



Where Great Service Happens!

250 South Route 59
Bartlett, Illinois 60103-1648

• email: hanover@hanover-township.org
www.hanover-township.org

• Phone: 630-837-0301
FAX: 630-837-9064

Supervisor
Brian P. McGuire

Clerk
Katy Dolan Baumer

Assessor
Thomas S. Smogolski

Highway Commissioner
P. Craig Ochoa

Collector
Frank Liquori

Trustees
Mary Alice Benoit
William T. Burke
Howard Krick
Sandra Westlund-Deenihan

Administrator
James C. Barr

Tuesday, April 17, 2012

To: Hanover Township Board

From: James Barr, Administrator
Becky Suhajda, Management Analyst

Re: Fiscal Year 2012 Financial Auditor Selection

Township Administration, in conjunction with Governmental Accounting, Inc. sought quotes from three qualified independent auditing firms to conduct the Township's FY 2012 financial audit of the Town, General Assistance, Senior Services, Mental Health and Road & Bridge funds.

The selected auditor's objective is to issue an unqualified opinion on the Township's governmental activities of each major fund and the aggregate remaining fund information that collectively comprise the Township's basic financial statements. The table below reflects the quoted prices from each firm to provide the above stated service.

Auditing Firm	FY 2012 Cost
Evans, Marshall & Pease	\$11,200
Knute & Associates, PC	\$11,250
Sikich, LLP	\$13,125

Although slightly more expensive than the other firms, staff recommends Sikich, LLP to serve as the Township's FY 2012 independent auditor. Sikich served as the Township's Auditor last year and provided a complete and accurate document. Staff interactions with Sikich auditors were also positive and helpful. Sikich is highly respected in local government auditing. In having extensive government auditing experience, as well as specific knowledge of township government accounting, it is staff's recommendation that Hanover Township contract with Sikich to provide an audit of all Township funds ending on March 31, 2012. For more information regarding the scope of service, please see the attached documentation or contact staff directly.



1415 W. Diehl Road, Suite 400 • Naperville, IL 60563

Members of American Institute of
Certified Public Accountants

January 31, 2012

Members of the Board of Trustees
Hanover Township
250 South Route 59
Bartlett, Illinois 60103

We are pleased to confirm our understanding of the services we are to provide Hanover Township for the year ended March 31, 2012. We will audit the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, which collectively comprise the basic financial statements of Hanover Township as of and for the year ended March 31, 2012. 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 supplement Hanover Township'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 supplement Hanover Township'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. 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 Other Postemployment Benefit Plan.
4. Notes to Required Supplementary Information.

We have also been engaged to report on supplementary information other than RSI that accompanies Hanover Township's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the 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 Financial Statements
2. Other Supplemental Data

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 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 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 basic 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.

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 basic financial statements of the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hanover Township and the respective changes in financial position in conformity with U.S. generally accepted accounting principles.

The non-attest services expected to be performed during our audit of the basic financial statements as of and for the year ended March 31, 2012 are as follows:

1. Prepare fifteen (15) copies and one electronic copy (.pdf) of the annual financial report (AFR) of the Township (Management's Discussion and Analysis to be provided by Township).
2. Prepare ten (10) copies of the management letter.
3. Prepare two (2) copies and electronic filing of the Illinois Comptroller 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. Your responsibilities include adjusting the basic 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 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 entity 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 include the audited financial statements with any presentation of the supplementary information that includes our report thereon 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 basic 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 basic 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 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 basic 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 basic financial statements are free of material misstatement, we will perform tests of Hanover Township'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 Township 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 Township at the conclusion of preliminary fieldwork), and that the Township is responsible for the accuracy and completeness of that information. In addition, the Township will prepare all cash and other confirmations we request, will locate any invoices selected by us for testing, and will prepare partially-adjusted trial balances.

You may request that we perform additional services not addressed in 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 March 2012 with final fieldwork to begin in May 2012 or when the client assist workpapers are prepared. Final reports will be issued upon your approval of the preliminary drafts. Louis G. Karrison is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

Our fee for these services will not exceed \$13,125 which includes out-of-pocket costs such as report reproduction, postage, etc. This fee is based upon 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 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 the basic financial statements. You will be obligated to compensate us for the time expended to that point and to reimburse us for all out-of-pocket expenditures 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 Hanover Township 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: Louis G. Karrison, CPA
Partner

RESPONSE:

This letter correctly sets forth the understanding of Hanover Township.

