

August 5, 2024

Mr. Darwin McClary, Village Manager  
Village Council  
Village of Lake Orion  
21 E. Church Street  
Lake Orion, Michigan 48362

We are pleased to confirm our understanding of the public accounting services performed by Andrews Hooper Pavlik PLC (AHP) as your CPA, which we are to provide for the Village of Lake Orion (Village) for the year ended June 30, 2024. In order to better understand each party's obligations, the terms "we," "us," and "our" will identify the firm of AHP. The terms "you," "your," and "client" will apply to management and those charged with governance of the Village of Lake Orion. This engagement letter and addendum embody the entire agreement regarding the services to be rendered by our firm to the Village of Lake Orion.

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, including the related notes to the financial statements, which collectively comprise the basic financial statements of the Village of Lake Orion as of and for the year ended June 30, 2024. Services will be performed in accordance with the Professional Standards promulgated by the American Institute of Certified Public Accountants.

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 the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the 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 information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the 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 accounting principles generally accepted in the United States of America and will be subjected to certain limited procedures, but will not be audited:

- Management's discussion and analysis
- Budgetary comparison schedules
- Schedules of changes in the employer's net pension and OPEB liability and related ratios
- Schedules of pension and OPEB contributions

We have also been engaged to report on supplementary information other than RSI that accompanies the financial statements. We will subject the following other 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:

- Combining and individual nonmajor fund and component unit financial statements

Also, the document we submit to you will include the following other supplementary information that will not be subjected to the auditing procedures applied in our audit of the financial statements and for which our auditors' report will not provide an opinion on or any assurance:

- Schedule of Indebtedness – proprietary fund

### **Objectives and Audit Scope**

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and issue an auditors' report that includes our opinion about whether your financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America (GAAS) will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment of a reasonable user made based on the financial statements.

We will conduct our audit in accordance with GAAS and will include tests of your accounting records and other procedures we consider necessary to enable us to express such an opinion. As part of an audit in accordance with GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit.

We will evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management. We will also evaluate the overall presentation of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. We will plan and perform the audit to obtain reasonable 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.

## **Audit Procedures**

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts. These procedures may, for example, include tests of the physical existence of inventories and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected customers, creditors, legal counsel, and financial institutions. Since we may determine such procedures are not appropriate under the circumstances, alternative procedures may be required. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is an unavoidable risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with GAAS. 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, fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or government regulations that come to our attention, unless clearly inconsequential.

We have advised you of the limitations of our audit regarding the detection of fraud and the possible effect on the financial statements (including misappropriation of cash or other assets). At this time, you have not engaged us to perform extended procedures specifically designed to detect fraud.

Our responsibility as auditors is for the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

We will obtain an understanding of the Entity and its environment, including the system of internal control, sufficient to identify and assess the risks of material misstatement of the financial statements, whether due to error or fraud, and to design and perform audit procedures responsive to those risks and obtain evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. Accordingly, we will express no such opinion. However, during the audit, we will communicate to you and those charged with governance internal control related matters that are required to be communicated under professional standards.

We will also conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Entity's ability to continue as a going concern for a reasonable period of time.

## **Reporting**

We will issue a written report upon completion of our audit of the Village of Lake Orion's financial statements. Our report will be addressed to the Village Council of the Village of Lake

Orion. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinion, add a separate section, or add an emphasis-of-matter or other-matter paragraph to our auditors' report, or if necessary, withdraw from this engagement. If our opinion is other than unmodified, 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 an opinion, we may decline to express an opinion or withdraw from this engagement.

### **Financial Statement Materiality**

In an audit of financial statements, the auditor's judgment as to matters that are material to users of financial statements is based on consideration of the needs of users as a group; the auditor does not consider the possible effect of misstatements on specific individual users, whose needs may vary widely. Misstatements, whether resulting from errors or irregularities, are considered to be material only if their magnitude, individually or in aggregate with others, are such that a user group relying on the presentation of your financial statements would be influenced by their inclusion or omission. Judgments about materiality are made in light of surrounding circumstances, and involve both qualitative and quantitative consideration. Materiality is applied on an annual basis. Materiality is a concept that applies to the engagement and client overall.

