



**Plante & Moran, PLLC**  
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May 14, 2020

Mr. Jon Moore  
City of Richmond  
36725 Division Road  
Richmond, MI 48062

Dear Jon:

Thank you for your selection of Plante & Moran, PLLC ("PM") to assist you. We are sending this letter and the accompanying Professional Services Agreement, which is hereby incorporated as part of this engagement letter, to confirm our understanding of the nature, limitations, and terms of the services we will provide to the City of Richmond (the "City").

### **Scope of Services**

We will audit the City's financial statements as of and for the year ended June 30, 2020.

In addition, the supplemental information accompanying the financial statements, consisting of the governmental funds combining statements, will be subjected to the auditing procedures applied in our audit of the financial statements.

In connection with our audit engagement, we will assist you in drafting your financial statements supplementary information, and related notes. This assistance is considered a non-audit service; you agree to the contemporaneous provision of these audit and non-audit services

If you determine that you need additional services, including accounting, consulting, or tax assistance, PM can be available to provide such additional services if and to the extent provided for in a separate, signed engagement agreement.

### **Timing of Services**

We expect to begin fieldwork for this engagement at your offices on July 20, 2020. We anticipate that our on-site audit work will end on approximately August 2, 2020 and that our report will be issued thereafter. This timing is dependent on the impact of the Coronavirus pandemic, including your organization's ability to timely prepare for our work, the accessibility of your staff, and our ability to perform on-site work. If it appears our plans for on-site work will be impacted by continuing effects of pandemic, we will discuss alternatives with you.

### **Fees and Payment Terms**

Our fee for this engagement will be based on the actual time that PM staff expends at our current hourly rates, plus all reasonable and necessary travel and out-of-pocket costs incurred. Invoices for other services and out-of-pocket costs will be rendered as services are provided and are due when received. In the event an invoice is not paid timely, a late charge in the amount of 1.25 percent per month will be added, beginning 30 days after the date of the invoice.

If you are in agreement with our understanding of this engagement, as set forth in this engagement letter and the accompanying Professional Services Agreement, please sign the

Mr. Jon Moore  
City of Richmond

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enclosed copy of this letter and return it to us with the accompanying Professional Services Agreement.

Thank you for the opportunity to serve you.

Very truly yours,

**Plante & Moran, PLLC**



David W. Herrington

**Agreed and Accepted**

**We accept this engagement letter and the accompanying Professional Services Agreement, which set forth the entire agreement between the City of Richmond and Plante & Moran, PLLC with respect to the services specified in the Scope of Services section of this engagement letter.**

City of Richmond

DocuSigned by:

*Mr. Jon Moore*

F81242627ECC461

Mr. Jon Moore

6/4/2020

Date

City Manager

Title

## **Professional Services Agreement – Audit Services Addendum to Plante & Moran, PLLC Engagement Letter**

This Professional Services Agreement is part of the engagement letter for audit services dated May 14, 2020 between Plante & Moran, PLLC (referred to herein as “PM”) and the City of Richmond (referred to herein as “the City”).

1. **Financial Statements** – The financial statements of the City being audited by PM are to be presented in accordance with accounting principles generally accepted in the United States of America (GAAP).
2. **Management Responsibilities** – The City management is responsible for the preparation and fair presentation of these financial statements in accordance with the applicable financial reporting framework, including compliance with the requirements of accounting principles generally accepted in the United States of America and the completeness and accuracy of the information presented and disclosed therein. Management is also responsible for the capability and integrity of the City personnel responsible for the City’s underlying accounting and financial records.

The City personnel will provide PM, in a timely and orderly manner, with access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters and additional information that the auditor may request from management for the purpose of the audit.

This includes providing assistance and information PM requests during the course of its audit, including retrieval of records and preparation of schedules, analyses of accounts, and confirmations. A written request for information to be provided will be submitted under separate cover and supplemented by additional written and oral requests as necessary during the course of PM’s audit. In addition, the City will provide PM with all information in its possession that has a material impact on any material transaction and that information will be complete, truthful, and accurate. The City will allow PM unrestricted access to personnel within the City from whom PM determines it necessary to obtain audit evidence.