By: _____

Title: _____

Date: _____



1415 W. Diehl Road, Suite 400 • Naperville, IL 60563

Members of American Institute of
Certified Public Accountants

January 31, 2012

Members of the Board of Trustees
Hanover Township
250 South Route 59
Bartlett, Illinois 60103

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We expect to begin our preliminary fieldwork in March 2012 with final fieldwork to begin in May 2012 or when the client assist workpapers are prepared. Final reports will be issued upon your approval of the preliminary drafts. Louis G. Karrison is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

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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 the basic financial statements. You will be obligated to compensate us for the time expended to that point and to reimburse us for all out-of-pocket expenditures 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 Hanover Township 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: Louis G. Karrison, CPA
Partner

RESPONSE:

This letter correctly sets forth the understanding of Hanover Township.

By: _____

Title: _____

Date: _____



February 21, 2012

Mr. James Howard
Hanover Township
250 South Route 59
Bartlett, Illinois

Dear Mr. Howard:

We are pleased to confirm our understanding of the services we are to provide Hanover Township for the year ended March 31, 2012.

INDEPENDENCE AND LICENSE TO PRACTICE IN ILLINOIS

Knutte & Associates, P.C. is independent of Hanover Township, is licensed to practice in Illinois, and is a member of the American Institute of Certified Public Accountants.

All work to be performed on the audit will be done at Hanover Township, and at 7900 S. Cass Avenue, Darien, Illinois. All resources available to complete the report after the fieldwork is completed will be utilized.

SCOPE OF SERVICE

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 Hanover Township as of and for the year ended March 31, 2012. 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 Hanover Township's basic financial statements. Such information although not a part of the basic financial statement 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 Hanover Township'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 appropriate 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. IMRF Schedule of Funding Progress

Supplementary information other than RSI also accompanies Hanover Township's basic financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the 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 statement as a whole.

1. Combining schedules for non-major funds.
2. Individual schedules of revenues, expenditures and changes in fund balance for non-major funds.

The following other 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 not provide an opinion or any assurance or disclaim an opinion.

1. Information of a statistical nature.
2. Additional schedules supplied by the entity for presentation.

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.

If circumstances occur related to the condition of your records, the availability of sufficient appropriate audit evidence or the existence of a significant risk of material misstatement of the financial statements caused by error, fraudulent financial reporting, or misappropriation of assets, which in our professional judgement prevent us from completing the audit or forming an opinion on the financial statements, we retain the right to take any course of action permitted by professional standards, including declining to express an opinion or issue a report, or withdrawing from the engagement.

MANAGEMENT RESPONSIBILITIES

Management is responsible for the basic financial statements and all accompanying information as well as all representation 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.

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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Hanover Township and the respective changes in the financial position and where applicable, cash flows, in conformity with the 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 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. You are also responsible for informing us of your knowledge of any allegations of fraud or suspected fraud or illegal acts affecting the government received in communications from employees, former employees, 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. With regard to using the auditor's report, you understand that you must obtain our prior written consent to reproduce or use our report in bond offering official statements or other documents.

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

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 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.

The audit documentation for this engagement is the property of Knutte & Associates and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to agencies or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We may notify you of any such request. If requested, access to such audit documentation may be provided under the supervision of Knutte & Associates 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.

In the event we are requested or authorized by you or are required by government regulation, subpoena, or other legal process to produce our documents or our personnel as witnesses with respect to our engagements for you, you 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 requests.

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 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 Hanover Township'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.

Otherwise, our work is prepared as a result of this engagement of Knutte & Associates by you and the information contained and any opinions expressed therein are solely for your internal use. Other than as stated in this paragraph, Knutte & Associates is not aware that this work is intended to benefit or influence any other party. The agreement can be altered only by an additional written agreement by both you and Knutte & Associates.

ADMINISTRATION, FEES, AND OTHER

Mr. David Knutte, CPA is the engagement partner and is responsible for supervising the engagement and signing the report.