### **Client Responsibilities**

We understand that you will provide us with the basic information required for our audit and that you are responsible for the accuracy and completeness of that information.

Our audit will be conducted on the basis that you acknowledge and understand your responsibility for designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including monitoring ongoing activities; for the selection and application of accounting principles; and for the preparation and fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America. You are also responsible for making drafts of financial statements, all financial records, and related information available to us and for the accuracy and completeness of that information (including information from outside of the general and subsidiary ledgers). You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, identification of all related parties and all related-party relationships and transactions, and other matters; (2) additional information that we may request for the purpose of the audit; and (3) unrestricted access to persons within the Entity from whom we determine it necessary to obtain audit evidence. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

Management is responsible for 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 affecting the Entity involving (a) management, (b) employees who have significant roles in internal control, and (c) others where the fraud 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. GAAP. 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.

We will provide copies of our reports to the Entity; however, management is responsible for distribution of the reports and the financial statements except that we will provide copies of our reports and the Village's financial statements to the State of Michigan Department of Treasury as part of filing the Village's Auditing Procedures Report. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

Your staff will prepare and complete the financial statements and supply all supporting documentation to the financial statements prior to the expected commencement date of our fieldwork. Your supporting documentation will include all items on the coordination schedule and any other schedules we deem necessary. These records remain your property and will be returned to you at the completion of our engagement. It is your responsibility to maintain and preserve these records. Your records are provided to us only as needed to complete our engagement. We understand that your employees will type all confirmations we request and will locate any documents selected by us for testing.

### **AHP Responsibilities**

We are responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of those charged with governance are presented fairly, in all material respects, in conformity with U.S. GAAP.

Greg Soule will lead the team assigned to service your account and will serve as the primary contact with client for our services. We will provide services as requested by your representatives, Sonja Stout and Cherie Hendrick. Client authorizes us to accept instruction from your representative and we may rely upon the instructions we receive as being the instruction of client. Customer satisfaction is an important aspect of our service. If, during the course of the engagement, you would like to discuss our service with us or wish to change or expand the services we have agreed to perform, you agree to contact Greg Soule at this office, who is the executive in charge of your engagement.

### **Timing of Fieldwork**

We expect to begin the fieldwork for this engagement on a mutually agreed upon date. Our scheduling is based on your completion of the year-end closing and/or adjusting process prior to

our arrival to begin the fieldwork. Efficient use of our staff benefits both client and our firm, which allows for timely completion of our work. Delays in rendering services may occur due to staff availability or if your closing and adjusting process is delayed. We will work with you to coordinate completion of our work, realizing that any such delays will also delay completion of our work and the delivery of our work product. Our services will be concluded upon delivery to you of our report on your financial statements for the year ending June 30, 2024.

### **Accounting (Nonattest) Services**

As part of this engagement, we will perform the following accounting services:

- Assist in preparing the audited financial statements and related notes for the year ended June 30, 2024 based on information provided to us by the Village.
- Preparation of the State of Michigan Form F-65, Auditing Procedures Report, and Qualifying Statement based on information provided to us by the Village.

### **Fee Summary**

We estimate that our fees for these services will be \$15,500 for the Village's financial statement audit, for assistance in preparing the financial statements, and preparation of the F-65, auditing procedures report, and qualifying statement specifically mentioned above. These fees include expenses. This fee is based upon the complexity of the work to be performed and our professional time to complete the work. Additionally, this fee is dependent on the availability, quality, and completeness of your records. You agree that your staff will deliver all records requested by our staff to complete this engagement on a timely basis and will submit a trial balance and depreciation schedules for client no later than the expected commencement date of our fieldwork. In the event your records are not submitted timely, are incomplete or unusable, or if we have to reschedule the timing of our procedures due to you not being ready for us to start the audit, we reserve the right to charge additional fees and expenses for services required to correct the problem. If significant additional time is necessary, we will discuss the related circumstances with management and arrive at a new fee estimate, which may or may not occur before we incur the additional time.

Our fees are expected to be paid in U.S. currency unless agreed to in writing.

Many financial institutions are outsourcing the confirmation process to a third-party service provider. These service providers are charging to respond to these confirmation requests; therefore, all costs incurred related to these confirmation requests will be billed in addition to the above fees.

