



November 6, 2025

To: Tom Dubois, City Manager

City of Sutter Creek  
18 Main Street  
Sutter Creek, CA 95685

We are pleased to confirm our understanding of the services we are to provide for the City of Sutter Creek, California (hereafter, the City) for the year ended June 30, 2025.

### **Audit Scope and Objectives**

We will audit the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, including the disclosures, which collectively comprise the basic financial statements, of the City as of and for the year ended June 30, 2025.

Accounting standards generally accepted in the United States of America (GAAP) provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the City's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board 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 City's RSI in accordance with auditing standards generally accepted in the United States of America (GAAS). These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient appropriate evidence to express an opinion or provide any assurance. The following RSI is required by GAAP and will be subjected to certain limited procedures, but will not be audited:

- 1) Management's Discussion and Analysis
- 2) Budgetary Comparison Schedules for the General Fund and any major special revenue funds
- 3) GASB-required supplementary pension schedules
- 4) GASB-required other postemployment benefits schedules

We have also been engaged to report on supplementary information other than RSI that accompanies the City's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS, and we will provide an opinion on it in relation to the financial statements as a whole in a separate written report accompanying our auditors' report on the financial statements or in a report combined with our auditors' report on the financial statements, depending on the presentation of supplementary information.

- 1) Schedule of Expenditures of Federal Awards (SEFA), if applicable Single Audit thresholds are met
- 2) Combining and individual fund statements and schedules

The objectives of our audit 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 issue an auditors' report that includes our opinions about whether your financial statements are fairly presented, in all material respects, in conformity with GAAP, and report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. 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 and *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 of a reasonable user made based on the financial statements. The objectives also include reporting on:

- Internal control over financial reporting and compliance with provisions of laws, regulations, contracts, and award agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- If applicable Single Audit thresholds are met, internal control over compliance related to major programs and an opinion (or disclaimer of opinion) on compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

**Auditors' Responsibilities for the Audit of the Financial Statements and, if applicable, Single Audit**

We will conduct our audit in accordance with GAAS and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. If applicable Single Audit thresholds are met, we will also conduct our audit in accordance with the Single Audit Act Amendments of 1996 and the provisions of the Uniform Guidance, and will include tests of accounting records, a determination of major program(s) in accordance with Uniform Guidance, and other procedures we consider necessary to enable us to express such opinions. As part of an audit in accordance with GAAS and *Government Auditing Standards*, we exercise professional judgment and maintain professional skepticism throughout the audit.

We will evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management. We will also evaluate the overall presentation of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government. Because the determination of waste and abuse is subjective, *Government Auditing Standards* do not expect auditors to perform specific procedures to detect waste or abuse in financial audits nor do they expect auditors to provide reasonable assurance of detecting waste or abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is an unavoidable risk that some material misstatements or noncompliance may not be detected by us, even though the audit is properly planned and performed in accordance with GAAS and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or on major programs. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental

regulations that come to our attention, unless clearly inconsequential. We will include such matters in the reports required by *Government Auditing Standards* or for a Single Audit. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

In connection with this engagement, we may communicate with you or others via email transmission. As emails can be intercepted and read, disclosed, or otherwise used or communicated by an unintended third party, or may not be delivered to each of the parties to whom they are directed and only to such parties, we cannot guarantee or warrant that emails from us will be properly delivered and read only by the addressee. Therefore, we specifically disclaim and waive any liability or responsibility whatsoever for interception or unintentional disclosure of emails transmitted by us in connection with the performance of this engagement. In that regard, you agree that we shall have no liability for any loss or damage to any person or entity resulting from the use of email transmissions, including any consequential, incidental, direct, indirect, or special damages, such as loss of revenues or anticipated profits, or disclosure or communication of confidential or proprietary information.

We will also conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the government's ability to continue as a going concern for a reasonable period of time.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and direct confirmation of receivables and certain assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will also request written representations from your attorneys as part of the engagement and they may bill you for responding to this inquiry.

We may, from time to time and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

### **Audit Procedures—Internal Control**

We will obtain an understanding of the government and its environment, including the system of internal control, sufficient to identify and assess the risks of material misstatement of the financial statements, whether due to error or fraud, and to design and perform audit procedures responsive to those risks and obtain evidence that is sufficient and appropriate to provide a basis for our opinions. 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, misrepresentation, or the override of internal control. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

If applicable Single Audit thresholds are met, as required by the Uniform Guidance, we will perform tests of controls over compliance 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 major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to the Uniform Guidance.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. Accordingly, we will express no such opinion. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards*, and, if applicable, the Uniform Guidance.