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

As a normal part of our examination, we will prepare a letter of recommendation including comments on deficiencies we have observed in internal controls and possible ways to improve the efficiency of your operations. It is also our practice to discuss our comments on such matters with the appropriate level of management before issuance. Additionally, it is our policy to be available to you whenever we may be of assistance. We do not charge for phone calls, and encourage them.

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

We are sensitive to your responsibility for control of costs and we will cooperate to minimize fees, while maintaining quality professional services. Our fees are based on the amount of time required at various levels of responsibility including actual out-of-pocket expenses (travel, typing, telephone, etc.). Our fees for preparation of the audit and Annual Financial Report (AFR) for the year ended March 31, 2012, will be \$11,250.00. If however, you choose to retain our services for a three-year period, our fees for the preparation of the audits and the AFR's for the years ended March 31, 2012, March 31, 2013 and March 31, 2014 will be \$11,000.00, \$11,250.00 and \$11,500.00, respectively. Our invoices are payable in 30 days. These fees are all-inclusive, and there will not be any additional billings for travel, meals, lodging, etc.

RISK ISSUES

Because of the importance of oral and written representations to an effective engagement, Hanover Township releases Knutte & Associates and its current, former or future partners, principals, employees and personnel from any and all claims, liabilities, costs and expenses attributable to a misrepresentation by Hanover Township management. Further, Knutte & Associates and its current, former or future partners, principals, employees and personnel shall not be liable to Hanover Township, whether a claim be in tort, contract or otherwise, including Knutte & Associates's own negligence, for any amount in excess of the total professional fees paid by Hanover Township under this engagement letter, except to the extent finally determined to have resulted from the willful misconduct or fraudulent behavior of Knutte & Associates relating to such services. In addition, in no event shall Knutte & Associates and its current, former or future partners, principals, employees and personnel be liable for any consequential, indirect, lost profits, punitive or similar damages relating to Knutte & Associates's services provided under this engagement letter.

In addition, Hanover Township agrees to indemnify, defend, and hold harmless Knutte & Associates and its current, former or future partners, principals, employees and personnel from any and all claims, liabilities, costs and expenses, including attorneys fees, relating to Knutte & Associates's services under this engagement letter arising from or relating to Hanover Township's misrepresentations or false or incomplete information provided to us during the engagement, except to the extent finally determined to have resulted from the willful misconduct or fraudulent behavior of Knutte & Associates relating to such services.

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, Hanover Township and Knutte & Associates 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, without any delay in the running of this period based on the time of discovery of the claim.

As part of our compliance with guidelines set forth by the American Institute of Certified Public Accountants, enclosed is a copy of our most recent peer review. This is a program dedicated to ensuring that participating firms have quality control systems in place over their accounting and auditing practices. We were pleased to receive an unqualified opinion, and believe it reflects our commitment to perform quality work. K&A is a member in good standing with both the American Institute of Certified Public Accountants and the Illinois Association of Certified Public Accountants. K&A is independent of Hanover Township and meets the continuing professional education and other requirements of the Governmental Auditing Standards and the Single Audit Act of 1984. Furthermore, K&A does not have a record of substandard audit work, and there has been no disciplinary action taken.

We appreciate the opportunity to be of service to Hanover Township 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,

Knutte & Associates, P.C.

KNUTTE & ASSOCIATES, P.C.

RESPONSE: This letter correctly sets forth the understanding of Hanover Township.

By: _____

Title: _____

Date: _____

1. _____ Preparation of the March 31, 2012 audit and AFR at \$11,250.00.
2. _____ Preparation of the March 31, 2012, March 31, 2013 and March 31, 2014 audits and AFR's at \$11,000.00, \$11,250.00 and \$11,500.00, respectively.



System Review Report

August 7, 2009

To the Shareholders of
Knutte & Associates, P.C.
and the Peer Review Committee of the Illinois CPA Society

We have reviewed the system of quality control for the accounting and auditing practice of Knutte & Associates, P.C. (the firm) in effect for the year ended February 28, 2009. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable 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 therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under the *Government Auditing Standards* and an audit of an employee benefit plan.

In our opinion, the system of quality control for the accounting and auditing practice of Knutte & Associates, P.C. in effect for the year ended February 28, 2009, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Knutte & Associates, P.C. has received a peer review rating of *pass*.

