



October 31, 2007

Ms. Jean Farris, Purchasing Agent
City of Rochester Hills
1000 Rochester Hills Drive
Rochester Hills, MI 48309-3033

Dear Ms. Farris:

Thank you for considering our proposal to continue providing audit services to the City of Rochester Hills. The purpose of this communication is to modify our proposed fees for providing audit services.

As described in a separate communication that we have provided to the Mayor and Members of the City Council, eight new auditing standards have been issued (Statements on Auditing Standards 104 through 111) that require significant changes in how audits are performed, beginning with the City's December 31, 2007 financial statements. We have evaluated the additional effort that we expect to incur in the upcoming audits. As demonstrated in the attached schedules, our best estimate is that we will incur additional costs of \$12,000 in this first year, including the audits of the City, the Older Persons' Commission and Rochester-Avon Recreation Authority. In the second year (calendar 2008 audit), we expect this added effort to decrease to \$5,000 and remain consistent at that amount for 2009. In order to minimize the budget impact of these increases, we have prepared an amended fee quote that spreads these costs over a three-year period. Since our most recent fee proposal covered audit years through 2008, we have included a total fee for the 2009 audit using an inflationary increase to the 2008 fee as originally quoted plus the increase for SAS 104-11. As such, we would like to propose the following amended fee schedule:

	<u>2007</u>	<u>2008</u>	<u>2009</u>
City fees	76,044	77,789	79,580
O.P.C	8,527	8,722	8,923
R.A.R.A.	1,893	1,937	1,982
<i>Totals</i>	<u>86,464</u>	<u>88,448</u>	<u>90,485</u>

We are committed to serving the City in a manner that is fair to both the City and to Plante & Moran, PLLC and would be happy to discuss this further with you, at your convenience.

Very Truly Yours,

PLANTE & MORAN, PLLC

Joseph C. Heffernan

CITY OF ROCHESTER HILLS

Schedule of Additional Professional Fees for the 2007 Financial Statement Audits as a Result of SAS 104-111

	<u>Hours</u>	<u>Standard Hourly Rate *</u>	<u>Quoted Hourly Rate *</u>	<u>Total</u>
Partners	12	226	187	\$2,247
Managers	17	199	166	2,824
Supervisory Staff	31	145	121	3,772
Staff	37	102	85	<u>3,157</u>
Total maximum increase to the 2007 audit fees as originally quoted				<u><u>\$12,000</u></u>

Schedule of Additional Professional Fees for the 2008 Financial Statement Audits as a Result of SAS 104-111

	<u>Hours</u>	<u>Standard Hourly Rate *</u>	<u>Quoted Hourly Rate *</u>	<u>Total</u>
Partners	5	232	192	\$960
Managers	8	204	170	1,360
Supervisory Staff	12	149	124	1,474
Staff	14	105	87	<u>1,206</u>
Total maximum increase to the 2008 audit fees as originally quoted				<u><u>\$5,000</u></u>

Schedule of Additional Professional Fees for the 2009 Financial Statement Audits as a Result of SAS 104-111

	<u>Hours</u>	<u>Standard Hourly Rate **</u>	<u>Quoted Hourly Rate **</u>	<u>Total</u>
Partners	5	238	197	\$985
Managers	8	209	176	1,408
Supervisory Staff	11	153	129	1,424
Staff	13	108	91	<u>1,183</u>
Total maximum increase to the 2009 audit fees				<u><u>\$5,000</u></u>
Total increase for years 2007-2009				<u><u>\$22,000</u></u>

* Per original proposal dated November 22, 2004

** Newly proposed using inflationary increases to the 2008 quoted amounts

CITY OF ROCHESTER HILLS

**Amended Schedule of Professional Fees for the Audits of the City,
OPC, and RARA Using Three-Year Allocation of SAS 104-111 Estimated Increases**

	<u>2007*</u>	<u>2008*</u>	<u>2009**</u>
City	\$69,887	\$71,632	\$73,423
OPC	7,837	8,032	8,233
RARA	1,740	1,784	1,829
Subtotal	79,464	81,448	83,485
Allocation of SAS 104-111 increase	7,000	7,000	7,000
Total all-inclusive maximum price	<u>\$86,464</u>	<u>\$88,448</u>	<u>\$90,485</u>

* Per original proposal dated November 22, 2004

** Newly proposed using inflationary increases to the 2008 quoted amounts