**Audit Procedures—Compliance**

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the City’s compliance with provisions of applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance, and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

If the City is subject to Single Audit requirements, the Uniform Guidance requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with federal statutes, regulations, and the terms and conditions of federal awards applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the *OMB Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the City’s major programs. For federal programs that are included in the Compliance Supplement, our compliance and internal control procedures will relate to the compliance requirements that the Compliance Supplement identifies as being subject to audit. The purpose of these procedures will be to express an opinion on the City’s compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to the Uniform Guidance.

**Responsibilities of Management for the Financial Statements and, if applicable, Single Audit**

Our audit will be conducted on the basis that you acknowledge and understand your responsibility for (1) designing, implementing, establishing, and maintaining effective 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 internal controls over federal awards, and for evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met; (2) following laws and regulations; (3) ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements; and (4) ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles; for the preparation and fair presentation of the financial statements, the SEFA, and all accompanying information in conformity with accounting principles generally accepted in the United States of America; and for compliance with applicable laws and regulations (including federal statutes), rules, and the provisions of contracts and grant agreements (including award agreements). Your responsibilities also include identifying significant contractor relationships in which the contractor has responsibility for program compliance and for the accuracy and completeness of that information.

You are also responsible for making drafts of financial statements, the SEFA, all financial records, and related information available to us; for the accuracy and completeness of that information (including information from outside of the general and subsidiary ledgers); and for the evaluation of whether there are any conditions or events, considered in the aggregate, that raise substantial doubt about the government’s ability to continue as a going concern for the 12 months after the financial statements date or shortly thereafter (for example, within an additional three months if currently known). You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, identification of all related parties and all related-party relationships and transactions, and other matters; (2) access to personnel, accounts, books, records, supporting documentation, and other information as needed to perform an audit under the Uniform Guidance, if applicable; (3) additional information that we may request for the purpose of the audit; and (4) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence. At the conclusion of our audit, we will require certain written representations from you about the financial statements; the SEFA; federal award programs; compliance with laws, regulations, contracts, and grant agreements; and related matters.

Your responsibilities include adjusting the 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 latest period presented are immaterial, both individually and in the aggregate, to the financial statements of each opinion unit taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants. You are also responsible for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we report. Additionally, as required by the Uniform Guidance, it is management's responsibility to evaluate and monitor noncompliance with federal statutes, regulations, and the terms and conditions of federal awards; take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings; promptly follow up and take corrective action on reported audit findings; and prepare a summary schedule of prior audit findings and a separate corrective action plan. The summary schedule of prior audit findings should be available for our review at the start of scheduled fieldwork.

If the City is subject to Single Audit requirements, you are responsible for identifying all federal awards received and understanding and complying with the compliance requirements and for the preparation of the SEFA (including notes and noncash assistance received, and COVID-19-related concepts, such as lost revenues, if applicable) in conformity with the Uniform Guidance. You agree to include our report on the SEFA in any document that contains, and indicates that we have reported on, the SEFA. You also agree to include the audited financial statements with any presentation of the SEFA that includes our report thereon or make the audited financial statements readily available to intended users of the SEFA no later than the date the SEFA is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the SEFA in accordance with the Uniform Guidance; (2) you believe the SEFA, including its form and content, is stated fairly in accordance with the Uniform Guidance; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the SEFA.

You are also responsible for the preparation of the other supplementary information, which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles (GAAP). You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon or make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Scope and Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions for the report, and for the timing and format for providing that information.

## Other Services

We will also assist in preparing the financial statements, the SEFA (if applicable), and related notes of the City in conformity with accounting principles generally accepted in the United States of America and the Uniform Guidance based on information provided by you. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statements, the SEFA, and related notes services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

You agree to assume all management responsibilities for the financial statements and, if applicable, the SEFA, and related notes, and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements, the SEFA, and related notes and that you have reviewed and approved the financial statements, the SEFA, and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

## Agreed-Upon Procedures Engagements

As part of our contract with the City, certain agreed-upon procedures engagements have been requested to be performed within the scope of services for the year ended June 30, 2025. They are identified as follows:

### 1) Appropriations Limit

You have requested LSL, LLP to perform specific agreed-upon procedures with respect to the calculation of the City's Appropriations Limit (GANN limit), in accordance with Article XIII-B of the California Constitution (the Subject Matter). The City is responsible for the Subject Matter. The specific procedures to be performed are included as an attachment to this Engagement Letter.

