

VILLAGE OF ALBION, NEW YORK

ENGAGEMENT LETTER

For Year Ended May 31, 2025



BUSINESS
ADVISORS
AND CPAS



BUSINESS
ADVISORS
AND CPAS

December 16, 2024

Mr. Angel Javier, Jr.
Village of Albion
35-37 East Bank St.
Albion, NY 14411

Dear Mr. Javier:

The following represents our understanding of the services we will provide the Village of Albion, New York.

You have requested that we audit the governmental activities, each major fund, and the aggregate remaining fund information of the Village, as of May 31, 2025, and for the year then ended, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter.

In addition, we will audit the Village's compliance over major federal award programs for the period ended May 31, 2025. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter. Our audits will be conducted with the objectives of our expressing an opinion on each opinion unit and an opinion on compliance regarding the Village's major federal award programs. The objectives of our audit of the financial statements 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 to issue an auditor's report that includes our opinion. 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) *and in accordance with Government Auditing Standards*, 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 made by a reasonable user based on the financial statements.

The objectives of our compliance audit are to obtain sufficient appropriate audit evidence to form an opinion and report at the level specified in the governmental audit requirement about whether the Village complied in all material respects with the applicable compliance requirements and identify audit and reporting requirements specified in the governmental audit requirement that are supplementary to GAAS and Government Auditing Standards, if any, and perform procedures to address those requirements.

Accounting principles generally accepted in the United States of America (U.S. GAAP), as promulgated by the Governmental Accounting Standards Board (GASB) require that management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the required supplementary information (RSI) in accordance with auditing standards generally accepted in the United States of America (GAAS). These limited procedures will consist primarily of inquiries of management regarding their methods of measurement and presentation, and comparing the information for consistency with management's responses to our inquiries. We will not express an opinion or provide any form of assurance on the RSI. The following RSI is required by U.S. GAAP. This RSI will be subjected to certain limited procedures but will not be audited:

Canandaigua + Elmira + Latham + Queensbury + Rochester
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- Management's Discussion and Analysis.
- Schedule of Changes in the Village's Total OPEB Liability and Related Ratio (GASB 75)
- Schedule of Village's Proportionate Share of the Net Pension Liability
- Schedule of Village Contributions
- Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund and All Major Funds

Supplementary information other than RSI will accompany the Village's basic financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling the supplementary information to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and additional procedures in accordance with auditing standards generally accepted in the United States of America. We intend to provide an opinion on the following supplementary information in relation to the financial statements as a whole:

- Combined Balance Sheet – Nonmajor Governmental Funds
- Combined Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds

Schedule of Expenditures of Federal Awards

We will subject the schedule of expenditures of federal awards to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling the schedule to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and additional procedures in accordance with auditing standards generally accepted in the United States of America. We intend to provide an opinion on whether the schedule of expenditures of federal awards is presented fairly in all material respects in relation to the financial statements as a whole.

Data Collection Form

Prior to the completion of our engagement, we will complete the sections of the Data Collection Form that are our responsibility. The form will summarize our audit findings, amounts and conclusions. It is management's responsibility to submit a reporting package including financial statements, schedule of expenditure of federal awards, summary schedule of prior audit findings and corrective action plan along with the Data Collection Form to the federal audit clearinghouse. The financial reporting package must be text searchable, unencrypted, and unlocked. Otherwise, the reporting package will not be accepted by the federal audit clearinghouse. We will assist you in the electronic submission and certification. You may request from us copies of our report for you to include with the reporting package submitted to pass-through entities.

The Data Collection Form is required to be submitted within the *earlier* of 30 days after receipt of our auditors' reports or nine months after the end of the audit period, unless specifically waived by a federal cognizant or oversight agency for audits. Data Collection Forms submitted untimely are one of the factors in assessing programs at a higher risk.