Heinold-Banwart, Ltd.

**Audit Proposal
Hanover Township
250 S. Route 59
Bartlett, Illinois 60103**

Submitted By:

**Evans, Marshall and Pease, P.C.
1875 Hicks Road
Rolling Meadows, Illinois 60008
(847) 221-5700**

Contact Person:

Mr. Jeffery M. Rollefson, C.P.A.

Proposal Date:

March 22, 2012

Audit Proposal
Hanover Township
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EVANS, MARSHALL & PEASE, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

1875 Hicks Road
Rolling Meadows, Illinois 60008

PAUL H. THERMEN, C.P.A.
JEFFERY M. ROLLEFSON, C.P.A.

Letter of Transmittal

Hanover Township
P. O. Box 37
Huntley, Illinois 60142

Enclosed is our audit proposal for Hanover Township. We would like to extend our thanks for giving us your time in meeting with us and for giving us the opportunity to offer our services to your Township. Your Township has the opportunity to retain the services of one of the most experienced and highly qualified public accounting firms in the area, as evidenced by our ninety-five year history. We believe our broad experience in accounting, auditing and consulting services for Illinois townships and other public agencies provides us the means with which to effectively serve the Hanover Township.

We will audit the financial statements for the Hanover Township for the purpose of expressing an opinion on them. Our audit will be made in accordance with auditing standards generally accepted in the United States of America. Accordingly, we will include such tests of the accounting records and such other auditing procedures as we consider necessary to enable us to express an unqualified opinion that the financial statements are fairly presented, in all material respects, in conformity with the basis of accounting as agreed upon. If our opinion is other than unqualified, we will fully discuss the reasons with you in advance.

At the conclusion of our engagement we will present the audit report and the Annual Financial Report. In addition, if necessary, a management letter will be prepared and submitted with recommendations and concerns we feel important.

In estimating our fees, we have assumed that the books and records will be kept on a completed double entry system and that you will provide us with a balanced set of trial balances, by fund as of each year end.

Our audit fees are based on regular hourly rates and they will not exceed \$9,450, \$9,735, and \$10,025 for each year ended March 31, 2012, 2013 and 2014. Should you decide to prepare a Comprehensive Annual Financial Report (CAFR) the additional fees would be \$1,750 per year. Our policy is to invoice upon completion and delivery of reports. Upon acceptance of this proposal we will issue an engagement letter detailing our understanding of the terms and scope of our engagement. As with many of our other governmental clients, we would hope this will begin a long-lasting relationship with your Township.

We will, of course, be available to you at any time in order to meet your accounting, auditing or consulting requirements. We would like to point out that Evans, Marshall and Pease, P.C. does not charge for telephone consultations of reasonable duration. However, consultation beyond the scope of our engagement requiring substantial time investment will be billed accordingly. Our normal hourly rates vary between \$140 and \$185 per hour, depending on the nature of the work involved and the experience level of the personnel needed to perform the task. If this should occur, you will be fully informed before any work is started.

Evans, Marshall and Pease, P.C. provides a vast range of auditing, accounting, tax and management services. In addition to municipal audits, we provide assistance in the areas of budgeting, tax levy preparation, and bonds, including refunding and capital appreciation. Whereas our main concentration is in the area of municipal auditing and accounting, we also audit financial institutions and other small and medium sized businesses. In addition, we provide individual, corporate, and fiduciary tax planning and preparation, as well as comprehensive accounting services to businesses.

We believe that the primary consideration in evaluating a professional firm should be the caliber and integrity of the individuals with whom you will be in contact and the quality and responsiveness of the services you receive. Evans, Marshall and Pease, P.C. is proud to have been involved in municipal accounting and auditing in Illinois for the past ninety-five years and we are confident that we can meet the highest standards of competence and service.

Again, we sincerely appreciate the opportunity to offer our expertise and experience to Hanover Township and we would be very pleased to discuss any questions that may arise concerning the above or our firm and its operations.

Very truly yours,

Evans, Marshall and, Pease, P.C.

Jeffery M. Rollefson, C.P.A.

By: Jeffery M. Rollefson, C.P.A.

