this process serves to ensure that all professionals have met the requirements of their licenses.

The development of this practice provides exciting challenges for our staff relative to the complex issues and ever-changing needs of entities like the Village. Our professionals are personally interested in our government and not-for-profit clients and are focused on providing outstanding service. This approach and commitment benefits the Village, our business, and the community as a whole.

Staff Continuity & Rotation

We would like to emphasize our commitment to maintaining professional staff continuity in servicing this engagement. Many of our clients rely on having the same resources available to them because it reflects a commitment to their organization and a deeper understanding of what their organization is trying to achieve. Our staff builds a relationship based upon integrity, trust, and mutual respect, which is a primary reason that we maintain long-term professional relationships.

In assigning staff to engagements, we place high importance on maintaining continuity of staff from one year to the next. This is important from both a client service as well as an engagement efficiency perspective. As our staff gains familiarity with a client, they are able to complete the engagement more efficiently and are able to identify recommendations for improvement within our client's operations.

As with any accounting firm, it does at times become necessary to replace a member of the engagement team. When this occurs they are replaced with someone of comparable skills and experience. If this were to occur we would notify the appropriate management personnel at the Village and be able to provide the replacement resume upon request. While we strive to maintain continuity, the turnover that is inherent in today's environment provides for staff rotation and the additional benefit of a fresh approach. We have been very successful over the years in appropriately staffing our jobs and this has resulted in high client retention rates and tremendous growth for the firm. We do not have a firm staff rotation policy.



Similar Engagements With Other Government Entities

To demonstrate the breadth of our government audit experience, we have provided below a listing of current State of Illinois governmental audit clients, similar in scope as the Village. In this list, we have indicated those entities that are current or past recipients of the Certificate of Achievement for Excellence in Financial Reporting award as well as those clients for whom we have performed Single Audits as required by OMB Circular A-133.

Government Type	Clients	Financial Audit	A-133 Audit	GFOA/ASBO
Municipalities	Village of Bellwood	x		
	Village of Bridgeview	x		
	City of Burbank	x	x	
	City of Calumet City	x	x	
	Village of Elmwood Park	x		
	Village of Forest Park	x	x	
	Village of Glendale Heights	x	x	x
	Village of Glenwood	x		
	Village of Gurnee	x		x
	Village of Hillside	x		x
	Village of Homewood	x		x
	Village of Merrionette Park	x		
	City of Oak Forest	x		
	Village of Orland Hills	x		
	City of Plano	x		
	Village of Posen	x		
	Village of River Grove	x		
	Village of Rantoul	x	x	x
Village of Stickney	x			
Community Colleges and Public Universities	College of DuPage	x	x	x
	College of Lake County	x	x	x
	Lincoln Land Community College	x	x	x
	Moraine Valley Community College	x	x	x
	Morton College	x	x	



Government Type	Clients	Financial Audit	A-133 Audit	GFOA/ASBO
	Prairie State Community College	X	X	
	South Suburban College	X	X	X
	Triton College	X	X	X
School Districts	Arlington Heights School District #25	X	X	X
	Berwyn North School District #98*	X	X	
	Community Consolidated High School District #155	X	X	
	Crystal Lake Elementary School District #47	X	X	X
	Community Consolidated School District #59	X	X	X
	Maywood, Melrose Park, Broadview School District #89	X	X	
	Palos Community Consolidated School District #118	X	X	X
	Proviso Township High School District #209	X	X	
	Springfield School District #186	X	X	
	Schiller Park School District #81	X	X	
	West Aurora School District #129	X	X	
Townships	Leyden Township	X		
	Orland Township	X		
	Township of Addison	X		
Special Districts	Brookfield North Riverside Water Commission	X		
	Chicago Heights Park District	X		
	Chicago Transit Authority	X	X	X
	Cicero Township Trustees of Schools	X		
	Joliet Arsenal Development Authority	X		
	Justice Willow Springs Water Commission	X		
	Metra	X	X	
	Norwood Park Fire Protection District	X		
	Pace, Suburban Bus Division of the RTA	X	X	X
	St. Clair County Circuit Clerk	X		
State Agencies	Illinois Office of the Auditor General	X	X	
	▪ Illinois State Treasurer			
	▪ Southern Illinois University			
	Illinois Department of State Police, MEG Audits	X	X	



Agency	Program Title
	Federal Family Educational Loans (Stafford, Unsubsidized Stafford Loans, Parent Plus Loans)
	Federal Perkins Loans
	Federal Work Study
	Health Profession Student Loan
	IDEA (Preschool, Flow-through, Room and Board)
	Improving Teacher Quality State Grants
	Magnet School Assistance Program
	National Science and Mathematics Access to Retain Talent Grant (SMART)
	Nursing Student Loans
	Pell Grant
	Safe and Drug Free Schools and Communities
	Scholarships for Disadvantaged Students
	Student Support Services
	Smaller Learning Communities
	Special Education, Grants to States
	Special Education, Preschool Grants
	State Grants for Innovative Programs
	Supplemental Educational Opportunity Grant
	Title I Low Income
	Title I Grants to Local Educational Entities
	Title I Reading First
	Title II Teacher Quality
	Title IV 21st Century
	Title V
	Trio
Agriculture	National School Lunch Program
	School Breakfast Program
	Special Milk Program for Children
	Special Supplemental Nutrition Program for Women, Infants & Children
	Summer Food Service Program for Children
Environmental Protection Agency	Capitalization Grants for Drinking Water State Revolving Funds
	State Revolving Fund Loan Program
Federal Transit Administration	Federal Transit Urbanized Area Formula Grants



Agency	Program Title
FEMA	Emergency Snow Removal
Homeland Security	State Domestic Preparedness Equipment Support Program
	Learn and Serve America, School and Community Based Programs
Housing and Urban Development	Community Development Block Grants/Entitlement Grants
	Community Development Block Grants/Small Cities Program
	Home Investment Partnership Program
Human Services	Consolidated Health Centers
	Head Start
	Foster Care Title IV E
	Medical Assistance Program
	Medicaid Matching
	State Survey and Certification of Health Care Providers and Suppliers
	Temporary Assistance for Needy Families
Justice	Title X, XX
	Byrne Formula Grant Program
Labor	Local Law Enforcement Block Grant
	Community Based Job Training
	WIA Adult Program
	WIA Youth Activities
	WIA Dislocated Workers
Transportation	Airport Improvement Program
	Appalachian Development Highway System
	Highway Planning and Construction
	Federal Transit – Capital Investment Grants
	Federal Transit – Formula Grants

Governmental Industry Experience

Publications and Seminars

Crowe regularly prepares and distributes articles and newsletters to assist our clients in assessing the impact of changing laws, regulations, standards and practices. We also publish **Government Advantage** quarterly to provide thought leadership and helpful tips on key issues gathered from our years of experience in helping governments achieve their mission. We have included in **Appendix C** of our proposal a recent article written regarding “Avoiding Pitfalls in Single Audits”. In addition, we included a copy of our Winter 2009 Government Advantage brochure with our proposal.



We also help our clients stay current by inviting them to participate in our in-house continuing professional education courses. Combining thought leadership and industry specialization, our Public Sector Series Breakfast Seminars connect business and finance officers in the exempt community with recent developments and best practices.

References

Quality work, based upon strong competency and directed towards our client’s needs, is the core element of creating value for our clients. Quality service involves prompt and efficient service delivery and effective communications with clients. Business relationships involve gaining trust and respect by listening to our client’s needs and developing a comprehensive understanding of their business and vision for the future before providing advice. We have delivered high value to our clients for decades and we feel that we are well-suited to help the Village of Hoffman Estates.

We have provided references below for municipalities performed within the past two years, similar in scope and reporting as the Village. We have indicated the name and phone number of the principal client contact. We would be pleased to provide any additional references the Village may request.

Village of Hillside	
Contact	Mr. John Flood, Assistant Village Manager 708.449.6450
Scope	Financial Statement Audit TIF Compliance Department of Insurance Report Submissions
Start and End dates	1991 - Present

Village of Homewood	
Contact	Mr. Dennis Bubenik, Finance Director 708.206.3370
Scope	Financial Statement Audit TIF Compliance Department of Insurance Report Submissions
Start and End dates	1988 - Present

Village of Rantoul	
Contact	Mr. Scott Brandon, Comptroller 217.893.1661
Scope	Financial Statement Audit Department of Insurance Report Submissions
Start and End dates	1996 - Present



Village of Glendale Heights	
Contact	Mr. Bill Poling, Finance Director 630.260.6000
Scope	Financial Statement Audit Single Audit TIF Compliance
Start and End dates	1994 - Present

Village of Gurnee	
Contact	Ms. Tina Smigielski, Finance Director 847.623.7650
Scope	Financial Statement Audit
Start and End dates	2005 - Present



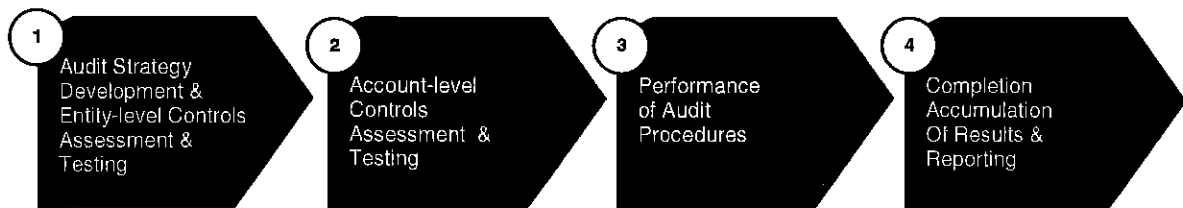
Specific Audit Approach

Financial Audit Approach

The following audit approach is used annually for the audit. The risks that are identified, the procedures that are performed or additional testing focus may change on a year-to-year basis based on the risk assessment, but the approach does not change.

Statements on Auditing Standards (SAS) Nos. 104 - 111 of the Auditing Standards Board of The American Institute of Certified Public Accountants require the use of a risk-based approach and have significantly impacted the way audits are conducted. While Crowe Horwath LLP has used a risk-based approach for several years prior to the implementation of the new standards, our audit process was strengthened with the new standards. Our desire to provide value and a high-quality audit remains unchanged. We differentiate our services from those of competitors through close personal involvement from all levels of the engagement team and regular, focused communication with your management team.

While the audit process can still be separated into unique phases, the process is not as linear as it was previously. It is likely that decisions reached and information obtained in an earlier phase of the audit may need to be reconsidered based on evidence gathered in a later phase. Crowe's risk-based audit approach includes the following phases:



Phase 1 – Audit Strategy Development and Entity-level Controls Assessment and Testing

This phase of the audit process includes all pre-engagement activities; the preliminary planning process; obtaining an understanding of the entity and its environment; evaluating and testing the design of entity-level controls (including policies and procedures that address significant assertions and affect the entity as a whole); and identifying significant risks and our planned response to those risks.

Prior to each engagement we determine whether to accept or continue the client relationship, evaluate our independence, develop a preliminary overall audit strategy, establish an understanding of the engagement terms, and document that understanding in an engagement letter. Once these activities have been completed, we begin our planning process.

Planning affords us an opportunity to work closely with you to develop audit objectives and outline a plan for meeting those objectives. The planning process includes:

- Identifying the areas of audit emphasis;
- Assessing risk and materiality;
- Designing audit techniques and procedures;
- Discussing and assigning responsibilities; and
- Formalizing the reporting timetable.



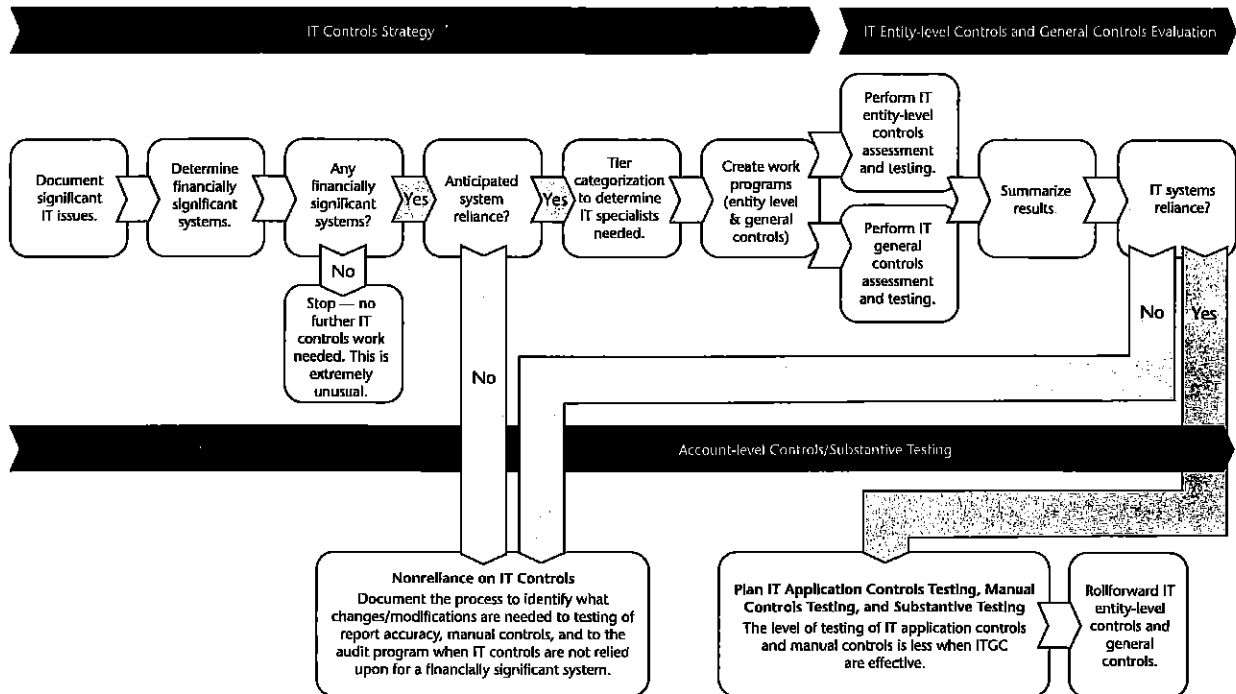
During planning, we will ask you to identify areas of higher risk, which we will later address by designing specific controls or substantive tests customized to your organization. The Crowe approach includes direct input from your management team to ensure our understanding of the scope of perceived risk, your perspectives on the risk, and your expectations of the audit. We will also review your recent audit reports to enhance our efficiency in requesting information and minimize your staff's time during our fieldwork. In addition to meeting with management, we will also make inquiries of those "charged with governance" as required by SAS 114. This standard requires us to communicate the auditor's responsibilities under generally accepted auditing standards and an overview of the planned scope and timing of the audit to the individuals identified as "those charged with governance."

Our key audit planning steps include:

- **Entrance Conference.** Designed to give our engagement team an overall understanding of your organization. The conference allows us to coordinate audit time frames and due dates, as well as determine the level of assistance we need from your staff and management team. A requested materials letter will be prepared and delivered to you prior to, or shortly after, the close of the conference.
- **Preliminary Analytical Review.** We use expectations based on information obtained from various sources, including conversations with management, review of board minutes and internal financial statements, as well as budgets, to perform a preliminary analytical review of account balances. During the review we will study trends, percentage changes, ratios, and other financial data relationships. We may also use computer-assisted audit techniques to compare your current financial data to at least the previous year of data for unusual fluctuations. We will also review your budget to analyze fluctuations and develop an understanding of your planned initiatives.
- **Brainstorming Meeting to Discuss Risk of Material Misstatement.** The Crowe engagement team, including the signing executive, will meet to discuss the susceptibility of the financial statements to material misstatement due to error or fraud. This meeting allows team members to share knowledge and gain a better understanding of the potential for material misstatement of the financial statements, including how management could perpetrate and conceal fraudulent financial reporting and how assets of the entity could be misappropriated.
- **Assessment of Audit Risk and Materiality Levels.** Audit risk (the risk that an auditor may unknowingly fail to modify its opinion on materially misstated financial statements) and materiality must be considered together in designing the nature, timing, and extent of audit procedures. The Crowe team will determine our overall level of materiality and tolerable misstatement using professional judgment. This consideration is influenced by the auditors' perception of the needs of financial statement users and will therefore include both qualitative and quantitative factors. At the end of the audit we will review any known misstatements and their effect on your financial statements, working with you to determine whether passing on known misstatements will materially affect the financial statements.
- **Documentation of Our Understanding of Your Entity and Its Environment.** This is the ongoing process of gathering and analyzing information about the entity and its environment that continues throughout the audit. We will perform risk assessment procedures to gain an understanding of the entity, such as regulatory and other external factors, the nature of the entity and its related operations, entity objectives and strategies and the related operating risks that may result in a material misstatement of the financial statements; measurement and review of the entity's financial performance; laws and regulations; and internal control, which includes the selection and application of accounting policies. Our procedures include inquiries, analytical procedures, observation, and inspection. It will include obtaining the internal audit reports that have been prepared during the year and including the results in the risk assessment



- Documentation of Information Technology Systems. This process includes a system overview and testing of the system for adherence to acceptable standards. Our approach to testing is documented in the chart below.



During Phase 1, we will document any significant risks that are identified, as well as our planned response.

Phase 2 – Account-level Controls Assessment and Testing

Account level controls are the policies and procedures that address risks related to one particular type (or small group) of transactions or accounts. Once we have gained an understanding of your operations and controls at the account level, the engagement team will assess inherent risk and expected control risk by assertion. We will then corroborate the information we have collected and evaluate if controls were implemented as designed and that the design is appropriate. Corroboration must be accomplished even when testing of controls will not be performed. Corroboration includes observation and obtaining evidence such as documented approvals and any other relevant information that may be retained to show that a control has been implemented as designed. Inquiry alone is not sufficient as a form of corroboration. The assertions identified in SAS 106, "Audit Evidence," may be classified in the following three broad categories:

- Assertions about classes of transactions and events for the period under audit;
- Assertions about account balances at the period-end;
- Assertions about presentation and disclosure.

Inherent risk is the susceptibility of a relevant assertion to a material misstatement, assuming there are no related controls. Control risk is the risk that a material misstatement could occur in a relevant assertion and will not be prevented or detected on a timely basis by the entity's internal controls.

When assessing inherent risk, the Crowe team will consider:

- The entity and environment (for example, an increasing or declining tax base);



- External factors (for example, regulatory changes that may require major changes in operations);
- Complexity of underlying calculations;
- Susceptibility to theft or fraud;
- Volume of transactions;
- Degree of judgment required and extent of estimates involved;
- Competence of client personnel; and
- Prior-period misstatements.

When assessing control risk, the Crowe team will consider:

- Prior findings in the specific account;
- Results of internal audits;
- Results of grant audits performed by state or federal auditors;
- Record-keeping and accounting;
- Control procedures and environment;
- Materiality of financial impact;
- Likelihood material amounts of cash or other assets could be misappropriated through fraud or theft;
- High public or political sensitivity to the subject matter; and
- Newness of the activity or changes in related conditions.

Risk assessment procedures are performed to provide a basis for assessing the risk of material misstatement (combined assessment of inherent and control risk) for each relevant assertion. Then, in the next phase, we design further audit procedures tailored to address each relevant assertion based on the risks identified.

Phase 3 – Performance of Audit Procedures

During this phase, the following procedures will be completed:

- Determining overall responses to assessed risk of material misstatement for the financial statements as a whole and at the opinion unit level;
- Designing further audit procedures to respond to those risks;
- Testing the operating effectiveness of controls;
- Performing substantive tests.

Based on our understanding and assessment of entity-level controls, account-level controls, and any fraud risk factors identified, we develop audit procedures and programs clearly linked to and responsive to the assessed risk of material misstatement at the relevant assertion level.

Designing Procedures. In designing procedures, we consider factors such as:

- The significance of the risk;
- The likelihood a material misstatement will occur;
- The characteristics of the class of transaction, account balance, or disclosure involved;
- The nature of the specific controls used and whether they are manual or automated;
- Whether we expect to obtain evidence to determine if controls are effective in preventing or detecting material misstatement.

Determination of Sampling Techniques. Sample sizes of items to test that are representative of the population will be determined as early as possible to provide your staff with sufficient time to pull the requested documentation. We utilize guidelines established by auditing standards, which specify requirements for statistical and nonstatistical sampling, to perform tests of internal controls and substantive tests as part of the audit of your financial statements.



Phase 4 – Completion, Accumulation of Results, and Reporting

After completing audit procedures, the engagement team will perform certain procedures necessary to conclude the audit. These procedures include final analytical procedures, performing a subsequent events review, evaluating attorney letter responses, assisting in preparing and/or reviewing the completed financial statements, and obtaining representations from management.

During this phase, the auditor also accumulates all known and likely uncorrected misstatements, other than those that are trivial, and considers the nature and amount of the misstatements in relation to the affected opinion unit. The objective of the evaluation of uncorrected misstatements is to determine whether the financial statements taken as a whole and those of each opinion unit are free of material misstatement. Uncorrected misstatements will be communicated to those charged with governance at the conclusion of the audit.

Also during this phase, the engagement team will evaluate identified control deficiencies and determine whether these deficiencies, individually or in combination, are significant deficiencies or material weaknesses based upon both quantitative and qualitative factors. The significance of a control deficiency depends on the potential for a misstatement, not on whether a misstatement actually has occurred. Any significant deficiencies or material weaknesses must be communicated in writing to those charged with governance.

The audit culminates in our report on your audited financial statements, which will include an opinion on the fair presentation of the basic financial statements as they conform to accounting principles generally accepted in the United States of America. If necessary (as determined by requirements of "Government Auditing Standards" issued by the comptroller general of the United States (the "Yellow Book")), we will include a report on compliance of your internal control structure with applicable laws and regulations based on the auditors' understanding of the control structure.

At the completion of the audit, we will submit the following draft reports to management:

- Year-end financial statements with auditors' report;
- Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with the Yellow Book (if required);
- Management letter, which will offer recommendations to improve internal controls, administrative efficiencies, and profitability;
- Report on matters required by SAS 114, which includes a discussion of new accounting procedures implemented, proposed audit adjustments, significant audit estimates, and any additional applicable items; and
- Other reports as necessary under statutory requirements.

Once the reports have been reviewed by management and are approved in final form, we will be available to meet with your board and/or audit committee to review the reports and address questions. Auditing standards require the auditor's report not be dated earlier than the date on which the auditor has obtained sufficient appropriate audit evidence to support the opinion. Among other things, sufficient appropriate audit evidence includes evidence that the audit documentation has been reviewed and the entity's financial statements, including disclosures, have been prepared and the organization has asserted it has taken responsibility for the financial statements. We will discuss your acceptance procedures with you at the start of the engagement to determine who within your entity assumes responsibility for the statements.

This will ensure the engagement is properly planned to provide sufficient time for review and acceptance procedures by your organization so final reports are available in advance of any and all reporting deadlines.



Single Audit Approach

The Crowe audit team has experience with more than 100 single audit clients and with several federal cognizant agencies. During the audits, we have worked closely with a variety of federal agencies including the departments of Agriculture, Education, Labor, Transportation, Health and Human Services, and Housing and Urban Development, as well as the Environmental Protection Agency.

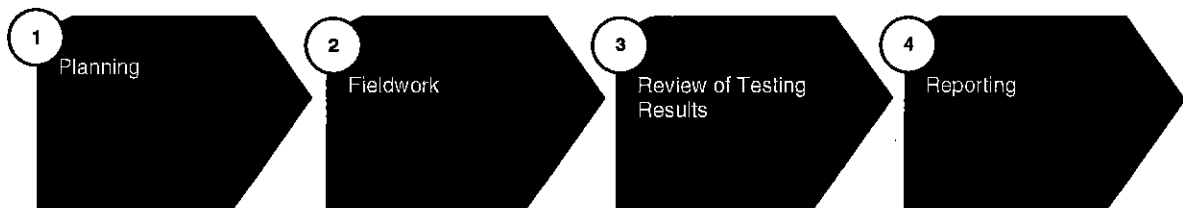
We will begin our single audit procedures and program specific grant procedures by developing a comprehensive understanding of laws and regulations that have a direct, material effect on the determination of amounts in your financial statements. This understanding will be based on:

- Identification of federal award programs and total federal expenditures;
- Determination of major federal award programs;
- Discussions with your staff;
- Review of Board minutes, prior audits, and grant and contractual agreements; and
- Review of the relevant federal program requirements from the "OMB Circular A-133 Compliance Supplement" issued by the Office of Management and Budget and the "Catalog of Federal Domestic Assistance."

Crowe's single audit approach is based on guidance available in OMB Circular A-133 and Government Auditing Standards issued by the Comptroller General of the United States. When testing your major federal programs, we follow the suggested audit procedures included in the Compliance Supplement. For federal programs for which guidance is not available, we will establish programs using applicable grant agreements and federal regulations.

Key Elements of the Single Audit Process

Crowe's audit team will work closely with your management team through the entire single audit process, which includes the following elements:



Phase I - Planning

- Gain an understanding of your major internal control systems and environment related to your major federal grants;
- Review your administrative systems for federal and other grant programs;
- Assess risk related to federal programs;
- Conduct a brainstorming session in accordance with SAS 99, including federal and other grant program administration;
- Obtain the "Schedule of Expenditures of Federal Awards" (SEFA);
- Review your prior year SEFA and "Schedule of Findings and Questioned Costs";
- Prepare an analysis of federal programs according to type (i.e. Type A or Type B Program);
- Determine major programs by type based on the audit risk analysis in the assessment performed; and
- Determine the reliance to be placed on your systems of internal control for federal and other grant programs through documentation and control testing.



Phase II - Fieldwork

- Review audit programs from the Compliance Supplement to determine the adequacy of the programs;
- Review and document the requirements of the programs to be tested;
- Revise programs as necessary based on program requirements;
- Interview staff, management, counsel, and officials based on planning;
- Determine sample selection methodology and the types of procedures that will be performed using selected transactions and documents;
- Select the transactions and documents for testing;
- Perform the audit procedures as documented in the audit programs;
- Document testing results; and
- Evaluate the results of testing and determine areas that require further examination.

Phase III - Review of Testing Results

- Establish the review protocol for evaluation of results;
- Review potential findings and questioned costs and communicate with your management;
- Review compliance requirements and compare expected results to the exceptions noted to evaluate materiality; and
- Draft a summary of the testing results.

Phase IV - Reporting

- Review federal, state, and other grant reporting requirements;
- Determine which internal control findings are significant deficiencies or material weaknesses;
- Prepare findings and draft the auditor's reports;
- Review draft reports with your management; and
- Evaluate management feedback and proposed corrective action, make revisions as necessary, and finalize the reports.

Audit Technology Tools

Crowe utilizes several key technology systems to improve audit efficiency and effectiveness. Our use of technology in the audit process benefits you in the following ways:

- **Efficiency.** Your audit files are designed with you in mind including planning forms, audit programs and procedures, and other unique aspects of the League. This promotes efficiency and allows for easy documentation, exchange and review of information.
- **Communication.** When you have a question, all client information is at our fingertips to access at anytime no matter where we are located, even from prior year audits. Questions on workpapers or other issues can be accumulated and sent via e-mail in order to reduce the number of interruptions to your daily routine during audit fieldwork.
- **Technical Information.** In addition to our extensive industry experience, the ARM system allows us to provide up-to-date technical information quickly. Accounting standards and support can be provided to management at any time during the audit process.

Our auditing philosophy, commitment, attitude and technology effectively distinguish us with our clients and in the marketplace.



Accounting Research Manager

Accounting Research Manager (ARM), is a comprehensive online database of expert-written analytical accounting, auditing, as well as primary source data. It includes the full suite of publications from the Financial Accounting Standards Board, Emerging Issues Task Force, Securities and Exchange Commission, American Institute of Certified Public Accountants, and International Accounting Standards Board. In addition, interpretive analyses are provided in many areas.