Audit of the Financial Statements

We will conduct our audits in accordance GAAS, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). As part of an audit of financial statements in accordance with GAAS and, in accordance with *Government Auditing Standards*, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit 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, misrepresentations, or the override of controls.
- Obtain an understanding of the system of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements or noncompliance may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS and *Government Auditing Standards* of the Comptroller General of the United States of America. Please note that the determination of abuse is subjective and *Government Auditing Standards* does not require auditors to detect abuse.

Our responsibility as auditors is limited to the period covered by our audit and does not extend to any other periods.

We will issue a written report upon completion of our audit of the Village's basic financial statements. Our report will be addressed to the governing body of the Village. 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 opinions, add an emphasis-of-matter or other-matter paragraph(s) to our auditor's report, or if necessary, withdraw from the engagement. If our opinions on the basic financial statements are 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 opinions, we may decline to express opinions or to issue a report as a result of this engagement.

In accordance with the requirements of *Government Auditing Standards*, we will also issue a written report describing the scope of our testing over internal control over financial reporting and over compliance with laws, regulations, and provisions of grants and contracts, including the results of that testing. However, providing an opinion on internal control and compliance over financial reporting will not be an objective of the audit and, therefore, no such opinion will be expressed.

At the conclusion of the audit, we will provide copies of our reports to you; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

Audit of Major Program Compliance

Our audit of the Village's major federal award program(s) compliance will be conducted in accordance with the requirements of the Single Audit Act, as amended; and the Uniform Guidance, and will include tests of accounting records, a determination of major programs in accordance with the Uniform Guidance and other procedures we consider necessary to enable us to express such an opinion on major federal award program compliance and to render the required reports. We cannot provide assurance that an unmodified opinion on compliance will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or withdraw from the engagement.

The Uniform Guidance requires that we also plan and perform the audit to obtain reasonable assurance about whether material noncompliance with applicable laws and regulations, the provisions of contracts and grant agreements applicable to major federal award programs, and the applicable compliance requirements occurred, whether due to fraud or error, and express an opinion on the Village's compliance based on the audit. 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Village's compliance with the requirements of the federal programs as a whole.

As part of a compliance audit in accordance with GAAS and, if applicable, in accordance with Government Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks.

Our procedures will consist of determining major federal programs and, performing the applicable procedures described in the U.S. Office of Management and Budget *OMB Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the Village's major programs, and performing such other procedures as we considers necessary in the circumstances. The purpose of those procedures will be to express an opinion on the Village's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to the Uniform Guidance.

Also, as required by the Uniform Guidance, we will obtain an understanding of the Village's internal control over compliance relevant to the audit in order to design and perform tests of controls to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each of the Village's major federal award programs. Our tests will be less in scope than would be necessary to render an opinion on these controls and, accordingly, no opinion will be expressed in our report. However, we will communicate to you, regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we have identified during the audit.

We will issue a report on compliance that will include an opinion or disclaimer of opinion regarding the Village's major federal award programs, and a report on internal controls over compliance that will report any significant deficiencies and material weaknesses identified; however, such report will not express an opinion on internal control.

Management's Responsibilities

Our audit will be conducted on the basis that management and, when appropriate, those charged with governance acknowledge and understand that they have responsibility:

- For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America;
- For the design, implementation, and maintenance of the system of internal control relevant to the preparation and fair presentation of the basic financial statements that are free from material misstatement, whether due to fraud or error, fraudulent financial reporting, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements; and
- For identifying, in its accounts, all federal awards received and expended during the period and the federal programs under which they were received;
- For maintaining records that adequately identify the source and application of funds for federally funded activities;
- For preparing the schedule of expenditures of federal awards (including notes and noncash assistance received) in accordance with the Uniform Guidance;
- For designing, implementing, and maintaining effective internal control over federal awards that provides reasonable assurance that the Village is managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal awards;
- For identifying and ensuring that the Village complies with federal laws, statutes, regulations, rules, provisions of contracts or grant agreements, and the terms and conditions of federal award programs, and implementing systems designed to achieve compliance with applicable federal statutes, regulations, and the terms and conditions of federal award programs;
- For disclosing accurately, currently, and completely the financial results of each federal award in accordance with the requirements of the award;
- For identifying and providing report copies of previous audits, attestation engagements, or other studies that directly relate to the objectives of the audit, including whether related recommendations have been implemented;
- For taking prompt action when instances of noncompliance are identified;
- For addressing the findings and recommendations of auditors, for establishing and maintaining a process to track the status of such findings and recommendations and taking corrective action on reported audit findings from prior periods and preparing a summary schedule of prior audit findings;
- For following up and taking corrective action on current year audit findings and preparing a corrective action plan for such findings;
- For submitting the reporting package and data collection form to the appropriate parties;
- For making the auditor aware of any significant contractor relationships where the contractor is responsible for program compliance;
- To provide us with:
 - a. Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements including the disclosures, and relevant to federal award programs, such as records, documentation, and other matters;
 - b. Additional information that we may request from management for the purpose of the audit;
 - c. Unrestricted access to persons within the Village from whom we determine it necessary to obtain audit evidence;
- For adjusting the basic financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the current year period(s) under audit are immaterial, both individually and in the aggregate, to the financial statements as a whole;
- For acceptance of nonattest services, including identifying the proper party to oversee nonattest work;
- For maintaining adequate records, selecting and applying accounting principles, and safeguarding assets;
- For informing us of any known or suspected fraud affecting the Village involving management, employees with significant role in internal control and others where fraud could have a material effect on compliance;

- For the accuracy and completeness of all information provided;
- For taking reasonable measures to safeguard protected personally identifiable and other sensitive information; and
- For confirming your understanding of your responsibilities as defined in this letter to us in your management representation letter.

With regard to the schedule of expenditures of federal awards referred to above, you acknowledge and understand your responsibility (a) for the preparation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance, (b) to provide us with the appropriate written representations regarding the schedule of expenditures of federal awards, (c) to include our report on the schedule of expenditures of federal awards in any document that contains the schedule of expenditures of federal awards and that indicates that we have reported on such schedule, and (d) to present the schedule of expenditures of federal awards with the audited financial statements, or if the schedule will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the schedule of expenditures of federal awards no later than the date of issuance by you of the schedule and our report thereon.

As part of our audit process, we will request from management and, when appropriate, those charged with governance, written confirmation concerning representations made to us in connection with the audit.

We understand that your employees will prepare all confirmations we request and will locate any documents or invoices selected by us for testing.

If you intend to publish or otherwise reproduce the financial statements and make reference to our firm, you agree to provide us with printers' proofs or masters for our review and approval before printing. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed.

Nonattest Services

With respect to any nonattest services we perform:

- We will assist in preparing the financial statements of the Village in conformity with U.S. generally accepted accounting principles based on information provided by and approved by you.
- We will data enter the the Village Annual Financial Report - Update Document for the year ended December 31, 2025 based on the trial balance and budget status reports provided by you. This report will be completed for the Village, for filing with the New York State Department of Audit and Control. If circumstances exist which would preclude the timely filing of this report, you would be notified immediately.

We will not assume management responsibilities on behalf of the Village. However, we will provide advice and recommendations to assist management of the Village in performing its responsibilities.

The Village's management is responsible for (a) making all management decisions and performing all management functions; (b) assigning a competent individual to oversee the services; (c) evaluating the adequacy of the services performed; (d) evaluating and accepting responsibility for the results of the services performed; and (e) designing, implementing, and maintaining the system of internal control, including the process used to monitor the system of internal control.

Our responsibilities and limitations of the nonattest services are as follows:

- This engagement is limited to applicable professional services previously outlined. Our firm, in its sole professional judgment, reserves the right to refuse to do any procedure or take any action that could be construed as making management decisions or assuming management responsibilities, including determining

account coding and approving journal entries. Our firm will advise the Village with regard to tax positions taken in the preparation of the tax return, but the Village must make all decisions with regard to those matters.