Progress invoices will be issued and are payable on presentation.

In the event that payment is not received when due, you will be assessed service charges of 1¼% per month, or such lesser percentage if this exceeds the amount allowed by law, on the unpaid balance. We reserve the right to suspend or terminate our work due to nonpayment. In the event that our work is suspended or terminated as a result of nonpayment, you agree that we will not be responsible for your failure to meet government and other filing deadlines or for penalties or interest that may be assessed against you resulting from your failure to meet said deadlines. If we elect to terminate our services for nonpayment, you will be obligated to compensate us for all

time expended and to reimburse us for all out-of-pocket expenses through the date of termination. If your failure to pay for our services results in AHP having to engage in further collection efforts, you agree that the past-due amounts will be increased by 33%.

### **Limitation of Liability**

Parties to this engagement have agreed that, in recognition of the relative risks and benefits of the engagement to both parties, the risks have been allocated such that you agree to limit the liability of our firm to you for any and all claims, losses, costs, damages, or claims expenses from any cause or causes, including attorney's fees and all costs of litigation, so that the total aggregate liability of our firm to you shall not exceed \$500,000. It is intended that this limitation apply to any and all liability or cause of action, however alleged or arising, unless otherwise prohibited by law.

Further, because of the difficulties inherent in recalling communications and preserving all relevant information, you further agree that, notwithstanding the applicable period of limitations for bringing a lawsuit based upon services performed under this engagement, any such lawsuit, except actions brought by us to enforce payment of our invoices, must be brought within 24 months from the date of the completion of the services giving rise to such claim, unless you, within this same 24 month period provide us with a written notice of the specific defect in our services that forms the basis of the claim.

In the event that we become obligated to pay any penalties, assessments, judgments, or similar awards related to, arising out of, or resulting from inaccurate or incomplete information that you provided us in the course of the engagement, you agree to pay, indemnify, defend, and hold us harmless against all such obligations and costs.

\* \* \*

This agreement is effective as of the date of this letter. This letter includes the terms in the addendum to engagement letter. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us. If one or more of the provisions in this agreement shall be determined to be illegal, invalid, or unenforceable, such provision shall be modified to the extent necessary to be legal, valid, and enforceable, or if not capable of being modified, shall be severed while the remaining provisions will continue in full force and effect.

We appreciate the opportunity to be of service to the Village of Lake Orion and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know.

Sincerely,

*Andrews Hooper Pavlik PLC*

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Acknowledged:

Village of Lake Orion

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Darwin McClary, Village Manager



## **Addendum to Engagement Letter**

### **General Provisions**

#### Ownership of Records

At the conclusion of this engagement, we will return, at no charge, all Client-provided records you supplied to us. These are your records provided to us by you to perform our services. These records are the primary records for your operations and comprise the backup and support for your financial reports and tax returns. It is your responsibility to retain and protect your records for possible future use, including potential examination by any governmental or regulatory agency.

AHP-prepared records are accounting or other records that we were not specifically engaged to prepare, that are not in your books and records or available to you, which result in your financial information being incomplete. Examples include adjusting, closing, combining, or consolidating journal entries (including computations supporting such entries) and supporting schedules and documents proposed by us as part of our engagements. AHP-prepared records relating to a completed and issued work product will be provided to you at your request provided the fees associated with preparing these records have been paid in full. If these fees have not been paid in full, we can hold these records until the fees are fully paid, regardless of the due dates of such items.

AHP's work products are deliverables as set forth in the terms of this engagement letter, such as tax returns or reports. We will provide our work product to you at your request, except it may be withheld for the following:

- Fees have not been paid in full related to the work product;
- The work product is incomplete;
- For purposes of complying with professional standards; and/or
- There is threatened or outstanding litigation concerning the engagement of our work.

Until the above requirements are met, we can hold on to the work product and not provide it to you.

AHP workpapers include, but are not limited to, audit programs, analytical review schedules, statistical sampling results, analyses, schedules prepared by the Client at our request, and any other schedules not meeting the definition of Client-provided records, AHP-prepared records, or AHP's work product discussed above. These are our records and we are under no obligation to provide these records to you.