Automated Workpapers

Automated Workpapers (AWP) was developed using a database system to achieve a nearly paperless audit. AWP also allows us the ability to query prior year audit databases for client information.

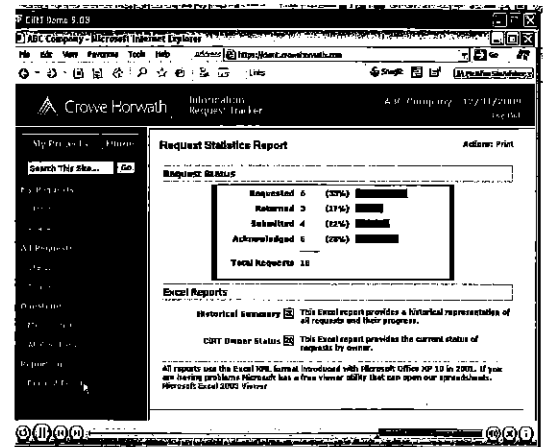
CiRT

Crowe has recently developed an innovative tool for our clients, as well as our own Audit personnel to more effectively manage the many requests for information necessary to conduct an audit. CiRT is a secure web-based repository that allows Auditors to post requests for pre-audit information, and for Client personnel to respond (most often via attachments). As needed, Client personnel can ask clarifying questions and can even delegate requests to other client personnel. All CiRT requests/responses and questions/answers are maintained in an easy-to-access website for both the current year and the prior year. And, because all CiRT requests are tracked by assigned individual, status, due date and complete date, both Client and Audit management are easily able to monitor the progress and quickly address any issues in the audit information request/response process.

Requester	Request	Due Date	Status
→ 6123.00-01	Operational Chart	12/02/2008	Search/Tester
→ 6123.00-02	Cash Receipts - Other	12/02/2008	Client Controller
→ 6510.01-01	Agreement for Disabled Account	12/02/2008	Search/Tester
→ 6110.00-01	Bank Statements and Cancelled Checks	12/02/2008	Search/Tester
→ 6111.01-01	Early Withdrawal Checks	12/02/2008	Search/Tester
→ 6110.00-01	Notes Payable to Self/Investor	02/12/2009	Client Controller
← Returned			
→ 6120.00-01	Van Receipts - Client Request Information	12/02/2008	Deb Tester
→ 6120.00-02	Other Receipts Schedule-01	12/02/2008	John Schmitt
→ 6120.00-01	Compassion of Absence Normal	12/02/2008	John Schmitt
← Submitted			
→ 6110.00-01	(999) Employee Listing	12/02/2008	Deb Tester
→ 6110.00-02	Account Payable Schedule-01	12/02/2008	John Schmitt
→ 6110.00-03	Deferred Income Tax- Prior Year Provision	12/02/2008	John Schmitt
→ 6110.00-04	Bank Reconciliation-01	02/12/2009	Client Controller
← Acknowledged			
→ 6004.01-01	Cancelled General Ledger	12/02/2008	Client Controller
→ 6120.00-01	Utility Letters	12/02/2008	Client Controller
→ 6100.01-01	Letters and Advertising Assistance	02/12/2009	Deb Tester
→ 6100.01-02	Payroll Reconciliation	12/02/2008	Deb Tester
→ 6100.01-03	Fixed Asset Schedule-01	02/12/2009	Client Controller

CiRT offers clients improved efficiency, effectiveness, and auditor/client communication because it:

- Provides one place to post all information requests/responses, thus eliminating missing or repeated requests
- Enables Clients to ask questions regarding requests, the answers to which are automatically saved;
- Allows Client management to easily re-assign tasks internally and review completed responses before submission
- Retains prior year's audit information requests/responses for reference and/or re-use in the current year
- Displays the status of all requests by status, due date, completion date, and assigned responder
- Is accessible at all times, to both Client and Crowe personnel, from any web-connected computer
- Uses an encrypted connection to send documents, avoiding shipping or faxing expenses and e-mail security risks



Auditing and/or operational analysis of business applications which have high volumes of data frequently calls for the use of computer-assisted audit tools. Crowe has licensed two particularly powerful PC-based audit tools and has developed specialists with the necessary expertise to employ them quite effectively as part of our audit/review procedures:

Monarch

Monarch is a report extraction utility which allows the auditor to selectively convert the fields contained within standard business application reports into data files for further analysis.

Audit Control Language

ACL (Audit Control Language) is a data manipulation utility which allows the auditor to interpret data from virtually any type of data file format for the following purposes: footing, sorting, summarizing, selecting, extracting, re-calculating, sampling, matching, merging, re-aging, and detecting gaps/duplicates.

These techniques may include testing the accuracy, completeness and integrity of individual accounts or transactions. Or, they may be used to address the need to perform ad-hoc and perhaps exhaustive application of differing criteria to analyze the operational quality of assets represented by such data. Because of the tremendous speed and storage capabilities of such tools, our financial auditors will be able to electronically examine a much higher percentage of original data than if left to purely manual testing methods. In summary, with the use of Monarch and ACL, our audit procedures can be far more effective in providing value-added information regarding your business applications.

Proposed Segmentation of Engagement

We have provided, on the following page, a tentative schedule for performing key phases of the audit and estimated number of hours for each level of staff necessary to complete each phase of the audit.



<p>Audit Planning</p> <ul style="list-style-type: none"> • Entrance Conference • Preliminary Analytical Review • Fraud Risk Assessment • Documentation of Internal Control Structure • Assessment of Control Risk • Establishment of Materiality Levels • Determination of Sampling Techniques 	<p>Timeframe: November</p> <p>Hours By Level:</p> <table> <tr> <td>Executive</td> <td>8</td> </tr> <tr> <td>Manager</td> <td>24</td> </tr> <tr> <td>Senior Staff</td> <td>40</td> </tr> <tr> <td>Staff</td> <td>40</td> </tr> </table>	Executive	8	Manager	24	Senior Staff	40	Staff	40
Executive	8								
Manager	24								
Senior Staff	40								
Staff	40								
<p>Systems Evaluation & Control Testing</p> <ul style="list-style-type: none"> • Are controls policies and procedures established and functioning properly? <p>Audit Program Development</p> <ul style="list-style-type: none"> • Tailored based on risk assessments completed for each audit area 	<p>Timeframe: November - December</p> <p>Hours By Level:</p> <table> <tr> <td>Executive</td> <td>3</td> </tr> <tr> <td>Manager</td> <td>3</td> </tr> <tr> <td>Senior Staff</td> <td>12</td> </tr> <tr> <td>Staff</td> <td>12</td> </tr> </table>	Executive	3	Manager	3	Senior Staff	12	Staff	12
Executive	3								
Manager	3								
Senior Staff	12								
Staff	12								
<p>Fieldwork</p> <ul style="list-style-type: none"> • Obtain audit confirmations • Substantive tests on account balances • Assess financial statement impact • Evaluate fairness of test results in comparison with the audit objectives 	<p>Timeframe: Late February – mid March</p> <p>Hours By Level:</p> <table> <tr> <td>Executive</td> <td>16</td> </tr> <tr> <td>Manager</td> <td>30</td> </tr> <tr> <td>Senior Staff</td> <td>90</td> </tr> <tr> <td>Staff</td> <td>150</td> </tr> </table>	Executive	16	Manager	30	Senior Staff	90	Staff	150
Executive	16								
Manager	30								
Senior Staff	90								
Staff	150								
<p>Reporting</p> <ul style="list-style-type: none"> • Year-end financial statements with auditor's report • Report on internal control over financial reporting and on compliance and other matters • Management letter • Report on matters required by SAS 114 • TIF Compliance Reports • Dept. of Insurance Reports • Other reports, as necessary 	<p>Reports: Draft Report – May 15 Final Report – June 15</p> <p>Hours By Level:</p> <table> <tr> <td>Executive</td> <td>6</td> </tr> <tr> <td>Manager</td> <td>8</td> </tr> <tr> <td>Senior Staff</td> <td>50</td> </tr> <tr> <td>Staff</td> <td>8</td> </tr> </table>	Executive	6	Manager	8	Senior Staff	50	Staff	8
Executive	6								
Manager	8								
Senior Staff	50								
Staff	8								



Identification of Anticipated Potential Audit Problems

We do not anticipate problems in the performance of the audit. Any issues that do arise will be discussed with management as they come up. This ensures that there are no surprises when it is time to deliver the final reports.

We have reviewed the Village's audit contract and have included a sample engagement letter that incorporates the Village's terms. The sample engagement letter can be found in **Appendix D** of our proposal.



Dollar Cost

Total All-Inclusive Maximum

We have provided our total-all inclusive maximum price, including all direct and indirect costs and out of pocket expenses for 2009, 2010, 2011, 2012, and 2013, utilizing *Attachment A*, "Auditing Services RFP Response Form" of the Village's Request for Proposals.

Please find the completed cost page at the end of this section.

Due to varying file types, this page will not be reflected on our Table of Contents.

Fee Assumptions

Our fee assumes that we will be provided with auditable trial balances for all funds at year end, that all bank accounts and investment accounts will be reconciled through the end of the year being audited to the trial balances, that interfund and transfer accounts will balance, that subsidiary ledgers will reconcile to the general ledger and that beginning fund equity amounts will be reconcilable to prior year audited ending fund equity. We as auditors will assist the Village in recording full-accrual entries to the Village's accounts in order to prepare government-wide financial statements in accordance with GASB Statement No. 34. We assume that the Village will cooperate with our requests for information such as explanations of account activity.

Additionally, we assume the Village will provide a copy of the capital assets ledger including current year additions and dispositions and depreciation by functional expense. We assume that requested records such as invoices, contracts, grant agreements and supporting documentation will be located and provided to us. We assume the Village will prepare all year end accruals for both modified and full accrual basis financial statements. We also assume the Village will prepare confirmation letters, the Introductory Section, the MD&A section and the Statistical section of the report.

Our fee includes the preparation of a management letter for any deficiencies found and suggestions for improvement of finances and procedures and will be delivered no later than June 15 of each year. Our fee also includes a oral presentation to the Village Board at a regular meeting of the Village Board or Finance Committee.

Our fee does not include implementation of any other future accounting or auditing pronouncements and/or government requirements that may change, thus, the scope or amount of auditing necessary to complete our engagements may increase beyond what is currently anticipated. Our fee assumes one (1) major program for the Single Audit. Our fee does not include any significant changes in capital assets or long-term debt. Should such events occur, we would present you with our estimate of any possible increase prior to beginning our audit for the given year. An equitable adjustment in the proposed fee will be negotiated if the cost of time required for performance of the audit service is increased or decreased pursuant to a change in scope of the audit requested by the Village or required by State or Federal regulations.



Rates for Additional Professional Services

Because we choose to set professional fees for services through a combination of market place analysis, the anticipated assistance provided by the Village's staff in the audit process, and the value of services received by the Village, the staff billing rates for additional services does not directly correlate with the fixed fee structure proposed. For additional services outside of the fixed fee structure, the current billing rate structure for the engagement team is as follows:

▪ Executive	\$245 - \$350
▪ Senior Manager/Manager	\$130 - \$240
▪ Senior Staff	\$100 - \$125
▪ Staff	\$ 85 - \$95

Manner of Payment

We understand that progress payments will be based on hours of work completed during the course of the engagement in accordance with our proposal. Interim billing will cover a period of not less than a calendar month.



MOSS ADAMS LLP

CERTIFIED PUBLIC ACCOUNTANTS | BUSINESS CONSULTANTS

December 21, 2007

To the Executives of
Crowe Chizek and Company LLC
and the Center for Public Company Audit Firms Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice applicable to non-SEC issuers of Crowe Chizek and Company LLC (the firm) in effect for the year ended June 30, 2007, and have issued our report thereon dated December 21, 2007. The matter described below was not considered to be of sufficient significance to affect the opinion expressed in that report, which should be read in conjunction with this letter.

Engagement Performance

Comment – The firm's quality control policies and procedures require audit documentation that documents the nature, timing and extent of procedures performed, the results of procedures performed and audit evidence obtained and conclusions reached on significant matters. During our review we noted several instances where audit procedures performed and/or conclusions reached specifically related to the updating of responses from inquiries of attorneys and the use of specialists were not clearly documented. In all instances through discussions with firm personnel and review of additional information provided we became satisfied that the firm had taken appropriate action to support their audit reports.

Recommendation – The firm should emphasize to firm professionals the firm's policies and procedures related to audit documentation in the specific areas noted above and monitor this through increased emphasis by engagement reviewers.

Moss Adams LLP





Crowe Chizek and Company LLC
Member Horwath International

330 East Jefferson Boulevard
Post Office Box 7
South Bend, Indiana 46624-0007
Tel 574.232.3992
Fax 574.236.8692
www.crowechizek.com

December 21, 2007

Center for Public Company Audit Firms Peer Review Committee
American Institute of Certified Public Accountants
220 Leigh Farm Road
Durham, NC 27707

Ladies and Gentlemen:

This letter represents our response to the letter of comments issued in connection with our firm's peer review for the year ended June 30, 2007. The matters discussed in this letter will be given special emphasis in our monitoring procedures.

Engagement Performance

We will emphasize the firm's policies and procedures related to audit documentation for use of a specialist and for updating responses from inquiry of attorneys. This will be accomplished with communication to firm professionals during January of 2008, continuing professional education courses, and monitoring through increased emphasis by engagement reviewers.

Cordially,

Crowe Chizek and Company LLC

Crowe Chizek and Company LLC





Peer Review Program

January 24, 2008

Charles M. Allen, CPA
Crowe Chizek and Company LLC
P.O. Box 7
320 E. Jefferson Boulevard
South Bend, IN 46601

Dear Mr. Allen:

It is my pleasure to notify you that on January 23, 2008 the Center Peer Review Committee accepted the report on the most recent peer review of your firm, the related letter of comments, and your firm's response thereto. Those documents will now be placed in the public files of the Center for Public Company Audit Firms. The due date for your next review is December 31, 2010. This is the date by which all review documents should be completed and submitted.

As you know, the reviewer's opinion was unmodified. The Committee asked me to convey its congratulations to the firm.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert M. Rohweder", is written over the word "Sincerely".

Robert Rohweder, Chair
CPCAF Peer Review Committee

cc: Jeffrey W Brown, CPA

Firm Number: 10014904

Review Number: 255018



Appendix B: Resumes

John C. Weber, CPA - Partner Public Sector Services

Professional Summary

Mr. John Weber has over seventeen years experience in public accounting. Mr. Weber has experience with governmental and non-profit organizations providing auditing and consulting services.

Audit Experience

School Districts

- **Arlington Heights School District #25* ****
- **Berwyn North School District #98***
- **Community Consolidated Unit School District #59* ****
- Plainfield Community Consolidated School District #202* **
- Rockford Public School District
- **Springfield Public School District #186* ****
- **West Aurora School District #129***

Higher Education

- **College of DuPage* ****
- **Lake County College* ****
- **Lincoln Land Community College* ****
- **Moraine Valley Community College* ****
- **Northern Illinois University (NCAA)**
- University of Illinois at Chicago (NCAA)

Municipalities

- Village of Bolingbrook
- City of Boulder, Colorado
- **City of Burbank**
- City of Dayton, Ohio
- **City of Plano**
- Village of Glenwood
- **Village of Gurnee****
- **Village of Hillside****
- **Village of Rantoul* ****

Counties

- Will County* **
- Will County Circuit Clerk
- **Forest Preserve District of Cook County* ****
- St. Clair County Circuit Clerk

Not-for-Profit

- Conference USA
- **Action for Children***
- **Illinois Clean Energy Community Foundation**
- Springfield Ball Charter School
- Three Fires Council Inc. Boy Scouts of America

State

- **Illinois Department of State Police – Metropolitan Enforcement Groups**
- Indiana Bureau of Motor Vehicles
- Indiana State Lottery Commission
- Kentucky Lottery Corporation**
- **Office of the Auditor General**
 - Illinois Department of Revenue
 - Illinois Department of Corrections
 - Illinois Environmental Protection Agency
 - **Illinois State Treasurer's Office**
 - **Southern Illinois University**

Special Districts

- **Broward County Florida Sheriff's Department**
- **Chicago Transit Authority***
- Marion County Indiana Sheriff's Department
- **Metra***
- Metropolitan Water Reclamation District of Greater Chicago* **
- **Northern Indiana Commuter Transportation District***
- **North Texas Tollway Authority**
- Pace* **



- Current clients are indicated in bold
- * Federal Compliance audit performed in accordance with OMB circular A-133
- ** Current Recipient of GFOA or ASBO Certificate of Achievement for Excellence in Financial Reporting

Consulting Engagements

Financial Advisory

- Capital Budgeting
- Departmental Costing Analysis
- Litigation Support
- Management of an Internal Audit Department
- Management Recruiting
- Operational and Procedural Audits

Business Process Reengineering

- Procedures Manual Development
- Departmental Re-Structuring
- Transition Auditing

Information Technology

- Needs Analysis/System Implementation
- Fund Structure and Chart of Accounts

Certifications

Certified Public Accountant, Florida, Illinois, Indiana, Kentucky, Texas

Professional Affiliations

American Institute of Certified Public Accountants – Government Audit Quality Center Representative
Illinois CPA Society – Ethics Committee
Illinois Government Finance Officers Association

Education

Elmhurst College, Elmhurst, Illinois
Bachelor of Science in Accounting



Todd Buikema, CPA – Senior Manager Public Sector Services

Professional Summary

Mr. Todd Buikema has twelve years experience in governmental accounting and auditing. He has managed many municipal, school district and local governmental audit engagements and has prepared many comprehensive annual financial reports for successful submission to for the Government Finance Officers' Association and in a similar capacity for the Association of School Business Officials.

Audit Experience

School Districts

- **Berwyn North School District #98***
- **Springfield School District* ****
- North Palos Elementary School District #117*
- Oak Lawn-Hometown School District #123*
- Palos Community Consolidated School District #118* **
- North Shore Schools District #112* **
- Valley View Public Schools * **
- **Crystal Lake Community Consolidated School District No. 47* ****
- **Community Consolidated School District 59* ****
- **Community High School District #155***
- School District U-46*
- Bellwood School District #88 *
- Evanston/Skokie School District #65*
- Lockport Township High School District #205*
- **Maywood, Melrose Park, Broadview School District #89***
- Pennoyer School District #79
- Reed-Custer Community Unit School District #255 U* **
- Special Education District of McHenry County*
- Three Rivers Education for Employment System*
- Woodridge School District #68* **

Municipalities

- **Village of Bellwood**
- **Village of Rantoul ****
- **Village of Bridgeview**
- **Village of Posen**
- Village of Winfield**
- **Village of Hillside****
- Village of Melrose Park
- City of Berwyn*
- City of Oak Forest
- City of Lockport*
- **Village of Forest Park***
- **Village of Homewood****
- Village of Glenwood

Counties

- Will County* **

Special Districts

- **Township of Addison**
- **Joliet Arsenal Development Authority**
- **Norwood Park Fire Protection District**
- **Billy Casper Cook County Golf**
- Elk Grove Rural Fire Protection District

National

- Kentucky State Attorney's Office

Not-for-Profit

- Goodwill Industries of Metropolitan Chicago*
- Northeastern Illinois Area Agency on Aging*

Current clients are indicated in bold

* Federal Compliance audit performed in accordance with OMB circular A-133

** Current Recipient of GFOA or ASBO Certificate of Achievement for Excellence in Financial Reporting



Consulting Engagements

Financial Advisory

- Payroll Processes and Procedures
- General Ledger Maintenance

Business Process Reengineering

- Procedures Manuals

Information Technology

- Computer Conversion and Set-Up

Certifications

Certified Public Accountant, Illinois

Professional Affiliations

Illinois CPA Society – Governmental Report Review Committee, Subcommittee Chair

Association of Certified Fraud Examiners, Associate Member

Education

Calvin College, Michigan

Bachelor of Science in Accounting



Edwin P. Calvache, CCNA, MCP, NCDE Sr. Staff, Risk Services

Experience

Mr. Calvache works entirely within Risk Services. His 15+ years of experience in different industries include:

- Managed global cross functional teams working with customers, partners and R&D
- Established innovative partnership processes in supply management services
- Created and led customer focus groups, strategic alliances, joint field trials, OEMs, project management, consulting, and product launches
- Provided leadership on product and business strategies for technology, competition, market and acquisition due diligence on new business offerings
- Analyzed, developed and implemented business structure, eliminating redundant cost centers/departments
- Managed relationships and projects with distributors, VARs, customers and OEMs (NEC Japan \$100 Million revenue)
- Developed RFPs, MRDs, PRDs, data sheets, white papers, competitive analysis, forecast, pricing, ROI as well as presented and supported sales, engineering, analysts, and customers for International markets
- Developed definition, implementation, global market positioning and training for new products
- Established joint-development/marketing plans with Cisco Systems, HP and other OEM partners

Education

University of Illinois

Bachelor of Science, MCS (Math, Computer Science & Statistics)

Professional Affiliations

Mr. Calvache is a Microsoft Certified Professional (MCP), Cisco Certified Network Associate (CCNA), and Nortel Network Certified Design Expert (NNCDE).

Mr. Calvache is a member of the Institute of Electrical and Electronics Engineers, Inc. (IEEE), Information Systems Audit and Control Association (ISACA), Institute of Internal Auditors (IIA), Project Management Institute (PMI).



Ashlee Wallace, CPA – Senior Staff Public Sector Services

Professional Summary

Ms. Ashlee Wallace has over four years of experience in public accounting. Ms. Wallace has experience with governmental organizations providing audit services.

Audit Experience

Special Districts

- **Norwood Park Fire Protection District**
- **Brookfield North Riverside Water Commission**
- **Justice Willow Springs Water Commission**
- Grand Avenue Railroad Relocation Authority

Municipalities

- **Village of Bensenville**
- **Village of Glendale Heights* ****
- **City of Calumet City***
- **Village of Gurnee****
- **Village of Posen**
- **Township of Orland**
- **Village of Elmwood Park**
- **City of Burbank**

Not for Profit

- **Illinois Clean Energy Community Foundation**
- Three Fires Boy Scouts*
- UIC-Miles Square Health Center
- Jobs for Youth, Chicago*

Current clients are indicated in bold

* Federal Compliance audit performed in accordance with OMB circular A-133

** Current Recipient of GFOA or ASBO Certificate of Achievement for Excellence in Financial Reporting

School Districts

- **Community Consolidated School District 59* ****
- **Community High School District 155***
- **West Aurora School District 129 * ****

Higher Education

- **Lincoln Land Community College* ****
- **South Suburban College* ****
- **Triton College * ****

State of Illinois

- Office of the Auditor General
- **Southern Illinois University***
 - Illinois State Treasurer*
 - Illinois Environmental Protection Agency
 - Illinois Department of Corrections

Professional Affiliations

American Institute of Certified Public Accountants
Illinois CPA Society

Education

Monmouth College, Monmouth, IL
Bachelor of Liberal Arts, Accounting and Business



Appendix C: Publications

We have provided on the following pages a recent article written titled "Avoiding Pitfalls in Single Audits" published in our **Government Advantage** quarterly newsletter.





Avoiding Pitfalls in Single Audits

By John C. Weber, CPA

According to a new government study, at least half of all single audits are deficient.¹ Understanding the methodology that providers use to conduct single audits can help government agencies and other recipients of U.S. federal assistance comply with Office of Management and Budget (OMB) requirements, says author John Weber.

For more than 30 years, state and local government entities that receive U.S. federal assistance have had to account for the money they spend by having independent professionals — typically either certified public accounting firms or state agency auditors — perform single audits.

Also known as OMB A-133 audits, single audits eliminate redundancies and inefficiencies associated with individual audits of federal grants and awards that state and local government entities previously had to provide to Washington.

Required of all government entities and not-for-profit organizations that expend \$500,000 or more in U.S. federal assistance in any one year, single audits have become an important tool that federal agencies — such as the Department of Education, the Department of Housing and Urban Development, and the Department of Transportation — use to determine if recipients are complying with the conditions of their grants and awards.

In 2002, the Comptroller General of OMB testified at a U.S. House of Representatives hearing about the importance and quality of single audits. The comptroller's testimony revealed that the OMB had discovered a number of deficiencies during an informal review of single audits. Because the selection of audits was not statistically based, however, the OMB said it could not rely on that review.

Soon after, representatives of the OMB, several federal agencies, and many state



auditors agreed to conduct a statistically based measure of audit quality. This Initiative — the National Single Audit Sampling Project — was conducted under the auspices of the Audit Committee of the President's Council on Integrity and Efficiency, which comprises the presidentially appointed inspectors general of more than 30 federal agencies. The project had two goals:

- ❑ To determine the quality of single audits and establish a statistically based measure of audit quality; and
- ❑ To recommend changes in single audit requirements, standards, and procedures to improve the quality of single audits.

This article addresses the first of these objectives.

Quality Control Reviews

The National Single Audit Sampling Project performed quality control reviews (QCRs) of a statistical sample of 208 audits randomly selected from a universe of more than 38,000 audits submitted and accepted for the period April 1, 2003, through March 31, 2004.

The sample was divided into two strata: entities that expended \$50 million or more of federal assistance and entities that expended at least \$500,000, but less than \$50 million, in federal assistance.



The results of these QCRs were published in the "Report on National Single Audit Sampling Project" this past June. While 115 of the 208 single audits were considered acceptable, 30 had significant deficiencies that rendered them of limited reliability and an astonishing 63 were deemed unacceptable and, consequently, unreliable. Based on these findings from the statistical sample, the project determined that:

- ❑ 48.6 percent of the entire universe of single audits were acceptable;
- ❑ 16.0 percent of the entire universe of single audits were of limited reliability; and
- ❑ 35.5 percent of the entire universe of single audits were unacceptable.¹

Moreover, entities with expenditures of \$50 million or more had a higher percentage of acceptable audits, while entities with expenditures of less than \$50 million had a higher percentage of unacceptable audits.

Types of Deficiencies

The National Single Audit Sampling Project identified three deficiencies in more than half of all single audits that were examined:

- ❑ Not documenting the *understanding of internal controls* over compliance requirements, a deficiency found in 56.5 percent of all single audits reviewed;
- ❑ Not documenting *testing internal controls* of at least some compliance requirements, deficiency found in 61.0 percent of all single audits reviewed; and
- ❑ Not documenting *compliance testing* of at least some compliance requirements, a deficiency found in 59.6 percent of all single audits reviewed.²

Some single audits contained more than one of these deficiencies. The report cites "lack of due professional care" as the principal cause of most of these deficiencies.

The Government Auditing Standards define due professional care as "using sound judgment in establishing scope, selecting methodology, and choosing tests and procedures for the audit. The same sound judgment should be

applied in conducting the tests and procedures and in evaluating and reporting the audit results."³

In the eyes of the professionals who conducted the National Single Audit Sampling Project, some of the organizations that performed these single audits did not meet the expected standard.

Internal Controls at Work

Suppose a governmental entity received \$300,000 in federal assistance to erect a building and hired a contracting firm to do the work. Under such an award, federal regulations would require the contracting firm pay its employees a certain prevailing wage mandated by the federal government.

What type of control would the governmental agency have to have in place to make sure that the contractor pays its employees the correct wages? The control may be that one governmental employee is responsible for obtaining from the contractor copies of its weekly payroll journals to ensure that prevailing wages were paid. That is an example of what an auditor should document to show an *understanding of controls related to a compliance requirement*.

To test the controls, the firm conducting the single audit could verify that the governmental employee is actually receiving, reviewing, and signing off that the contractor paid the required prevailing wages.

To test compliance with the federal law, the auditors could have to examine the payroll journals and compare what the contractor paid Employee A to the prevailing wages that Employee A was supposed to receive based on federal government rules.

Avoiding Problems with Single Audits

Conducting a single audit that complies with all of the steps that the federal government requires takes time, but those steps must be completed if the audit is to withstand future federal scrutiny. If the firm conducting the single audit skips over any of these steps, the consequences could prove expensive to correct.