The City represents and warrants that any and all information that it transmits to PM will be done so in full compliance with all applicable federal, state, and foreign privacy and data protection laws, as well as all other applicable regulations and directives, as may be amended from time to time (collectively, “Data Privacy Laws”). The City shall not disclose personal data of data subjects who are entitled to certain rights and protections afforded by applicable federal, state, and foreign privacy and data protection laws (“Personal Data”) to PM without prior notification to PM. The City shall make reasonable efforts to limit the disclosure of Personal Data to PM to the minimum necessary to accomplish the intended purpose of the disclosure to PM.

Management is responsible for making all management decisions and performing all management functions relating to the financial statements, supplementary financial information, and related notes and for accepting full responsibility for such decisions, even if PM provides advice as to the application of accounting principles or assists in drafting the financial statements, supplementary financial information, and related notes. The City has designated Mr. Jon Moore to oversee financial statement related services PM provides. Management will be required to acknowledge in the management representation letter that it has reviewed and approved the financial statements, supplementary financial information, and related notes prior to their issuance and have accepted responsibility for the adequacy of the financial statements.

Management is responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing PM about all known or suspected fraud affecting the City 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. Management’s responsibilities include informing PM of its knowledge of any allegations of fraud or suspected fraud affecting the City received in communications from employees, former employees, regulators, or others. In addition, management is responsible for identifying and ensuring that the entity complies with applicable laws and regulations.

3. **Objective of an Audit of Financial Statements** – The objective of PM’s audit is the expression of an opinion on the City financial statements specified in the accompanying engagement letter. PM offers no guarantee, express or implied, that its opinion will be unmodified or that it will be able to form an opinion about these financial statements in the event that the City’s internal controls or accounting and financial records prove to be unreliable or otherwise not auditable. If PM’s opinion is to be modified, PM will discuss the reasons with the City management in advance of the issuance of its audit report. If, for any reason, PM is prevented from completing its audit or is unable to form an opinion on these financial statements, PM may terminate the engagement and decline to issue a report.
4. **Supplementary Information** – In any document that contains supplementary information to the basic financial statements that indicates that the auditor has reported on such supplementary information, management agrees

### **Professional Services Agreement – Audit Services**

to include the auditor's report on that supplementary information. In addition, management agrees to present the supplementary information with the audited financial statements or to make the audited financial statements readily available no later than the date of issuance by the City of the supplementary information and the auditor's report thereon.

5. **Internal Controls** – The City is responsible for the design, implementation, and maintenance of 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 controls established for the purpose of preventing or detecting errors in financial reporting, preventing fraud or misappropriation of assets, and identifying and complying with applicable laws and regulations. PM, in making its risk assessments, will consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. PM's audit will not be designed to provide assurance on the design or operating effectiveness of the City's internal controls or to identify all conditions that represent significant deficiencies in those internal controls. PM will communicate all significant deficiencies and material weaknesses in internal controls relevant to the audit of the financial statements, instances of fraud, or misappropriation of assets that come to PM's attention.
6. **Audit Procedures and Limitations** – PM's audit will be conducted in accordance with auditing standards generally accepted in the United States of America (GAAS) and will include examination, on a test basis, of evidence supporting the amounts and disclosures in the City financial statements specified in this engagement letter. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. An audit in accordance with GAAS involves judgment about the number of transactions to be tested and the overall approach to testing in each area. As a result, PM's audit can only be designed to provide reasonable rather than absolute assurance that these financial statements are free from material misstatement. In addition, an audit in accordance with GAAS is not designed to detect errors or fraud that are immaterial to the financial statements. Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected always exists, even in an audit properly planned and performed in accordance with GAAS. In recognition of these limitations, the City acknowledges that PM's audit cannot guarantee that all instances of error or fraud will be identified.
7. **Auditor Communications** – PM is obligated to communicate certain matters related to the audit to those responsible for governance of the City, including instances of error or fraud and significant deficiencies and material weaknesses in internal control that PM identifies during its audit. PM will communicate these matters to the members of the City's governing board, and the City acknowledges and agrees that communication in this manner is sufficient for the City's purposes.