We reserve the right to charge a reasonable fee for the time and expense incurred to retrieve and copy any of the above records or work product and require that this fee be paid in advance. We may provide these records or work product in any format usable by you, and make and retain copies of any records or work product retained by or provided to you. We are not required to convert records to an electronic format or a different type of electronic format. However, we will provide these records in the format you requested if they are available in such format and within our custody and control.

All the records discussed above and held by us are not a substitute for your own records. Our firm destroys the records discussed above in accordance with the firm's record retention policy, generally four to seven years. Audit documentation will be retained for seven years after the conclusion of the audit. After this time these items will no longer be available. Catastrophic events or physical deterioration may result in our firm's records being unavailable.

#### Fee Estimates

Unless otherwise noted in the Engagement Letter or Addendum, the fee estimates should not be construed as or deemed to be a minimum or maximum fee quotation. Although we believe the suggested fees are accurate, our actual fees may vary from the estimates.

### Hiring of AHP Employees

During the course of the performance of our services, AHP employees will be present at your place of business to provide on-site services and will become familiar with your business, operations, and personnel. You acknowledge that AHP employees are highly trained, constitute a valuable asset to AHP, and play an important role in AHP's ongoing business. Therefore, during the term of this Agreement and for a period of one (1) year after the latter of (a) the termination of this Agreement or (b) the date when the last AHP employee has stopped performing services for you, you agree to pay to AHP the sum of 25% of the employee's total annual compensation anticipated in their first year of employment with you, if you directly or indirectly, for yourself or on behalf of any other related entity, employ any employee of AHP (as an employee or an independent contractor). Total annual compensation includes base salary, car allowance, bonuses, signing bonuses, commissions, and any guaranteed annual incentive. The payment representing 25% of total annual compensation is due and payable on the employee's first day of employment with you.

### Reproduction of Our Report and Electronic Dissemination of Audited Financial Statements

You are also responsible to notify us in advance of your intent to print our report, in whole or in part, and to give us the opportunity to review such printed matter before the issuance.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your Internet website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in those sites or to consider the consistency of other information in the electronic site with the original document.

### Nonreliance on Oral Audit, Accounting, or Tax Advice

Oral responses to your questions are intended to provide informal guidance. Should the matter be important to you and you desire to rely upon it, you agree to request that we issue written advice on the matter.

### Waiver of Privilege

You should be aware that certain communications involving tax advice between you and members of our firm who are authorized tax practitioners or their agents may be privileged from disclosure to the IRS. The privilege may be waived; however, by voluntarily disclosing the contents of those communications to the third party. The privileged information might be used by you in preparing your financial statements and, consequently, disclosed to us in auditing those statements. In addition, professional standards require us to discuss matters that affect the audit with our firm personnel responsible for tax services, who may disclose the privileged information to us. We hereby inform you that the IRS might take the position that such communication results in a waiver of privilege.

### Conflicts of Interest

If during the course of the engagement a conflict of interest or potential breach of professional standards presents itself, we will inform you of the problem and attempt to resolve it to allow us to complete the engagement. If, in our opinion, we cannot properly resolve such problems, we may be compelled to withdraw from the engagement and will not render a report or provide you with a completed work product. Additionally, we reserve the right to withdraw from the engagement and terminate our services should we encounter circumstances that conflict with the ethical standards of our firm. If this occurs, we will not render a report or provide you with a completed work product.

### Use of Internet E-mail or Text Messaging

Client acknowledges that: (a) AHP, Client, and others participating in this engagement may correspond or convey documentation via Internet e-mail or text messaging unless Client expressly requests otherwise; (b) no party has control over the performance, reliability, availability, or security of Internet e-mail or text messaging; and (c) AHP shall not be liable for any loss, damage, expense, harm, or inconvenience resulting from the loss, delay, interception, corruption, or alteration of any Internet e-mail or text messaging due to any reason beyond the reasonable control of AHP.

### Consent to Use in Promotional/Proposal Materials

Unless we are informed in writing not to, the Client consents to Andrews Hooper Pavlik PLC's use of Client's name and a factual description of the services performed by AHP under this agreement in AHP's advertising, proposals, and other promotional materials.