- Our work in connection with the preparation of the annual update document does not include any procedures designed to discover defalcations or other fraud, should any exist. You have the final responsibility for the information returns. Therefore, you should review them carefully before filing.

These nonattest services do not constitute an audit under Government Auditing Standards and such services will not be conducted in accordance with Government Auditing Standards.

Other Matters

Our fees to complete the above services for the Village of Albion, New York for May 31, 2025 will be computed at our regular per diem rates, plus travel and other out-of-pocket costs as follows:

Regular Audit	\$27,500
Single Audit	5,250
Annual Update Document	1,950
Total	<u>\$34,700</u>

There will be an additional charge associated with meeting with your Board (if requested) that will be billed at \$405 for each meeting.

If requested, we will assist you with the preparation of your depreciation schedules for the the Village for the year ended May 31, 2025. The cost to complete this work will not exceed \$1,675.

Mr. Thomas Zuber is the engagement partner for the audit services specified in this letter. His responsibilities include supervising MMB + Co., LLP's services performed as part of this engagement and signing or authorizing another qualified firm representative to sign the audit report.

During the course of the engagement, we may communicate with you or your personnel via fax or e-mail, and you should be aware that communication in those mediums contains a risk of misdirected or intercepted communications.

Regarding 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 these sites or to consider the consistency of other information in the electronic site with the original document.

We will maintain various physical, electronic, policy, and procedural safeguards to guard your information and personal data. We may communicate with you or your personnel and/or store data through e-mail, facsimile, third-party vendor secured portals or cloud environments, or other electronic means. Electronic data that is confidential may be transmitted and/or stored using these methods, and you authorize us to do so. Notwithstanding the security measures and safeguards employed by us and/or our third-party vendors, you accept that we have no control over the unauthorized interception or breach of communication and/or data. All confidential, proprietary, and personally-identifiable information should be transmitted through secure means which we have available. Information transmitted to you through our secure CCH Products may be removed within a reasonable period of time after conclusion of the engagement. As such, you should download the files provided for your records.

Professional standards prohibit us from being the sole host and/or the sole storage for your financial and non-financial data. As such, it is your responsibility to maintain your original data and records and we cannot be responsible to maintain such original information. By signing this engagement letter, you affirm that you have all the data and records required to make your books and records complete.

The audit documentation for this engagement is the property of MMB + Co., LLP and constitutes confidential information. However, we may be requested to make certain audit documentation available to regulatory agent and federal agencies and the U.S. Government Accountability Office pursuant to authority given to it by law or regulation, or to peer reviewers. If requested, access to such audit documentation will be provided under the supervision of MMB + Co., LLP's personnel. Furthermore, upon request, we may provide copies of selected audit documentation to these agencies and regulators. The regulators and agencies may intend, or decide, to distribute the copies of information contained therein to others, including other governmental agencies. We agree to retain our audit documentation or work papers for a period of at least five years from the date of our report.

In the event we are or may be obligated to pay any cost, settlement, judgment, fine, penalty, or similar award or sanction as a result of a claim, investigation, or other proceeding instituted by any third party, then to the extent such obligation is or may be a direct or indirect result of your intentional or knowing misrepresentation or provision to us of inaccurate, incomplete, or misleading information in connection with this engagement, and not any failure on our part to comply with professional standards, you agree to indemnify us, defend us, and hold us harmless as against such obligations.

In the event you request us to object to or respond to, or we receive and respond to, a validly issued third party subpoena, court order, government regulatory inquiry, or other similar request or legal process against the Company or its management for the production of documents and/or testimony relative to information we obtained and/or prepared during the course of this or any prior engagements, you agree to compensate us for all time we expend in connection with such response, at our regular rates, and to reimburse us for all related out-of-pocket costs (including outside lawyer fees) that we incur.