Communication to Group Auditor – In instances where PM has been engaged as a component auditor for the purposes of a Group Audit, the terms of the engagement may include communication of certain matters related to the audit to the Group Auditor. The City permits such communication. PM will discuss matters being communicated with those responsible for governance of the City.

8. **Accounting and Financial Records** – The City agrees that it is responsible for providing PM with accounting and financial records that are closed, complete, accurate, and in conformity with the requirements of GAAP, for providing schedules and analyses of accounts that PM requests, and for making all the City financial records and related information available to PM for purposes of PM's audit. Where PM has provided estimates of the timing of its work and completion of PM's engagement and issuance of PM's report, those estimates are dependent on the City providing PM with all such accounting and financial records, schedules, and analyses on the date PM's work commences. PM will assess the condition of the City's accounting and financial records, schedules, and analyses of accounts prior to commencing its work. In the event that such records, schedules, and analyses are not closed, complete, accurate, or in conformity with GAAP, PM may have to reschedule its work, including the dates on which PM expects to complete its on-site procedures and issue its audit report.

In any circumstance where PM's work is rescheduled due to the City's failure to provide information as described in the preceding paragraph, PM offers no guarantee, express or implied, that PM will be able to meet any previously established deadlines related to the completion of the audit work or issuance of its audit report. Because rescheduling audit work imposes additional costs on PM, in any circumstance where PM has provided estimated fees, those estimated fees may be adjusted for the additional time PM incurs as a result of rescheduling its work. These fee adjustments will be determined in accordance with the Fee Adjustments provision of this agreement.

9. **Audit Adjustments** – PM will recommend adjustments to the City's accounting records that PM believes are appropriate. The City management is responsible for adjusting the City accounting records and financial statements to correct material misstatements and for affirming to PM in writing that the effects of any unrecorded adjustments identified during PM's audit are immaterial, both individually and in the aggregate, to the City financial statements specified in this agreement.

**Professional Services Agreement – Audit Services**

- 10. Management Representations** – The City is responsible for the financial statements being audited and the implicit and explicit representations and assertions regarding the recognition, measurement, presentation, and disclosure of information therein. During the course of the audit, PM will request information and explanations from the City officers, management, and other personnel regarding accounting and financial matters, including information regarding internal controls, operations, future plans, and the nature and purpose of specific transactions. PM will also require that management make certain representations to PM in writing as a precondition to issuance of PM's report.

PM's audit procedures will be significantly affected by the representations and assertions PM receives from management and, accordingly, false representations could cause material error or fraud to go undetected by PM's procedures. Accordingly, the City acknowledges and agrees that it will instruct each person providing information, explanations, or representations to an auditor to provide true and complete information, to the best of his or her knowledge and belief. It is also agreed that any deliberate misrepresentation by any director, officer, or member of management, or any other person acting under the direction thereof ("Client Personnel"), intended to influence, coerce, manipulate, or mislead PM in the conduct of its audit of the financial statements will be considered a material breach of this agreement. In addition, as a condition of its audit engagement, the City agrees to indemnify and hold PM and its partners, affiliates, and employees harmless from any and all claims, including associated attorneys' fees and costs, based on PM's failure to detect material misstatements in the City financial statements resulting in whole or in part from deliberate false or misleading representations, whether oral or written, made to PM by Client Personnel. This indemnity will be inoperative only if, and to the extent that, a court having competent jurisdiction has determined that PM failed to conduct its audit in accordance with generally accepted auditing standards and such failure resulted in PM not determining such misrepresentation by Client Personnel was false.