### Use of Third-Party Service Providers

We may from time to time, and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

Also, when AHP is requested by Client through an Engagement Letter or Addendum to provide assistance with third-party products, AHP will use commercially reasonable efforts (as defined by AHP) to research, learn, and assist Client in the use of third-party products. However, AHP shall not be held liable for software or other products or services that have been written, produced, or provided by third parties. Client accepts all responsibility for, and risk-of-loss associated with, Client's use of third-party software, hardware, and products.

### Additional Services

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 and estimated cost of these additional services. Engagements for additional services may necessitate that we issue a separate engagement letter to reflect the obligation of both parties. In the absence of any other written communications from us documenting such additional services, our services will be governed by the terms of this engagement letter.

Our fees for other accounting, tax, consulting, and planning services will be based on the standard hourly rates for each of our professionals (varying with their experience) extended by the number of hours incurred. These services, plus out-of-pocket expenses, will be billed monthly as incurred.

### Resolution of Disputes

If a dispute arises, then (a) within ten (10) business days of a written request by either party, the duly appointed representative of Client and AHP's Engagement Executive shall meet and attempt to resolve the issue amicably and expeditiously, and (b) if these individuals cannot resolve the issue within ten (10) business days following such meeting, then the issue shall be submitted to Client's duly appointed representative and AHP's Executive Committee. If the parties are still unable to resolve their dispute within ten (10) business days following such second meeting, the parties shall proceed to resolve the dispute as set forth below.

For a period of sixty (60) days following AHP's receipt of formal written notice from Client claiming AHP's nonperformance, breach, and/or default in AHP's obligations under an Engagement Letter and/or any Addendum, Client's sole and exclusive remedy shall be AHP's repair, replacement, and/or re-performance of AHP's services relating to the Engagement Letter (or any portion thereof). During such period, AHP shall have a full and fair opportunity to repair, replace, and/or re-perform and Client shall cooperate in good faith with AHP's remedial efforts including providing reasonable access to Client's necessary facilities and personnel.

If the dispute is not fully resolved after the informal mediation, then the parties to this engagement agree that any dispute that may arise regarding the meaning, performance, or enforcement of this engagement will, prior to resulting in litigation, be submitted to mediation upon the written request of any party to the engagement. All mediations initiated as a result of this engagement shall be administered by, and follow the rules of, the American Arbitration Association (AAA) unless otherwise agreed upon by the parties. The results of this mediation shall be binding only upon agreement of each party to be bound. Costs of any mediation proceeding shall be shared equally by both parties.

#### Use of Our Services

You hereby inform us that our professional accounting services are intended solely for your use. If you have a primary intent that our professional accounting services are to be used to benefit or influence others, you will so inform us in writing.

#### Legal Fees

In the event AHP or any of its employees or agents is called as a witness or requested to provide any information whether oral, written, or electronic in any judicial, quasi-judicial, or administrative hearing, investigation, or trial regarding information or communications that you have provided to AHP or any documents and workpapers prepared by AHP in accordance with the Engagement Letter, Client agrees to pay our expenses, including fees and costs for our time at our regular hourly rates as well as any legal or other fees that we incur as a result of such appearance or production of documents.

#### Access to Workpapers

We may receive requests for information in our possession arising out of this engagement. The requests may come from governmental agencies, courts, or other tribunals. If permitted, we will notify you of any request for information prior to responding. In certain proceedings an accountant-client privilege may exist. You agree that we are not under any obligation to assert any privilege to protect the release of information. You may, prior to our response to any request, initiate legal action to prevent or limit our response. Unless you promptly initiate such action after we notify you at your last known address as reflected in our files, we will release the information requested.

If our workpapers are allowed or required to be reviewed by others, we reserve the right to bill you for our time incurred related to the review of our workpapers. This includes the time incurred to get our workpapers ready for review, answer questions, make copies, and any other time related to this service, including expenses. In some circumstances we may require payment prior to allowing our workpapers to be reviewed.

#### Peer Review

AHP, as well as other major accounting firms, participates in a “peer review” program covering our audit and accounting practices. This program requires that once every three years we subject our quality assurance practices to an examination by another accounting firm. As part of the process, the other firm will review a sample of our work. It is possible that the work we perform for the entity may be selected by the other firm for their review. If it is, they are bound by professional standards to keep all information confidential. If management objects to having the work we do for the entity reviewed by our peer reviewer, please notify us in writing.