A single audit submitted to the Federal Audit Clearinghouse, which distributes reports to the appropriate federal agencies, may not be reviewed by those agencies for 18 months or more. By that time, the records associated with the single audit may have been moved to an off-site storage facility, and individuals involved in the processes that were audited may have left the government entity or retired. Trying to reconstruct what happened months or years earlier can become difficult and time-consuming.

Government entities would be better served by vetting the providers of single-audit services up front to understand the audit approach they use, especially with regard to documentation of understanding and testing internal controls.

It's also fair for government entities to ask prospective auditors which staff members are going to perform the single audit, whether or not their single audits have been reviewed by any federal agencies, and what those reviews showed.

Asking a few key questions before the single audit begins can save a lot of time and trouble down the road and can help to ensure that a quality single audit is performed.

To obtain a copy of the "Report on National Single Audit Sampling Project," go to: www.ignet.gov/pande/audit/NatSamProjRptFINAL2.pdf

John C. Weber is an executive specializing in public sector services with Crowe Chizek and Company LLC in Oak Brook, Ill. He can be reached at 630.706.2099 or jweber@crowechizek.com.

¹ "Report on National Single Audit Sampling Project," the Audit Committee of the President's Council on Integrity and Efficiency, June 2007, pp. 2-3.

² *Ibid.*, p. 2.

³ *Ibid.*, p. 3.

⁴ Government Auditing Standards (1994 Revision), paragraph 3.28, as cited in "Report on National Single Audit Sampling Project," p. 16.





Under U.S. Treasury rules issued in 2005, we must inform you that any advice in this communication to you was not intended or written to be used, and cannot be used, to avoid any government penalties that may be imposed on a taxpayer.

How to Reach Us

Visit us on the Web at www.crowechizek.com or e-mail Annika Jaspers at ajaspers@crowechizek.com for more information.

If you would like to start receiving information via e-mail about topics of importance to you, please sign up on our Web site at www.crowechizek.com/emallsignup.

About Crowe

Crowe Chizek and Company LLC provides innovative business solutions in the areas of assurance, benefit plan services, financial advisory, forensic services, performance services, risk consulting, and tax consulting. Crowe is one of the top 10 public accounting and consulting firms in the United States, serving clients worldwide as a leading member of the Horwath International global professional services organization.

Government Advantage is published by Crowe Chizek and Company LLC.



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Strategies and Solutions for State and Local Government



www.crowehorwath.com



Attachment D: Sample Engagement Letter

We have provided a sample engagement letter on the following pages.



To the Honorable Village President
Members of the Board of Trustees
Village of Hoffman Estates, Illinois

This letter confirms the arrangements for Crowe Horwath LLP ("Crowe" or "us" or "we" or "our") to provide the professional services discussed in this letter to the Village of Hoffman Estates, Illinois ("the Village," or "you" or "your") for the years ending December 31, 2009 with an option of auditing the Village's financial statements for each of the four subsequent fiscal years ending December 31, 2010 through December 31, 2013. The attached Crowe Engagement Terms is an integral part of this letter, and its terms are incorporated herein.

AUDIT SERVICES

Our Responsibilities

We will audit the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, which collectively comprise the basic financial statements of the Village for the periods indicated. 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:

1. Combining and Individual Fund Financial Statements and Schedules (for in-relation to opinions)
2. Schedule of Expenditures of Federal Awards

The document will also include the following additional information that will not be subjected to the auditing procedures applied in our audit of the financial statements, and for which our auditor's report will disclaim an opinion:

1. Required Supplementary Information – Management's Discussion and Analysis
2. Required Supplementary Information – Budgetary Comparison Schedules
3. Required Supplementary Information – Pension Information and Other Post-Employment Benefits Information
4. Introductory Section of the Comprehensive Annual Financial Report
5. Statistical Section of the Comprehensive Annual Financial Report

The objective of the audit is the expression of an opinion on the financial statements. We will plan and perform the audit in accordance with auditing standards generally accepted in the United States of America, the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996, and the provisions of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards require that we obtain reasonable,

To the Honorable Village President
Members of the Board of Trustees
Village of Hoffman Estates, Illinois
Page 2

rather than absolute, assurance about whether the financial statements are free of material misstatement whether caused by error or fraud, to report on the Schedule of Expenditures of Federal Awards, and on your compliance with laws and regulations and on its internal controls as required for a single audit. Therefore, a material misstatement may remain undetected.

We will examine, on a test basis, evidence supporting the amounts and disclosures in your financial statements and evaluate the accounting principles used and the overall financial statement presentation. We will assess the risk that error or fraud might misstate the financial statements by an amount we believe would influence the financial statement users. An audit is not designed to detect error or fraud that is immaterial to the financial statements. Our opinion on the financial statements will state whether we believe that the financial statements present fairly, in all material respects, your financial position, and change in net assets and cash flows, where applicable, in conformity with accounting principles generally accepted in the United States of America.

In addition to our report on the financial statements, we plan to report on:

- The Schedule of Expenditures of Federal Awards which will be subjected to the auditing procedures applied in our audit of the financial statements
- Internal control related to the financial statements and compliance with laws, regulations, and the provisions of contracts or grant agreements, non-compliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*
- Internal control related to major programs and an opinion on compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

An audit 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 to 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 in internal control. However, we will communicate, in writing to those charged with governance and management matters that come to our attention which, in our judgment, are significant deficiencies or material weaknesses in internal control that could adversely affect your ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles. We will also communicate suggestions we have to improve controls and business operations. Our engagement is not designed to address legal or regulatory matters, which matters should be discussed by you with your legal counsel.

To the Honorable Village President
Members of the Board of Trustees
Village of Hoffman Estates, Illinois
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We will also perform tests of controls including testing underlying transactions, as required by OMB Circular A-133, to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each of your major federal awards programs. We will determine major programs in accordance with OMB Circular A-133. Our tests will be less in scope than would be necessary to render an opinion on these controls and, accordingly, no opinion will be expressed. We will inform you of any deficiencies or other matters involving internal control, if any, as required by OMB Circular A-133.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will also perform tests of your compliance with applicable laws, regulations, contracts and grants. However, because of the concept of reasonable assurance and because we will not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud or defalcations, may exist and not be detected by us. However, the objective of our audit of compliance relative to the financial statements will not be to provide an opinion on overall compliance with such provisions, and we will not express such an opinion. We will advise you, however, of any matters of that nature that come to our attention, unless they are clearly inconsequential.

OMB Circular A-133 requires that we plan and perform the audit to obtain reasonable assurance about whether you have complied with certain provisions of laws, regulations, contracts and grants. Our procedures will consist of the applicable procedures described in the OMB Circular A-133 Compliance Supplement for the type of compliance requirements that could have a direct and material effect on each of your major programs. The purpose of our audit will be to express an opinion on your compliance with requirements applicable to major Federal award programs.

Our audit and work product are intended for the benefit and use of the Village only. The audit will not be planned or conducted in contemplation of reliance by any other party or with respect to any specific transaction and is not intended to benefit or influence any other party. Therefore, items of possible interest to a third party may not be specifically addressed or matters may exist that could be assessed differently by a third party. Our reports on internal control and compliance will each include a statement that the report is intended for the information and use of the management, specific legislative or regulatory bodies, and federal awarding agencies, and if applicable, pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

The working papers for this engagement are the property of Crowe and constitute confidential information. However, we may be requested to make certain workpapers available to your oversight agency or grantors pursuant to authority given to them by law, regulation, or contract. If requested, access to such workpapers will be provided under the supervision of our personnel.

To the Honorable Village President
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Furthermore, upon request, we may provide photocopies of selected workpapers to your oversight agency or grantors. The workpapers for this engagement will be retained for a minimum of three years after the date our report is issued or for any additional period requested by the oversight agency or pass-through entity. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party contesting the audit finding for guidance prior to destroying the workpapers.

Government Auditing Standards require that we provide you with a copy of our most recent peer review report, letter of comment and response thereto, which documents accompany this letter.

The Village's Responsibilities

Your management is responsible for the financial statements, including selecting and applying the accounting policies. Management is also responsible for establishing and maintaining effective internal control, including ongoing monitoring activities, that will, among other things, permit the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The Village's management is also responsible for complying with applicable laws, regulations, contracts and grants and such responsibility extends to identifying the requirements and designing internal control policies and procedures to provide reasonable assurance that compliance is achieved. Additionally, as required by OMB Circular A-133, it is management's responsibility to follow up and take corrective action on reported audit findings and to prepare a summary schedule of prior audit findings, which should be available for our review, and a corrective action plan.

Management has the responsibility to adopt sound accounting policies, maintain an adequate and efficient accounting system, safeguard assets, and design and implement programs and controls to prevent and detect fraud. Management's judgments are typically based on its knowledge and experience about past and current events and its expected courses of action. Management's responsibility for financial reporting includes establishing a process to prepare the accounting estimates included in the financial statements and adjusting the financial statements to correct material misstatements.

Management is responsible for making available to us, on a timely basis, all financial records and related information and your personnel to whom we may direct inquiries. Management agrees to provide us with written representations relating to matters contained in or related to the financial statements, including 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, and to its compliance with the requirements of its Federal programs. Because of the importance of management's representations to an effective audit, you agree to release Crowe and its personnel from any liability and costs relating to our services under this letter attributable to any misrepresentations by management.

At the conclusion of the engagement, it is management's responsibility to submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditor's reports, and corrective action plan) along with the Data Collection Form to the designated federal clearinghouse and, if appropriate, to pass-through entities. The Data Collection Form and the reporting package must be submitted within the earlier of thirty days after receipt of the auditor's reports or nine months after the end of the audit period, unless a longer period is agreed to in advance by the oversight agency for audit.

OTHER SERVICES

We will also prepare the following for the Village:

1. State of Illinois Annual Financial Report
2. Illinois Department of Insurance Pension Reports
3. Tax Increment Financing Annual Compliance Report

You agree to be responsible to: make all management decisions and perform all management functions; designate an individual who possesses suitable skill, knowledge, and/or experience, preferably within senior management to oversee our services; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services.

FEES

Our fees, including out-of-pocket expenses, are outlined below. Our invoices are due and payable upon receipt. Invoices that are not paid within 30 days of receipt are subject to a monthly interest charge of one percent per month or the highest interest rate allowed by law, whichever is less, which we may elect to waive at our sole discretion, plus costs of collection including reasonable attorneys' fees. The monthly billings will not exceed 60% of the total annual fee for each year until the audit has been completed.

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
CAFR	\$ 46,500	\$ 48,355	\$ 50,305	\$ 52,340	\$ 54,560
Single Audit	800	900	5,200	5,400	5,620
Comptroller AFR	600	620	435	450	465
Police DOI	550	575	600	625	650
Fire DOI	550	575	600	625	650
Barrington TIF	1,000	1,040	1,080	1,120	1,165
Roselle TIF	1,000	1,040	1,080	1,120	1,165
Totals	<u>\$ 54,800</u>	<u>\$ 56,995</u>	<u>\$ 59,300</u>	<u>\$ 61,680</u>	<u>\$ 64,275</u>

We will provide sixty (60) bound copies and one (1) electronic copy of the Village's CAFR. The bound copies will be printed on regular letter size paper, using both sides of the page whenever possible.

Circumstances may arise under which we must perform additional work and, thus, require additional billings for our services. Examples of such circumstances include, but are not limited to:

- Changing audit requirements
- New professional standards or regulatory requirements
- New financial statement disclosures
- Work caused due to the identification of, and management's correction of, inappropriate application of accounting pronouncements
- Erroneous or incomplete accounting records
- New or unusual transactions
- Failure of your staff to prepare information in a timely manner
- Numerous revisions to your information
- Lack of availability of appropriate Village personnel during audit fieldwork.

Additionally, to accommodate requests to reschedule audit fieldwork without reasonable notice, additional billings for our services could be required, and our assigned staffing and ability to meet agreed-upon deadlines could be impacted.

Our fee assumes that we will be provided with auditable trial balances for all funds at year end, that all bank accounts and investment accounts will be reconciled through the end of the year being audited to the trial balances, that interfund and transfer accounts will balance, that subsidiary ledgers will reconcile to the general ledger and that beginning fund equity amounts will be reconcilable to prior year audited ending fund equity. We as auditors will assist the Village in recording full-accrual entries to the Village's accounts in order to prepare government-wide financial statements in accordance with GASB Statement No. 34. We assume that the Village will cooperate with our requests for information such as explanations of account activity.

Additionally, we assume the Village will provide a copy of the capital assets ledger including current year additions and dispositions and depreciation by functional expense. We assume that requested records such as invoices, contracts, grant agreements and supporting documentation will be located and provided to us. We assume the Village will prepare all year end accruals for both modified and full-accrual basis financial statements. We also assume the Village will prepare confirmation letters to the Industry Section, the MD&A section and the Statistical section of the report.

Our fee includes the preparation of a management letter for any deficiencies found and suggestions for improvement of finances and procedures and will be delivered no later than June 15 of each year. Our fee also includes a oral presentation to the Village Board at a regular meeting of the Village Board or Finance Committee.

Our fee does not include implementation of any other future accounting or auditing pronouncements and/or government requirements that may change, thus, the scope or amount of auditing necessary to complete our engagements may increase beyond what is currently anticipated. Our fee assumes one (1) major program for the Single Audit. Our fee does not include any significant changes in capital assets or long-term debt. Should such events occur, we would present you with our estimate of any possible increase prior to beginning our audit for the given year. An equitable adjustment in the proposed fee will be negotiated if the cost of time required for performance of the audit service is increased or decreased pursuant to a change in scope of the audit requested by the Village or required by State or Federal regulations.

To the Honorable Village President
Members of the Board of Trustees
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TERMINATION CLAUSE

In recognition of the significant start-up investment incurred by Crowe, should the contract be terminated by you at any time during the three or five-year period for reasons other than failure of Crowe to perform, you agree to pay our fees and expenses for services performed up to the date of termination (which shall be immediately due and payable) and a termination fee of 25% of the next year's fee if terminated after year one or 15% of the next year's fee if terminated after year two.

* * * * *

This engagement letter and the attached Crowe Engagement Terms reflect the entire agreement between us relating to the services covered by this letter. The headings included in this letter are to assist in ease of reading only; the letter and attachment are to be construed as a single document, with the provisions of each section applicable throughout. This agreement may not be amended or varied except by a written document signed by both parties. It replaces and supersedes any other proposals, correspondence, agreements and understandings, whether written or oral, relating to the services covered by this letter. The agreements of the Village and Crowe contained in this engagement letter shall survive the completion or termination of this engagement. If any term hereof is found unenforceable or invalid, this shall not affect the other terms hereof, all of which shall continue in effect as if the stricken term had not been included. This agreement shall be interpreted and construed under, and governed by the internal laws of the State of Illinois, without regard for choice of law principles.

If the terms of this letter and the attached Crowe Engagement Terms are acceptable to you, please sign and date below and return a copy of this letter at your earliest convenience. If you have any questions, please contact Mr. John Waters at 630-706-2499.

Very truly yours,

Crowe Horwath LLP

By: _____

I have reviewed the arrangements outlined above and in the attached Crowe Engagement Terms, and I accept on behalf of the Village the terms and conditions as stated.

Village of Hoffman Estates, Illinois

Signature: _____

Printed Name: _____

Title: _____

Date: _____

Crowe Engagement Terms

We want you to understand the basis under which we offer our services to you and determine our fees, as well as to clarify the relationship and responsibilities between your organization and ours. These terms are part of our engagement letter and apply to all future services, unless a specific engagement letter is entered into for those services. We specifically note that no advice we may provide should be construed to be investment advice.

YOUR ASSISTANCE - For us to provide our services effectively and efficiently, you agree to provide us timely with the information we request and to make your employees available for our questions. You will also provide our personnel with access to the Internet (if available). The availability of your personnel and the timetable for their assistance are key elements in the successful completion of our services and in the determination of our fees. Completion of our work depends on appropriate and timely cooperation from your personnel; complete, accurate, and timely responses to our inquiries; and timely communication by you of all significant accounting and financial reporting matters of which you are aware. If for any reason this does not occur, a revised fee to reflect the additional time or resources required by us will be mutually agreed upon, and you agree to hold us harmless against all matters that arise in whole or in part from any resulting delay.

If circumstances arise that, in our professional judgment, prevent us from completing this engagement, we retain the right to take any course of action permitted by professional standards, including declining to express an opinion or issue other work product or withdrawing from the engagement.

THIRD PARTY PROVIDER - We may use a third-party service provider in providing professional services to you which may require our sharing your confidential information with the provider. If we use a third-party service provider, we will enter into a confidentiality agreement with the provider to require them to maintain the confidentiality of your confidential information. The terms of our engagement letter and these engagement terms shall apply to any third party provider.

CONFIDENTIALITY - We will maintain the confidentiality of your confidential information in accordance with professional standards. You agree not to disclose any confidential material you obtain from us without our prior written consent, except to the extent such disclosure is an agreed objective of this engagement. Your use of our work product shall be limited to its stated purpose and to your business use only. We retain the right to use the ideas, concepts, techniques, industry data, and know-how we use or develop in the course of the engagement. You agree to the use of fax, email, and voicemail to communicate both sensitive and non-sensitive matters, provided, however, that nonpublic personal information regarding your customers or consumers shall not be communicated by unencrypted email.

CONSUMER PRIVACY - In order to provide the services called for in this engagement, you may be disclosing to us certain nonpublic personal information regarding your accounts, customers, and consumers. To the extent permitted by law, we will not disclose any such nonpublic personal information except to you and our employees and agents. However, in circumstances that fall under an exception in the regulations "Privacy of Consumer Financial Information" implementing the Gramm-Leach-Bliley Act, we may disclose or use such nonpublic personal information in the ordinary course of business to carry out the services in this engagement. We have implemented and will maintain physical, electronic and procedural safeguards ("Safeguards") reasonably designed to protect the security, confidentiality and integrity of, to prevent unauthorized access to or use of, and to ensure the proper disposal, of nonpublic personal information regarding your customers or consumers. We further agree that the Safeguards shall meet the objectives of the Interagency Guidelines Establishing Information Security Standards, adopted by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of Thrift Supervision, as they currently exist, or as they may be amended from time to time.

CHANGES - We may periodically communicate changes in laws, rules, or regulations to you. However, you have not engaged us to and we do not undertake an obligation to advise you of changes in laws, rules, regulations, industry or market conditions, your own business practices, or other circumstances, except to the extent required by professional standards.

PUBLICATION - You agree to obtain our specific permission before using our report or our firm's name in a published document, and you agree to submit to us copies of such documents to obtain our permission before they are filed or published.

NO PUNITIVE OR CONSEQUENTIAL DAMAGES - Any liability of Crowe to you shall not include any special, indirect, consequential, incidental, punitive, or exemplary damages or loss nor any lost profits, savings, or business opportunity.

LIMIT OF LIABILITY - The provisions of this section establishing a limit of liability will not apply if, as determined in a judicial proceeding, we performed our services with gross negligence or willful misconduct. Our engagement with you is not intended to shift risks normally borne by you. With respect to any services or work product or this engagement in general, the liability of Crowe and its personnel shall not exceed the fees we receive for the portion of the work giving rise to liability. A claim for a return of fees paid shall be the exclusive remedy for any damages. This limitation of liability is intended to apply to the full extent allowed by law, regardless of the grounds or nature of any claim asserted. This limitation of liability shall also apply after termination of this agreement.

INDEMNIFICATION FOR THIRD-PARTY CLAIMS - The provisions of this section for indemnification will not apply if, as determined in a judicial proceeding, we performed our services with gross negligence or with willful misconduct. Our engagement with you is not intended to shift risks normally borne by you to us. In the event of a legal proceeding or other claim brought against us by a third party, you agree to indemnify and hold harmless Crowe and its personnel against all costs, fees, expenses, damages, and liabilities, including defense costs and legal fees, associated with such third-party claim arising from or relating to any services or work product that you use or disclose to others or this engagement generally. This indemnification is intended to apply to the full extent allowed by law, regardless of the grounds or nature of any claim asserted. This indemnification shall also apply after termination of this agreement.

NO TRANSFER OR ASSIGNMENT OF CLAIMS - No claim against Crowe, or any recovery from or against Crowe, may be sold, assigned or otherwise transferred, in whole or in part.

TIME LIMIT ON CLAIMS - In no event shall any action against you or Crowe, arising from or relating to this engagement letter or the services provided by Crowe relating to this engagement, be brought after the earlier of 1) two (2) years after the date on which occurred the act or omission alleged to have been the cause of the injury alleged; or 2) the expiration of the applicable statute of limitations or repose.

RESPONSE TO LEGAL PROCESS - If we are requested by subpoena, other legal process, or other proceedings to produce documents pertaining to you and we are not a named party to the proceeding, you will reimburse us for our professional time, plus out-of-pocket expenses, as well as reasonable attorney fees we incur in responding to such request.

MEDIATION - If a dispute arises, in whole or in part, out of or related to this engagement, or after the date of this agreement, between you, any of your affiliates or principals, and Crowe, and if the dispute cannot be settled through negotiation, you and Crowe agree first to try in good faith to settle the dispute by mediation administered by the American Arbitration Association under its mediation rules for professional accounting and related services disputes before resorting to litigation or any other dispute resolution procedure. The results of mediation shall be binding only upon agreement of each party to be bound. Costs of any mediation shall be shared equally by both parties.

JURY TRIAL WAIVER - IN THE UNLIKELY EVENT THAT DIFFERENCES CONCERNING OUR SERVICES OR FEES ARISE BETWEEN US THAT ARE NOT RESOLVED BY MUTUAL AGREEMENT OR MEDIATION, YOU AND WE AGREE TO WAIVE A TRIAL BY JURY TO FACILITATE JUDICIAL RESOLUTION AND SAVE THE TIME AND EXPENSE OF BOTH PARTIES.

LEGAL AND REGULATORY CHANGE - The scope of services and the fees for the services covered by the accompanying letter are based on current laws and regulations. If changes in laws or regulations change your requirements or the scope of our work, you and we agree that our fees will be modified to a mutually agreed-upon amount to reflect the changed level of our effort.

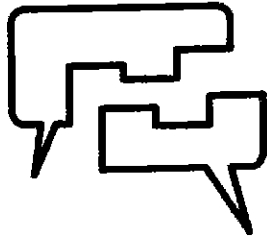
CONSENT TO HIRE - You and we acknowledge the importance of retaining key personnel. Accordingly, both parties agree that during the period of this agreement and for one year after its expiration or termination, neither party will solicit any personnel of the other party for employment without the written consent of the other party. If an individual becomes an employee of the other party, the other party agrees to pay a fee equal to the individual's compensation for the prior full twelve-month period to the original employer.

AFFILIATES – Crowe Horwath LLP is a member of Crowe Horwath International, a Swiss association. Each member firm of Crowe Horwath International is a separate and independent legal entity. Crowe Horwath LLP and its affiliates are not responsible or liable for any acts or omissions of Crowe Horwath International or any other member of Crowe Horwath International and specifically disclaim any and all responsibility or liability for acts or omissions of Crowe Horwath International or any other member of Crowe Horwath International. Crowe Horwath International does not render any professional services and does not have an ownership or partnership interest in Crowe Horwath LLP. Crowe Horwath International and its other member firms are not responsible or liable for any acts or omissions of Crowe Horwath LLP and specifically disclaim any and all responsibility or liability for acts or omissions of Crowe Horwath LLP.

SAMPLE

**Village of Hoffman Estates
Proposal for Auditing Services**

August 31, 2009



Let's talk about an opportunity.



Candor. Insight. Results.



Baker Tilly Virchow Krause, LLP
1301 W 22nd St, Ste 400
Oak Brook, IL 60523-3389
tel 630 990 3131
fax 630 990 0039
bakertilly.com

August 31, 2009

Mr. Michael DuCharme
Director of Finance
Village of Hoffman Estates
1900 Hassell Road
Hoffman Estates, Illinois 60169

Dear Mr. DuCharme;

Thank you very much for this opportunity. Baker Tilly Virchow Krause, LLP (Baker Tilly) is pleased to submit this proposal to provide audit services for the Village of Hoffman Estates (the "Village") for years ending December 31, 2009, with the option of auditing its financial statements for fiscal years 2010 through 2013.

Our proposal is based on the terms and conditions contained in the Request for Proposal (RFP) issued by the Village, information provided by the Village per our request, and our substantial experience with governmental entities throughout the Midwest. We want the Village as a valued client and we will work hard to meet and exceed your expectations. Our mission is to serve as your most valued advisor, and we are eager to build that relationship.

We understand that the proposals will be evaluated against the requirements stated in the RFP. We believe that we have the resources, experience and commitment you require. Because of the depth and experience of our staff, we feel that our firm is the best qualified to perform an effective audit over all phases of the Village's operations. We are committed to performing the audit within the required time frame. We would like to highlight several factors which distinguish the service of Baker Tilly:

> **Substantial Team Experience.** Our Project Team was selected with the Village's needs in mind. The Project Team members work with an average of 15-30 governments annually. Baker Tilly has audited one of the most successful TIF districts in Illinois and over 90% of our municipal clients implement TIF districts to stimulate economic development within the community. If necessary, our consulting team members are available to guide you in the expected closing of the EDA TIF.

Our Public Sector Group has an excellent record of staff retention. Thus, we are able to keep the same personnel assigned to your audit each year. Our proven ability to retain staff eliminates the training of auditors by the Village staff.

> **Efficient Processes.** The body of knowledge amassed by these specialists manifests itself in highly efficient audit processes. Our procedures are based upon a deep understanding of the industry and are designed to be effective, but with minimum disruption of your operations.



Baker Tilly Virchow Krause, LLP
1301 W 22nd St, Ste 400
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bakertilly.com

> **Senior Level of Personnel.** An important factor of our proposal is the commitment of the senior level of the personnel who comprise our Project Team. The engagement partners, managers, and in-charge accountants identified in our proposal are integral, working elements of the audit team. The entire audit team brings to the Village significant prior experience with governments in Illinois and across the Midwest. Their experience means a more efficient and effective audit for you.

In subsequent sections of our proposal, we present additional information regarding the audit objectives and approach, our qualifications and experience, the project team, references of similar audits and other requested information.

Our proposal is a firm and irrevocable offer for 90 days. We would welcome the opportunity to meet with the audit selection committee to discuss our proposal. Jason Coyle, CPA, Partner, is authorized to make representations for Baker Tilly, I can be contacted at 1301 W. 22nd Street, Suite 400, Oak Brook, Illinois, phone 630 645 6205, or email Jason.Coyle@bakertilly.com.

We appreciate the opportunity to submit this proposal and look forward to working with the Village staff on this engagement. If you should have any questions or desire additional information, please call us.

Sincerely,

BAKER TILLY VIRCHOW KRAUSE, LLP

Jason Coyle, CPA, Partner
Jason.Coyle@bakertilly.com: 630 645 6205

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BAKER TILLY

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Attachments:

Attachment A - Dollar Cost, Fee Breakdown

Attachment B – Sample Engagement Letter



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INTERNATIONAL**



Independence

Baker Tilly and its partners and staff are independent with respect to the Village as defined by generally accepted auditing standards and the U.S. General Accounting Office's Government Auditing Standards (1994 Revision). We will maintain an independent attitude and appearance through the full term of the engagement.

Baker Tilly had no previous professional relationships with the Village. As required by the GAO, Baker Tilly has established policies and procedures to identify personal impairments to independence, communicate our policy to auditors, monitor and promote compliance, and stress the importance of independence.

The firm, partners and all staff members assigned to the engagement are free from impairments to independence with respect to the Village, as defined by generally accepted auditing standards and the U.S. General Accounting Office's Government Auditing Standards.

The firm shall give the Village written notice of any professional relationships entered into during the engagement that may impair independence or constitute a conflict of interest.

License to Practice in Illinois



BAKER TILLY

Candor. Insight. Results.