- 11. Use of Report** – PM's report on the financial statements must be associated only with the financial statements that were the subject of PM's audit engagement. The City may make copies of the audit report, but only if the entire financial statements (including related footnotes and supplemental information, as appropriate) are reproduced and distributed with that report. The City agrees not to reproduce or associate PM's audit report with any other financial statements, or portions thereof, that are not the subject of this engagement.

If PM's report on the financial statements being audited is to be published in any manner or if the City intends to make reference to PM in a publication of any type, the City agrees to submit proofs of the publication to PM for review prior to such publication and cooperate with PM in PM's performance of any additional audit procedures PM deems necessary in the circumstances, the nature and extent of which will be at PM's sole discretion. The City acknowledges and agrees that additional fees for such work will be determined in accordance with the Fee Adjustments provision of this agreement. With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on the City's Internet website, the City understands that electronic sites are a means to distribute information and, therefore, PM is 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.

- 12. Securities Offerings** – PM's audit does not contemplate, and does not include, any services in connection with any offering of securities, whether registered or exempt from registration. In the event the City elects to incorporate or make reference to PM's report in connection with any offering of debt or equity securities and requests PM's consent to such incorporation or reference, the City understands that additional procedures will need to be performed. In the event PM agrees in writing to perform such additional procedures, the nature and extent of which will be at PM's sole discretion, it is agreed and acknowledged that PM's performance of such additional procedures will be subject to all of the terms and conditions of this agreement. Additional fees for such work will be determined based on the actual time that PM staff expend at current hourly rates, plus all reasonable and necessary travel and out-of-pocket costs incurred, and that payment for all such additional fees will be made in accordance with the payment terms provided in this agreement.

If the City incorporates or makes reference to PM's report in connection with any offering of debt or equity securities without obtaining consent from PM as described above, the City agrees to include the following provision in the offering document:

Plante & Moran, PLLC, our independent auditor, has not performed or been engaged to perform any services in connection with the offering of securities. Nor has Plante & Moran, PLLC performed or been engaged to perform any procedures on the financial statements of the City since the date of the Plante & Moran, PLLC report included herein. Plante & Moran, PLLC also has not performed any procedures relating to this offering document.

- 13. Tax Return Preparation** – This engagement does not include preparation of any tax returns or filings. If the City requires tax services, including tax consulting or preparation of tax returns, those services will be detailed in a separate engagement letter.

**Professional Services Agreement – Audit Services**

- 14. Confidentiality, Ownership, and Retention of Workpapers** – During the course of this engagement, PM and PM staff may have access to proprietary information of the City, including, but not limited to, information regarding general ledger balances, financial transactions, trade secrets, business methods, plans, or projects. PM acknowledges that such information, regardless of its form, is confidential and proprietary to the City. PM will comply with all applicable ethical standards, laws, and regulations as to the retention, protection, use and distribution of such confidential client information. Except to the extent set forth herein, PM will not disclose such information to any third party without the prior written consent of the City.

In the interest of facilitating PM's services to the City, PM may communicate or exchange data by internet, e-mail, facsimile transmission, or other electronic method. While PM will use its best efforts to keep such communications and transmissions secure in accordance with PM's obligations under applicable laws and professional standards, the City recognizes and accepts that PM has no control over the unauthorized interception of these communications or transmissions once they have been sent, and consents to PM's use of these electronic devices during this engagement.

Professional standards require that PM create and retain certain workpapers for engagements of this nature. All workpapers created in the course of this engagement are and shall remain the property of PM. PM will maintain the confidentiality of all such workpapers as long as they remain in PM's possession.

Both the City and PM acknowledge, however, that PM may be required to make its workpapers available to regulatory authorities or by court order or subpoena in a legal, administrative, arbitration, or similar proceeding in which PM is not a party. Disclosure of confidential information in accordance with requirements of regulatory authorities or pursuant to court order or subpoena shall not constitute a breach of the provisions of this agreement. In the event that a request for any confidential information or workpapers covered by this agreement is made by regulatory authorities or pursuant to a court order or subpoena, PM agrees to inform the City in a timely manner of such request and to cooperate with the City should it attempt, at the City's cost, to limit such access. This provision will survive the termination of this agreement. PM's efforts in complying with such requests will be deemed billable to the City as a separate engagement. PM shall be entitled to compensation for its time and reasonable reimbursement of its expenses (including legal fees) in complying with the request.