#### Exempt Offerings

Client may wish to include our report on the financial statements in an exempt offering document. Client agrees that Client will not include our report or reference our firm in any such offering without our permission or consent. Any agreement to perform work in connection with an exempt offering document, including an agreement to provide permission or consent, will be a separate engagement.

### Accounting (Nonattest) Services

Related to the accounting services referred to in this letter and any subsequent engagement letter addendum, you are responsible for making all management decisions and performing all management functions; for designating an individual with suitable skill, knowledge, or experience to oversee the accounting services we provide; and for evaluating the adequacy and results of those services and accepting responsibility for them. We will not perform management functions or make management decisions. Also, we will not perform any services that we deem would impair our independence with respect to the attest services provided by AHP.

These services do not constitute an audit under Government Audit Standards (GAS) and these services will not be performed in accordance with GAS. We will perform the services in accordance with applicable professional standards. We, in our sole professional judgement, reserve the right to refuse to perform any procedures or take any action that could be construed as assuming management responsibilities.

### Tax Responsibilities

Client shall pay and be solely and exclusively liable for all sales, use, ad valorem, excise, or other taxes, or governmental charges imposed on the installation, implementation, licensure, or sale of goods or services by AHP or third parties to Client related to the Engagement Letter.

Client shall and hereby does indemnify, defend, and hold AHP harmless from and against all taxes (other than income taxes payable by AHP on the revenue generated by AHP fees) assessed against the project and/or any goods or services to be delivered by AHP in connection with the Engagement Letter including, without limitation, any penalties, interest, or other amounts relating to the non-payment or late payment of such taxes.

### User of AHP's Secure Portal

As part of using the AHP Secure Portal, notwithstanding any existing legal or contractual obligations regarding confidentiality between you and AHP, you undertake to treat all knowledge relating to business secrets, which come into your possession, as confidential. You shall assure that any protected data, which comes into your possession through the use of the portal, is not transmitted to any unauthorized person. You shall notify AHP of any documents or communications that require password protection if all individuals with access to your portal should not have access to such information. In partial consideration of the opportunity to access the resources of the portal concerning your account, you agree to maintain the strict confidentiality of access of the portal and its data to you and your authorized employees and to indemnify and hold harmless AHP and its officers, shareholders, and employees and their heirs, successors, and assigns from and against any and all claims, actions, demands, losses, damages, judgments, costs, and expenses, including without limitation, reasonable attorneys' fees and liabilities of every kind that may arise from your or your employees' use of the portal or because of violation of these terms and conditions of use. You should immediately notify the AHP portal administrator of any users whose access should be eliminated.

August 5, 2024

Village Council  
Village of Lake Orion  
Lake Orion, Michigan

This letter sets forth the planned scope of our audit of the financial statements of the Village of Lake Orion (Village) for the year ended June 30, 2024. Professional standards require that we provide you with the following information related to our audit. We would also appreciate the opportunity to meet with you to discuss this information further since a two-way dialogue can provide valuable information for the audit process.

### **Responsibilities**

As stated in our engagement letter dated August 5, 2024, the financial statements of the Village of Lake Orion are the responsibility of the Village's management. This responsibility includes the preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) under the oversight of the Village Council. Our responsibility is to express an opinion on those financial statements based on our audit. The audit of the financial statements does not relieve management or the Village Council of their responsibilities.

### **Supplementary Information**

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to the management's discussion and analysis, pension and OPEB schedules, and budgetary comparison information which supplements the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI will not be audited and, because the limited procedures do not provide us with sufficient appropriate evidence to express an opinion or provide any assurance, we will not express an opinion or provide any assurance on the RSI.

We have been engaged to report on combining nonmajor fund statements, which accompany the financial statements but are not RSI. Our responsibility for this supplementary information, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

We have not been engaged to report on the proprietary fund schedules of indebtedness which accompany the financial statements but are not RSI. Our responsibility with respect to this other information in documents containing the audited financial statements and auditor's report does not extend beyond the financial information identified in the report. We have no responsibility for determining whether this other information is properly stated. This other information will not be audited and we will not express an opinion or provide any assurance on it.

