

August 12, 2025

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, 2025. 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 12, 2025, 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, 2025 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, 2025 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 18, 2025.

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, 2025, we will also perform the following services:

- Assist in preparing the audited financial statements and related footnotes for the year ended June 30, 2025 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

Randy Morse – 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 Paulik PLC