PM reserves the right to destroy, and it is understood that PM will destroy, workpapers created in the course of this engagement in accordance with PM's record retention and destruction policies, which are designed to meet all relevant regulatory requirements for retention of workpapers. PM has no obligation to maintain workpapers other than for its own purposes or to meet those regulatory requirements.

Upon the City's written request, PM may, at its sole discretion, allow others to view any workpapers remaining in its possession if there is a specific business purpose for such a review. PM will evaluate each written request independently. The City acknowledges and agrees that PM will have no obligation to provide such access or to provide copies of PM's workpapers, without regard to whether access had been granted with respect to any prior requests.

- 15. Consent to Disclosures to Service Providers** – In some circumstances, PM may use third-party service providers to assist with its services, including affiliates of PM within or outside the United States. In those circumstances, PM will be solely responsible for the provision of any services by any such third-party service providers and for the protection of any information provided to such third-party service providers. PM will require any such third-party service provider to: (i) maintain the confidentiality of any information furnished; and (ii) not use any information for any purpose unrelated to assisting with PM's services for the City. In order to enable these third party service providers to assist PM in this capacity, the City, by its duly authorized signature on the accompanying engagement letter, consents to PM's disclosure of all or any portion of the City's information, including tax return information, to such third party service providers, including affiliates of PM outside of the United States, if and to the extent such information is relevant to the services such third party service providers may provide and agrees that PM's disclosure of such information for such purposes shall not constitute a breach of the provisions of this agreement. The City's consent shall be continuing until the services provided for this engagement agreement are completed.
- 16. Fee Quotes** – In any circumstance where PM has provided estimated fees, fixed fees, or not-to-exceed fees ("Fee Quotes"), these Fee Quotes are based on information provided by the City regarding the nature and condition of its accounting, financial, and tax records; the nature and character of transactions reflected in those records; and the design and operating effectiveness of its internal controls. The City acknowledges that the following circumstances may result in an increase in fees:

- Failure by the City to prepare for the audit as evidenced by accounts and records that have not been subject to normal year-end closing and reconciliation procedures;
- Failure by the City to complete the audit preparation work by the applicable due dates;

**Professional Services Agreement – Audit Services**

- Significant unanticipated or undisclosed transactions, audit issues, or other such unforeseeable circumstances, including those created by the Coronavirus pandemic and resulting market conditions;
- Delays by the City causing scheduling changes or disruption of fieldwork, including challenges created by the Coronavirus pandemic resulting from the inaccessibility of the City personnel or records;
- After audit or post fieldwork circumstances requiring revisions to work previously completed or delays in resolution of issues that extend the period of time necessary to complete the audit;
- Issues with the prior audit firm, prior year account balances, or report disclosures that impact the current year engagement;
- An excessive number of audit adjustments.

PM will advise the City in the event these circumstances occur, however it is acknowledged that the exact impact on the Fee Quote may not be determinable until the conclusion of the engagement. Such fee adjustments will be determined in accordance with the Fee Adjustments provision of this agreement.