We agree to retain our audit documentation or work papers for a period of at least five years from the date of our report.

You agree to inform us of facts that may affect the financial statements of which you may become aware during the period from the date of the auditor's report to the date the financial statements are issued.

During the course of the audit, we may observe opportunities for economy in, or improved controls over, your operations. We will bring such matters to the attention of the appropriate level of management, either orally or in writing.

At the conclusion of our audit engagement, we will communicate to management the following significant findings from the audit:

- Our view about the qualitative aspects of the Village's significant accounting practices;
- Significant difficulties, if any, encountered during the audit;
- Uncorrected misstatements, other than those we believe are trivial, if any;
- Disagreements with management, if any;
- Other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process;
- Material, corrected misstatements that were brought to the attention of management as a result of our audit procedures;
- Representations we requested from management;
- Management's consultations with other accountants, if any; and
- Significant issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management.

We do not charge for any phone consultation throughout the year. If you require accounting assistance which necessitates travel to your location, we will charge an hourly rate and mileage. Our current hourly rates will be as follows:

Partner	\$ 350	Director	\$ 250	Manager	\$ 200-245
Supervisory Staff	\$ 185	Staff	\$110-150		

In accordance with the requirements of *Government Auditing Standards*, we have attached a copy of our latest external peer review report of our firm for your consideration and files.

This Agreement sets forth the entire agreement between the parties with respect to the subject matter herein, superseding all prior agreements, negotiations, or understandings, whether oral or written, with respect to the subject matter herein. This Agreement may not be changed, modified, or waived in whole or part except by an instrument in writing signed by both parties.

Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the financial statements' compliance over major federal award programs including our respective responsibilities.

We appreciate the opportunity to be your financial statement auditors and look forward to working with you and your staff.

Respectfully,
Mengel Metzger Barr & Co., LLP



Thomas Zuber, CPA, Partner

RESPONSE:

This letter correctly sets forth our understanding.

Acknowledged and agreed on behalf of the Village of Albion, New York by:

Name: _____

Signature: _____

Date: _____

POSITIVE PAY Service Schedule

1/18/25

Client Name: Village of Albion ("Client")

For Bank Use Only
TIN # (required)
Account # (optional)
Document Type: Treasury Services Agreement
Aux Doc Type: Positive Pay Agreement
Contact Name: Ray Perechinsky Jt
Phone: 518-257-8403
Agreement Modified <input type="checkbox"/> Yes or <input checked="" type="checkbox"/> No

THIS SCHEDULE. Client has decided to use the Service described below and KeyBank National Association ("Bank") agrees to provide the Service as stated herein. Client and Bank agree that the Service shall be performed in accordance with this Schedule and Client's selections, designations, authorizations and/or other instructions, and subject to the Master Agreement between Client and Bank for cash management services, a copy of which has been received and signed by Client (said agreement, together with all other addenda, exhibits and schedules attached thereto, collectively called the "Master Agreement"). This Schedule is hereby made a part of the Master Agreement. All capitalized terms in this Schedule shall, unless otherwise defined herein, have the same meaning as ascribed to them in the Master Agreement.

1. Service.

Under the Positive Pay Service ("Service") provided hereunder by Bank, the Bank shall receive from Client, or Client's agent, certain information, including, but not limited to, the serial number, dollar amount, account number, and issue date of each item (the "Issuance Information") in compliance with the formatting, media, deadlines, and other requirements provided to Client by Bank. Client will identify for Bank which of Client's account(s) Client wants the Services, and any applicable optional Service features, to cover. For the purposes hereof, "item" shall include, without limitation, checks, authorized drafts, and checks converted to ACH entries, payable in US currency, that are presented for payment by electronic or other means. When the items are presented for payment, the Client authorizes the Bank to match the information against the Issuance Information provided. Items that match are paid with no additional inspection. Items that do not match are reported to the Client in the Positive Pay Mismatch Report (the "Positive Pay Mismatch Report"), giving the Client an opportunity not to pay specified items. Bank shall provide to Client, guideline directions, documentation and other materials, as may be necessary, further describing appropriate and reasonable account procedures and Client agrees to be bound by the procedures contained therein, to the extent same are reasonable.