License to Practice in Illinois

Baker Tilly is licensed and in good standing with the State of Illinois. In addition, the key people assigned to your engagement are also licensed and in good standing with the State of Illinois. Please see the résumés of specific individuals later in our response of this proposal for licensing, continuing professional education, and membership in professional organizations. Should you require copies of these certifications we will be pleased to provide them to you.

Our firm's registration number is 66-002735.



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INTERNATIONAL**

Firm Qualifications and Experience



Candor. Insight. Results.

About the Firm

Baker Tilly Virchow Krause, LLP (Baker Tilly) was founded in 1931 as a certified public accounting firm. The firm focused from the start on providing professional services that helped clients achieve success. Baker Tilly broadened its service offerings in the 1990s and expanded its expertise and geographic reach.

Strategic mergers and acquisitions continue to add breadth and depth to the firm. Today, Baker Tilly is part of a global network with access to competitive resources critical to meeting client needs.

In 2008, Baker Tilly achieved the ranking of 17th largest certified public accounting firm in the United States, according to Public Accounting Report's Top 100 of 2008.

Baker Tilly balances such dynamic growth with a deep commitment to operating with absolute integrity and a belief in the value of trusted relationships. The down-to-earth style that built the firm remains evident today in a collaborative, client-focused approach.

Industry Specific Qualifications and Experience

Baker Tilly has been providing services to local governments for more than 75 years. We are one of the few CPA firms with a Public Sector Group, consisting of over 140 professionals, dedicated entirely to serving governmental clients. We will primarily serve the Village with professional staff from the Oak Brook, Illinois office of our Public Sector Group but any time we are prepared to draw upon our additional resources located throughout the firm. The Oak Brook office maintains a complement of 34 full-time professional and support staff.

The below table shows a breakdown by staff level for the Oak Brook office:

Level	No.
Partners	4
Managers	6
Senior Accountants	8
Staff Accountants	11
Senior Associate Accountant	1
Support/Administrative	4

Our Public Sector Group currently provides audit services to more than 200 municipalities, 300 municipal utilities, 18 counties, 75 school districts, and nearly 20 housing authorities nationwide. Because of this specialized focus, our staff understands the issues governments face and has the experience to find effective solutions.



Services provided to our governmental clients include accounting and auditing, operational reviews, human resources consulting, information systems analysis, and utility consulting among others. All team members are available to consult with Village staff on a daily basis throughout the year. In all engagements, our clients are welcome to consult with all levels of staff, as well as partners.

Our devotion to the public sector is illustrated by our commitment to inform and instruct our clients about important governmental issues. Annually, we speak at numerous accounting, financial, and management seminars and workshops in Illinois and throughout the nation.

OUR COMMITMENT TO THE PUBLIC SECTOR

IN ILLINOIS IS SECOND TO NONE.

Our employees work year round in this highly technical area and do not work in other areas such as commercial audits or tax return preparation. Since the governmental environment is so complex, we have further specialized into separate teams within our department. Examples include teams which serve Village general audits, TIF districts, and single audits.

Baker Tilly has not failed to complete any work that it was awarded. Baker Tilly does not have a record of substandard audit work. Our firm is not involved in any significant pending litigation and does not have any known factors that would prevent us from fulfilling the audit contract.



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INTERNATIONAL



Quality Control Review

The Village can rely on our independence, integrity, objectivity, and adherence to professional standards and applicable laws and regulations. This includes a demonstrated will to maintain and improve the quality of professional services and to withstand all pressures, competitive and other, to compromise on principles, standards, and quality.

We will strive to provide the highest possible quality service to the Village while continuing to meet our obligations to the public and conform with the standards of our profession. To meet these goals, we adhere to policies and procedures that provide reasonable assurance that every audit, tax, accounting, and management advisory services engagement will be completed in accordance with the high standards the public and our clients expect us to meet.

We are members of the Center for Public Company Audit Firms and the Private Companies Practice Section of the American Institute of Certified Public Accountants (AICPA). As members of these organizations, we have agreed to subject our auditing policies and procedures to an independent outside review, which is required every three years. Our most recent peer review was successfully completed in August 2006, this review included a review of governmental engagements. Please refer to the next few pages for a copy of most recent peer review.

In addition to the external peer review, we perform annual internal office inspections. This ensures we are maintaining the highest possible quality and standards.

Baker Tilly's auditing procedures and workpapers are in full compliance with the applicable federal and state guidelines. Because of the large volume of audits we do every year, our workpapers and procedures are often reviewed by regulatory agencies.

In addition, Baker Tilly is registered with the Public Company Accounting Oversight Board (PCAOB), a private sector, not-for-profit corporation, created by the Sarbanes-Oxley Act of 2002, to oversee the auditors of public companies in order to protect the interests of investors and further the public interest in the preparation of informative, fair, and independent audit reports. The PCAOB inspects all registered firms at least once in each three year cycle. Baker Tilly was reviewed in 2006.

Baker Tilly CEO Tim Christen serves on the Board of Directors of the AICPA and was a former AICPA National Council Member (governing body of the AICPA). Kim Tredinnick, the firm's Quality Assurance Director, serves on the AICPA National Council. In addition, several Baker Tilly partners have served in various positions with the AICPA, including roles on the joint Trial Board and the Professional Ethics Executive Committee Technical Standards Subcommittee.

Firm Qualifications and Experience



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To the Partners of
Virchow, Krause & Company, LLP
and the Center for Public Company Audit Firms Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Virchow, Krause & Company, LLP (the firm) applicable to non-SEC issuers in effect for the year ended March 31, 2006. The firm's accounting and auditing practice applicable to SEC issuers was not reviewed by us since the Public Company Accounting Oversight Board (PCAOB) is responsible for inspecting that portion of the firm's accounting and auditing practice in accordance with PCAOB requirements. 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 conforming 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 (AICPA). The design of the system, and the firm's compliance with it, are the responsibility of the firm. Our responsibility is to express an opinion on the design of the system, and the firm's compliance with that system based on our review.

Our review was conducted in accordance with standards established by the Peer Review Committee of the Center for Public Company Audit Firms 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 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 applicable to the non-SEC issuers of Virchow, Krause & Company, LLP in effect for the year ended March 31, 2006 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 conforming with applicable professional standards.

As is customary in a peer review, we have issued a letter under this date that sets forth comments relating to certain policies and procedures or compliance with them. The matters described in the letter were not considered to be of sufficient significance to affect the opinion expressed in this report.

Cherry Bekaert & Holland, LLP

Richmond, Virginia
August 25, 2006

**Attachment to the Peer Review Report of Virchow, Krause & Company, LLP
Description of the Peer Review Process**

Overview

Firms enrolled in the AICPA Center for Public Company Audit Firms (the Center) Peer Review Program have their system of quality control periodically reviewed by independent peers. These reviews are system and compliance oriented with the objectives of evaluating whether:

The reviewed firm's system of quality control for its accounting and auditing practice applicable to non-SEC issuers 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 applicable to non-SEC issuers were being complied with to provide the firm with reasonable assurance of complying with professional standards.

A peer review is based on selective tests and directed at assessing whether the design of and compliance with the firm's system of quality control for its accounting and auditing practice applicable to non-SEC issuers provides the firm with reasonable, not absolute, assurance of complying with professional standards. Consequently a peer review on the firm's system of quality control is not intended to, and does not, provide assurance with respect to any individual engagement conducted by the firm or that none of the financial statements audited by the firm should be restated.

The Center's Peer Review Committee (PRC) establishes and maintains peer 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 Center's staff 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, these documents 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 a specific follow-up action requested by the PRC.

Firms that perform audits or play a substantial role in the audit of one or more SEC issuers, as defined by the Public Company Accounting Oversight Board (PCAOB), are required to be registered with and have their accounting and auditing practice applicable to SEC issuers inspected by the PCAOB. Therefore, we did not review the firm's accounting and auditing practice applicable to SEC issuers.



Attachment to the Peer Review Report of Virchow, Krause & Company, LLP Description of the Peer Review Process (cont.)

Planning the Review for the Firm's Accounting and Auditing Practice Applicable to Non-SEC Issuers

To plan the review of Virchow, Krause & Company, 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 system of quality control in preventing the performance of engagements that do not comply with professional standards.

Performing the Review for the Firm's Accounting and Auditing Practice Applicable to Non-SEC Issuers

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 system of quality control. The engagements selected for review included engagements performed under the *Government Auditing Standards*, audits performed under FDICIA 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. Prior to concluding the review, we reassessed the adequacy of scope and conducted a meeting with firm management to discuss our findings and recommendations.



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Additional Service Offerings

Baker Tilly has a long history of serving government clients. We understand your needs and our professionals can help you, as they have helped many other municipalities, respond with innovative and reliable business solutions. In today's economy many of our clients are faced with the challenge of maintaining service levels; in essence, accomplishing more while using fewer resources.

Your challenge, then, is to enhance revenue, in a manner that has the least impact on your citizens, or reduce expenditures, in a manner that has the least impact on the services you provide.

Our state and local government consultants have helped other municipalities and are ready and willing to help you. Specifically, our experienced team helps your community:

- > Create and Retain Jobs
- > Gain Access to Private and Public Capital
- > Identify Catalytic Real Estate Investments
- > Position the Community for Tax Base Growth
- > Reduce Operating Expenditures
- > Realign Resources Toward Community Priorities

The engagements we have performed for governments like yours include, but are not limited to, the following:

Economic Development

Economic Positioning & Strategy – we increase your potential for successful development efforts by aligning community expectations, market realities and resource availability. Our team helps you assess community needs, identify market factors and community assets, identify catalytic project options, align development projects and create a strategy implementation roadmap.

Impact Analysis – we measure the potential impact(s) of a project and ensure that finite financial resources are invested to meet the greatest community needs. Our impact specialists assist you to quantify specific fiscal and economic impacts to inform decisions and set accountabilities relative to development projects.

Financial Tools and Structures - we align public and private financing to make development projects financially viable. By carefully leveraging diverse funding sources, our team drives an actionable plan of finance to achieve your community's vision and optimize the investment of public funds.



TIF Planning & Analysis – we develop a proactive TIF approach that positions your community for long-term success. Baker Tilly helps you create and manage your TIF program from the regulatory and public processes to create the TIF district through project investments and TIF close-out. Our staff specializes in creating investment policies, measuring community impact, vetting developer proposals and proformas, structuring feasible financing scenarios, and identifying creative solutions to underperforming districts.

Resource Optimization

Strategic Planning – we position your organization to proactively manage its future. Identifying your stakeholder expectations, service priorities and resource limitations allows you to align fiscal resources in a manner that is responsive and strategic. Our team helps drive the organization toward its vision through an intentional process and create a roadmap to guide decision-making now and in the future.

Lean Government – we eliminate wasted time and effort and free up resources to focus on priority service/program areas. Through our sustainable continuous improvement framework, we teach you and your staff to create an environment that continuously optimizes available resources.

Targeted Budget Reviews – we assess resources in the context of your mission and values, statutory requirements and efficient service delivery options. Our team provides an objective analysis of program costs and service impacts resulting in a menu of budget reduction or reallocation alternatives to best position the organization to control costs while meeting resident expectations.

Staffing Analysis & Solutions – we assess the adequacy of staffing levels across a wide range of municipal functions, and realign staff resources to enhance resident responsiveness, limit and manage overtime, and proactively manage staffing.

Operational Reviews – we eliminate wasted time, effort, and materials from your departments by critically examining your primary functions in order to analyze and re-design them to minimize processing times, improve coordination, and free up staff resources. Our specialists assist to reengineer your organization, service delivery approach and required resources across the diverse operational areas you provide as a municipality.



Shared Services

There are many examples of intergovernmental cooperation, ranging from joint purchasing through full consolidation of formerly separate organizations, yet many attempts at consolidating or sharing services fail. We facilitate candid communication about benefits that can be expected and challenges to overcome. This results in an objective and accurate analysis of potential savings and the development of an effective implementation roadmap to ensure you maintain control over service delivery levels and the cost sharing approach. Baker Tilly assists a wide range of public sector organizations assess service level requirements, organizational and program dimensions, and fiscal impacts of potential consolidations and shared service arrangements. Our fiscal feasibility assessment will provide a fair and equitable cost allocation approach that accounts for service level preferences.



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Dedicated Service Team

In developing our project team to serve the Village, we have matched the capabilities of our personnel with your requirements. The following few pages contain the résumés of key professionals that will serve on your audit. We will not replace any key person without express prior written permission of the Village. We believe that project team continuity is a must in order to produce an efficient and effective audit. In the event a staffing change is needed, we will discuss the change with you and commit to providing quality staff that meet and exceed your expectations.

The people we have chosen to serve you are experienced personnel who routinely deal with complex client situations in the government environment. They have the knowledge and maturity to deal with your office and other Village departments in a responsive and constructive manner, and bring to the engagement the necessary balance of technical discipline, creativity and common sense. As a team, they will conduct a highly coordinated audit of the Village.

As mentioned previously, we have a separate Public Sector Practice Group. *What does this mean to the Village?* It means many things: competent staff, depth of experience, vast resources, networking ability, substantial expertise in all financial areas of the Village, etc. Our employees work year round in this highly technical area and do not work in other areas such as commercial audits or tax return preparation. Due to the number of employees dedicated to this group, you can be assured qualified staff will be available throughout the term of the agreement.

A significant reason why many of our clients stay with us for many years comes down to our people. We care about our clients' business, and it shows in our people. The culture of our firm offers flexibility to our employees thus creating a more positive work environment allowing us to retain our staff. We will keep the same people on the job for as long as possible.

Continuing Professional Education

In order to keep current with industry regulations, our firm requires all professional staff to obtain a minimum of 120 continuing professional education credits (CPE) every three years with no less than 20 credits in any given year. All governmental and utility audit staff attend courses in the accounting and auditing areas dealing with public sector topics, including the single audit area. Some of the recent courses attended include:

- > Accounting for Governmental Units Under GASB
- > Government Accounting and Auditing Update
- > Risk Assessment Standards Program
- > Satisfying Compliance Auditing Requirements of Financial Assistance Programs
- > National Government Accounting Conference



- > Advanced Governmental Accounting
- > Audits of State and Local Governmental Units
- > Yellow Book: Government Auditing Standards
- > In-house course – How to perform the single audit
- > In-house course – Analytical review and audit sampling for governmental units
- > In-house course – Governmental Accounting and Auditing Update
- > Issues under formation of Regional Transmission Organizations
- > Utility Board Governance
- > Advanced Utility Accounting
- > Financial Statement Analysis
- > Utility Benchmarking
- > Obtaining Value from Your Audit (Baker Tilly as instructors for the American Public Power Association)

All of the auditors assigned to the Village's audit meet the continuing professional education requirements of *Government Auditing Standards* which require 24 governmental CPE credits every two years. In addition, we provide training to governmental associations such as the Illinois Government Finance Officers Association and National Association of Village Treasurers on various topics including new accounting standards and internal controls. Some of our clients use Baker Tilly to provide customized, local training to their staff. In addition, our company has hosted seminars on governmental topics for over 20 years. Some of our recent presentations include "SAS Regulations: Impact on Local Government" and "Basics of property taxes, including tax caps".

Professional Organizations

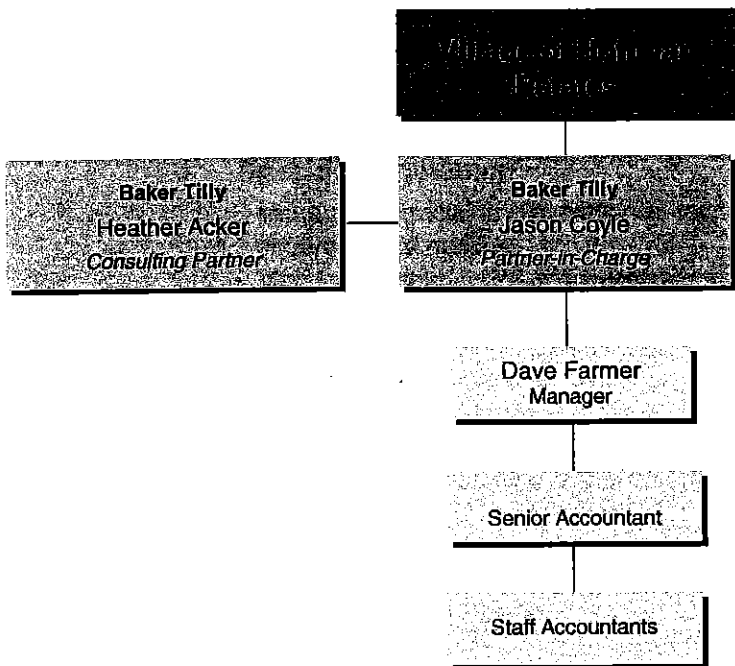
Each individual assigned to your engagement participates differently in each of the organizations listed on their respective resumes. We value active participation in industry organizations to be close to you the municipality. We are there to just answer questions, actively assist in the implementation of the new standards, help with issues that come up and keep in touch with the industry as a whole. By being active, we are a *friendly* face when you need help.

There have been no complaints against any member of your engagement team that have been leveled by state boards of accountancy or any other regulatory authority.

Jason Coyle will be the primary contact for all services provided to the Village. However, at any time, feel free to contact any team member with your questions.

Organizational Chart

The following chart shows the organization of the audit team and the specific roles of each person. Actual senior and staff accountants assigned to your engagement will be confirmed upon the start of this project.



Professional resumes can be found on the following pages.



Jason K. Coyle, CPA
Partner

630.645.6205
Jason.Coyle@bakertilly.com

Jason Coyle, a Partner with Baker Tilly Virchow Krause, LLP, has been in the accounting industry since 1997. Jason is a member of the Public Sector Practice Group with the firm. He specializes in providing financial and compliance audits. Jason also has extensive experience with municipalities, special districts, and not-for-profit organizations.

Specific Experience

- > Manages financial and compliance related audit engagements for local governmental entities.
- > Manages single audits in accordance with OMB Circular A-133 and State Audit Guidelines.
- > Reviews and provides guidance for Comprehensive Annual Financial Reports, which have been awarded a "Certificate of Achievement for Excellence" in Financial Reporting.
- > Provides Tax Incremental Financing (TIF) compliance audits.
- > Presents annual audit and financial results to the boards of various clients.
- > Leads operations reviews designed to improve the efficiency and effectiveness of school business operations.
- > Licensed CPA in Illinois.

Industry Involvement

- > American Institute of Certified Public Accountants
- > Illinois CPA Society, Government Report Review Committee
- > Illinois Government Finance Officers Association
- > Association of School Business Officials International
- > Illinois Association of School Business Officials

Education

University of Illinois - Urbana-Champaign
Bachelor of Science in Accountancy



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Jason K. Coyle, page 2

Relevant Continuing Education – Trainings received and given

- > Audit Risk Assessment Standards Training
- > Governmental Auditing Standards
- > Baker Tilly Municipal Audit Training Sessions
- > Numerous Single Audit Training Sessions
- > Baker Tilly Management Workshop



Heather S. Acker, CPA

Partner

608.240.2374

Heather.Acker@bakertilly.com

Heather Acker, Partner in the Public Sector Practice Group, has been with Baker Tilly Virchow Krause, LLP since 1997. She specializes in serving the financial needs of municipalities and counties. Heather has experience with numerous types of financial and compliance audits including A-133 single audits. She has also helped many municipalities implement various Governmental Accounting Standards Board (GASB) pronouncements.

Specific Experience

- > Partner-in-charge of the financial audits of numerous municipalities and counties.
- > Partner-in-charge of single audits in accordance with OMB Circular A-133.
- > Serves on the Special Report Review Committee of the GFOA.
- > Serves as the chair of the Virchow Krause Public Sector Task Force for implementing the new audit risk standards.
- > Provides GASB strategic planning and implementation services.
- > Performs operational reviews of municipalities, counties, and school districts.
- > Develops written accounting policies and procedures to improve the operation of the accounting function and strengthen internal controls.
- > Provides a variety of accounting and budgeting assistance to municipalities.
- > Licensed CPA in the states of Illinois, Wisconsin, and Iowa.

Industry Involvement

- > American Institute of Certified Public Accountants
- > Wisconsin Institute of Certified Public Accountants
- > Illinois Government Finance Officers Association
- > Wisconsin Government Finance Officers Association
- > Speaks at industry conferences and Virchow Krause sponsored seminars
- > Authors regionally published articles on municipal accounting issues

Education

University of Wisconsin - Madison
Bachelor of Business Administration in Accounting



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Heather S. Acker, page 2

Relevant Continuing Education

- > Audit Risk Assessment Standards Training
- > Governmental Auditing Standards
- > Virchow Krause Municipal Audit Training Sessions
- > Numerous Single Audit Training Sessions
- > Virchow Krause Management Workshop
- > Solving Complex Audit Issues
- > Virchow Krause Municipal Financial Management Tools Training Session



David G. Farmer, CPA
Manager

630.645.6230

David.Farmer@bakertilly.com

David Farmer, Manager in the Public Sector Practice Group of Baker Tilly Virchow Krause, LLP, has worked in the accounting industry since 2000. He has extensive experience with numerous types of financial and compliance audits, general accounting issues, and consulting to public- and private-sector entities. David works with municipalities and school districts to implement Governmental Accounting Standards Board (GASB) pronouncements, including GASBs Nos. 34, 40, 44, 45, and 48.

Specific Experience

- > Manages and leads financial audits of municipalities, school districts, libraries, construction contractors, and not-for-profit agencies.
- > Provides strategic planning and implementation services for government units, implementing Governmental Accounting Standards Board (GASB) pronouncements.
- > Reviews and prepares comprehensive annual financial reports, which have been awarded a Certificate of Achievement for Excellence in Financial Reporting.
- > Works with municipalities, school districts, and construction contractors to prepare regulatory reports, including Tax Increment Financing Reports and prequalification statements.
- > Provides fixed asset assistance for municipalities and school districts.
- > Presents annual audit and financial results for clients' board members.
- > Licensed CPA in Illinois.

Industry Involvement

- > Illinois Government Finance Officers Association, Technical Accounting and Research Committee (TARC)
- > Illinois Certified Public Accountant Society
- > American Institute of Certified Public Accountants

Education

University of Illinois - Urbana-Champaign
Bachelor of Science in Accountancy



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David G. Farmer, page 2

Relevant Continuing Education – Trainings received and given

- > Audit Risk Assessment Standards Training
- > Governmental Auditing Standards
- > Baker Tilly Municipal Audit Training Sessions
- > Numerous Single Audit Training Sessions
- > Baker Tilly Management Workshop

Similar Engagements with Other Government Entities



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Recent Governmental Audits

Our history with government entities provides you with the level of expertise necessary to perform an effective and efficient audit of the Village.

This is a listing of references for which Baker Tilly has provided similar audit services. We provided audit services to each of these governmental entities last year. We encourage you to contact these references to learn more about us.

Name: Lake County (*GFOA award winner*)
Project Scope: Financial and Single Audits
PIC: Heather Acker
Contact Person: Ms. Julie O'Brien, Comptroller
Phone: 847 377 2223
Dates of work: 2004 - Present

Name: McHenry County (*GFOA award winner*)
Project Scope: Financial and Single Audits
PIC: Heather Acker
Contact Person: Ms. Pam Palmer, County Auditor
Phone: 815 334 4206
Dates of work: 2004 – Present

Name: City of Evanston (*GFOA award winner*)
Project Scope: Financial and Single Audits
PIC: Jason Coyle
Project Manager: David Farmer
Contact Person: Mr. Steve Drazner, Assistant Finance Director
Phone: 847 859 7816
Dates of work: 2007 - Present

✓ **Name:** Village of Park Forest (*GFOA award winner*)
Project Scope: Financial and Single Audits
PIC: John Rossi
Project Manager: Kay Nees
Contact Person: Ms. Mary Dankowski, Deputy Village Manager / Finance Director
Phone: 708 283 5607
Dates of work: 2005 - Present

Similar Engagements with Other Government Entities



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Name: Village of Carpentersville
Project Scope: Audit
PIC: Heather Acker
Contact Person: Lisa Happ, Finance Director
Phone: 847 551 3476
Dates of work: 2004 - Present

Name: CMAP
Project Scope: Financial and Single Audits
PIC: Bob Horstman
Project Manager: David Farmer
Contact Person: Ms. Delores Dowdle, Deputy Executive Director for Finance and Administration
Phone: 312 386 8714
Dates of work: 2006 - Present



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Audit Approach

Overview of Audit Scope and Reporting

Our audit will be made in accordance with Generally Accepted Auditing Standards (GAAS) as promulgated by the American Institute of Certified Public Accountants (AICPA), the AICPA audit guide, Audits of State and Local Governmental Units, and Governmental Auditing Standards (2003 Revision) (GAS).

The audit will also be in compliance with the following:

- > Single Audit Act of 1984.
- > Single Audit Act Amendments of 1996.
- > OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.
- > AICPA's Audit Guide Audits of State and Local Governmental Units.

In addition, we will primarily use the following for testing compliance requirements:

- > OMB's Compliance Supplement for Single Audits of States, Local Governments, and Not-For-Profit Organizations Receiving Federal Awards.

In accordance with GAO standards, the Single Audit Act and the aforementioned documents, we will select the necessary procedures to test compliance with laws and regulations sufficiently to express our opinion on major programs, in the year applicable, and the basic financial statements.

Our Approach

Baker Tilly understands that your audit process should be a year-round effort. To best serve you, we will use a team approach that puts our technical and industry specialists at the disposal of the people who know your organization best – you and your employees.

Knowing the Village's industry, we understand the critical details embedded in your financial statements and will focus considerable time and energy on these risk areas, while paying additional attention to items of the most concern to you.

Our techniques include:

- > Identifying key risk areas allowing us to properly concentrate our efforts
- > Designing predictive tests that define our financial expectations prior to starting fieldwork
- > Leveraging industry-specific knowledge to create tests for your operations
- > Deploying a dedicated team to maximize our knowledge of the Village

The Village can expect to receive high quality financial statements that are produced without unnecessary procedures or workpapers. Before completing internal planning, we will discuss our approach with you and modify our plans, as appropriate.

We understand the needs of village governments and our audit philosophy considers the special issues you face. Although our audit objective is to provide an independent opinion on the Village's financial statements, we will be flexible in working with you, leveraging your internal resources wherever possible. This approach will help manage your costs and streamline communication. By maintaining an open dialogue, we will be better able to provide timely insight and advice, while at the same time build our file for your year-end compliance work.

Audit Methodology

Our audit methodology is based on a foundation of communication and is executed in four phases:

Phase 1: Define Engagement Objectives and Create Client Service Plan

We understand each client defines "success" differently; therefore, the first phase of our audit methodology involves establishing a Client Service Plan that clearly matches your expectations to our services. The plan includes a discussion of how we currently serve similar clients and allows us to share ideas for improving your performance. The Client Service Plan is updated every year through our discussions with you.

These discussions will also enable key the Village personnel to become more comfortable with Baker Tilly. The increased level of trust and understanding will allow Baker Tilly to more readily anticipate your needs rather than simply react to your requests, mitigating last-minute surprises through proper planning, communication, and execution.

Phase 2: Understand Your Operations and Develop the Audit Plan

During the planning phase, we will identify specific areas in which we will require your assistance during the audit. We will provide you with a list of items needed well in advance of our audit fieldwork, and will be available to answer any questions you have on our requests. Baker Tilly will work within your timeline to coordinate the review of these documents to build our files.

Phase 3: Execute the Audit Plan

We will develop and communicate to key Village personnel the groundwork for your audit during the planning phase of the audit engagement and execute the plan against a mutually developed and approved audit timeline.

Throughout the audit process, we will discuss progress and open items with your management. Your audit team's goal is to make the engagement as efficient as possible through open communication and effective project management.

Phase 4: Conclude Audit and Collect Performance Feedback

Upon completion of the audit engagement, we will communicate the results of our audit to the Village management and will meet with you to solicit your feedback. This meeting is not only a look back into the results of the previous engagement, but also a springboard into next year's engagement.