### *Independent Accountants' Responsibilities for Applying Agreed-Upon Procedures*

Our engagement will be conducted in accordance with attestation standards established by the AICPA. Because the procedures included in the attachment to this Engagement Letter do not constitute an examination or review, the objective of which is the expression of an opinion or conclusion, respectively, we will not express an opinion or any other form of assurance thereon and if additional procedures were to be performed, other matters might have come to our attention.

At the conclusion of our engagement, we will submit a report in letter form outlining the procedures performed and our findings resulting from the procedures performed.

Our report will contain a statement that it is intended solely for the use of the City and should not be used by those who have not agreed to the procedures and taken responsibility for the appropriateness of the procedures for their purposes.

If circumstances arise relating to the condition of the City's records, the availability of appropriate evidence that, in our professional judgment, prevent us from completing the engagement, we retain the unilateral right to take any course of action permitted by professional standards, including declining to express our findings or issue a report, or withdrawing from the engagement.

The procedures that we will perform are not designed and cannot be relied upon to disclose errors, fraud or illegal acts, should any exist. However, we will inform the appropriate level of management and those charged with governance of any material errors that come to our attention and any fraud or illegal acts that come to our attention, unless they are clearly inconsequential.

We will maintain our independence in accordance with the standards of the AICPA and *Government Auditing Standards*.

#### *Management's Responsibilities for Agreed-Upon Procedures Engagements*

The appropriateness of the procedures included in the attachment is solely the responsibility of the City. We make no representation regarding the appropriateness of the procedures described above, either for the purpose for which these services have been requested or for any other purpose. Management is responsible for:

- 1) Providing to us, prior to the conclusion of the engagement, written acknowledgment that the attached procedures are appropriate for the intended purpose of this engagement
- 2) Providing to us, at the conclusion of the engagement, a representation letter in accordance with attestation standards established by the AICPA
- 3) The design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the Subject Matter that is free from material misstatement, whether due to fraud or error
- 4) The design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the City involving management, employees who have significant roles in internal control, and others where the fraud could have a material effect on the Subject Matter
- 5) Informing us of its knowledge of any allegations of fraud or suspected fraud affecting the City received in communications from employees, former employees, analysts, regulators, or others

#### Preparation Engagements

We have also been engaged to prepare the City's Financial Transaction Report, on a regulatory basis in the form prescribed by the California State Controller.

The preparation of these reports will be conducted by our subcontractor (see paragraph below on use of subcontractors), in accordance with Statements on Standards for Accounting and Review Services (SSARs) promulgated by the Accounting and Review Services Committee of the AICPA and comply with the AICPA's Code of Professional Conduct, including the ethical principles of integrity, objectivity, professional competence, and due care. We will not audit or review the accompanying information in these reports and, accordingly, will not express an opinion or provide any assurance about whether they are in accordance with the applicable requirements.

#### **Engagement Administration, Fees, and Other**

We understand that your employees will prepare all cash, accounts receivable, or other confirmations and schedules we request and will locate any documents selected by us for testing.

We will schedule the engagement based in part on deadlines, working conditions, and the availability of your key personnel. We will plan the engagement based on the assumption that your personnel will cooperate and provide assistance by performing tasks such as preparing requested schedules, retrieving supporting documents, and preparing confirmations. If, for whatever reason, your personnel are unavailable to provide the necessary assistance in a timely manner, it may substantially increase the work we have to do to complete the engagement within the established deadlines, resulting in an increase in fees over our original fee estimate.

If the City is subject to Single Audit reporting requirements, at the conclusion of the engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to electronically submit the reporting package (including financial statements, the SEFA, summary schedule of prior audit findings, auditors' reports, and corrective action plan) along with the Data Collection Form to the Federal Audit Clearinghouse. We will coordinate with you the electronic submission and certification. The Data Collection Form and the reporting package must be submitted within the earlier of 30 calendar days after receipt of the auditors' reports or nine months after the end of the audit period.