Client elects to enroll in the following optional Service features:

Payee Name Verification – Enhances the Service by providing the ability to match the payee name on an item to the Issuance Information. Additional fees apply for Payee Name Verification. The Payee Name Verification feature allows Client to match the payee name to the

Issuance Information. This option is only effective for Issuance Information items issued after the implementation date of this feature. Accordingly, Bank will not match Payee Names to Issuance Information items received prior to the implementation date, unless Client re-issues outstanding items with an updated Issuance date.

Stale Dated Item – Enhances the Service by providing the ability to compare the issuance date of an item in Issuance Information with the presentment date of the item. The default stale date period is 180 days post issuance date of the item. Client may change the stale date period to less than 180 days by providing written notice to Bank. There is no additional fee for this feature, provided, however, that if Client chooses to return an item the standard return item fee shall apply.

Exceeds Dollar Limit – Enhances the Service by including in Client's report all items over a dollar amount designated by Client. Client may change the dollar limit by providing written notice to Bank. There is no additional fee for this feature, provided, however, that if Client chooses to return an item the standard return item fee shall apply.

2. Procedures.

Client is authorizing the Bank to conduct a daily review of items being presented for payment against the Issuance Information the Client has issued. This includes items presented at a branch office of Bank for encashment ("Teller Positive Pay"). The Bank will deliver (via KeyNavigator®) a report to the Client of items that do not match issue file criteria as indicated in Exhibit A attached hereto and made a part hereof ("Exhibit A"). Bank, in addition to the Positive Pay Mismatch Report and additional account procedures, as described above, will provide the Client with technical requirements, operational procedures, and security procedures regarding the Service selected as applicable. Client shall follow the requirements and procedures, which Bank may revise from time to time. Client agrees that by choosing this Service, Client expressly authorizes the Bank to rely solely upon the procedures set forth herein for payment, and that Bank will not be liable for any errors or problems with items the Client electronically authorizes the Bank to pay. Client acknowledges and agrees that the terms of the Master Agreement, including Section 8 (Limitation of Liability; Disclaimer of Warranties), Section 12 (Security Procedures), and Section 32 (Fraud) apply to the Service.

Client and Bank agree to be bound by Client's selection below directing Bank to either PAY ALL or RETURN ALL

items on the Positive Pay Mismatch Report in the event Client takes no action on the Positive Pay Mismatch Report by the time limits set forth in Exhibit A and has not otherwise instructed Bank in writing.

Client must initial one of the following options:

 PAY ALL. If Client takes no action on the Positive Pay Mismatch Report by the time limits set forth in Exhibit A, the items on the Positive Pay Mismatch Report will be considered properly payable and Client hereby authorizes payment of the items. If this option is selected, Client shall be referred to hereafter as a "PAY ALL Client."

 RETURN ALL. If Client takes no action on the Positive Pay Mismatch Report by the time limits set forth in Exhibit A, Client hereby directs Bank to return all items on the Positive Pay Mismatch Report. If this option is selected, Client shall be referred to hereafter as a "RETURN ALL Client."

3. Teller Positive Pay.

As part of the Positive Pay service, the Teller Positive Pay feature will be engaged. Therefore, items presented at teller lines of Bank branch offices will be reviewed against the Issuance Information and paid or not paid, subject to the procedures provided in Section 1 herein. If the Client decides to disengage Teller Positive Pay, the Client must notify the Bank in writing. In the event Client requests Teller Positive Pay to be disengaged, items will not be matched against the Client Issuance Information at the teller line. Accordingly, any decision to either pay or not pay items, will not be governed by this Schedule.