Segmentation of the Engagement

We have identified general work segments for the audit of the Village. In developing our work plan, we have relied on years of experience auditing counties and our familiarity with village budgets, various programs, and financial and other management information systems. Those segments, along with the anticipated audit procedures for each segment, are discussed below. We have also identified village departments and operations where specialists from our Public Sector Group will provide audit services.

I. Engagement Planning and Administration

- > Prepare client information forms, obtain signed engagement letters, complete company independence procedures.
- > Review of previous audit reports and reports on internal control.
- > Prepare or update memorandum regarding overall Village operations for permanent file records.
- > Complete staffing and scheduling summary.
- > Hold planning conference among engagement partner and in-charge auditors, including SAS 99 fraud risk assessment and brain storming session.
- > Hold pre-audit, entrance, and progress conferences with client.
- > SAS 99 fraud risk interviews with Village staff and management.
- > Obtain all documents and information required for permanent file.
- > Read minutes of Village Board and Committee meetings.
- > Review and evaluate internal control under the risk assessment standards (includes completion of internal control questionnaires, flowcharts, and other documentation and statistical testing as necessary).

- > Review Village Department's organizational chart, manuals, programs, and financial and other management information systems.
- > Develop and approve audit programs (modification of existing standard programs).
Revise audit programs accordingly based on SAS 99 fraud risk identification and internal control weaknesses found during our evaluation (if any).
- > Accumulate all points to be included in the report on internal control, draft letter, and meet with management.
- > Review workpapers for completeness.
- > Undergo partner level workpaper reviews and independent reviews.
- > Hold exit conference with key Village personnel.

II. Cash and Investment Segment

- > Review and document internal control systems and consider impact of results on segment work programs.
- > Review cash and investment policy adopted by the Village.
- > Review ledger account entries, compare cash account balances.
- > Confirm year-end account balances with depositories and reconciliations to amounts on Village records.
- > Obtain bank reconciliations and substantiate reconciling items.
- > Substantiate cash cutoffs.
- > Test investment transactions and balances.
- > Confirm investment balances.
- > Test market values for applicable investments.
- > Review valuation techniques required by GASB standards.
- > Audit footnote disclosures for compliance with GASB No. 40.

III. Revenue Accounts

- > Compare revenues to prior year actual and current budget.
- > Validation procedures.
- > Confirmation or other validation of accounts receivable and taxes receivable.
- > Confirmation and reconciliation of state aids.
- > Reconciliation of other revenues to claims and invoices filed.
- > Analytical review procedures for all significant revenue accounts.
- > Reconcile accounts receivable from other governmental units to claim forms or other supporting documents.
- > Reconcile amounts due to other governmental units.
- > Obtain reconciliation of state and federal aids received to underlying records.



IV. Expense/Expenditure Accounts

- > Compare expenditures to prior years and budgeted amounts.
- > Account analysis of significant variations.
- > Review vouchers payable listings, determine proper cutoffs and review for unrecorded liabilities.
- > Verify vested vacation and sick pay liabilities.
- > Determine appropriateness of other liability accounts including accrued payrolls and related withholdings, retainages, and miscellaneous liabilities.
- > Analytical review procedures for all significant expenditure accounts.

V. Capital Assets

- > Obtain copy of capitalization policy for capital assets and infrastructure.
- > Obtain summary schedules of capital assets including additions, retirements and accumulated depreciation.
- > Test capital asset additions and deletions.
- > Test capital asset depreciation calculations.
- > Obtain schedules of infrastructure assets including beginning balances, additions, retirements and ending balances.
- > Test infrastructure costing methods.
- > Test infrastructure additions and retirements.
- > Test infrastructure depreciation calculations.

VI. Financing/Equity

- > Verify bond and note balances owed, information on new issues, if any, trace transactions to general ledger, recompute interest paid.
- > Analysis of lease terms on outstanding leases.
- > Determine nature and appropriateness of other equity balances.

VII. Financial Reporting Segment

- > Ascertain that all items of audit significance contained in the minutes have been considered and cross referenced to the working papers.
- > Obtain a working trial balance.
- > Post all adjusting entries and obtain adjusted trial balance, if necessary.
- > Prepare the financial statements and conversion of entries.
- > Review management discussion and analysis (MD&A), transmittal letter, and statistical section.
- > Perform subsequent events review to date of completion of fieldwork.
- > Obtain management and attorney representation letters.

VIII. Single Audit

- > Review Schedule of Federal Awards and perform risk assessments to determine programs to be tested.
- > Document controls for major programs.
- > Select program samples.
- > Discuss potential findings with management.
- > Test programs for compliance.
- > Prepare Single Audit report.

Sample Sizes & Statistical Sampling

We plan to use audit sampling throughout many phases of our audit since we believe it allows us to perform an audit that is more cost beneficial to our clients. We have identified the following audit sampling tests that will be used on the Village's audit. They include:

- > Substantive tests of details of balance sheet accounts.
- > Tests of controls.
- > Tests of compliance with laws and regulations.

After we have documented and evaluated the Village's internal controls, we will make decisions on the internal control procedures we intend to test. We will set parameters regarding the expected error rate, audit risk, and tolerable error rate in order to determine the sample size we will generate.

We also plan to use audit sampling to perform substantive tests of certain balance sheet accounts, including the confirmation of receivables and recorded vouchers payable. Our firm plans to use the population proportionate to size (PPS) approach, which encompasses the concept of individually significant amounts.

Since auditing standards are continuously changing and programs tested annually may vary, we are not able to provide the exact sample sizes we will draw.

Use of EDP Software

This section of the proposal describes our approach to computer audit techniques and use of software in performing the audit. Our approach to computer auditing encompasses two distinct activities: the system review and computer assisted audit procedures (CAAPs). The first activity represents the basis for our evaluation of internal controls in a computer environment. Our understanding of the Village's EDP organization and system can assist management in evaluating the effectiveness and efficiency of program operations. Our approach to computer auditing will also enable our auditors to identify information regarding the strengths and weaknesses of the various systems. This information will be used to design our audit program.

Audit work activities associated with the system review include:

1. Gather EDP background information:
 - > Data processing organization and staffing.
 - > Equipment configuration.
 - > Operating system and software.
 - > Present and planned application system.
 - > Documentation requirements.
 - > The nature and extent of EDP planning activities.
2. Identify and evaluate general EDP controls:
 - > Existence and compliance with organizational and operational standards.
 - > Program and data backup procedures.
 - > Controls over scheduling, processing, access.
 - > Procedures to regulate systems development and maintenance.
 - > Evaluation of any weaknesses identified during the review of EDP organization, operations, and system development.
3. Identify and evaluation of individual application controls:
 - > Transaction flow through the application system from initial entry to summarization and inclusion in the financial records.
 - > Accounting controls that parallel the transaction flow.
 - > Evaluation of the identified controls environment to determine the timing and extent of our audit procedures.

The second activity included in our computer audit approach permits us to use the information gathered during the system review to enhance the efficiency and effectiveness of our audit procedures.



We use computerized random number generators to select a statistically proper sample from your transactions so that we may draw the proper conclusions from our testing efforts. These are discussed further in the sampling section of our proposal.

We also use accounting software such as Caseware to assist the auditor in determining the extent of detailed account analysis to perform. By entering data from your budget reports into our program, analytical analysis of account relationships helps us concentrate our efforts on those accounts which are most likely to be relevant to the audit.

Additionally, we have specialists within our firm who have extensive information technology consulting experience. We plan to utilize these specialists in evaluating your IT controls under the new audit risk standards.

Analytical Procedures

The request for proposal asks for information regarding the type and extent of analytical procedures to be used. These procedures may range from simple comparisons to more complex models involving many relationships and elements of data. Generally accepted auditing standards require the use of analytical procedures in all audits of financial statements.

Our analytical procedures are done in two parts - preliminary and final. Preliminary procedures are performed using the Village's trial balance and budget report prior to audit entries. In-charge auditors review the current year information and compare it to prior year actual. This is done for all balance sheet accounts. The in-charge is looking for variances between the figures that exceed a predetermined threshold level, both from a percentage and a dollar amount perspective.

Those accounts that exceed the variance threshold are highlighted for further investigation. This investigation includes reviewing detail transactions, vouching a sample of transactions, discussions with management, and validation techniques.

Final analytical review takes place after all audit entries are posted. The in-charge or manager reviews the financial statements looking for variances to prior year actual. Explanations of those variances are documented in our file, with the results used to determine the extent of any additional audit testing or financial statement disclosures. Our procedures are in full compliance with auditing standards.



Understanding of Village of Hoffman Estates Internal Controls

Our audit process stresses the importance of evaluating internal controls, especially under the new risk assessment standards. In prior years, auditors understood the internal controls in order to design audit procedures. Under the new standards, we will be more thoroughly evaluating the effectiveness and efficiency of these controls in order to perform risk assessments and design a risk-based audit program.

During our preliminary work, we will obtain your internal control documentation and evaluate and test internal controls over the significant accounting and reporting systems of the Village. If you don't currently have documentation of your controls, we will assist you in preparing this documentation by providing tools, templates, and examples. Once complete, we will evaluate the systems' strengths and weaknesses from an internal control standpoint. These evaluations will enable us to determine how much reliance we can place upon the systems for audit purposes and the amount of systems testing and account verification work that may be required.

In addition, all significant suggestions, questions, or other comments resulting from these evaluations will be discussed with appropriate personnel.

After we have evaluated the internal controls, we will test the flow of data through the systems to determine:

- > Whether or not the data actually follows the prescribed procedures and controls within the system.
- > The degree of clerical accuracy achieved in recording and summarizing the data.

This testing allows us to determine the extent that we can place reliance on the systems and their inherent controls. This is the main factor that helps us to define the particular type of tests to be performed.

Determining Laws and Regulations Subject to Audit Test Work

Since the Village is required to have a Single Audit, the audit scope regarding compliance with laws and regulations is substantially broader than a standard audit conducted according to generally accepted auditing standards. We have developed our own approach to satisfy both the Single Audit and GAAS requirements:



Compliance Testing Approach

The Single Audit Act requires that we test for compliance with laws and regulations that could have a material effect on the allowability of program expenditures. Therefore, we will test financial transactions as well as specific program requirements.

Once we have determined which federal programs are major, we will develop the approach to test a specific program. We know that certain programs incur costs which are administrative in nature; consisting primarily of salaries, wages, and fringe benefits. For these programs, we will randomly select a representative sample of payroll costs to test. Our sample will be derived from the personnel assigned to that particular program.

Other programs, however, do not have substantial personnel costs. Those programs involve the purchasing of goods or services from outside sources, including vendors and nonprofit agencies. Our approach to these types of programs would be to select a representative sample of charges to that program from the Village's transaction history reports.

For programs that involve both significant personnel costs and costs from outside sources, our approach would be a combination of the procedures identified above.

Since we are also testing for compliance with administrative laws and regulations, we will be testing representative samples from each major program. Most of our testing will involve the eligibility of persons assisted by that program. We will select case files to review from the Village's records of clients served during the period.

OMB's Compliance Supplement identifies 14 significant areas that may apply to each federal award. We rely on Practitioners Publishing Company for general work program guidance and have developed our own work programs that are tailored to the Village.

Audit Conducted According to GAAS Requirements

Over the years, we have gained substantial knowledge of various laws and regulations dealing with government accounting, budgeting, financing and reporting. With this knowledge, we developed our own audit work program which we will use on the audit.

The work program covers such areas as:

- > Authorization of depositories and types of allowable investments.
- > Arbitrage compliance and rebate requirements.
- > Budgeting procedures and reporting requirements.
- > Restrictions on expenditures and matching requirements.

In addition, we will obtain information from the management of the Village on any other significant laws and regulations that could materially affect the basic financial statements in the event of noncompliance.

Audit Conducted According to Single Audit Requirements and GAO Standards

These standards require that we perform additional tests in order to provide reasonable assurance that federal award programs are in compliance with laws and regulations governing those programs. We will test all major federal programs as well as any nonmajor program transactions selected for other audit purposes.

We will use the following documents for guidance in determining the laws and regulations applicable to the Village's federal and state award programs:

- > The Single Audit Act Amendments of 1996
- > GAO Government Auditing Standards
- > OMB Circular A-133 Audits of States, Local Governments and Not-For-Profit Organizations
- > OMB Circular A-133 Compliance Supplement
- > OMB Circular A-87 Cost Principles for State and Local Governments.
- > Code of Federal Regulations.
- > Catalog of Federal Domestic Assistance.

As a practical matter, most of the significant laws and regulations that affect the Village's single audit programs can be found in OMB's "Compliance Supplement."

For any major federal program not listed in the "Compliance Supplement", we will determine the significant compliance requirements by reading the applicable statutes, grant agreements and policy manuals. We will also contact the cognizant federal and state agencies for technical assistance.

Specific Audit Approach



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	October – November	March	March – May
Establishing Engagement Objectives			
Kick-off meeting with management	X		
Confirm audit scope, objectives, and approach	X		
Planning meetings	X		
Understand the Village and Establish Strategy			
Review predecessor auditor workpapers	X		
Develop understanding of significant processes and internal controls	X		
Identify applicable key processes for assessment related to the significant risks identified during the risk assessment	X		
Review the accounting and reporting of financial transactions and examine the means used to identify, measure, classify, and report on such information, while determining if any area has potential risks of financial mismanagement	X		
Review information technology system to determine if any area has potential risk of financial mismanagement	X		
Review current documentation, including current laws, guidelines, policies and procedures presented by the Village	X		
Develop detailed audit plan based upon identified risks and scope of engagement	X		
Perform Audit Procedures			
Plan internal control testing and review test plan with the Village	X		
Conduct internal control testing over identified risk areas	X		
Document results in the Risk and Control Matrix and identify deficiencies	X		
Document and review findings with the Village		X	
Obtain data and perform detail testing		X	
Complete all necessary analysis		X	
Prepare drafts of financial statement			X
Provide the Village with a final list of adjustment journal entries			X
Provide the Village with the draft Report on Internal Control and Management letter			X
Conclude the Audit			
Finalize opinion and letters			X
Engagement debrief meeting			X

Identification of Anticipated Potential Audit Problems



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Identification of Anticipated Potential Audit Problems

At this time, we do not anticipate any specific audit problems. In the event that unanticipated problems occur, these would be discussed with the appropriate Village personnel and resolved.

Our proposal and estimated hours schedule are prepared under the assumption the Village's records will be ready to be audited. This includes all transactions and adjustments will be posted. This also includes all balance sheet accounts are reconciled and adjusted, with supporting documentation available for these accounts.

Terms and Conditions

We have reviewed the terms and your RFP and may desire to discuss these with you further at the time a contract is established. We have included a sample engagement letter within the appendices.



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Professional Fees

We have prepared a fee estimate for the Village based on the needs and objectives you have shared with us, as well as on our experience conducting similar engagements with audit clients in the Public Sector industry. Our estimate allows for thorough and insightful advice and services from experienced professionals without unnecessary add-ons or start-up charges. Additionally, throughout the project, we will seek to expedite our work wherever possible to further reduce Village's costs.

This estimate is based on the assumptions that all requested materials will be available to us at the first day of fieldwork, and that unexpected circumstances will not be encountered during the audit. It also assumes that internal controls are documented appropriately so that we can evaluate your compliance with the new risk assessment standards that were required as part of your 2008 financial statements. The estimate further assumes the Village will develop and post all modified accrual adjustments. If significant additional time for accounting assistance is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Should any of these assumptions change during the engagement, we will bring the matter to Village's attention immediately. No additional work will be undertaken without Village's written approval.

This proposal is based upon the Generally Accepted Auditing Standards and Governmental Accounting Standards Board statements through the date of this proposal. Any change in scope due to the issuance of new standards or statements will be discussed with management to arrive at a new fee estimate before we incur additional costs.

Start-up Charges

We do not bill clients for start-up or learning time incurred during the first year. We also will take the time to explain our workpaper requests and provide examples if necessary. We view those costs as an investment in our long-term relationship with you and therefore will not charge the Village's for these costs.

Cost Containment

We recognize the pressures that our clients face related to cost control. We have implemented procedures to automate the engagement process as much as possible. Our files are maintained in a paperless environment that allows us to operate in an efficient manner, which helps control the fees related to services.

Partners, managers, and high-level accountants will perform a significant portion of the total engagement hours. We believe this demonstrates our commitment to provide highly trained and experienced individuals to your engagement.

Dollar Cost



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Below is a breakdown of anticipated hours by staff level:

Title	Hours	Standard Rates
Partner	30	\$300 – 325
Manager	60	\$200 – 230
Senior	180	\$150 – 170
Staff	140	\$120 – 140
Administrative	10	\$80 – 100
Total	420	-

Please refer to **Attachment A** for a breakdown of the fees.

Manner of Payment

Progress payments will be made on the basis of hours of work completed during the course of the engagement and out-of-pocket expenses incurred in accordance with Baker Tilly's dollar cost bid proposal. Interim billing shall cover a period of not less than a calendar month. Terms will be net/30 days from receipt of invoice. A finance charge of 1.5% per month will be added to invoices over 30 days past due.



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Attachment A



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ATTACHMENT A

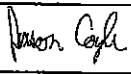
**AUDITING SERVICES RFP
RESPONSE FORM**

Firm: Baker Tilly Virchow Krause, LLP

Firm Contact/Project Manager: Jason Coyle

Address: 1301 West 22nd Street, Suite 400
Oak Brook, IL 60523

Telephone and fax numbers: Phone - 630 645 6205 Fax - 630 645 6255

Signature of Authorized agent: 

Print name and position of Authorized Agent: Jason Coyle, Partner

Date of proposal submission: August 31, 2009

FEE STRUCTURE: (if more space is needed, please attach a separate worksheet)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
CAFR, etc. ¹	<u>\$ 29,700</u>	<u>\$ 30,300</u>	<u>\$ 30,900</u>	<u>\$31,800</u>	<u>\$ 33,100</u>
Single Audit	<u>1,600</u>	<u>1,600</u>	<u>1,600</u>	<u>1,600</u>	<u>1,700</u>
Comptroller AFR	<u>Included</u>	<u>Included</u>	<u>Included</u>	<u>Included</u>	<u>Included</u>
Police DOI	<u>800</u>	<u>800</u>	<u>800</u>	<u>800</u>	<u>800</u>
Fire DOI	<u>800</u>	<u>800</u>	<u>800</u>	<u>800</u>	<u>800</u>
Barrington TIF	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
Roselle TIF	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
Total	<u>\$ 35,900</u>	<u>\$ 26,500</u>	<u>\$ 37,100</u>	<u>\$ 38,000</u>	<u>\$ 39,400</u>

Fees for additional accounting-related questions throughout the year

Normal routine questions are included in the above fees.

\$ _____ \$ _____ \$ _____ \$ _____ \$ _____

Additional accounting or research are \$100-\$300 per hour, depending on staff involvement.

¹CAFR, Management Letter, and GFOA Certificate Response

SAMPLE AUDITING CONTRACT

This agreement entered into this _____ day of, 200__, between the Village of Hoffman Estates, Counties of Cook and Kane, State of Illinois, hereinafter referred to as the Village and _____, hereinafter referred to as the Auditor. The parties hereto agree as follows:

1. The Auditor shall conduct an examination of the records, accounts, and procedures of the Village for the Fiscal period **January 1, 2009 – December 31, 2009**, with the option of auditing the Village's financial statements for each of the subsequent four fiscal years (January 1, 2010 – December 31, 2010, through January 1, 2013 – December 31, 2013). The annual audit will take place during the annual schedule as presented in the Request for Proposals dated July 20, 2009. Permission for extension for time of completion may be granted for good cause by the Director of Finance.
2. Village and auditor agree to terms as outlined in the Request for Proposals dated July 20, 2009.
3. The examination shall be made of all funds of the Village.
4. The Auditor shall review the audit program with the Director of Finance, identifying the records to be audited and the procedures to be followed. The Village may require that the Auditor include in the audit additional records and procedures which are generally accepted, as defined in standard provisions referenced in 10 and 11 below.
5. The Village shall have closed and balanced all accounts and will provide trial balances for all funds to be examined by the auditor.
6. The Village shall provide for each fund the following records for examination
 - a. A Balance Sheet
 - b. A statement of revenues and expenditures and comparison with appropriation and/or budget.
7. The Village shall supply additional financial and statistical information, not subject to examination by the Auditor, but necessary to substantially conform to the principles and standards of public financial reporting prescribed by the Governmental Accounting Standards Board.
8. The Village shall provide space, deemed adequate by the Auditor, in which the Auditor may effectively conduct the examination.

9. The audit shall be in compliance with the Single Audit Act of 1984 and as subsequently amended.
10. The examination shall be made in accordance with generally accepted auditing standards as adopted by the membership of the American Institute of Certified Public Accountants (AICPA) in the statement of Auditing Standards No. 1, "Codification of Auditing Standards and Procedures"/
11. The examination shall be made in accordance with generally accepted governmental auditing procedures as prescribed by the National Committee on Governmental Accounting in Governmental Accounting. Auditing and Financial Reporting and by the AICPA in Industry Audit Guide-Audits of State and Local Governmental Units. The audit shall conform generally to the "Guide to Reporting for Illinois Cities and Villages" published by the Illinois CPA Society.
12. The Auditor shall complete the Illinois "Annual Municipal Supplemental Report" ("Comptroller Report"), and shall provide such statements and supplementary data as may be referenced in said report.
13. The Auditor shall observe the adequacy of the system of internal control. If weaknesses are noted, appropriate recommendations should first be reviewed with the appropriate public official and then included in a separate letter to the legislative body.
14. The Village authorizes the Auditor to disclose immediately all findings of fraud or embezzlement to the appropriate law enforcement agency after notifying the appropriate Village authorities.
15. The auditor shall express an unqualified opinion on all funds or shall state the reasons, in detail, for qualifications or disclaimer opinions.
16. The Auditor shall provide sixty (60) bound copies and one (1) electronic copy of the municipal audit report. The bound copies shall be printed on regular letter size (8 1/2" x 11") paper, using both sides of the page whenever possible.
17. The Auditor may submit periodic progress billing as work progresses, but not more often than monthly and not to exceed a total of 60% of the annual fee until the audit has been completed and accepted.
18. If unusual circumstances are encountered during the course of the audit, making it necessary for the Auditor to do added work, the Auditor shall immediately report such conditions to the responsible Village official and both parties may negotiate such additional compensation as appears justified.

19. The Village shall pay the Auditor a fee as follows

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
CAFR, etc.	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Single Audit	_____	_____	_____	_____	_____
Comptroller AFR	Please see FEE CHART on Attachment A - Page 1.				
Police DOI	_____	_____	_____	_____	_____
Fire DOI	_____	_____	_____	_____	_____
Barrington TIF	_____	_____	_____	_____	_____
Roselle TIF	_____	_____	_____	_____	_____
Total	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Fees for additional accounting-related questions throughout the year	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

20. Upon completion of the audit, the Auditor shall make an oral report of the audit results to the Village President and Board at a regular meeting of the Village Board or Finance Committee.

21. A Management Letter shall be prepared, outlining any deficiencies found and suggestions for improvement of finances and procedures. The written report shall be delivered no later than June 15 of each year, and prior to the oral presentation to the Board of Trustees.

IN WITNESS WHEREOF, the parties have hereto signed this agreement as of the day and year herein first above written.

Village President

ATTEST:

Village Clerk

Auditing Firm
President/Managing Partner

ATTEST:

Auditing Firm Secretary



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Attachment B



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Sample Engagement Letter

August 31, 2009

Mr. Michael DuCharme
Director of Finance
Village of Hoffman Estates
1900 Hassell Road
Hoffman Estates, Illinois 60169

Dear DuCharme:

Thank you for using Baker Tilly Virchow Krause, LLP ("Baker Tilly", "we" or "our") as your auditors.

The purpose of this letter is to confirm our understanding of the terms and objectives of our engagement and the nature of the services we will provide as independent accountants of the Village of Hoffman Estates.

Services and Related Report

We will audit the basic financial statements of the Village of Hoffman Estates as of and for the year ended December 31, 2009. Upon completion of our audit, we will provide the Village of Hoffman Estates with our audit report on the financial statements referred to above. If, for any reasons caused by or relating to the affairs or management of the Village of Hoffman Estates, we are unable to complete the audit or are unable to or have not formed an opinion, or if we determine in our professional judgment the circumstances necessitate, we may withdraw and decline to issue a report as a result of this engagement.

Supplementary information also accompanies the Village of Hoffman Estates'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 and Individual Fund Financial Statements
Schedule of Expenditures of Federal and State Awards

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 Village of Hoffman Estates' basic financial statements. As part of our engagement, we will apply certain limited procedures to the Village of Hoffman Estates' 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
Budget Comparison Schedules
Schedule of Funding Progress – OPEB
Schedule of Funding Progress – Pension

Sample Engagement Letter

The document will also include the following additional information that will not be subjected to the auditing procedures applied in our audit of the basic financial statements, and for which our auditor's report will disclaim an opinion:

Transmittal Letter
Statistical Schedules

Our Responsibilities and Limitations

The objective of a financial statement audit is the expression of an opinion on the financial statements. The objective also includes reporting on:

- > Internal control related to the financial statements and compliance with laws, regulations, and the provisions of contracts or grant agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.

- > Internal control related to major programs and an opinion (or disclaimer of opinion) on compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996, OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *State Single Audit Guidelines*.

The reports on internal control and compliance will each include a statement that the report is intended for the information and use of the audit committee or equivalent group charged with governance, management, specific legislative or regulatory bodies, federal and state awarding agencies, and if applicable, pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

We will be responsible for conducting that audit in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; the provisions of OMB Circular A-133, and will include tests of accounting records, a determination of major program(s) in accordance with OMB Circular A-133 and the *State Single Audit Guidelines*, and other procedures we consider necessary to enable us to express such an opinion and to render the required reports.

These standards require that we plan and perform our audit to obtain reasonable, rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) 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. Our audit will include examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit does not relieve management and the audit committee or equivalent group charged with governance of their responsibilities.

The 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. An audit is not designed to provide assurance

Sample Engagement Letter

on internal control or to identify deficiencies in internal control. However, during the audit, we will communicate to management and the audit committee or equivalent group charged with governance internal control matters that are required to be communicated under professional standards. We will also inform you of any other matters involving internal control, if any, as required by *Government Auditing Standards*, OMB Circular A-133.

As required by OMB Circular A-133, we will perform tests of controls to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal and major state award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control over compliance issued pursuant to OMB Circular A-133.

We may from time to time, and depending on the circumstances, use third-party service providers (e.g., to observe inventory, act as a specialist, or audit an element of the financial statements) in serving your account. We may share confidential information about you with these service providers, but are committed to maintaining the confidentiality and security of your information.

We will design our audit to obtain reasonable, but not absolute, assurance of detecting errors or fraud that would have a material effect on the financial statements as well as other illegal acts having a direct and material effect on financial statement amounts. An audit is not designed to detect errors or fraud that are immaterial to the financial statements. Our audit will not include a detailed audit of transactions, such as would be necessary to disclose errors or fraud that did not cause a material misstatement of the financial statements. It is important to recognize that there are inherent limitations in the auditing process. Audits are based on the concept of selective testing of the data underlying the financial statements, which involves judgment regarding the areas to be tested and the nature, timing, extent and results of the tests to be performed. Our audit is not a guarantee of the accuracy of the financial statements and, therefore, is subject to the limitation that material errors or fraud or other illegal acts having a direct and material financial statement impact, if they exist, may not be detected. Because of the characteristics of fraud, particularly those involving concealment through collusion, falsified documentation and management's ability to override controls, an audit designed and executed in accordance with auditing standards generally accepted in the United States of America may not detect a material fraud. Further, while effective internal control reduces the likelihood that errors, fraud or other illegal acts will occur and remain undetected, it does not eliminate that possibility. For these reasons, we cannot ensure that errors, fraud or other illegal acts, if present, will be detected. However, we will communicate to the Village of Hoffman Estates, as appropriate, any such matters that we identify during our audit. Also, if required by *Government Auditing Standards*, we will report known or likely fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse directly to parties outside of your organization.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Village of Hoffman Estates's compliance with applicable laws and regulations and the provisions of contracts and agreements, including grant agreements. However, the objective of those procedures 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*.

