

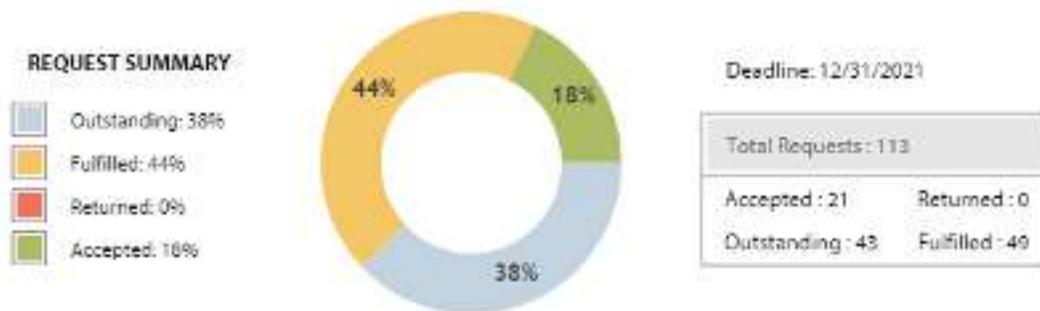
To: Mayor Pat Humphrey and the Clare City Commission
From: Shannon Sirpilla
Treasurer, Finance and Technology Director
Date: November 9, 2021
Reference: Treasurer's Report for November 16, 2021

Accounting Reconciliations: The monthly bank account reconciliations are currently in process and not yet completed as of October 31, 2021.

Cash and Investment Report: Will be provided at the next City Commission meeting.

Revenue and Expenditure Report: Will be provided at the next City Commission meeting.

2021 Audit Update: Michelle and I are still uploading documents to the virtual audit portal as requested by AHP. Diane and her team have been a tremendous support in this process. On-site dates have not been set yet. Once AHP determines specific items needed, they will secure a few dates with us. As shown below, many items have been fulfilled and many require a random selection.



**2021 Clare Audit Scope
Letter to Commission**

October 18, 2021

Members of the City Commission
City of Clare
202 West Fifth Street
Clare, MI 48617

This letter sets forth the planned scope of our audit of the financial statements of the City of Clare (City) for the year ending June 30, 2021. 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 Under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter to management dated October 18, 2021, the financial statements of the City of Clare are the responsibility of the City'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 City Commission. Our responsibility is to express opinions on those financial statements based on our audit. The audit of the financial statements does not relieve management or the City Commission of their responsibilities.

In planning and performing our audit, we will consider the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we will perform tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions is not an objective for our audit. While our audit will provide a reasonable basis for our opinion, it will not provide a legal determination on the City's compliance with those requirements.

Supplementary Information

Our responsibility for the supplementary information accompanying the financial statements, 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 and does not extend beyond the other supplementary information identified in our report.

Planned Scope and Timing of the Audit

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America, *Governmental Auditing Standards*. These standards require that we plan and perform the audit to obtain reasonable 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, 2021 audit will include a study and evaluation of the City 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 City Commission, management, and others within the City; 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, 2021 audit is based on our understanding of the City 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 City.

We will begin performing pre-engagement planning and our interim procedures in September. Year-end procedures are scheduled to begin about the week of October 18, 2021.

Summary of Significant Accounting and Auditing Issues

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.

Audited Financial Statements in Other Documents

Our responsibility for other information included in documents containing the City's audited financial statements and auditor's report does not extend beyond the financial information identified in the report. We also have no responsibility for determining whether such other information contained in these documents is properly stated.

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 new accounting pronouncements and future accounting pronouncements that may have an effect on the City. It is management's responsibility to ensure the City 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 City.

Other Services Provided

In addition to our audit of the financial statements of the City of Clare for the year ended June 30, 2021, we will also perform the following services:

- Prepare or assist in preparing the audited financial statements for the year ended June 30, 2021 based on information provided to us by you.
- Assist with necessary closing entries and accrual basis accounting adjustments.
- Prepare GASB 34 conversion entries based on information provided to us by you.
- Prepare annual State of Michigan Form F-65.

Independence

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

Staffing

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

Duane Reyhl – Audit Partner

Mark Freed – Independent Review Partner

Danielle Hoppe – Audit Manager

Kyle Waters – Audit Staff

Amy Wilson – Audit Staff

This is intended solely for the use of the City Commission and management of the City of Clare, 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 City of Clare and would be pleased to discuss our approach to the audit and respond to any questions you may have.

Sincerely,

Andrews Hooper Pavlik PLC