4. Issuance Information.

Client shall transmit the Issuance Information to Bank in the content and form, and within the time deadlines, as required by Bank as indicated on Exhibit A. Bank may

refuse or delay processing or transmittal of the Issuance Information, including cancellations, reversals, error corrections or adjustments thereof, in the event the Issuance Information issued in the name of Client is not in accordance with mutually agreed security procedures, is unclear or incomplete or is not in compliance with any reasonable account procedures prescribed by Bank, or in the event of any other reasons satisfactory to Bank.

5. Security Procedures.

Client and Bank shall comply with mutually agreed security procedures. All data issued in the name of Client is subject to verification by Bank pursuant to the security procedures. Bank may process and transmit Issuance Information in the name of Client when verified by Bank pursuant to such procedures. Client shall be responsible for any unauthorized use or disclosure of all security procedure materials entrusted to it. Bank may deliver or disclose security procedure materials to any person designated by Client as an authorized representative.

Client: Village of Albion

By: _____
Signature Date

Title: _____

KEYBANK NATIONAL ASSOCIATION

By: _____
Signature Date

Title: _____

EXHIBIT A
Positive Pay Service Schedule

I. **Issuance Information Delivery Schedule** Client should submit its Issuance Information of items as soon as possible after items are issued. For Positive Pay processing, the deadline for submission of item issuance information is 11:00 pm ET ("Eastern Time") on the day prior to the physical distribution of items (this includes manually issued items).

II. **Positive Pay Mismatch Report delivery schedule:**

Same Day Positive Pay: Controlled Disbursement Point: Report Available At:

Albany, New York	12:00 pm ET	Portland, Maine	12:00 pm ET
Vermillion, Ohio	12:00 pm ET	Price, Utah	12:00 pm ET
Anchorage, Alaska	12:00 pm ET		

Same Day Positive Pay Clients will have until 6:00 pm ET to place a stop payment on any suspect item(s) that they do not want to post to their account.

If a PAY ALL Client takes no action on the Positive Pay Mismatch Report by the time limits set forth herein, the items on the Positive Pay Mismatch Report will be considered properly payable and Client hereby authorizes payment of the items.

If a RETURN ALL Client takes no action on the Positive Pay Mismatch Report by the time limits set forth herein, Client directs Bank to return all items on the Positive Pay Mismatch Report.

Next Day Positive Pay: Report Available At:

All Accounts 10:30 am LT

Local time ("LT") is defined as the time zone applicable to the geographical location of the assigned Bank account processing location.

Next Day Positive Pay Clients will have until 2:00 pm LT (1:00 pm LT for Next Day Positive Pay accounts located in Alaska) to place a return on any suspect item(s) that they want returned from their account. Local Time is defined as the time zone of the account processing geographical location at the Bank.

If a PAY ALL Client takes no action on the Positive Pay Mismatch Report by the time limits set forth herein, the items on the Positive Pay Mismatch Report will be considered properly payable and Client hereby authorizes payment of the items.

If a RETURN ALL Client takes no action on the Positive Pay Mismatch Report by the time limits set forth herein, Client directs Bank to return all items on the Positive Pay Mismatch Report.

It is the Client's responsibility to review their Positive Pay Mismatch Report each day. Failure to review the report will mean that all suspect items will be treated as PAY ALL or RETURN ALL as selected by Client on the first page of the Service Schedule.

III. **Error Notification by Bank and Error Correction by Client Bank Error:** In the event the delivery of the Same Day and/or Next Day Positive Pay Mismatch Report to Clients is either delayed or corrupt, Key Bank will notify the Client with an announcement message on KeyNavigatorSM.

Client Error:

In the event of an error on an incoming Client Issuance Information, the Bank may take action to contact the Client and request that the Client re-send the Issuance Information with the correct information. The Bank will not be accountable for processing errors due to Client failure to meet the requirements of any reasonable account procedures prescribed by Bank.