OMB Circular A-133 require that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major programs. Our procedures will consist of the applicable procedures described in the OMB Circular A-133 Compliance Supplement for the types of compliance requirements that could have a direct and material effect on each of the Village of Hoffman

Sample Engagement Letter

Estates' major programs. The purpose of those procedures will be to express an opinion on the Village of Hoffman Estates' compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to OMB Circular A-133.

We are also responsible for determining that the audit committee or equivalent group charged with governance is informed about certain other matters related to the conduct of the audit, including (i) our responsibility under auditing standards generally accepted in the United States of America, (ii) an overview of the planned scope and timing of the audit, and (iii) significant findings from the audit, which include (a) our views about the qualitative aspects of the Village of Hoffman Estates' significant accounting practices, accounting estimates, and financial statement disclosures; (b) difficulties encountered in performing the audit; (c) uncorrected misstatements and material corrected misstatements that were brought to the attention of management as a result of auditing procedures; and (d) other significant and relevant findings or issues (e.g., any disagreements with management about matters that could be significant to the Village of Hoffman Estates' financial statements or our report thereon, consultations with other independent accountants, issues discussed prior to our retention as independent auditors, fraud and illegal acts, and all significant deficiencies and material weaknesses identified during the audit). Lastly, we are responsible for ensuring that the audit committee or equivalent group charged with governance receives copies of certain written communications between us and management including written communications on accounting, auditing, internal control or operational matters and representations that we are requesting from management.

The audit will not be planned or conducted in contemplation of reliance by any specific third party or with respect to any specific transaction. Therefore, items of possible interest to a third party will not be specifically addressed and matters may exist that would be assessed differently by a third party, possibly in connection with a specific transaction.

Management Responsibilities

The Village of Hoffman Estates' management is responsible for the financial statements referred to above. You are responsible for making all management decisions and performing all management functions relating to the financial statements, schedule of expenditures of federal and state awards, and related notes and for accepting full responsibility for such decisions. You will be required to acknowledge in the management representation letter that you have reviewed and approved the financial statements, schedule of expenditures of federal and state awards, and related notes prior to their issuance and have accepted responsibility for them. Further, you are required to designate an individual with suitable skill, knowledge, or experience to oversee any nonaudit services we provide and for evaluating the adequacy and results of those services and accepting responsibility for them. Management is responsible for establishing policies and procedures that pertain to the maintenance of adequate accounting records and effective internal controls over financial reporting, the selection and application of accounting principles, the authorization of receipts and disbursements, the safeguarding of assets, the proper recording of transactions in the accounting records, and for reporting financial information in conformity with accounting principles generally accepted in the United States of America.

Management is also responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us in the management representation letter (i) about all known or suspected fraud affecting the entity involving: (a) management, (b) employees who have significant roles in internal control over financial reporting, and (c) others where the fraud could have a material effect on the financial statements; and (ii) of its knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws, regulations, contracts, agreements, and grants.

Sample Engagement Letter

Management is responsible for establishing and maintaining 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.

Management is responsible for (i) adjusting the basic financial statements to correct material misstatements and for affirming to us in a management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period under audit are immaterial, both individually and in the aggregate, to the basic financial statements taken as a whole, and (ii) notifying us of all material weaknesses, including other significant deficiencies, in the design or operation of your internal control over financial reporting that are reasonably likely to adversely affect your ability to record, process, summarize and report external financial data reliably in accordance with accounting principles generally accepted in the United States of America. Management also is responsible for identifying and ensuring that the Village of Hoffman Estates complies with the laws and regulations applicable to its activities. Additionally, as required by OMB Circular A-133, it is management's responsibility to follow up and take corrective action on reported audit findings and to prepare a summary schedule of prior audit findings and a corrective action plan. The summary schedule of prior audit findings should be available for our review before we begin final fieldwork.

As part of management's responsibility for the financial statements and the effectiveness of its system of internal control over financial reporting, management is responsible for making available to us, on a timely basis, all of your original accounting records and related information and for the completeness and accuracy of that information and your personnel to whom we may direct inquiries. As required by auditing standards generally accepted in the United States of America, we will make specific inquiries of management and others about the representations embodied in the financial statements and the effectiveness of internal control over financial reporting. Auditing standards generally accepted in the United States of America also require that we obtain written representations covering audited financial statements from certain members of management. The results of our audit tests, the responses to our inquiries, and the written representations, comprise the evidential matter we intend to rely upon in forming our opinion on the financial statements.

Non-Attest Services

Prior to or as part of our audit engagement, it may be necessary for us to perform certain non-attest services including, but not limited to, preparing drafts of your financial statements and schedule of expenditures of federal and state awards and proposing general, adjusting, or correcting journal entries to your financial statements. You are responsible for reviewing the entries and understanding the nature of any proposed entries and the impact they have on the financial statements and schedule of expenditures of federal and state awards. In addition, you will be required to review and approve the financial statements and approve that document prior to its issuance and have a responsibility in fact and appearance to make an informed judgment on that document.

We will not perform any management functions or make management decisions on your behalf with respect to any non-attest services we provide.

In connection with our performance of any non-attest services, you agree that you will:

- > Continue to make all management decisions and perform all management functions

Sample Engagement Letter

- including approving all journal entries and general ledger classifications when they are submitted to you.
- > Designate an employee with suitable skill, knowledge, and/or experience, preferably within senior management, to oversee the services we perform.
 - > Evaluate the adequacy and results of the non-attest services we perform.
 - > Accept responsibility for the results of our non-attest services.
 - > Establish and maintain internal controls, including monitoring ongoing activities related to the non-attest function.

On a periodic basis, as needed, we will meet with you to discuss your accounting records and the management implications of your financial statements. We will notify you, in writing, of any matters that we believe you should be aware of and will meet with you upon request.

In addition to the audit services discussed above, we will compile the annual financial report for the State of Illinois.

To assist us in planning the audit of the financial statements, the Village of Hoffman Estates will authorize its previous auditors, Sikich, LLP to allow us to review their working papers and to respond fully to our inquiries.

Other Documents

Auditing standards generally accepted in the United States of America require that we read any annual report that contains our audit report. The purpose of this procedure is to consider whether other information in the annual report, including the manner of its presentation, is materially inconsistent with information appearing in the financial statements. We assume no obligation to perform procedures to corroborate such other information as part of our audit.

If you intend to reproduce or publish the financial statements and make reference to our firm name in connection therewith, you agree to publish the financial statements in their entirety. In addition, you agree to provide us, for our approval and consent, proofs before printing, and final materials before distribution.

Any official statements issued by the Village of Hoffman Estates must contain a statement that indicates that Baker Tilly is not associated with the official statement, unless you have asked us for a revised opinion or to review the official statement prior to issuance.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your Internet 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.

At the conclusion of our engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. We will also upload an electronic copy of the reporting package, certify the accuracy of the reporting package, and provide an electronic signature. It is management's responsibility to review and certify the reporting package and provide an electronic signature prior to submission of the reporting package to the Federal Audit Clearinghouse. It is management's responsibility to submit hard copies of the reporting package to any state or pass-through entities as appropriate. The Data Collection Form and the reporting package must be submitted to the Federal Audit Clearinghouse electronically within the earlier of thirty (30) days after receipt of the auditors' reports or nine (9) months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit. At the conclusion of the engagement, we will provide to management electronic copies of the Data Collection Form and the reporting package.

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The audit documentation for this engagement is the property of Baker Tilly and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to federal or state agencies 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 Baker Tilly 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.

We may have a responsibility to retain the documentation for a period of time sufficient to satisfy any applicable legal or regulatory requirements for records retention. If we are required by law, regulation or professional standards to make certain documentation available to Regulators, the Village of Hoffman Estates hereby authorizes us to do so.

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 most recent peer review report accompanies this letter.

Release and Indemnification

Because of the importance of oral and written representations to an effective audit, the Village of Hoffman Estates releases Baker Tilly and its current, former or future partners, principals, employees, and personnel from any and all claims, liabilities, costs, and expenses attributable to any misrepresentation by management. Further, Baker Tilly and its current, former, or future partners, principals, employees, and personnel shall not be liable to the Village of Hoffman Estates, for any amount in excess of the total professional fees paid by the Village of Hoffman Estates under this engagement letter, except to the extent finally determined to have resulted from the willful misconduct or fraudulent behavior of Baker Tilly relating to such services. In addition, in no event shall either party be liable for any consequential, indirect, lost profit, punitive or similar damages relating to Baker Tilly's services provided under this engagement letter.

In addition, the Village of Hoffman Estates agrees to indemnify and hold harmless Baker Tilly and its current, former or future partners, principals, employees, and personnel from any and all claims, liabilities, costs, and expenses relating to Baker Tilly's services under this engagement letter, except to the extent finally determined to have resulted from the willful misconduct or fraudulent behavior of Baker Tilly relating to such services.

The terms of this section shall apply to any claims of any kind, including, but not limited to, contract, tort, or negligence of any party, including the Village of Hoffman Estates or Baker Tilly.

In the unlikely event that differences concerning our services or fees should arise that are not resolved by mutual agreement, to facilitate judicial resolution and save time and expense of both parties, the Village of Hoffman Estates and Baker Tilly agree not to demand a trial by jury in any action, proceeding or counterclaim arising out of or relating to our services and fees for this engagement. Our services shall be evaluated solely on our substantial conformance with the terms expressly set forth herein, including all applicable professional standards. Any claim of nonconformance must be clearly and convincingly shown.

No action, regardless of form, arising out of the services under this agreement may be brought by either party more than two years after the act, event, or service that is the subject of such action; or more than one year after discovery of such act, error, or omission, whichever occurs first.

Sample Engagement Letter

Timing and Fees

Completion of our work is subject to, among other things, 1) appropriate cooperation from the Village of Hoffman Estates's personnel, including timely preparation of necessary schedules, 2) timely responses to our inquiries and 3) timely communication of all significant accounting and financial reporting matters. When and if for any reason the Village of Hoffman Estates is unable to provide such schedules, information and assistance, Baker Tilly and you will mutually revise the fee to reflect additional services, if any, required of us to complete the audit. Delays in the issuance of our report beyond the date that was originally contemplated may require us to perform additional auditing procedures which will likely result in additional fees.

Changes to our audit procedures resulting in increased hours and expense could result from the current credit crisis and economic conditions. Examples of issues we have seen include unexpected asset impairment analysis, liquidity and going concern evaluations, debt covenant violations, inventory lower of cost or market declines, customer credit risk issues, and increased risk of employee fraud, to name a few. If these issues or others are identified which increase our level of service effort and cause revisions in the scope of our work, we will discuss these with you before incurring additional time and effort. We will, of course, solicit the efforts of you and your staff to minimize the impact these incremental efforts will have on the fees.

Revisions to the scope of our work due to delays in the issuance of the audit report or increased procedures as a result of the current credit crisis and economic conditions will be set forth in the form of an attached "Amendment to Existing Engagement Letter."

We estimate that our fees will be \$29,700 for the CAFR, \$1,600 for the Single Audit Report (if necessary), \$800 Police Pension DOI, \$800 Firefighters' Pension DOI, \$1,000 Barrington Road TIF, and \$1,000 Roselle Road TIF for the audit. Invoicing for services will be issued in three installments. The first upon commencement of engagement planning / preliminary fieldwork, the second upon commencement of year-end fieldwork and the third upon delivery of the audit report. A charge of 1.5% per month shall be imposed on accounts not paid within 30 days of receipt of our statement for services provided. In accordance with our Firm policies, work may be suspended if your account becomes 30 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 notice of termination, even if we have not completed our report. 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.

We may use temporary contract staff to perform certain tasks on your engagement and will bill for that time at the rate that corresponds to Baker Tilly staff providing a similar level of service. Upon request, we will be happy to provide details on training, supervision, and billing arrangements we use in connection with these professionals.

Our fees are based on known circumstances at the time of this agreement. Should circumstances change significantly during the course of this engagement, we will discuss with you the need for any revised audit fees. This can result from changes at your organization, such as the turnover of key accounting staff, the addition of new funds or significant federal or state programs, or changes that affect the amount of audit effort from external sources, such as new accounting and auditing standards that become effective that increase the scope of our audit procedures. This agreement currently includes all auditing standards through Statement on Auditing Standards (SAS) No. 114 – *"The Auditor's Communication With Those Charged With Governance,"* all accounting standards through Governmental Accounting Standards Board (GASB) No. 56 – *"Codification of Accounting and Financial Reporting,"* and the current federal guidance.

Sample Engagement Letter

The following SAS's are outstanding:

None

The following GASB's are outstanding:

GASB No. 51-Accounting and Financial Reporting for Intangible Assets. Effective for periods beginning after June 15, 2009.

GASB No. 53-Accounting and Financial Reporting for Derivative Instruments. Effective for periods beginning after June 15, 2009.

GASB No. 54-Fund Balance Reporting and Governmental Fund Type Definitions. Effective for periods beginning after June 15, 2010.

GASB No. 54-Fund Balance Reporting and Governmental Fund Type Definitions. Effective for periods beginning after June 15, 2010.

The following GASB's are proposed:

None

We would expect to continue to perform our services under the arrangements discussed above from year to year, unless for some reason you or we find that some change is necessary. We will, of course be happy to provide the Village of Hoffman Estates with any other services you may find necessary or desirable.

Other Matters

Baker Tilly is owned by professionals who hold CPA licenses as well as by professionals who are not licensed CPAs. Depending on the nature of the services we provide, non-CPA owners may be involved in providing services to you now or in the future.

Any additional services that may be requested and we agree to provide will be the subject of separate arrangements.

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

The Village of Hoffman Estates agrees that it will not, directly or indirectly, agree to assign or transfer any claim against Baker Tilly arising out of this engagement to anyone, except to an entity with which the Village of Hoffman Estates merges or an entity which acquires all or substantially all of the assets of the Village of Hoffman Estates and where, in either case, the assignee entity agrees to be bound by this provision.

Our dedication to client service is carried out through our employees who are integral in meeting this objective. In recognition of the importance of our employees to Baker Tilly, it is hereby agreed that the Village of Hoffman Estates will not solicit our employees for employment or enter into an independent contractor arrangement with any individual who is or was an employee of Baker Tilly for a period of twelve

Sample Engagement Letter

months following the date of conclusion of this engagement. If the Village of Hoffman Estates violates this non-solicitation clause, the Village of Hoffman Estates agrees to pay to Baker Tilly a fee of 30% of the hired individual's new annual compensation within 30 days of such event.

This engagement letter reflects the entire agreement between us relating to the services covered by this letter. It replaces and supersedes any previous proposals, correspondence and understandings, whether written or oral. The agreement contained in this engagement letter shall survive the completion or termination of this engagement. If because of a change in the Village of Hoffman Estates' status or due to any other reason, any provision in this agreement would be prohibited by, or would impair our independence under, laws, regulations, or published interpretations by governmental bodies, commissions, or other regulatory agencies, such provision shall, to that extent, be of no further force and effect and this agreement shall consist of the remaining portions.

The validity, construction, and enforcement of this engagement letter shall be determined in accordance with the laws of Illinois, without reference to its conflicts of laws principles, and any action arising under this Engagement Letter shall be brought exclusively in Illinois.

We appreciate the opportunity to be of service to the Village of Hoffman Estates.

If there are any questions regarding the engagement letter, please contact Jason Coyle, the engagement partner on this engagement who is responsible for the overall supervision and review of the engagement and determining that the engagement has been completed in accordance with professional standards. Jason is available at 630-645-6230. If the services outlined herein are in accordance with your requirements and if the above terms are acceptable, please have one copy of this letter signed in the space provided below and return it to us.

Sincerely,

BAKER TILLY VIRCHOW KRAUSE, LLP

Enclosures

The services and terms set forth in the Engagement Letter are agreed to by:

Official Signature

Title

Date

VILLAGE OF HOFFMAN ESTATES
HOFFMAN ESTATES, ILLINOIS

PROPOSAL TO PROVIDE
PROFESSIONAL AUDITING SERVICES

For the Fiscal Year Ending December 31, 2009
With an Option for the Years Ending
December 31, 2010 through December 31, 2013

Sikich LLP
Certified Public Accountants & Advisors
998 Corporate Boulevard
Aurora, Illinois 60502
(630) 566-8400
August 31, 2009

Contact: Brian D. LeFevre and Frederick G. Lantz

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998 Corporate Boulevard • Aurora, IL 60502

August 31, 2009

Honorable Mayor
Members of the Board of Trustees
C/O Mr. Michael DuCharme, Director of Finance
Village of Hoffman Estates
1900 Hassell Road
Hoffman Estates, Illinois 60169

Sikich LLP is pleased to be considered for the appointment as independent auditors for the Village of Hoffman Estates (the Village). We believe that our qualifications, experience and expertise are clearly distinguishable, as indicated in our proposal on the following pages and as we have proven to the Village over the last few years. Moreover, while our fee for the services required by the Village may be higher than that of other proposals that you may receive, we must stress that any increase in costs 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, as 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 and our leadership roles in the state CPA Society and the Illinois Government Finance Officers Association on implementing complex new pronouncements, most recently GASB Statement No. 45 and the new postemployment benefit reporting (we assisted the Village in early implementing GASB Statement No. 45 as of December 31, 2007), and the fact that we audit seven of the ten AAA rated (Moody's and Standard and Poors) municipalities in the State;
- The benefits our clients receive from the audit planning and significant preliminary work we perform so that any audit issues may be identified early and resolved timely;
- 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 Firm's expertise will not only enable the Village to continue to apply for and receive the coveted Certificate of Achievement for Excellence in Financial Reporting, if the Village so desires, but also to correctly and cost effectively implement new statements and interpretations issued by the Governmental Accounting Standards Board. We believe that this proposal demonstrates our capabilities to serve not only as independent auditors, but also as valued advisors to the Village, the Mayor, the Board of Trustees and management.

Our audit team is tailored to each client's specific needs drawing staff from our state and local government team. We emphasize:

- Consistency and quality of staffing in multi-year engagements, including assigning staff from our local government team who focus on providing service to the local government industry year round and assigning staff who are familiar with the Pentamotion accounting software used by the Village;
- A high degree of efficiency using the latest automated, paperless audit technology available; and
- The identification of opportunities for improved financial or procedural performance.

Sikich LLP is a full service CPA Firm with various service divisions to provide a wide array of business and financial services to our clients. These services include accounting, auditing and tax services, employee benefits services, technology selection/production and implementation, marketing and public relations, and investment management services for individuals and pension plans. Through these divisions management advisory services in various specialized areas are available when the need for such assistance arises. Our additional services engagements are directed by partners, principals and other professionals who have experience in management consulting and in the specific areas we are requested to review. Independence standards may preclude us from performing some additional services for the Village and we would need to review the standards and the types of services with the Village before proposing on any additional engagements.

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 and risk management 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.

We have reviewed the Village's *Request for Proposal (RFP)*, and are prepared to continue to commit the resources necessary to provide services of the highest quality to the Village of Hoffman Estates. We will not only perform the audit in accordance with the RFP, but we will also provide governmental accounting and financial reporting expertise and technical assistance throughout the year. We understand the scope of the work to be performed and the timing requirements 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 (60) days, and look forward to the possibility of serving the Village.

Sincerely,
Sikich LLP



Brian D. LeFevre, CPA, MBA
Partner

Sincerely,
Sikich LLP



Frederick G. Lantz, CPA
Partner-in-Charge, Government Services

DETAILED TECHNICAL PROPOSAL

STATEMENT OF INDEPENDENCE

Sikich LLP has evaluated its independence from the Village of Hoffman Estates in accordance with the second general standard for performing government audits as defined by the U.S. Government Accountability Office *Government Auditing Standards* (2007) and the AICPA Code of Professional Ethics. Based upon our evaluation, Sikich LLP is free of any personal and external impairment to independence from the Village of Hoffman Estates both in fact and in appearance to any knowledgeable third party.

LICENSE TO PRACTICE IN ILLINOIS

The Firm of Sikich LLP is a licensed Public Accountant Limited Liability Partnership in Illinois (license #66003284). All of the partners assigned to the engagement are registered and licensed Certified Public Accountants (CPAs) in Illinois. In addition, all of the professional staff assigned to the engagement are full time staff and are either registered Certified Public Accountants or are completing the exam.

FIRM QUALIFICATIONS AND EXPERIENCE

Experience

The Firm of Sikich LLP traces its foundation to a predecessor firm founded in 1928. Today, we are a regional firm headquartered in Illinois with five offices in Illinois located in Aurora, Rockford, Springfield, Buffalo Grove and Chicago and offices in St. Louis, Missouri and Indianapolis, Indiana. We have been recognized as one of Chicago's 101 Best and Brightest Companies to Work For, (Recognition: 2008, 2007, 2006). In addition, Crain's Chicago Business 2008 Book of Lists ranks us as the 13th largest Accounting Firm in northern Illinois and The Accounting Today Top 100 Firms, 2009 ranks us as 68th nationally.

Through these offices, we provide a wide spectrum of services including audit, tax, accounting and management consulting services. In addition, through various other divisions of Sikich LLP, we provide technology, investment, human resources, employee benefits and marketing services. Client service needs are met promptly and professionally by our unique team philosophy, which allows each client to work with a team of specialists that focus on providing these services to a specific industry. Government and non-profit organizations, high-tech and manufacturing, construction, medical service providers and distributors are some of the more significant industries that are served by these teams.

Since our inception, our Firm has been dedicated to providing high quality, timely services to state and local units of government. During 2008, the local government team in our Aurora office conducted audits of over two hundred (200) cities, counties, villages, towns and other units of government, including the second and fourth largest cities, two of the top five fastest growing communities and the second and third largest park districts in Illinois. 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 nationally recognized expertise in governmental accounting, auditing and financial reporting procedures and practices.

Qualifications and Technical Expertise

Senior members of the government team in our Aurora office who will be directly involved in your engagement presently hold memberships and are actively involved in numerous governmental organizations, including the Government Finance Officers Association of the United States and Canada (GFOA), the Illinois Government Finance Officers Association (IGFOA), the International City/County Manager's Association, the Illinois Municipal Treasurers Association (IMTA), the Illinois Association of Park Districts (IAPD), the Illinois Parks and Recreation Association (IPRA), the American Institute of Certified Public Accountants (AICPA), the Illinois CPA Society (ICPAS), Illinois Public Pension Fund Association (IPPPFA) and the AICPA Government Audit Quality Center.

In addition, members of this team serve on the GFOA Special Review Committee (SRC), the IGFOA Technical Accounting Review Committee and the ICPAS Governmental Report Review 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 annually sponsors Basic, Intermediate and Advanced Governmental Accounting and Financial Reporting seminars that are developed and instructed by our staff. Moreover, our staff assisted IGFOA in developing responses to due process documents and in testifying before the Governmental Accounting Standards Board (GASB). In addition, we constantly have published articles in the IGFOA *Communiqué* on the effect of GASB's various pronouncements on local governments in Illinois. Furthermore, we provide complimentary training seminars for our clients on a variety of accounting, financial reporting and technology topics.

Quality Control

Quality control is so important to us that our Firm has been a member of the Private Companies Practice Section (PCPS) of the Division for CPA Firms of the AICPA since our formation in 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 United States Government Accountability Office (GAO), for over twenty-five years. We have met these standards and have received unqualified opinions on each of our seven reviews. Attached to this proposal is the report from our most recent review dated July 23, 2008, 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 our Firm with any state or federal regulatory body or professional organization.

Sikich LLP is a member of the AICPA Governmental Audit Quality Center (GAQC), which is a firm-based voluntary membership center, and is designed to promote the importance of quality governmental audits and the value of these audits to purchasers of government audit services.

PARTNER, SUPERVISORY AND STAFF QUALIFICATIONS

Sikich LLP has five offices in Illinois located in Aurora (managing office), Chicago, Rockford, Springfield and Buffalo Grove. Sikich LLP currently has thirty seven partners and over three hundred professional staff, with the highest concentration of staff in Aurora. Seven of these partners and forty members of the staff are devoted extensively to the Firm's government industry team. We would staff the engagement with professional staff from this group in our Aurora office and all work, including audit documentation, will be conducted from this office. These staff, all of who meet or exceed the CPE requirements contained in the U.S. Government Accountability Office, *Government Auditing Standards* (2007) would include:

Engagement Partner - The engagement partner has responsibility 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 review (or preparation) of the Village's comprehensive annual financial report (CAFR). Moreover, our Firm's philosophy is to have the team leader on location during the completion of the majority of fieldwork. Therefore, the engagement partner would be present at the Village's offices during both our preliminary and final fieldwork.

Resource Partner - The resource partner has responsibility for providing overall technical support for the engagement as well as serving as a backup for the engagement partner.

Quality Control Partner - The quality control partner will provide our second partner review of the audit workpapers and the Village's CAFR.

Brian D. LeFevre, CPA Engagement Partner - Mr. LeFevre has fifteen years of experience auditing governmental entities, including serving as partner for the audits of DeKalb County, the Cities of DeKalb, Des Plaines and Wheaton, the Villages of Carol Stream, Lake in the Hills, Riverside, Western Springs, Elk Grove Village and East Dundee and the preparation of numerous reports for submission to GFOA's Certificate of Achievement Program. Mr. LeFevre, a licensed certified public accountant, is a graduate of Valparaiso University with a degree in Accounting and Northern Illinois University with a Masters in Business Administration.

Frederick G. Lantz, CPA Partner-in-Charge, Government Services/Resource Partner - Mr. Lantz has over twenty-five years of experience in the state and local government industry, including leading our local government team on over one hundred local government engagements, 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.

Daniel A. Berg, CPA, Quality Control Partner - Mr. Berg has over twenty-five years of experience in the state and local government industry, including performing over six hundred fifty audits of municipalities and other local governmental units since 1982. Mr. Berg has served as the partner for the audits of the Cities of Elmhurst and Warrenville, the Villages of Palatine, Deerfield, La Grange, Plainfield and Shorewood, and the Arlington Heights, Wheeling, and Wheaton Park Districts. Mr. Berg, a licensed certified public accountant, is a graduate of Benedictine University with a degree in Accounting.

Matthew C. Pehle, CPA Manager - As a manager, Mr. Pehle is responsible for the day-to-day execution of the audit programs. Mr. Pehle has ten years of experience auditing governmental entities, including serving as manager for the audits of the Villages of Hoffman Estates, Riverside, Huntley, LaGrange and Addison, Aurora Township, Fox Valley Park District, Naperville Park District, Rockford Park District and Elgin Community College, as well as the preparation of numerous reports for submission to GFOA's Certificate of Achievement Program. Mr. Pehle, a licensed certified public accountant, is a graduate of Augustana College with an undergraduate degree in Accounting.

Other professional staff assigned to the engagement are full time employees of the firm and would have a minimum of one to four years of auditing experience. In addition, all staff in the Firm that are assigned to government engagements meet and usually exceed the continuing professional education (CPE) requirements contained in the U. S. Government Accountability Office, *Government Auditing Standards* (2007). Moreover, our government staff have a 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 a combination of external courses sponsored by the AICPA, ICPAS, GFOA, IGFOA and internal courses instructed by Fred Lantz, who has over twenty-five years of experience instructing national governmental accounting, auditing and financial reporting courses for the GFOA, IGFOA, AICPA and ICPAS. 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, subject to the approval of the Village.