We will provide electronic copies of our reports to the City; 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.

The audit documentation for this engagement is the property of LSL, LLP and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to your federal cognizant or oversight agency or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of LSL, LLP's personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by your federal cognizant agency, oversight agency, or pass-through entity. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

Ryan Domino, CPA, is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them. For the audit of the year ended June 30, 2025, Ryan Domino, CPA, has designated Steven B. Warnick, CPA, Senior Manager, to supervise the engagement and sign the reports under his oversight. We expect to begin our audit in February 2026.

Our all-inclusive maximum fee for these services is **\$56,130**, as quoted in our response to the City's request for proposals. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 90 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report(s). You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the engagement. If significant additional time is necessary, we will keep you informed of any problems we encounter and our fees will be adjusted accordingly.

As an attest client, LSL, LLP cannot retain your documents on your behalf. This is in accordance with the ET 1.295.143 of the AICPA Code of Professional Conduct. The City is responsible for maintaining its own data and records.

LSL, LLP utilizes portals, including ShareFile and CaseWare Collaborate, as a means of exchanging information and deliverables with our attest clients. These portals are used solely as a method of exchanging information and is not intended to store the City's information. At the end of the engagement, LSL, LLP will provide the City with an electronic copy (unless otherwise specified in our contract with the City) of deliverables and data related to the engagement from the portals.

Upon completion of the engagement, data and other content will either be removed from the portals or become unavailable to LSL, LLP. within a reasonable time frame (6 months).

You may request that we perform additional services not addressed in this engagement letter. If this occurs, we will communicate with you regarding the scope of the additional services and the estimated fees. We also may issue a separate engagement letter covering the additional services. In the absence of any other written communication from us documenting such additional services, our services will continue to be governed by the terms of this engagement letter.



## Reporting

We will issue written reports upon completion of our audit(s). Our reports will be addressed to the City Council of the City. 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 a separate section, or add an emphasis-of-matter or other-matter paragraph to our auditors' report, or if necessary, withdraw from this engagement. If our opinions 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 issue reports, or we may withdraw from this engagement.

If circumstances occur related to the condition of your records, the availability of sufficient, appropriate audit evidence, or the existence of a significant risk of material misstatement of the financial statements caused by error, fraudulent financial reporting, or misappropriation of assets, which in our professional judgment prevent us from completing the audit or forming an opinion on the financial statements, we retain the right to take any course of action permitted by professional standards, including declining to express an opinion or issue reports, or withdrawing from the engagement.

The *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters will state that (1) the purpose of the report is solely to describe the scope of testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance, and (2) the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. If applicable, the Uniform Guidance report on internal control over compliance will state that the purpose of the report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Both reports will state that the report is not suitable for any other purpose.

You have requested that we provide you with a copy of our most recent external peer review report and any subsequent reports received during the contract period. Accordingly, our 2022 peer review report accompanies this letter.

We appreciate the opportunity to be of service to the City and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the attached copy and return it to us.

Very truly yours,

*LSL, LLP*

LSL, LLP

RESPONSE:

This letter correctly sets forth the understanding of the City:

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Entity Name (If Relevant): City of Sutter Creek

Date: \_\_\_\_\_

# LSL, LLP's Terms and Conditions Addendum

## **Overview**

This addendum to the engagement letter describes our standard terms and conditions ("Terms and Conditions Addendum") related to our provision of services to you. This addendum, and the accompanying engagement letter, and, if applicable, our contract or professional services agreement with you comprise your agreement with us ("Agreement"). The hierarchy of precedence of the documents comprising our Agreement is as follows: (1) the contract or professional services agreement, (2), the engagement letter, and (3) this *Terms and Conditions Addendum*. If there is any inconsistency between the engagement letter, this *Terms and Conditions Addendum*, and our contract or professional services agreement, the contract or professional services agreement will prevail to the extent of the inconsistency. If there is any inconsistency between this *Terms and Conditions Addendum* and the engagement letter, then the engagement letter will prevail to the extent of the inconsistency.

For the purposes of this *Terms and Conditions Addendum*, any reference to "firm," "we," "us," or "our" is a reference to LSL, LLP, and any reference to "you," or "your" is a reference to the party or parties that have engaged us to provide services. References to "Agreement" mean the engagement letter or other written document describing the scope of services, any other attachments incorporated therein, and this Terms and Conditions Addendum.