### **Planned Scope and Timing**

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement.

In an audit of financial statements, the auditor's judgment as to matters that are material to users of financial statements is based on consideration of the needs of users as a group; the auditor does not consider the possible effect of misstatements on specific individual users, whose needs may vary widely. Misstatements, whether resulting from errors or irregularities, are considered to be material only if their magnitude, individually or in aggregate with others, are such that a user group relying on the presentation of your financial statements would be influenced by their inclusion or omission. Judgments about materiality are made in light of surrounding circumstances, and involve both qualitative and quantitative consideration. Materiality is applied on an annual basis. Materiality is a concept that applies to the engagement and client overall.

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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

Our risk assessment procedures for the June 30, 2024 audit will include a study and evaluation of the Village and its environment, including its internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result 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. We will generally communicate our significant findings at the conclusion of the audit. However, some matters could be communicated sooner, particularly if significant difficulties are encountered during the audit where assistance is needed to overcome the difficulties or if the difficulties may lead to a modified opinion. We will also communicate any internal control related matters that are required to be communicated under professional standards and other significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

We will address the risk assessment related to fraud by making inquiries of the Village Council, management, and others within the Village; evaluating fraud programs and controls; completing comprehensive checklists; and gathering other information (financial and other) to help us develop fraud risk factors that will be referenced during our fieldwork and wrap-up procedures.

Our planned scope for the June 30, 2024 audit is based on our understanding of the Village developed during prior audits, pre-engagement planning, and our experience as auditors of other similar institutions. We recognize that all institutions are unique and each year presents new challenges, new accounting and auditing issues, and new reporting requirements that must be considered. Accordingly, our current year audit plan will address these issues in order to meet the needs of the Village.

Year-end procedures will begin on August 19, 2024.

## **Summary of Significant Accounting and Auditing Issues**

### Significant Risks

We have identified the following significant risks of material misstatement as part of our audit planning. These are required under professional standards.

- Management override of internal control
- Improper revenue recognition

These are areas that we have identified through our understanding of your industry or as part of our planning procedures. We have designed our audit approach taking into consideration these risks.

### Internal Controls

As part of our audit, we will obtain an understanding of internal control sufficient to plan the audit and to determine the nature, timing, and extent of further audit procedures to be performed and not to provide an opinion on internal control. An audit is not designed to provide assurance on internal control or to identify significant deficiencies in the design or operation of internal control. However, during the audit, if we become aware of such significant deficiencies or other significant matters related to the financial statements, we will communicate them in a separate letter.

### Other Matters

We would be pleased to discuss any matters you believe would be significant to the audit or that we should be aware of. These matters may include, but not be limited to the following:

- Governance related matters
- Communications from regulatory bodies
- Internal control matters
- Fraud risks
- Recent legal, regulatory, or accounting related matters

### New Accounting Pronouncements

We will review all new accounting pronouncements and any future accounting pronouncements that may have an effect on the Village. It is management's responsibility to ensure the Village applies all accounting pronouncements correctly in the financial statements. We will assist



management with the adoption of accounting pronouncements and keep them informed of those that may apply to the Village.

### **Other Services Provided**

In addition to our audit of the financial statements of the Village of Lake Orion for the year ended June 30, 2024, we will also perform the following services:

- Assist in preparing the audited financial statements and related footnotes for the year ended June 30, 2024 based on information provided to us by the Village.
- Preparation of the State of Michigan Form F-65, Auditing Procedures Report, and Qualifying Statement.

### **Independence**

We have reviewed our relationship with the Village and the services we perform. We confirm that we are independent with respect to the Village.

### **Staffing**

Services provided by AHP to the Village will be performed by the following team of professionals:

Greg Soule – Audit Partner

Duane Rehyl – Independent Review Partner

Jeff Todd – Auditor In Charge

This is intended solely for the use of the Village Council and management of the Village of Lake Orion and is not intended to be, and should not be, used by anyone other than these specified parties.

We look forward to serving the auditing needs of the Village and would be pleased to discuss our approach to the audit and respond to any questions you may have.

Sincerely,

*Andrews Hooper Pavlik PLC*