Should the Village desire to "rotate" professional staff on the engagement to provide a "fresh look" at the Village's audit, we can propose changing the audit team by placing Fred Lantz or Dan Berg as the engagement partner (Mr. LeFevre would become the resource partner) and replacing Matt Pehle, engagement manager, with James Savio. Mr. Savio has over ten years of experience auditing governmental entities, including serving as manager for the audits of the Cities of Aurora, Elgin and Naperville and the Villages of Clarendon Hills, Elk Grove Village and Westchester including preparation of the first ever CAFR for the City of Aurora that was awarded a Certificate of Achievement for Excellence in Financial Reporting on their first submission. Mr. Savio, a certified public accountant, is a graduate of Northern Illinois University with an undergraduate degree in Accounting and a Masters degree in Accounting.

SIMILAR ENGAGEMENTS WITH OTHER GOVERNMENTAL 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 Hoffman Estates. Mr. LeFevre and/or Mr. Lantz led these engagements.

Name	Approximate Number of Hours	Contact
*Village of Carol Stream 500 North Gary Avenue Carol Stream, Illinois	500	Mr. Stan Helgerson Director of Finance (630) 665-7050
*City of Aurora 44 East Downer Place Aurora, Illinois	1,200	Mr. Brian Caputo Treasurer, Finance Director (630) 844-3613
*City of Elgin 150 Dexter Court Elgin, Illinois	900	Mr. James R. Nowicki Fiscal Services Manager (847) 931-5625
*City of Naperville 400 South Eagle Street Naperville, Illinois	500	Ms. Karen DeAngelis Director of Finance (630) 420-6106
*Village of Roselle 31 South Prospect Street Roselle, Illinois 60172	500	Ms. Pamela Figolah Finance Director (630) 980-8558
*City of Wheaton 303 West Wesley Street Wheaton, Illinois	700	Mr. Mark Horton Finance Director (630) 260-2032
*City of St. Charles 2 East Main Street St. Charles, Illinois	900	Mr. Chris Minick Finance Director (630) 377-4422

*These governments participate in GFOA's Certificate of Achievement for Excellence in Financial Reporting Program (we assisted six governments in receiving their first Certificate awarded). Sikich LLP has fifty (50) clients who have applied for and received the Certificate of Achievement for Excellence in Financial Reporting.

SPECIFIC AUDIT APPROACH

Audit Standards

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 Government Accountability Office (GAO, 2007), the Single Audit Act of 1996 and OMB Circular A-133. Our Firm will issue an opinion on the governmental activities, business-type activities, each major fund and the aggregate remaining fund information, that collectively comprise the basic financial statements. We will also provide "in-relation-to" coverage on the combining and individual fund financial statements and schedules and on any supplementary information. In addition, we will apply certain limited procedures to the Required Supplementary Information. However, we will not audit the statistical or introductory sections of the CAFR, and accordingly, will not express an opinion on the information contained in these sections.

Scope of Services

We are proposing to provide the following services to the Village as specified in the RFP:

- Audit of all funds of the Village for the fiscal year ending December 31, 2009;
- Preparation of sixty (60) copies and one electronic copy (.pdf) of the comprehensive annual financial report (introductory section, Management's Discussion and Analysis, statistical section, covers, dividers, and spines to be provided by the Village);
- Preparation of fifteen (15) copies of a management letter for the Village, communicating any material weaknesses or significant deficiencies found during the audit and our recommendations for improvement;
- Preparation of twelve (12) copies of the Single Audit Report, if required;
- Preparation of five (5) copies of the Pension Reports required by the State Department of Insurance for the police pension and fire pension funds (Village provides interrogatories and census information);
- Preparation of twenty (20) copies of the Barrington/Higgins Tax Increment Financing Fund Financial and Compliance Report;
- Preparation of twenty (20) copies of the Roselle Road Tax Increment Financing Fund Financial and Compliance Report;
- Preparation of five (5) copies of the Illinois Comptroller's Annual Financial Report (and one electronic copy);
- Responses to the prior year comments for the Certificate of Achievement for Excellence in Financial Reporting Award Program;
- Retain work papers for five (5) years in accordance with Firm standards;
- Reporting to the Village in accordance with Statement on Auditing Standards (SAS) No. 114, *The Auditor's Communication With Those Charged With Governance*; and
- Exit conference(s) with Village Officials to present the completed audit and related materials.

Audit Schedule

I. Preliminary Planning November 2009

During this phase of the audit, we would meet with representatives of the Village to tour all facilities, discuss the approach to be taken during the audit focusing on areas of particular concern to the Village as well as areas of high audit risk and to develop the time schedule for completing the subsequent phases of the audit. The meeting would be attended by the engagement partner and engagement manager. (12 hours)

II. Preliminary Fieldwork December 2009

During this phase of the audit, we would develop an understanding and documentation of the Village's accounting and administrative controls using the Village's accounting procedures manual, EDP documentation and by interviewing staff of the Village to document the flow of transactions through the system. In addition, we may perform compliance testing of those controls to determine which controls, if any, that we could rely on during later phases of the audit. Sample sizes would be determined during this phase, but generally would be between 25-60. Moreover, we would develop our planning materiality and complete a preliminary analytical review of the Village's financial position as a whole.

In addition, we would review all minutes from the meetings of the Board of Trustees of the Village, Police Pension and Fire Pension funds and review all ordinances adopted by the Village during the year, review any debt agreements entered into during the year and analyze any other unique transactions entered into by the Village. Upon completion of this phase, we would finalize all necessary confirmations the Village will prepare, review all proposed client assisted work papers and the timing of preparation by the Village, develop our audit programs for the next phase of the audit and review and document any changes to the Village's CAFR and prepare the schedule for the remainder of the audit. This phase would be completed by the engagement partner, engagement manager and one-two professional staff. (120 hours)

III. Fieldwork March 2010

During this phase of the audit, we would complete all of our substantive testing (we use a substantive testing approach to our audits) of the account balances and prepare the draft of the Village's financial statements. The rough draft will be provided to the Village at the end of fieldwork. We would also prepare the draft of the management report. This phase would be completed by the engagement partner, engagement manager and one - three professional staff. (400 hours)

IV. Workpaper review and report production March 2010

During this phase of the audit, the workpapers, drafts of all financial reports and the management letter will be reviewed by the resource partner and the quality control partner. All workpapers are reviewed by the engagement partner during phase III to ensure that all necessary information is compiled during this phase to avoid imposing upon the Village's staff after fieldwork has been completed. In addition, an exit conference would be held with officials from the Village to discuss the preliminary results of the fieldwork, review any proposed audit adjustments, final adjusted trial balances that agree to the financial statements and any significant findings. (100 hours)

V. Drafts to the Village No later than March 31, 2010

The draft reports will be delivered by the engagement partner and reviewed in depth with representatives of the Village. A revised draft, if necessary, will be delivered to the Village no later than three business days after receiving all proposed changes. (8 hours)

VI. Completion of the audit May 15, 2010

Upon approval of the drafts by the Village, we will present the signed, bound copies of the comprehensive annual financial report, the management letter and the additional reports described on page 11. The engagement partner will be available for meetings with representatives of the Village including the Mayor, the Board of Trustees and management for formal presentations of the reports. (16 hours)

VII. Support to the Village Continuous

Our Firm does not believe that the engagement ends with the exit conference. We stress that we are available throughout the year to provide technical accounting and financial reporting assistance and support to the Village. In addition, we constantly monitor recent events in the state and local government industry, including new pronouncements that may impact our government clients, and communicate the effect of any proposed changes throughout the year. Moreover, our management letter each year will alert the Village to any new pronouncements that may become effective in the next one-three years, including the potential effect that the pronouncement may have on the financial position and/or the changes in financial position of the Village.

In future years, we would develop a similar plan with the assistance of the Village. This will ensure the timely identification and resolution of any critical accounting and auditing issues prior to the issuance of our opinion and the comprehensive annual financial report. These completion dates are well within the deadlines established by the Village and previous year's deadlines. We have a proven track record of meeting and exceeding deadlines established by our clients.

IDENTIFICATION OF POTENTIAL AUDIT PROBLEMS

Our 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 Director of Finance. 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. Irregularities and illegal acts detected or of which we become aware will be communicated in writing to the Village Manager, Mayor or the appropriate level as defined in our professional standards.

Our 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 proposed 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 and the Village and the Firm reach a mutual agreement, in writing, as to the expanded scope of the engagement and the fee, if any, for the expanded scope.

BRIAN D. LeFEVRE
Partner

EXPERIENCE

Brian D. LeFevre, CPA, is responsible for providing technical services to Sikich LLP's governmental clients in all areas of governmental accounting, auditing, financial reporting, budget development, revenue and expenditure forecasting and cash and debt management. He has sixteen years of experience in providing audit and consulting services for municipalities, library districts, park districts and other special districts.

EDUCATION

Bachelor's Degree of Business Administration in Accounting from Valparaiso University

Master's Degree of Business from Northern Illinois University

MEMBERSHIPS

American Institute of Certified Public Accountants

Illinois CPA Society

Illinois Government Finance Officers Association

ILCPAS Government Report Review Committee (GAAP Basis Chairperson)

GFOA Special Review Committee

COMMUNITY SERVICE

Executive Director of Lord of Life Lutheran Church

Former Treasurer and Board Member of Aurora Downtown Kiwanis Club

Graduate of the Greater Aurora Chamber of Commerce Leadership School, Class of 1996

FREDERICK G. LANTZ
Partner
Partner-in-Charge, Government Services

EXPERIENCE

Frederick G. Lantz, CPA, is responsible for providing technical services to Sikich LLP's governmental clients in all areas of governmental accounting, auditing, financial reporting, budget development, revenue and expenditure forecasting and cash and debt management. Fred is a nationally recognized expert, having spoken at state GFOA and CPA Society meetings and conferences. Fred 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, Fred was responsible for managing the Certificate of Achievement for Excellence in Financial Reporting Program serving as liaison to the Governmental Accounting Standards Board (GASB), providing accounting, auditing and financial reporting assistance to state and local government officials and their auditors, and developing and serving as lead instructor for governmental accounting, auditing and financial reporting training courses.

EDUCATION

Bachelor of Science Degree in Accounting from Northern Illinois University

Graduate of Advanced Government Finance Institute at the University of Wisconsin-Madison

MEMBERSHIP

Illinois CPA Society (ICPAS)

Government Finance Officers Association (GFOA)

GFOA Special Review Committee

Illinois Government Finance Officers Association (IGFOA)

IGFOA Technical Accounting Review Committee

National Association of College and University Business Officers (NACUBO)

Central Association of College and University Business Officers (CACUBO)

Illinois Municipal Treasurers Association (IMTA)

American Institute of CPAs (AICPA)

Community College Business Officers (CCBO)

DANIEL A. BERG

Partner

EXPERIENCE

Daniel A. Berg, CPA, is responsible for providing technical services to Sikich LLP's governmental clients in all areas of governmental accounting, auditing, financial reporting, budget development, revenue and expenditure forecasting and cash and debt management. Dan has participated in over seven hundred audits of municipalities and other governmental units since 1982. Dan has performed numerous agreed-upon procedure engagements including cable franchise fee and hotel/motel tax projects. He has also been responsible in developing and serving as lead instructor for governmental accounting, auditing and financial reporting training courses for both internal and external purposes.

EDUCATION

Bachelor of Arts Degree in Accounting from Benedictine University

MEMBERSHIPS

Government Finance Officers Association (GFOA)

Illinois Government Finance Officers Association (IGFOA)

GFOA Special Review Committee

American Institute of Certified Public Accountants (AICPA)

Illinois CPA Society (ICPAS)

MATTHEW C. PEHLE
Manager

EXPERIENCE

Matthew C. Pehle, CPA, is a manager at Sikich LLP. Matt provides audit and accounting services for a variety of municipalities, park districts, and other special districts.

EDUCATION

Bachelor's Degree in Accounting from Augustana College

MEMBERSHIPS

Illinois Government Finance Officers Association

COMMUNITY SERVICE

Greater Aurora Area Chamber of Commerce Leadership School, Class of 2004

July 23, 2008

To the Partners
Sikich LLP

We have reviewed the system of quality control for the accounting and auditing practice of Sikich LLP (the firm) in effect for the year ended March 31, 2008. A system of quality control encompasses the firm's organizational structure, the policies adopted and procedures established to provide it with reasonable assurance of conforming 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 (AICPA). The firm is responsible for designing a system of quality control and complying with it to provide the firm reasonable assurance of conforming with professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance with its system of quality control based on our review.

Our review was conducted in accordance with standards established by the Peer Review Board of the AICPA. During our review, we read required representations from the firm, interviewed firm personnel and obtained an understanding of the nature of the firm's accounting and auditing practice, and the design of the firm's system of quality control sufficient to assess the risks implicit in its practice. Based on our assessments, we selected engagements and administrative files to test for conformity with professional standards and compliance with the firm's system of quality control. The engagements selected represented a reasonable cross-section of the firm's accounting and auditing practice with emphasis on higher-risk engagements. The engagements selected included, among others, audits of Employee Benefit Plans and engagements performed under Government Auditing Standards. Prior to concluding the review, we reassessed the adequacy of the scope of the peer review procedures and met with the firm management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion.

In performing our review, we obtained an understanding of the system of quality control for the firm's accounting and auditing practice. In addition, we tested compliance with the firm's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the firm's policies and procedures on selected engagements. Our review was based on selective tests, therefore it would not necessarily detect all weaknesses in the system of quality control or all instances of lack of compliance with it. There are inherent limitations in the effectiveness of any system of quality control and therefore noncompliance with the system may occur and not be detected. 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 because 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 LLP in effect for the year ended March 31, 2008, 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 conforming with professional standards.

Heinold - Banwart, Ltd.

DOLLAR COST PROPOSAL

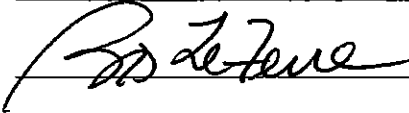
**ATTACHMENT A
AUDITING SERVICES RFP
RESPONSE FORM**

Name of Firm: Sikich LLP

Firm Contact/Project Manager Brian D. LeFevre, Partner

Address: 998 Corporate Boulevard, Aurora, Illinois 60502-9102

Telephone and fax numbers: (T) (630) 566-8505; (F) (630) 499-5885

Signature of Authorized Agent: 

Print name and position of Authorized Agent: Brian D. LeFevre, Partner

Date of proposal submission: August 31, 2009

	2009	2010	2011	2012	2013
CAFR, etc. (1)	\$ 29,228	\$ 30,105	\$ 31,008	\$ 31,938	\$ 32,896
Single Audit Report	4,429	4,561	4,698	4,839	4,984
Comptroller AFR	643	662	682	702	723
Police DOI	1,607	1,655	1,705	1,756	1,809
Fire DOI	1,607	1,655	1,705	1,756	1,809
Barrington TIF	2,377	2,448	2,521	2,597	2,675
Roselle TIF	2,377	2,448	2,521	2,597	2,675
Total	\$ 42,266	\$ 43,534	\$ 44,840	\$ 46,185	\$ 47,571
Fees for additional accounting related questions throughout the year	Included	Included	Included	Included	Included

(1) Includes CAFR, Management Letter and GFOA Certificate Response

APPENDIX TO SCHEDULE OF AUDIT AND PROFESSIONAL FEES

These fees assume that the Village will provide the auditors with electronic copies of adjusted trial balances by individual funds, a year-to-date general ledger with details of postings to all accounts, subsidiary ledgers that agree or are reconciled to the general ledger, and will prepare certain schedules of account analysis and confirmations of account balances. These fees also include the cost to implement any new GASB pronouncements during the duration of the proposal, except for GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

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).

The following is a table of personnel and hours by position that would be required to provide any additional services requested by the Village, with our standard hourly rates effective through December 31, 2009, subject to change on an annual basis.

<u>Personnel</u>	<u>Standard Rate</u>
Partner	\$ 283
Manager	183
Senior	130
Staff	114
Administrative	107

SAMPLE ENGAGEMENT LETTER

We do not have any exceptions to the sample auditing contract. However, as part of our quality control program, we are required to have the following engagement letter executed if we are engaged by the Village:

August 31, 2009

The Honorable Village President
Members of the Board of Trustees
Village of Hoffman Estates
1900 Hassell Road
Hoffman Estates, Illinois 60195-2308

Ladies and Gentlemen:

We are pleased to confirm our understanding of the services we are to provide the Village of Hoffman Estates for the year ended December 31, 2009. We will audit the financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information, each major fund, which collectively comprise the basic financial statements as of and for the year ended December 31, 2009. Accounting standards generally accepted in the United States provide for certain required supplementary information (RSI) to accompany the Village of Hoffman Estates basic financial statements. As part of our engagement, we will apply certain limited procedures to the Village of Hoffman Estates 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:

1. Management's Discussion and Analysis.
2. Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual, for the General Fund and any major special revenue funds.
3. Schedule of Funding Progress and Schedule of Employer Contributions for the Illinois Municipal Retirement Fund, Police Pension Fund, Firefighters' Pension Fund.
4. Notes to Required Supplementary Information

Supplementary information other than RSI also accompanies the Village of Hoffman Estates 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:

1. Combining and Individual Fund Financial Statements and Schedules
2. Supplemental Data

The following additional information accompanying the basic financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements, and for which our auditor's report will disclaim an opinion:

1. Introductory Section
2. Statistical Section

Audit Objective

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 U.S. generally accepted accounting principles. The objective also includes reporting, if applicable, 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 in accordance with *Government Auditing Standards*.
- Internal control related to major programs and an opinion (or disclaimer of opinion) on compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The reports on internal control and compliance will each include a statement that the report is intended for the information and use of the audit committee, management, specific legislative or regulatory bodies, federal awarding agencies, and if applicable, pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Our audit will be conducted in accordance with U.S. generally accepted auditing standards; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of OMB Circular A-133, and will include tests of accounting records, a determination of major program(s) in accordance with Circular A-133, and other procedures we consider necessary to enable us to express such opinions and to render the required reports. If our opinions on the financial statements or the Single Audit compliance opinions 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.

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 Village of Hoffman Estates and the respective changes in financial position and where applicable, cash flows, in conformity with U.S. generally accepted accounting principles; and for federal award program compliance with applicable laws and regulations and the provisions of contracts and grant agreements. Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein.

You are also responsible for management decisions and functions. As part of the audit, we will prepare a draft of your financial statements, schedule of expenditures of federal awards, and related notes. In accordance with *Governmental 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 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.

The non-attest services expected to be performed during our audit of the financial statements as of and for the year ended December 31, 2009 as specified in the Village's 2006 *Request for Proposal* are as follows:

1. Prepare sixty (60) copies and one electronic copy (.pdf) of the comprehensive annual financial report (CAFR) of the Village (report covers, binders, dividers, introductory section, Management's Discussion and Analysis, other supplemental information, and statistical section information to be provided by Village).
2. Prepare fifteen (15) copies of the management letter.
3. Prepare twelve (12) copies of a separate Single Audit Report, if required.
4. Prepare five copies (5) and electronic filing of the Fire and Police Pension Funds' Annual Report to the Department of Insurance (interrogatories and census data completed by the Village).
5. Prepare five copies (5) and electronic filing of the Illinois Comptroller Annual Financial Report.
6. Prepare twenty copies (20) of the Barrington/Higgins TIF District Fund Financial and Compliance Report.
7. Prepare twenty copies (20) of the Roselle Road TIF District Fund Financial and Compliance Report.
8. Assist the Village in submitting its comprehensive annual financial report (CAFR) to the Certificate of Achievement for Excellence in Financial Reporting Program, including preparation of the GFOA Certificate Responses and review of the application materials.

Management is responsible for making all financial records and related information available to us, including identifying significant vendor relationships in which the vendor has the responsibility for program compliance and for the accuracy and completeness of that information. Management is responsible for 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 or illegal acts affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) 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 affecting the government received in communications from employees, former employees, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws, regulations, contracts, agreements, and grants. Additionally, as required by OMB Circular A-133, it is management's responsibility to follow up and take corrective action on reported audit findings and to prepare a summary schedule of prior audit findings and a corrective action plan. The summary schedule of prior audit findings should be available for our review.

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 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.

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 (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) 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 or noncompliance 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 or major programs. However, we will inform the appropriate level of management 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. We will include such matters in the reports required for a Single Audit. 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 individuals, creditors, and financial institutions. We will 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 also 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*.

As required by OMB Circular A-133, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to OMB Circular A-133.

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, *Government Auditing Standards*, and OMB Circular A-133.

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 Village of Hoffman Estates compliance with applicable laws and regulations and the provisions of contracts and agreements, including grant agreements. However, the objective of those procedures 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*.

OMB Circular A-133 requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major programs. Our procedures will consist of test of transactions and other applicable procedures described in the *OMB Circular A-133 Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the Village of Hoffman Estates major programs. The purpose of those procedures will be to express an opinion on the Village of Hoffman Estates compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to OMB Circular A-133.

Audit Administration, Fees and Other

We understand that the Village will provide us with the basic information required for our audit, including information specified in the *Client Assist Workpaper Listing, Preliminary Fieldwork* and in the *Client Assist Workpaper Listing, Final Fieldwork* (to be developed and delivered to the Village at the conclusion of preliminary fieldwork), and that the Village is responsible for the accuracy and completeness of that information.

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.

At the conclusion of the engagement, we will complete the appropriate sections and electronically certify the Data Collection Form, if applicable, that summarizes our audit findings. It is management's responsibility to submit the reporting package (including financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditors' reports, and a corrective action plan) along with the Data Collection Form to the designated federal clearinghouse. The Data Collection Form and the reporting package must be submitted and certified within the earlier of 30 days after receipt of the auditors' reports or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audits.

The audit documentation for this engagement are the property of Sikich LLP and constitute confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to granting agencies pursuant to authority given to it by law or regulation. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Sikich LLP personnel. Furthermore, upon request, we may provide photocopies of selected audit documentation to granting agencies. The granting agency may intend, or decide, to distribute the photocopies 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 or for an additional period requested by a granting agency. If we are aware that a federal awarding agency, pass-through entity, 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.

We expect to begin our preliminary fieldwork in December 2009 with final fieldwork scheduled to begin in March 2010 or when the client assist workpapers are prepared, and to issue our reports in preliminary form no later than May 15, 2010. Final reports will be issued upon your approval of the preliminary drafts.

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 comments received during the period of the contract. Our 2008 peer review report accompanies this letter.

Our fee for these services are consistent with our proposal dated August 31, 2009, and will not exceed \$42,266 with the following breakdown: \$29,228 for the financial audit including preparation of the CAFR and management letter of the Village; \$4,429 for the Single Audit (if required); \$643 for the Comptroller Report; \$2,377 for the Barrington Higgins TIF financial and compliance report; \$2,377 for the Roselle Road TIF financial and compliance report; and \$1,607 for the police pension DOI report; and \$1,607 for the fire pension DOI report, which includes out-of-pocket costs such as report reproduction, postage, etc. This fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. 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. Services will be invoiced to you from time to time as work progresses. In accordance with Illinois Compiled Statutes, payments for all services are due within sixty days of receipt of an invoice. Invoices not paid within sixty days are subject to finance charges of 1% per month (12% annually). We also reserve the right to suspend or terminate services, including those referenced above, until such time as past due balances are paid. If we elect to terminate our services, our engagement will be deemed to have been completed even if we have not completed our report. You will be obligated to compensate us for all time expended and out of pocket costs incurred by us through the date of termination. You agree that our maximum liability to you for any negligent errors or omissions committed by us in the performance of the engagement will be limited to one times the amount of our fees for this engagement, except to the extent determined to result from our gross negligence or willful misconduct.

If any dispute, controversy or claim arises in connection with the performance or breach of the agreement, either party may, on written notice to the other party, request that the matter be mediated. Such mediation will be conducted by a mediator appointed by and pursuant to the Mediation Rules of the American Arbitration Association. Both parties will exert their best efforts to discuss with each other in good faith their respective positions in an attempt to finally resolve such dispute or controversy.

Each party may disclose any facts to the other party or the mediator which it, in good faith, considers necessary to resolve the matter. All such discussions, however, will be for the purpose of assisting in settlement efforts and will not be admissible in any subsequent litigation against the disclosing party. Except as agreed by both parties, the mediator will keep confidential all information disclosed during negotiations.

The mediation proceedings will conclude within sixty days from receipt of the written notice unless extended or terminated sooner by mutual consent. Each party will be responsible for its own expenses. The fees and expenses of the mediator, if any, will be borne equally by the parties.

We appreciate the opportunity to be of service to the Village of Hoffman Estates 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.

Sincerely,

Sikich LLP
By: Brian D. LeFevre, CPA, MBA
Partner

RESPONSE:
This letter correctly sets forth the understanding of the Village of Hoffman Estates.

By: _____

Title: _____

Date: _____

L & A, LLP
27W457 Warrenville Road
Warrenville, IL 60555-3902

Proposal to Provide
Professional Services to

VILLAGE OF
HOFFMAN ESTATES

For the Years Ending
December 31, 2009, 2010, 2011, 2012 and 2013

LAUTERBACH & AMEN, LLP

Proposal to Provide
Professional Services to

VILLAGE OF
HOFFMAN ESTATES

For the Years Ending
December 31, 2009, 2010, 2011, 2012 and 2013

Submitted by:

Lauterbach & Amen, LLP
27W457 Warrenville Road
Warrenville, IL 60555-3902
847-562-9252

Contacts:

Sherry Lauterbach, Partner

Ronald J. Amen, Partner

August 31, 2009

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CERTIFIED PUBLIC ACCOUNTANTS

August 31, 2009

Village of Hoffman Estates

AUDIT PROPOSAL

Michael DuCharme, Director of Finance

1900 Hassell Road

Hoffman Estates, IL 60169

Lauterbach & Amen, LLP (L & A) is pleased to respond to your request to provide auditing services to the Village of Hoffman Estates (Village).

Enclosed in this proposal are details about our practice, our people and our reputation for quality service to governments, as well as an outline of our audit approach and scope of the audit process. L & A is a firm entirely specialized in the governmental sector, allowing us to provide an unrivaled commitment to exceeding your expectations with regards to quality service, government specific expertise, and timing and approach of the audit process. Our partners, Sherry Lauterbach and Ron Amen, share a combined 48 years of exclusive government experience, with past experience in not-for-profit, tax and commercial clients. Their years of experience in the governmental sector will directly benefit the Village. L & A possesses the resources and drive to continually exceed your expectations.

At L & A our mission is to provide accounting, compilation, assurance, and consulting services to governments in the spirit of excellence and altruism. As a firm, we are committed to adhering to stringent moral standards in addition to the legally imposed professional standards and guidelines, priding ourselves in our flexible attitude towards accommodating our clients, and continually striving to be an elite personal client service firm. L & A will attain the highest quality employees who share our core values and capacities in order to continue to service our clients at the level at which they are accustomed. Our staff utilizes their expertise to educate clients with the anticipation that it will lead to accurate solutions to challenges that may arise in the daily course of financial activities. Our goal is to maintain personalized relationships with our current clients, while continuing to acquire new clients with the hopes of creating equally valuable bonds. At L & A we continually strive to distinguish ourselves from other accounting firms by emphasizing the following:

- Engaging in audit planning, preliminary work and continual communication with our clients to ensure an efficient and quality audit process. This also ensures that audit issues will be identified early and solutions will be implemented timely.
- Possessing exclusive expertise in the area of local government, as exemplified by our *perfect* retention rate of the Certificate of Achievement for Excellence in Financial Reporting and a *perfect* first year submission rate of the Certificate of Achievement for Excellence in Financial Reporting.
- Allowing our clients to dictate scheduling needs related to the audit process and adhering to those needs. We continually meet or exceed the deadlines established by our clients.
- Identifying, communicating and assisting in the implementation of identified opportunities for improved and more efficient financial or procedural operations.