## **Billing and Payment Terms**

Our firm's practice may require payment of a retainer upon execution of this Agreement. You agree that the retainer will be earned as our professional time to complete the engagement is incurred. The retainer will be applied to the final billing, and any unused balance will be refunded at the end of the engagement.

We will bill you for our professional fees and out-of-pocket costs. Payment is due upon receipt of the invoice. Failure to pay timely will result in interest charges of 1.5% per month (18% annually) on the unpaid balance. You have thirty 30 days from the invoice date to review the invoice and to communicate to us, in writing, any disagreement with the charges, after which you waive the right to contest the invoice.

In accordance with our firm policies, we reserve the right to suspend or terminate our work for non-payment of fees. In the event that work is discontinued, either temporarily or permanently, as a result of delinquent payment, we shall not be liable for any damages you may incur as a result of the work stoppage. Work will be suspended if your account becomes 90 days or more overdue and will not be resumed until your account is paid in full. Work will be terminated if your account balance becomes 180 days overdue. If our work is suspended or terminated, you assume all risk associated with your failure to meet governmental and other deadlines, for any penalties or interest that may be assessed against you resulting from your failure to meet such deadlines, and for any other damages (including but not limited to consequential, indirect, lost profits, or punitive damages) incurred as a result of the suspension or termination of our services.

## **Termination and Withdrawal**

We reserve the right to withdraw from the engagement without completing services for any reason, including, but not limited to, non-payment of fees, your failure to comply with the terms of this Agreement, or as we determine professional standards require. If our work is suspended or terminated, you agree that we will not be responsible for your failure to meet governmental and other deadlines, or for any liability, including but not limited to, penalties or interest that may be assessed against you resulting from your failure to meet such deadlines.

If this Agreement is terminated before services are completed, you agree to compensate us for the services performed and expenses incurred through the effective date of termination.

The City may, at any time, for any reason, with or without cause, suspend or terminate this Agreement, by serving written notice to us. Upon receipt of this notice, we will immediately cease all work under this Agreement, unless the notice provides otherwise. In the event of the City exercising the right to terminate this Agreement, the terms and conditions of the preceding paragraphs shall apply.

### ***Proprietary Information***

You acknowledge that proprietary information, documents, materials, management techniques and other intellectual property are a material source of the services we perform and were developed prior to our association with you. Any new forms, software, documents or intellectual property we develop during this engagement for your use shall belong to us, and you shall have the limited right to use them solely within your business. All reports, templates, manuals, forms, checklists, questionnaires, letters, agreements and other documents which we make available to you are confidential and proprietary to us. Neither you, nor any of your agents, will copy, electronically store, reproduce or make available to anyone other than your personnel, any such documents. This provision will apply to all materials whether in digital, "hard copy" format or other medium.

### ***Conflicts of Interest***

If we, in our sole discretion, believe a conflict of interest has arisen affecting our ability to deliver services to you in accordance with either the ethical standards of our firm or the ethical standards of our profession, we may be required to terminate our services without issuing our work product.

### ***Client Portals***

To enhance our services to you, we will utilize client portals. These are collaborative, virtual workspaces in a protected, online environment. Client portals permit real-time collaboration across geographic boundaries and time zones and allows LSL, LLP and you to share data, engagement information, knowledge, and deliverables in a protected environment. In order to use one of our portals, you may be required by the provider of the portal to execute a client portal agreement and agree to be bound by the terms, conditions, and limitations of such agreement. You agree that we have no responsibility for the activities of the portal provider and agree to indemnify and hold us harmless with respect to any and all claims arising from or related to the operation of the portal.

LSL, LLP is not a host for any of your information. You are responsible for maintaining your own copy of this information. We do not provide back-up services for any of your data or records, including information we provide to you. Portals are utilized solely as a method of transferring data and are not intended for the storage of your information. Information on a portal may be deleted by LSL, LLP.

If you decide to transmit your confidential information to us in a manner other than a secure portal, you accept responsibility for any and all unauthorized access to your confidential information. If you request that we transmit confidential information to you in a manner other than a secure portal, you agree that we are not responsible for any liability, including but not limited to, (a) any loss or damage of any nature, whether direct or indirect, that may arise as a result of our sending confidential information in a manner other than a secure portal, and (b) any damages arising as a result of any virus being passed on or with, or arising from any alteration of, any email message.