Firm Profile
Evans, Marshall and Pease, P.C.
Certified Public Accountants
1875 Hicks Road
Rolling Meadows, Illinois 60008

Evans, Marshall and Pease, P.C. is a professional corporation for the practice of public accounting in the state of Illinois. We have one local office consisting of two principals, one audit supervisor, three staff auditors and other support staff. We have never bid jobs as a means of filling "slow times" nor do we hire temporary help during the "peak times". To that end, we try to build long-term relationships with our employees, as with our clients, and believe this carries over to the quality of the work the firm does. Our approach is to do quality work, delivered in a timely manner, at a fair price.

As you consider our proposal, we ask that you give special attention to our unique ability to provide the services that meet your needs. Evans, Marshall and Pease, P.C. has been in continuous existence since 1917 and has enjoyed mutually beneficial and successful relationships with our clients, some in excess of sixty years. These relationships have been built on our philosophy of retaining quality, career-oriented people coupled with the commitment to do quality work that helps the client move forward, not just doing the minimum work possible and churning out a report. This does make it hard to compete with some firms, but, long ago, we made the commitment to the quality of our work not the quantity of our work.

Evans, Marshall and Pease, P.C. is committed to excellence in school district reporting and auditing and to that end has been involved in governmental accounting training and report review programs, both on the local and national levels. We strictly adhere to the continuing professional education requirements of both the American Institute of Certified Public Accountants and the General Accounting Office of the United States and **have earned an unqualified opinion resulting from the most recent peer review of our firm** (see attached letters) performed by the American Institute of Certified Public Accountants and the Illinois CPA Society, which we sincerely believe confirms our commitment to excellence.

As stated earlier, Evans, Marshall and Pease, P.C. provides a vast range of services. In addition to municipal audits, we provide assistance in the areas of budgeting, tax levy preparation, and bonds, including refunding and capital appreciation. Whereas our main concentration is in the area of municipal audits, we also audit and provide services to financial institutions and other small and medium sized businesses and individuals.

Summary of Firm Qualifications

Evans, Marshall and Pease, P.C. is a Professional Corporation for the practice of Public Accounting and holds Illinois License Number 060-003973. In addition we are registered with the Auditor General's Office of the State of Illinois and hold an Illinois Department of Human Resources Number 77406-00-0.

Paul H. Thermen, C.P.A.

Mr. Thermen is a graduate of Roosevelt University with a bachelor of science degree in 1962 and became a C.P.A. in 1965. Paul joined Evans, Marshall and Pease as a senior accountant in 1964 and was admitted as a partner in 1966.

As our firm's senior partner, Paul has supervised a great variety of governmental and school district audits and has participated in numerous local, state wide and national training programs related to governmental accounting, auditing and reporting.

Paul is an active member in numerous organizations such as the American Institute of Certified Public Accountants, the Illinois CPA Society, Government Finance Officers Association, and as a member of civil war historical preservation societies he is a civil war living historical re-enactor.

Jeffery M. Rollefson, C.P.A.

Mr. Rollefson graduated from Illinois State University with a bachelor of science degree in 1982 and became a C.P.A. that same year. Jeff joined Evans, Marshall and Pease as a staff accountant in 1983 and was admitted as a partner in 1990.

Jeff is responsible for numerous governmental and school district audits as an in charge partner and has participated in a number of local, state wide and national training and report review programs related to governmental accounting, auditing and reporting.

In addition, Jeff is an active member in a number of professional and charitable organizations such as the American Institute of Certified Public Accountants, the Illinois CPA Society, Illinois Association of School Business Officials and the Palatine Baseball Association.

Services to be Provided

Audit approach:

We will endeavor to be as unobtrusive as possible in order not to interrupt the daily routine of your business office.

Our procedures will include a review, analysis and documentation of the design and operations of the internal control structure. In addition, our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of certain assets and liabilities by correspondence with selected governmental agencies, individuals, depositories and legal counsel, if necessary. At the conclusion of our fieldwork, we will request written representations from you about the financial statements and related matters.

Tentative schedule of completion:

Preliminary phase - March/April:

Principal:

- Meeting with prior auditors and review of work papers.
- Review prior year reports and management letter.
- Review and document internal control structure.
- Prepare audit work program.
- Preliminary field work.