PROFILE OF THE FIRM

- Maintaining a highly professional staff, each of which possess extensive knowledge in the area of local government, continually broadening their knowledge of local government issues through in-house training, involvement in various local government organizations and through continuing professional education programs.
- Maintaining a program of continuity for multi-year engagements, including minimal rotation of staff and in-charge auditors, allowing for the establishment of efficient working relationships with the Village.
- Continually promoting communication with management from the beginning of our engagement and throughout the year. This includes an entrance conference and planning meetings with the Village, weekly meetings with management to review the progress of the engagement, if requested, an exit conference to discuss our findings and report production issues, meetings with elected officials during the evenings to answer questions regarding the audit and any other related issues, and continual communication throughout the year. We are committed to listening to your needs and customizing the audit process to meet those needs.
- Striving to continually be a proven leader in the government accounting industry and assisting our clients on the implementation of new, complex pronouncements and issues affecting local government, including one-on-one assistance with the understanding and implementation of these new pronouncements and issues. We will provide thorough and timely answers to any of your questions or needs.
- Customizing our audit approach to focus on those areas that represent significant risk to the Village and any of the Village's uniquely complex issues.
- Forming professional resource alliances with other businesses in the areas of human resources, tax and information technology (computers) so, if required and if permitted by current audit independence standards, we would be able to provide the Village the highest level of service.

We are very excited about the opportunity to serve the Village and are committed to providing the Village with quality service. We believe we have talented people and the appropriate experience to provide you with a quality audit at a fair and competitive price.

L & A has no issues or concerns with the terms of the Village audit contract. Also, see enclosed for the L & A audit engagement letter.

The Partners that are signing this proposal are entitled to represent the Firm, empowered to submit the proposal and authorized to sign a contract with the Village. If you have any questions about this proposal or need to discuss these matters further, please contact us. We look forward to your reply.

Respectfully Submitted,

LAUTERBACH & AMEN, LLP



Sherry Lauterbach
Partner



Ronald J. Amen
Partner

PROFILE OF THE FIRM

Professional Personnel

Our office is located in Warrenville, Illinois, and staffed professionally as follows:

Partners	2
Managers / Senior Accountants	17
Staff Accountants	<u>17</u>
TOTAL	<u><u>36</u></u>

Firm Structure and Philosophy

L & A is very different from most accounting firms in that we are specialized in the governmental sector, and specifically in the area of governmental auditing and consulting. In addition, we provide a wide range of accounting services, some of which include tax, monthly accounting and bookkeeping for units of governments, and a specialty in Police and Fire Pension accounting and consulting. As a client of L & A, you will be served by both partners whose experience and depth of knowledge will become a valuable management resource.

A close working relationship with management on a year-round basis is the best way to provide our clients with the benefit of our knowledge. This approach also allows for the timely resolution of questions and problems as they arise rather than after the fact.

Through understanding the client's activities and a close working relationship with management, L & A can best respond to and initiate programs that lead to improved operations.

*L & A is specialized
in the governmental
sector.*

*L & A focuses on a
close working
relationship with
management.*

PROFILE OF THE FIRM – CONTINUED

Firm Structure and Philosophy - Continued

We at L & A recognize that we are involved in a people-oriented endeavor. Our goals and objectives, therefore, are centered around this understanding. We strive:

- To create an environment that encourages a high level of communication between the client and staff.
- To provide clients with the highest attainable level of staff capability through selective recruiting and creation of a work environment that aids personal growth.
- To continually improve the quality of our services.
- To support our financial, business, professional and social communities.

We have a full-time commitment to this area of specialized accounting and reporting practices. Through our experience, we are able to help clients anticipate and prepare for changes in their operating environment. The value of our service lies not only in the performance of an efficient audit, but in our analytical review and comments on operating systems, and our extensive knowledge of key topics affecting local governments.

We have had extensive experience in the field of local governmental accounting and auditing. We have experience as auditors for a substantial number of municipalities, park districts, library districts, special districts, joint ventures and other various governmental organizations. We have included a partial list of such entities as an integral part of this proposal, and would encourage you to contact any or all of them for references as to our qualifications and level of service.

*L & A has extensive
experience in the
governmental
sector.*

PROFILE OF THE FIRM – CONTINUED

Firm Structure and Philosophy - Continued

It has been our experience that questions or problems may arise during the year for which a client may call upon us for assistance. The following is a partial list of services we can provide to governmental entities in addition to the required annual audit:

- Financial Reporting – Assistance in the implementation of authoritative pronouncement requirements, assistance in obtaining or securing the Certificate of Achievement from the GFOA
- Taxpayer Compliance - Specialized audits for selected revenue sources
- Utility or Enterprise Funds - Analysis, forecasting, rate structure, consulting
- Federal, State and Local Grants
- Budget, Appropriation and Tax Levy Documents
- Personnel Issues - Evaluation and executive search
- Policies and procedures documentation and implementation
- Temporary staffing and training

*L & A can provide
many other services
in addition to the
annual audit.*

We consider it essential to maintain the lines of communication throughout the year. To attain this we both formally (via meetings, letters, etc.) and informally (via telephone calls, emails, etc.) attempt to keep our clients advised as to changes and recent developments related to government. It is our intention to supplement the continuous updating process that local governmental officials, management and financial staffs are engaged in on a day-to-day basis.

The success of our engagements result from the dedication to service from our key personnel. Following are the resumes of key personnel that would be working on your engagement:

KEY ENGAGEMENT PERSONNEL

SHERRY LAUTERBACH, PARTNER

Ms. Lauterbach has over 30 years of experience serving clients in the governmental sector. She has participated in more than 1,000 audits of municipalities and other governmental units. This experience makes her extremely well-qualified to deal with any issue affecting government.

North Central College
Certified Public Accountant
American Institute of Certified Public Accountants
ICPAS, GFOA and IGFOA
GFOA Special Review Committee for the Certificate of
Achievement
Instructor for Illinois GFOA Training Courses
Presenter for Illinois Public Pension
Member of and Presenter for Illinois Public Pension Fund
Association
Member of Illinois Department of Insurance Advisory
Committee
Certified IPPFA Pension Trustee
Instructor of IPPFA Trustee Certification Program

Ms. Lauterbach has been involved in numerous training programs and panel discussions sponsored by the Illinois CPA Society and Illinois GFOA. She has performed research on numerous topics affecting governments and is currently involved in a project dealing with police and fire pension reporting. Ms. Lauterbach is a well-recognized resource and frequently provides guidance to governmental entities on issues as they arise.

Educational and Membership Background

Governmental Accounting and Auditing Experience

KEY ENGAGEMENT PERSONNEL

RONALD J. AMEN, PARTNER

Mr. Amen has over 18 years of experience serving clients in the governmental sector. He has participated in numerous governmental engagements, including municipalities, park districts, school districts, State and Federal governments, Universities and other governments.

University of Nebraska
Certified Public Accountant
American Institute of Certified Public Accountants
ICPAS, GFOA and IGFOA
Member of Illinois CPA Society Government Accounting
Executive Committee
Illinois Municipal Treasurers Association
Illinois Association of Park Districts/Illinois Park &
Recreation Association
GFOA Special Review Committee for the Certificate of
Achievement
Instructor for Illinois GFOA Training Courses

Mr. Amen has managed numerous governmental units during his experience in public accounting. Assignments ranging from audits, single audits, TIF audits, performance reviews, budgeting, strategic planning, and other projects is a brief history of his background. Due to his extensive government background, Mr. Amen is extensively used as a resource for providing creative solutions to issues affecting local governments. Mr. Amen functions as a working partner, in that he is available and present during each phase of the audit process.

Mr. Amen has also participated in the management of some large commercial and not-for-profit engagements. This experience includes audits, tax preparation, consulting and strategic planning for both commercial and not-for-profit clients.

Educational and Membership Background

Governmental Accounting and Auditing Experience

KEY ENGAGEMENT PERSONNEL

JAMIE L. WILKEY, MANAGER

Ms. Wilkey has over 8 years of professional accounting experience exclusively in the government sector. She has participated in numerous governmental engagements, including municipalities, park districts, libraries and various other units of government.

Truman State University
Illinois Government Finance Officers Association
GFOA Special Review Committee for the Certificate of
Achievement
Member of the Technical Accounting Review Committee
(TARC)
Illinois Municipal Treasurers Association

Ms. Wilkey's experience in the government sector includes management of numerous units of government. Such assignments include annual audits, single audits, TIF audits, grant specific audits, and other related projects. Ms. Wilkey has been responsible for the management of numerous annual audits for government units, all of which have either received the Certificate of Achievement for Excellence in Financial Reporting award from the Government Finance Officers Association (GFOA) in the first year of their submittal to the program or maintained their Certificate standing.

Ms. Wilkey also has extensive government consulting experience, which includes the responsibility for all financial operations of the government unit, including, but not limited to, the maintaining of the general ledger, trial balance, balance sheet, and consolidated financials. Ms. Wilkey has also assisted numerous clients with payroll processing, budget preparation, supervision of accounts receivable, accounts payable and utility billing processing, and the recommendation and implementation of various finance/accounting department procedures and policies.

Educational and Membership Background

Governmental Accounting and Auditing Experience

PROFILE OF THE FIRM – CONTINUED

Industry Involvement

Our involvement in the local governmental field includes active membership in those professional organizations which serve the financial and management staffs of local government:

- Government Finance Officers Association
- Illinois Government Finance Officers Association
- Illinois CPA Society Committees on Governmental Accounting
- American Institute of Certified Public Accounting
- Illinois Municipal Treasurers Association
- Illinois Public Pension Fund Association
- Illinois Association of Park Districts/Illinois Park & Recreation Association
- Special Review Committee - GFOA - Certificate of Achievement Program
- IGFOA Associate Board Member
- IGFOA Technical Accounting Review Committee (Responds to GASB Pronouncement Exposure Drafts)
- Illinois Department of Insurance - Task Force

L & A maintains a high level of involvement in professional organizations.

In addition, we have written articles for publication, instructed training courses and done public presentations for a number of the organizations listed above.

Quality Assurance and Peer Review

Our Quality Assurance Team is responsible for reviewing all financial statements before issuance, assisting in technical inquiries and reviewing workpapers and reports of all engagements to verify compliance with professional standards and Firm policies.

PROFILE OF THE FIRM – CONTINUED

Quality Assurance and Peer Review - Continued

At L & A we pride ourselves in providing a quality audit. As such, our Firm is a member of the Private Companies Practice Section (PCPS) of the Division for CPA Firms of the AICPA, voluntarily submitting our accounting and auditing practice to quality control reviews of our compliance with professional standards as established by the AICPA.

See the appendices of this proposal for a copy of our successful completion of an independent peer review report of our accounting and auditing practice. This review was undertaken as a condition of membership in the American Institute of Certified Public Accountants (AICPA), the national organization of CPAs in public practice, industry, government and education.

Furthermore, there has never been any action taken against our Firm with any state or federal regulatory body or professional organization to which we have submitted our reports.

Professional Development

Guidelines and requirements have been established for the Firm's professional development program and are communicated to all personnel. Each professional is required to complete a minimum of 40 hours of continuing professional education each year. The types of programs used include those of the GFOA, IGFOA, AICPA and the Illinois CPA Society, as well as self-study and training programs relevant for the purpose of improving the knowledge of professional personnel. As our resumes indicate, we encourage involvement in professional organizations.

License to Practice

The Firm and all key personnel are duly licensed to practice in the State of Illinois. Our State of Illinois license number is 066-003655.

*L & A participates
in peer reviews to
ensure quality
control.*

*L & A encourages
involvement in
professional
organizations.*

PROFILE OF THE FIRM – CONTINUED

Independence

We require that all personnel inform the Firm of any lack of independence with respect to all clients. Specific guidelines to be followed are those set forth in the AICPA's Code of Professional Ethics. Additionally, we are in compliance with the standards established by the General Accounting Office (GAO). More specifically, we are completely independent with respect to the Village of Hoffman Estates.

AUDIT APPROACH

AUDIT APPROACH

Overview

We are prepared to meet or exceed all requirements and expectations of the Village. The partners of L & A will be involved in all phases of the audit of the Village. L & A does not use statistical sampling in any phase of the audit process. Sample sizes used for testing are in accordance with standards established by the profession and will be determined in the planning phase.

Throughout the audit process we will inform management of audit issues as they arise and maintain the highest level of professionalism in the identification and communication of these issues. Discussion of these issues will take place immediately following their discovery and will allow management ample time to rectify any issues.

GFOA Certificate of Achievement

L & A fully supports the GFOA's Certificate of Achievement for Excellence in Financial Reporting Program. We have assisted many clients in obtaining their Certificates and have a perfect record for maintaining the Certificate. We will respond to GFOA comments for improvement. We currently submit in excess of twenty-five reports to the Program and have a one hundred percent retention rate of the Award.

Audit Scope and Standards

L & A will issue an opinion on the governmental activities, business-type activities, each major fund and the aggregate remaining fund information, which collectively comprise the Village's basic financial statements with "in-relation-to" coverage provided on the combining and individual fund financial statements and on any supplementary information. We will not provide an opinion on the Management Discussion and Analysis, but will provide customary review of this document. Introductory and Statistical sections of the CAFR will not be audited by us.

The audit will be conducted in accordance with generally accepted auditing standards; and, if necessary, the standards for financial audits contained in *Government Auditing Standards* (2004), issued by the Comptroller General of the United States, and the Single Audit Act of 1996; and the provisions of OMB Circular A-133, *Audits of State and Local Governments and Non-profit Organizations*.

AUDIT APPROACH - CONTINUED

Planning

To Be Performed:

December 2009

The purpose of the planning phase is to provide the foundation for the direction that the audit will take. During the planning phase of the audit we will hold an entrance conference with the Village to discuss the audit approach, develop a schedule for completing the audit, and review the areas that we will be focused on during our audit procedures and testing.

The following is an outline of the key steps performed during the planning phase of the audit:

- Discussing and agreeing upon report formats to provide information which complies with generally accepted accounting principles. The format should be agreed upon during the planning of the audit so that the report is issued on a timely basis. Our plan is to adopt a format similar to the previous year.
- Discussing availability of accounting records and source documents and developing a detailed list of schedules to be prepared by the Village.
- Developing a schedule for completing the subsequent phases of the audit.

Preliminary Fieldwork

To Be Performed:

December 2009

Preliminary fieldwork is the next phase of the audit process and involves expanding our understanding of the Village and its finances through a review of various documents and through discussions with the Village. During this phase, we will begin the required study and evaluation of internal accounting control as a part of the financial and compliance audit.

The purpose of our study and evaluation will be to obtain sufficient knowledge and understanding of the internal accounting and administrative control systems used by the Village for reliance on the system of internal control and the degree of such reliance; or to aid us in designing substantive tests in the absence of such reliance. We will hold progress meetings with key management, as necessary, to keep you apprised of the results of our preliminary review and to discuss the key internal controls to be tested.

AUDIT APPROACH – CONTINUED

Preliminary Fieldwork - Continued

Our approach to the study and evaluation of the internal accounting and administrative controls will be accomplished through the following techniques:

- We will perform an in-depth review of internal control documentation and working papers made available by the prior audit firm.
- We will use internal control questionnaires, narratives and/or flowcharting techniques to document key flows of information. Because of our extensive commitment to government, the questionnaires utilized are designed specifically for use on governmental engagements and, therefore, will provide you with the most meaningful information. We will utilize this information and identify key internal control procedures which will be tested in order to warrant reliance on the identified controls. The objectives of such reliance will be to reduce the extent of substantive work performed, resulting in a more cost-efficient audit approach.
- We will evaluate audit risk for all key financial statement assertions and compliance determinations using the procedures outlined above. Audit risk is the risk that material financial statement misstatements or material noncompliance will not be prevented or will not be detected and corrected in a timely manner.

At the completion of the preliminary fieldwork phase, we will have sufficient knowledge of the internal control systems of the Village and we will be able to design substantive audit procedures based upon the degree of reliance we can place on those systems.

Fieldwork

To Be Performed:

March 2010

This phase of the audit will consist primarily of substantive testing of year-end balances. If any audit issues come to our attention during the course of our work, we will immediately inform you so that action can be taken before the completion of our fieldwork.

We will design our detail testing procedures to provide both compliance and financial audit coverage where applicable. We utilize custom designed audit programs that are specifically designed for government clients and, therefore, provide for the most efficient and effective approach.

AUDIT APPROACH – CONTINUED

Fieldwork - Continued

At a minimum, management is to provide supporting schedules for the following areas once we return for fieldwork:

Cash	Accounts Payable
Investments	Payroll
Governmental Revenues/Receivables	Debt Service
Proprietary Revenues/Receivables	Fund Balance/Net Assets
Inventories	Grants
Interfunds	Risk Management
Capital Assets	

For financial audit purposes, we will assess the risk of material misstatement associated with a given objective, and perform substantive and compliance procedures. Our substantive procedures will gather evidence as to the completeness, accuracy, or validity of the information contained in the financial statements. These procedures include confirmation of year-end balances, vouching documents and analytical reviews. Through our compliance procedures, we will gather evidence related to the existence and effectiveness of specific internal controls. These procedures include examinations of documents for proper approval and review of procedures for compliance with rules and regulations.

At the conclusion of fieldwork, workpapers will be reviewed by the engagement partner and we will prepare the Comprehensive Annual Financial Report in accordance with generally accepted accounting principles for government entities. In addition, we will prepare a management letter that we will review and discuss with the Village during the draft phase of the audit.

Our firm has state of the art production hardware and software. We believe the investment to stay on the cutting edge of technology benefits our clients not only in reporting, but also in suggestions and recommendations.

AUDIT APPROACH – CONTINUED

Drafts

To Be Performed:

April 2010

The final completion and quality review of the initial draft of the Comprehensive Annual Financial Report will be completed at the Village's location and at that time the draft of the Comprehensive Annual Financial Report will be submitted to the Village. The Village will then have a sufficient amount of time to review the draft for questions and/or changes. L & A will then return to the Village's location for the final draft where we will review the Village's questions and/or changes to the Comprehensive Annual Financial Report as well as the Management Letter and submit a final draft of the Comprehensive Annual Financial Report to the Village.

Audit Completion

To Be Performed:

May 2010

Upon approval of the drafts by the Village, we will deliver final, bound financial statements. At the completion of our audit, we will also provide a management letter addressing reportable conditions, if any, and other comments and observations for improvements. The management letter will be provided as a separate document.

The management letter will contain, as warranted and appropriate:

- Specific recommendations for improvement of the accounting practice and procedures and the internal accounting and administrative controls.
- Comments on the design, controls and audit trails of new and redesigned automated systems, along with suggestions to improve processing methods and procedures.
- Suggestions for operational improvements or cost efficiencies noted during the course of our work.
- Findings relative to compliance with the applicable rules and regulations.
- Comments regarding compliance with laws.
- Other comments or recommendations that we believe may be relevant.

FEES AND BILLING

FEES AND BILLING

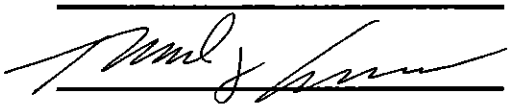
AUDITING SERVICES RFP RESPONSE FORM

Firm: Lauterbach & Amen, LLP

Firm Contact/Project Manager: Ronald J. Amen

Address: 27W457 Warrenville Road
Warrenville, IL 60555

Telephone and fax numbers: 847.562.9252 Phone 630.393.2516 Fax

Signature of Authorized agent: 

Print name and position of Authorized Agent: Ronald J. Amen, Partner

Date of proposal submission: August 31, 2009

FEE STRUCTURE: (if more space is needed, please attach a separate worksheet)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
CAFR, etc. 1	\$32,400	\$33,100	\$33,800	\$34,500	\$35,200
Single Audit	\$2,500	\$2,600	\$2,700	\$2,800	\$2,900
Comptroller AFR	\$400	\$450	\$500	\$550	\$600
Police DOI	\$1,600	\$1,700	\$1,800	\$1,900	\$2,000
Fire DOI	\$1,600	\$1,700	\$1,800	\$1,900	\$2,000
Barrington TIF	\$1,500	\$1,600	\$1,700	\$1,800	\$1,900
Roselle TIF	\$1,500	\$1,600	\$1,700	\$1,800	\$1,900
Total	<u>\$41,500</u>	<u>\$42,750</u>	<u>\$44,000</u>	<u>\$45,250</u>	<u>\$46,500</u>
Fees for additional accounting- related questions through-out the year	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

1 CAFR, Management Letter, and GFOA Certificate Response

FEES AND BILLING - CONTINUED

	Hours	Standard Rate	Quoted Rate	Total
Partner	120	\$140	\$130	\$15,600
Manager	170	\$110	\$95	\$16,150
In - Charge	150	\$80	\$65	\$9,750
	<u>440</u>			<u>\$41,500</u>

FEES AND BILLING - CONTINUED

Schedules Requested

The proposed annual fees are based upon staff support at all levels from Village personnel and that the Village will provide adjusted trial balances and support (detail schedules that reconcile to the trial balances) for all balance sheet accounts. At a minimum, management is to provide supporting schedules for the areas outlined in the fieldwork phase of the audit approach section of this proposal.

Additional Services

Should it become necessary for the Village to request us to render additional services to either supplement the services requested in the RFP or to perform additional work as a result of the specific recommendations included in any report issued on this engagement or new accounting standards, then such additional work will be performed only after discussing with management the level of effort and estimated costs prior to performing any such work.

As independence standards have recently become more stringent related to the types of additional services auditors can perform, L & A would review these independence standards and the type of services requested prior to proposing on any additional services.

Conclusion

In closing, we would like to thank the Village for the opportunity to respond to your request for auditing services, and would like to emphasize that if chosen, L & A is committed to providing the resources needed to assure an unrivaled level of service and quality, the highest attention to detail, and a relationship with a firm of highly trained professionals exclusively working in the government sector.

*L & A will provide
an unrivaled level
of service.*

REFERENCES

REFERENCES

We know that our best endorsement comes from satisfied clients. We invite you to contact the following individuals or any other governments who have been served by our firm.

Village of Vernon Hills *
Larry Nakrin
290 Evergreen Drive
Vernon Hills, IL 60061
847-918-3554

Village of Lombard *
Anne Fairburn
255 E. Wilson Avenue
Lombard, IL 60148
630-620-5916

Village of Libertyville *
Patricia A. Wesolowski
118 W. Cook Ave.
Libertyville, IL 60048
847-918-2102

Village of Northbrook *
Jeffrey L. Rowitz
1225 Cedar Lane
Northbrook, IL 60062
847-272-5050

Village of Hanover Park *
Tom Dahl
2121 West Lake Street
Hanover Park, IL 60133
630-372-4234

Additional references can be provided upon request.

* Asterisk indicates governments currently holding the GFOA Certificate of Achievement.

CLIENT LISTING

CLIENT LISTING

Municipalities	Police Pension Funds - Cont.	Firefighters' Pension Funds - Cont.
Antioch *	Carpentersville	Bolingbrook
Barrington *	Chicago Heights	Brookfield
Batavia *	Chicago Ridge	Burbank
Brookfield *	Cicero	Calumet City
Cary *	Country Club Hills	Carol Stream
Champaign *	Countryside	Carpentersville
East Hazel Crest	Crest Hill	Chicago Ridge
Elwood *	Darien	Cirero
Geneseo *	Des Plaines	Countryside
Glencoe *	Dolton	Darien Woodridge
Hanover Park *	East Dundee	DeKalb
Highwood	Elgin	Des Plaines
Island Lake	Elmwood Park	East Dundee Countryside
Justice	Forest Park	Elgin
Lake Zurich *	Franklin Park	Forest Park
Libertyville *	Geneva	Forest View
Lombard *	Glenview	Franklin Park
Lyons	Glenwood	Geneva
Maple Park	Gurnee	Glenside
Northbrook *	Harwood Heights	Glenview
Northfield *	Highland Park	Gurnee
North Riverside *	Hillside	Harvey
Pingree Grove	Island Lake	Highland Park
Rolling Meadows *	Johnsburg	Kankakee
Sleepy Hollow	Lake Forest	Lake Forest
South Barrington	Lake Zurich	Lake Zurich
South Chicago Heights	LaGrange Park	Lemont
South Elgin *	Lincolnshire	Leyden
Suger Grove *	Lombard	Lincolnshire Riverwoods
Vernon Hills *	Lyons	Lombard
Villa Park *	Markham	Markham
Wauconda	Matteson	Matteson
West Chicago *	Maywood	Melrose Park
Wilmette *	Melrose Park	Minooka
Winfield *	Midlothian	North Chicago
Winnetka *	North Chicago	North Maine
Woodridge *	Northlake	Oak Brook
	Oak Brook	Oak Forest
	Oak Forest	Oak Park
	Oak Park	Orland
	Olympia Fields	Park Ridge
	Park Ridge	Roberts Park
	Prospect Heights	Rock Falls
	Richton Park	Villa Park
	River Forest	Wauconda
	Rolling Meadows	West Chicago
	Round Lake Park	Westchester
	St. Charles	Wheaton
	South Elgin	Wood Dale
	Steger	Worth
	Stickney	
	Stone Park	Other
	Summit	Addison - Public Library
	Vernon Hills	Algonquin - Public Library
	Villa Park	Carol Stream - Public Library
	West Chicago	DU-COMM
	Westchester	East Dundee Countryside
	Wheaton	Fire Protection District
	Willow Springs	Forest Park - Public Library
	Winthrop Harbor	Fox River Grove - Memorial Library
	Wood Dale	Glenside - Public Library
	Worth	Intergov. Personnel Benefit Coop
		IPPPA
	Firefighters' Pension Funds	NORDCAT
	Algonquin Lake in the Hills	Regional Emergency Dispatch Center
	Bartlett	SOUTHCOM
	Batavia	Southwest Central Dispatch
	Bellwood	Warren-Newport - Public Library
	Belvidere	West Suburban Con. Dispatch Center
	Bensenville	Winfield - Public Library
	Bloomington	
	Bolingbrook	
	Braidwood	
	Broadview	
	Burbank	
	Calumet City	

* Asterisk indicates government currently holding the GFOA Certificate of Achievement.

APPENDICES



GUTHOFF MEHALL ALLEN & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

July 11, 2007

To the Shareholders
Lauterbach & Amen LLP

We have reviewed the system of quality control for the accounting and auditing practice of Lauterbach & Amen LLP (the firm) in effect for the year ended March 31, 2007. 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 conforming to 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 (AICPA). The firm is responsible for designing a system of quality control and complying with it to provide the firm reasonable assurance of conforming with professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance with the system of quality control based on our review.

Our review was conducted in accordance with standards established by the Peer Review Board of the AICPA. During our review, we read required representations from the firm, interviewed firm personnel and obtained an understanding of the nature of the firm's accounting and auditing practice, and the design of the firm's system of quality control sufficient to assess the risks implicit in its practice. Based on our assessments, we selected engagements and administrative files to test for conformity with professional standards and compliance with the firm's system of quality control. The engagements selected represented a reasonable cross-section of the firm's accounting and auditing practice with emphasis on higher-risk engagements. The engagements selected included among others, engagements performed under *Government Auditing Standards*. Prior to concluding the review, we reassessed the adequacy of the scope of the peer review procedures and met with firm management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion.

In performing our review, we obtained an understanding of the system of quality control for the firm's accounting and auditing practice. In addition, we tested compliance with the firm's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the firm's policies and procedures on selected engagements. Our review was based on selected tests therefore it would not necessarily detect all weaknesses in the system of quality control or all instances of noncompliance with it. There are inherent limitations in the effectiveness of any system of quality control and therefore noncompliance with the system of quality control may occur and not be detected. 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 because 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 Lauterbach & Amen LLP in effect for the year ended March 31, 2007 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 conforming with professional standards.

As is customary in a system review, we have issued a letter under this date that sets forth comments that were not considered to be of sufficient significance to affect the opinion expressed in this report.

Guthoff Mehall Allen & Company, P.C.
Guthoff Mehall Allen & Company, P.C.

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