### ***Third-Party Service Providers or Subcontractors***

We may use third-party service providers, subcontractors, commercially-available artificial intelligence, or software tools, some of which may utilize or offer artificial intelligence capabilities, (collectively, "external party" or "external parties"), to assist us where necessary to help provide professional services to you or support the needs of our firm. You consent to our use of external parties. Our firm remains responsible for exercising reasonable care in providing our services, and our services and work product will be subjected to our firm's customary quality control procedures.

We may provide your confidential information to external parties in support of our services. You consent to the disclosure of your confidential information to those external parties. We take reasonably prudent business care consistent with our professional standards to prevent the unauthorized release of your confidential information.

In certain circumstances, we may require a separate, written consent from you before your information is transmitted to an external party or parties.

## **Records Management**

### Record Retention and Ownership

We will return any original records and documents you provide to us. Our copies of your records and documents are solely for our documentation purposes and are not a substitute for your own record-keeping obligations under any applicable laws or regulations. You are responsible for maintaining complete and accurate books and records, which may include financial statements, schedules, tax returns and other deliverables provided to you by us. If we provide deliverables or other records to you via an information portal, you must download this information within 30 days. Professional standards may preclude us from being the sole repository of your original data, records, or information.

Workpapers and other items created by us to support the delivery of our services are our property and will remain in our control. We will consider requests for copies of workpapers and other items created by us in accordance with the AICPA Code of Professional Conduct. Our workpapers will be maintained by us in accordance with our firm's record retention policy and any applicable legal and regulatory requirements. Our firm destroys workpaper files after a period of 7 years.

Catastrophic events or physical deterioration may result in damage to or destruction of our firm's records, causing the records to be unavailable before the expiration of the retention period, as stated in our record retention policy.

### Working Paper Access Requests by Regulators and Others

State, federal and foreign regulators may request access to or copies of certain workpapers pursuant to applicable legal or regulatory requirements. Requests also may arise with respect to peer review, an ethics investigation, the sale of your organization, or the sale of our accounting practice. If requested, access to such workpapers will only be provided under the supervision of firm personnel. Regulators may request copies of selected workpapers to distribute the copies or information contained therein to others, including other governmental agencies.

If we receive such a request, we agree to inform you of it as soon as practicable unless we are prohibited from doing so by applicable laws or regulations. You may, within the time permitted for our firm to respond to any request, initiate such legal action as you deem appropriate, at your sole expense, to attempt to limit the disclosure of information. If you take no action within the time permitted for us to respond, or if your action does not result in a judicial order protecting us from supplying requested information, we may construe your inaction or failure as consent to comply with the request.

If we are not a party to the proceeding in which the information is sought, you agree to reimburse us for our professional time and expenses, as well as the fees and expenses of our legal counsel, incurred in responding to such requests.

### Summons or Subpoenas

All information you provide to us in connection with this engagement will be maintained by us on a confidential basis.

If we receive a summons or subpoena which our legal counsel determines requires us to produce documents from this engagement or testify about this engagement, provided that we are not prohibited from doing so by applicable laws or regulations, we agree to inform you of such summons or subpoena as soon as practicable. You may, within the time permitted for our firm to respond to any request, initiate such legal action as you deem appropriate, at your sole expense, to attempt to limit discovery. If you take no action within the time permitted for us to respond, or if your action does not result in a judicial order protecting us from supplying requested information, we may construe your inaction or failure as consent to comply with the request.



If we are not a party to the proceeding in which the information is sought, you agree to reimburse us for our professional time and expenses, as well as the fees and expenses of our legal counsel, incurred in responding to such requests.

### ***Confidentiality***

In providing services to you, we may require information that is considered confidential and may include Personally Identifiable Information (PII), i.e. information that can be used to distinguish or trace an individual's' identity such as address, bank account and social security information. We will maintain all client information, including PII, on a confidential basis and have a duty to do so based on the standards promulgated by the American Institute of Certified Public Accountants as well as applicable laws and regulations. You assume the risk of loss if you provide us with information, including PII, which differs from the information we request in order to provide services to you in accordance with the Agreement.

