



998 Corporate Boulevard • Aurora, IL 60502

Members of American Institute of  
Certified Public Accountants &  
Illinois CPA Society

February 12, 2009

The Honorable Mayor  
Members of the Village Council  
Village of Palos Park  
8999 West 123<sup>rd</sup> Street  
Palos Park, Illinois 60464

Mayor  
Comm.-Finance  
Comm.-Public Works & Streets  
Comm.-Public Health & Safety  
Comm.-Building & Public Property  
Village Clerk  
Finance Director

Ladies and Gentlemen:

We are pleased to confirm our understanding of the services we are to provide the Village of Palos Park for the year ended April 30, 2009. We will audit the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information, which collectively comprise the basic financial statements of the Village of Palos Park as of and for the year ended April 30, 2009. If during our planning, it is determined that the Village has received federal financial assistance that is subject to the Single Audit Act of 1996, we will perform this special audit for an additional fee. The details regarding the Single Audit, if necessary, will be covered in a supplemental engagement letter.

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

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 and Police Pension Fund
4. Notes to Required Supplementary Information

Supplementary information other than RSI also accompanies the Village of Palos Park'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:

1. The Combining and Individual Fund Financial Statements and Schedules and 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 and to report on the fairness of the additional 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 U.S. generally accepted auditing standards established by the Auditing Standards Board (United States) 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 management decisions and functions; for designating an individual with suitable skill, knowledge, or experience to oversee our financial statement preparation services and any other nonattest services we provide; and for evaluating the adequacy and results of those services and accepting responsibility for them.

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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Palos Park and the respective changes in financial position and where applicable, cash flows, in conformity with U.S. generally accepted accounting principles.

The non-attest services expected to be performed during our audit of the financial statements as of and for the year ended April 30, 2009 consistent with our proposal dated February 8, 2009 are as follows:

1. Preparation of the financial statements based on the adjusted trial balances prepared by the Village.
2. The following:
  - a. Thirty-five (35) copies of the comprehensive annual financial report (CAFR) of the Village (Management's Discussion and Analysis, covers, tabs and binding supplies, introductory and statistical section to be provided by the Village);
  - b. Thirty (30) copies of the management letter;
  - c. Five (5) copies of the Police Pension Fund Annual Statement for the Department of Insurance (interrogatories and census data provided by the Village) and one (1) electronic copy;
  - d. Five (5) hard copies of the State of Illinois Comptroller's Annual Financial Report.

Management is also responsible for making all financial records and related information available to us 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 and regulations.

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 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 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. 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. 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 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 Palos Park'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.

### **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.

We expect to begin our preliminary fieldwork in June 2009 with final fieldwork scheduled to begin in August 2009 or when the client assist workpapers are prepared, and to issue our reports in preliminary form no later than September 30, 2009. Final reports will be issued upon your approval of the preliminary drafts. Brian LeFevre is the engagement partner and is responsible for supervising the engagement and signing the report.

Our fees for these services consistent with our proposal dated February 8, 2008 will not exceed \$22,816 for the audit (Village share is \$19,652 and the Library share is \$3,164), which includes out-of-pocket costs such as report production, reproduction, typing, 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.

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 Palos Park and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,



Sikich LLP  
By: Brian D. LeFevre, CPA, MBA  
Partner

RESPONSE:

This letter correctly sets forth the understanding of the Village of Palos Park.

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

Title: Mayor \_\_\_\_\_

Date: 3/13/09 \_\_\_\_\_



JOHN F. MAHONEY  
Mayor

MARY A. O'CONNOR  
Accounts and Finances, Treasurer

NICOLE MILOVICH-WALTERS  
Public Works and Streets, Recreation

## Village of Palos Park

***"Service to Our Residents and Dedication  
to the Preservation of Palos Park"***

DAN POLK  
Public Health and Safety

JAMES PAVLATOS  
Building and Public Property

CAROLA A. BRYSON  
Village Clerk

PATRICIA L. JONES  
Village Administrator

March 17, 2008

Mr. Brian D. LeFevre, CPA, MBA  
Sikich Professional Services & Support  
998 Corporate Boulevard  
Aurora, Illinois 60502

Re: Agreement to conduct audit for year ended April, 30, 2009

Dear Brian:

Enclosed is an original proposal with Sikich to provide an audit for the Village of Palos Park for the year ended April 30, 2009 with the acknowledgment and acceptance by Mayor John F. Mahoney, which was approved at our March 9, 2009 Council meeting.

If you have any questions, please do not hesitate to contact me at (708) 671-3706.

Sincerely,

A handwritten signature in cursive script, reading "Cathy A. Gabel".

Cathy A. Gabel  
Deputy Clerk

Enc.