

Ordinance 11- 07

**AN ORDINANCE APPROVING THE ENAGEMENT OF SIKICH LLP  
FOR AUDIT SERVICES FOR FISCAL YEAR 2011**

**SECTION 1:** The Village of Chatham shall engage the firm of Sikich LLP to perform the fiscal year 2011 audit for a price of \$24,400, attached hereto as Exhibit A is hereby approved.

**SECTION 2:** The Village President is hereby authorized to engage Sikich LLP to perform audit services fiscal year 2011 and the proper officers of the Village shall carry out the terms of the engagement.

**SECTION 3:** This Ordinance is effective immediately.

**PASSED** the 8th day of March, 2011.



*Thomas S. Gray*  
\_\_\_\_\_  
Thomas S. Gray  
Village of Chatham President

**ATTEST:**

*Pat Schad BY Karl E. Toft, DEPUTY CLERK*  
Patrick F. Schad  
Village of Chatham Clerk

AYES: 6 - BOYLE, KAVANAUGH, SCHATTEMAN PASSED: 3-8-2011  
HERR, MAU, REYNOLDS

NAYES: 0 APPROVED: 3-8-2011

ABSENT: 0

STATE OF ILLINOIS )

)

COUNTY OF SANGAMON )

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

I do hereby certify that the ordinance attached hereto is a full, true, and exact copy of Ordinance No. 11-<sup>07</sup> adopted by the President and the Board of Trustees of said Village on the 8th day of March, 2011 said Ordinance being entitled:

**AN ORDINANCE APPROVING THE ENAGEMENT OF SIKICH LLP  
FOR AUDIT SERVICES FOR FISCAL YEAR 2011**

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

ON WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of said Village this 8th day of March, 2011.



3201 West White Oaks Drive, Suite 102 • Springfield, IL 62704

March 4, 2011

To the Board of Trustees  
Village of Chatham  
117 E. Mulberry  
Chatham, Illinois 62629

We are pleased to confirm our understanding of the services we are to provide the Village of Chatham for the year ended April 30, 2011. We will audit the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, which collectively comprise the basic financial statements of the Village of Chatham as of and for the year ended April 30, 2011. Accounting standards generally accepted in the United States provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the Village of Chatham's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the Village of Chatham's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. 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. Budgetary Comparison Schedules
3. Other Required Supplementary Information

Supplementary information other than RSI also accompanies the Village of Chatham'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 certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and will provide an opinion on it in relation to the financial statements as a whole:

1. Combining and individual fund statements and schedules
2. Supplemental financial information

The following other information accompanying the basic financial statements 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 not provide an opinion or any assurance.

1. Additional Schedules

#### **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 generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the basic financial statements taken as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and will include tests of the accounting records and other procedures we consider necessary to enable us to express such opinions. If our opinions on the financial statements are other than unqualified, we will fully discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

#### **Management Responsibilities**

Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein. You are also responsible for making all management decisions and performing all management functions; for designating an individual with suitable skill, knowledge, or experience to oversee our assistance with the preparation of your financial statements and related notes and any other nonattest services we provide; and for evaluating the adequacy and results of those services and accepting responsibility for them. The non-attest services expected to be performed during our audit of the financial statements as of and for the year ended April 30, 2011 are as follows:

1. Prepare copies of the Annual Financial Report to the State Comptroller

Management is responsible for establishing and maintaining effective 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 Chatham and the respective changes in financial position and where applicable, cash flows, in conformity with U.S. generally accepted accounting principles.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. Your responsibilities include adjusting the financial statements to correct material misstatements and 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 Village 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 Village 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 and regulations. You are responsible for the preparation of the supplementary information in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to present the supplementary information with the audited financial statements or make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon.

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.

You acknowledge that as a condition of our agreement to perform an audit, you agree to the best of your knowledge and belief to be truthful, accurate, and complete in the representations you make to us during the course of the audit and in the representations provided to us at the completion of the audit.

### **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 an audit is designed to provide reasonable, but not absolute, assurance and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us. In addition, an audit is not designed to detect immaterial misstatements, or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform you of any material errors and any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, 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 Controls**

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. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. 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 AICPA professional standards.

### **Audit Procedures – Compliance**

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Village of Chatham's compliance with applicable laws and regulations and the provisions of contracts and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion.

### **Engagement 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* (to be developed and delivered to the Village prior to fieldwork), and that the Village is responsible for the accuracy and completeness of that information.

Assistance to be supplied by your personnel, including the preparation of schedules and analyses of accounts, has been or will be discussed and coordinated with Sherry Dierking, Treasurer.

We will begin our audit at a mutually agreed upon date. Chad Lucas is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it. Our fees for these services, including travel and other out-of-pocket costs such as typing and reproduction costs, will be \$24,400. The above fees are based on anticipated cooperation from the Village's 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 invoice. Invoices not paid within sixty days will be assessed a finance charge of 1% per month (12% annually).

We reserve the right to suspend or terminate services for reasonable cause, such as failure to pay our invoices on a timely basis or failure to provide the information or cooperation necessary for successful performance of our services. Our engagement will be deemed to be completed upon written notification of termination, even if we have not completed our audit. You will be obligated to compensate us for all time expended to that point and reimburse us for all out of pocket expenditures through the date of termination.

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 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.

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 this 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 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 Chatham 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 Chad A. Lucas, Partner

RESPONSE:

This letter correctly sets forth the understanding of the Village of Chatham.

By: \_\_\_\_\_

Title: Director of Finance/Treasurer

Date: \_\_\_\_\_

By: \_\_\_\_\_

Title: Village President

Date: \_\_\_\_\_