### ***Referrals***

In the course of providing services to you, you may request referrals to products or professionals such as attorneys, brokers, or investment advisors. As a courtesy, we may identify professional(s) or product(s) for your consideration. However, you are responsible for evaluating, selecting, and retaining any professional or product and determining if the professional or product meets your needs. You agree that we will not oversee the activities of and have no responsibility for the work product of any professional or suitability of any product we refer to you or that you separately retain. Further, we are not responsible for any services we perform that fail to meet the intended outcomes as a result of relying on the services of other professionals or products you may retain.

### ***Limitations on Oral and Email Communications***

We may discuss with you our views regarding the treatment of certain items or decisions you may encounter. We may also provide you with information in an email. Any advice or information delivered orally or in an email (rather than through a memorandum delivered as an email attachment) will be based upon limited research and a limited discussion and analysis of the underlying facts. Additional research or a more complete review of the facts may affect our analysis and conclusions.

Due to these limitations and the related risks, it may not be appropriate to proceed with a decision solely on the basis of any oral or email communication from us. You accept all responsibility for any liability, including but not limited to additional tax, penalties or interest resulting from your decision (i) not to have us perform the research and analysis necessary to reach a more definitive conclusion and (ii) to instead rely on an oral or email communication. The limitation in this paragraph will not apply to an item of written advice that is a deliverable of a separate engagement. If you wish to engage us to provide formal advice on a matter on which we have communicated orally or by email, we will confirm this service in a separate agreement.

### ***Brokerage, Investment Advisory or Digital Asset Statements***

If you provide our firm with copies of brokerage, investment advisor, or digital asset statements, we will use the information solely for the purpose described in the *Engagement Objective and Scope* section of this Agreement. We will rely on the accuracy of the information provided in the statements and will not undertake any action to verify this information. We will not monitor transactions, investment activity, provide investment advice, or supervise the actions of the entity or individuals entering into transactions or investment activities on your behalf. We recommend that you receive and carefully review all statements upon receipt, and direct any questions regarding account activity to your banker, broker, or investment advisor.

### ***Disclaimer of Legal and Investment Advice***

Our services under this Agreement do not constitute legal or investment advice unless specifically engaged to provide investment advice in the *Engagement Objective and Scope* section of this Agreement. We recommend that you retain legal counsel and investment advisors to provide such advice.

### ***Electronic Data Communication and Storage***

In the interest of facilitating our services to you, we may send data over the Internet, temporarily store electronic data via computer software applications hosted remotely on the Internet, or utilize cloud-based storage. Your confidential electronic data may be transmitted or stored using these methods. In using these data communication and storage methods, our firm employs measures designed to maintain data security. We use reasonable efforts to keep such communications and electronic data secure in accordance with our obligations under applicable laws, regulations, and professional standards.

You recognize and accept that we have no control over the unauthorized interception or breach of any communications or electronic data once it has been transmitted or if it has been subject to unauthorized access while stored, notwithstanding all reasonable security measures employed by us. You consent to our use of these electronic devices and applications during this engagement.

### ***Marketing and Educational Communications***

We may send newsletters, emails, updates, explanations of technical developments or similar communications to you. These communications are of a general nature and should not be construed as professional advice. We may not send all such communications to you. These communications, by themselves, do not create a contractual relationship between us and you, a binding obligation for us to provide services to you, nor a requirement on our part to monitor issues for you.

#### ***Federally Authorized Practitioner – Client Privilege***

Internal Revenue Code §7525, *Confidentiality Privileges Related to Taxpayer Communication*, provides a limited confidentiality privilege applying to tax advice embodied in taxpayer communications with federally authorized tax practitioners in certain limited situations.

This privilege is limited in several important respects. For example, the privilege may not apply to your records, state tax issues, state tax proceedings, private civil litigation proceedings, or criminal proceedings.

While we will cooperate with you with respect to the privilege, asserting the privilege is your responsibility. Inadvertent disclosure of otherwise privileged information may result in a waiver of the privilege. Please contact us immediately if you have any questions or need further information about this federally authorized practitioner-client privilege.

### ***Dispute Resolution***

If a timely dispute arises out of or relates to this Agreement, including the scope of services contained herein, or the breach thereof, and if the dispute cannot be settled through negotiation, the parties agree first to try to settle the dispute by mediation administered by the American Arbitration Association (“AAA”) under the *AAA Accounting and Related Services Arbitration Rules and Mediation Procedures* before resorting to arbitration, litigation, or any other dispute resolution procedure. The mediator will be selected by mutual agreement of the parties. If the parties cannot agree on a mediator, a mediator shall be designated by the AAA. The mediation will be conducted in California.