Main field work phase – April/May:

Principal and one staff:

- Review and abstract board minutes and review pending litigation.
- Complete analytical review procedures.
- Amend audit work program, as required.
- Prepare trial balances.
- Prepare third party confirmation requests and attorney letter(s).
- Analyze and reconcile balance sheet accounts and compare to supporting schedules as they exist.
- Perform test procedures on income and expense accounts.

Report preparation phase – June:

Principal and support:

Preparation of:

- Financial report
- Comptroller's Annual Financial Report

Review and conveyance phase – June:

Principal:

- Review reports and any required adjusting journal entries with Township staff.
- Presentation to Board of Trustees.

References

1. Ela Township
 99 E Main Street
 Lake Zurich, Illinois 60047
 (847) 438-7823

 Contact: Lucy Prouty, Supervisor
2. Niles Township Government
 5255 Main Street
 Skokie, Illinois 60077
 (847) 679-9300

 Contact: Kitty Kendrick, Deputy Clerk
3. West Deerfield Township
 858 Waukegan Road
 Deerfield, IL 60015
 (847) 945-0614

 Contact: Julie Morrison, Supervisor
4. Moraine Township
 777 Central Ave.
 Highland Park, IL 60035
 (847) 432-3240

 Contact: Mari Barnes, Supervisor
5. Berwyn Township
 6600 W. 26th Street
 Berwyn, IL 60402

 Contact: Beth Pechous, Supervisor

Peer Review Program

American Institute of Certified Public Accountants

Administered by the

Illinois CPA Society

September 16, 2009

Jeffery M. Rollefson, CPA
Evans, Marshall & Pease, P.C.
1875 Hicks Rd
Rolling Meadows, IL 60008-1215

Dear Mr. Rollefson:

It is my pleasure to notify you that on August 13, 2009 the Illinois Peer Review Report Acceptance Committee accepted the report on the most recent peer review of your firm, the related letter of comments, and your firm's response. The due date for your next review is December 31, 2011. This is the date by which all review documents should be completed and submitted to the administering entity.

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

Sincerely,



PAUL E. PIERSON, CPA
Director, Peer Review

cc: Robert Eugene Cameron, CPA

Firm Number: 10019880

Review Number: 264977

Cameron, Smith & Company

certified public accountants
a professional corporation

"Your partner
in financial
success"

2319 West Jefferson
Springfield, Illinois 62702

Telephone 217-787-8822
Facsimile 217-787-8823

December 23, 2008

To the Shareholders
Evans, Marshall & Pease, P.C.

We have reviewed the system of quality control for the accounting and auditing practice of Evans, Marshall & Pease, P.C. (the firm) in effect for the year ended June 30, 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, 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 and procedures may deteriorate.

In our opinion, the system of quality control for the accounting and auditing practice of Evans, Marshall & Pease, P.C., in effect for the year ended June 30, 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 complying 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 such significance to affect the opinion expressed in this report.

Cameron, Smith & Company

A I C P A
PEER REVIEW PROGRAM

is proud to present this

Certificate of Recognition

to

EVANS, MARSHALL & PEASE, P. C.

For having a system of quality control for its accounting and auditing practice in effect for the year ended June 30, 2008 which has been designed to meet the requirements of the quality control standards for an accounting and auditing practice established by the AICPA and which was complied with during the year then ended to provide the firm with reasonable assurance of conforming with professional standards.



A handwritten signature in dark ink, appearing to read "G. William Graham".

G. William Graham, Chair
AICPA Peer Review Board
2009

State of Illinois

Department of Financial and Professional Regulation Division of Professional Regulation

LICENSE NO.

060.003973

065.020235 065.006994

The person, firm or corporation whose name appears on this certificate has complied with the provisions of the Illinois Statutes and/or rules and regulations and is hereby authorized to engage in the activity as indicated below.

EXPIRES:

01/01/2012

REGISTERED PROFESSIONAL SERVICE CORPORATION

EVANS MARSHALL & PEASE PC
1875 HICKS RD
ROLLING MEADOWS, IL 60008



BRENT E. ADAMS
SECRETARY

DONALD W. SEASOCK
ACTING DIRECTOR

The official status of this license can be verified at www.idfpr.com

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