- 17. Payment Terms** – PM's invoices for professional services are due upon receipt unless otherwise specified in the engagement letter. In the event any of PM's invoices are not paid in accordance with the terms of this agreement, PM may elect, at PM's sole discretion, to suspend work until PM receives payment in full for all amounts due or terminate this engagement. In the event that work is suspended, for nonpayment or other reasons, and subsequently resumed, PM offers no guarantee, express or implied, that PM will be able to meet any previously established deadlines related to the completion of PM's audit work or issuance of PM's audit report upon resumption of PM's work. The City agrees that in the event PM stops work or terminates this Agreement as a result of the City's failure to pay fees on a timely basis for services rendered by PM as provided in this Agreement, or if PM terminates this Agreement for any other reason, PM shall not be liable for any damages that occur as a result of PM ceasing to render services.
- 18. Fee Adjustments** – Any fee adjustments for reasons described elsewhere in this agreement will be determined based on the actual time expended by PM staff at PM's current hourly rates, plus all reasonable and necessary travel and out-of-pocket costs incurred, and included as an adjustment to PM's invoices related to this engagement. The City acknowledges and agrees that payment for all such fee adjustments will be made in accordance with the payment terms provided in this agreement.
- 19. Exclusion of Certain Damages** – In no event shall either party be liable to the other, whether a claim be in tort, contract, or otherwise, for any indirect, consequential, punitive, exemplary, lost profits, or similar damages in claims relating to PM's services provided under this engagement.
- 20. Receipt of Legal Process** – In the event PM is required to respond to a subpoena, court order, or other legal process (in a matter involving the City but not PM) for the production of documents and/or testimony relative to information PM obtained and/or prepared during the course of this engagement, the City agrees to compensate PM for the affected PM staff's time at such staff's current hourly rates, and to reimburse PM for all of PM's out-of-pocket costs incurred associated with PM's response unless otherwise reimbursed by a third party.
- 21. Subsequent Discovery of Facts** – After the date of PM's report on the financial statements, PM has no obligation to make any further or continuing inquiry or perform any other auditing procedures with respect to the audited financial statements covered by PM's report, unless new information that may affect the report comes to PM's attention. If PM becomes aware of information that relates to these financial statements but was not known to PM at the date of its report, and that is of such a nature and from such a source that PM would have investigated it had it come to PM's attention during the course of the audit, PM will, as soon as practicable, undertake to determine whether the information is reliable and whether the facts existed at the date of PM's report. In this connection, PM will discuss the matter with the City and request cooperation in whatever investigation and modification of the financial statements that may be necessary. Additional fees for such work will be determined based on the actual time that PM staff expend at PM's current hourly rates, plus all reasonable and necessary travel and out-of-pocket costs incurred, and the City acknowledges and agrees that payment for all such additional fees will be made in accordance with the payment terms provided in this agreement.
- 22. Termination of Engagement** – This agreement may be terminated by either party upon written notice. Upon notification of termination, PM's services will cease and PM's engagement will be deemed to have been completed. The City will be obligated to compensate PM for all time expended and to reimburse PM for all out-of-pocket expenditures through the date of termination of this engagement.
- 23. Entire Agreement** – This engagement agreement is contractual in nature, and includes all of the relevant terms that will govern the engagement for which it has been prepared. The terms of this letter supersede any prior oral or written representations or commitments by or between the parties regarding the subject matter hereof. Any

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material changes or additions to the terms set forth in this letter will only become effective if evidenced by a written amendment to this agreement, signed by all of the parties.

- 24. Severability** – If any provision of this engagement agreement (in whole or part) is held to be invalid or otherwise unenforceable, the other provisions shall remain in full force and effect.
- 25. Force Majeure** – Neither party shall be deemed to be in breach of this engagement agreement as a result of any delays or non-performance directly or indirectly resulting from circumstances or causes beyond its reasonable control, including, without limitation, fire or other casualty, acts of God, war or other violence, or epidemic (each individually a “Force Majeure Event”). A Force Majeure Event shall not excuse any payment obligation relating to fees or costs incurred prior to any such Force Majeure Event.
- 26. Signatures** – Any electronic signature transmitted through DocuSign or manual signature on this engagement letter transmitted by facsimile or by electronic mail in portable document format may be considered an original signature.
- 27. Governing Law** – This agreement shall be governed by and construed in accordance with the laws of the State of Michigan, and jurisdiction over any action to enforce this agreement, or any dispute arising from or relating to this agreement shall reside exclusively within the State of Michigan.

**End of Professional Services Agreement – Audit Services**