The mediation will be treated as a settlement discussion and, therefore, all discussions during the mediation will be confidential. The mediator may not testify for either party in any later proceeding related to the dispute. No recording or transcript shall be made of the mediation proceedings. The costs of any mediation proceedings shall be shared equally by all parties. Any costs of legal representation shall be borne by the hiring party.

This provision shall not apply to any dispute of fees owed, billed or due.

**If any dispute, controversy, or claim cannot be resolved by mediation, then the dispute, controversy, or claim will be settled by arbitration in accordance with the American Arbitration Association’s Accounting and Related Services Arbitration Rules and Mediation Procedures. Such arbitration shall be binding and final. In agreeing to arbitration, we both acknowledge that each of us is giving up the right to have the**

**dispute decided in a court of law before a judge or jury and instead we are accepting the use of arbitration for resolution.**

### ***Limitation of Damages***

You agree to hold us harmless from any and all claims which arise from knowing misrepresentations to us, or the intentional withholding or concealment of information from us by your management. You also agree to indemnify us for any claims made against us by third parties, which arise from any of these actions by your management. The provisions of this paragraph shall apply regardless of the nature of the claim.

*The following applies to non-attest engagements only:*

Unless otherwise stated in the Agreement, you agree to indemnify, defend, and hold harmless LSL, LLP and any of its partners, principals, shareholders, officers, directors, members, employees, agents or assigns with respect to any and all claims made by third parties arising from this engagement, regardless of the nature of the claim, and including the negligence of any party, excepting claims arising from the gross negligence or intentional acts of LSL, LLP.

### ***Statute of Limitations***

You agree that any claim arising out of this Agreement shall be commenced within 3 year(s) of the delivery of the work product to you, regardless of any longer period of time for commencing such claim as may be set by law. A claim is understood to be a demand for money or services, the service of a suit, or the institution of arbitration proceedings against LSL, LLP.

### ***Insurance***

LSL, LLP shall, during the term of the engagement, maintain in full force and effect, accountants' professional liability insurance coverage from an insurer or insurers licensed to conduct business in the state of California. As of the policy effective date, such insurer or insurers shall be rated A- (Excellent), by A.M. Best with a Financial Size Category of Class VII or greater. Premiums for said insurance policy shall be paid by LSL, LLP.

Upon your written request, LSL, LLP shall furnish certificates of insurance for the required insurance coverage. Such certificate of insurance shall indicate the minimum limits of liability per claim and in the aggregate, as required by you.

### ***Independent Contractor***

When providing services to your company, we will function as an independent contractor and in no event will we or any of our employees be an officer of you, nor will our relationship be that of joint venturers, partners, employer and employee, principal and agent, or any similar relationship giving rise to a fiduciary duty to you.

Our obligations under this Agreement are solely obligations of LSL, LLP, and no partner, principal, employee, or agent of LSL, LLP shall be subjected to any personal liability whatsoever to you or any person or entity.

### ***Severability***

If any portion of this Agreement is deemed invalid or unenforceable, said finding shall not operate to invalidate the remainder of the terms set forth in this Agreement.

### ***Survivability***

The following sections of this Terms and Conditions Addendum shall survive termination of the Agreement: Limitation of Liability, Limitation of Damages, Indemnification, and Statute of Limitations.

### ***Assignment, No Third Party Beneficiaries***

All parties acknowledge and agree that the obligations and responsibilities of this Agreement cannot be assigned to any third party except as agreed to in writing. This Agreement has been entered into solely between you and LSL, LLP, and no third-party beneficiaries are created hereby.

### ***Force Majeure***

Neither party shall be held liable for any delays resulting from circumstances or causes beyond our reasonable control, including, without limitation, fire or other casualty, act of God, strike or labor dispute, war or other violence, epidemics or pandemics as defined by The Centers for Disease Control and Prevention, or any law, order or requirement of any governmental agency or authority. However, no Force Majeure event shall excuse you of any obligation to pay any outstanding invoice or fee or from any indemnification obligation under this Agreement.

### ***Electronic Signatures and Counterparts***

Each party hereto agrees that any electronic signature intended to replicate a written signature, shall be presumed valid, and we may reasonably rely upon it. For purposes hereof, "electronic signature" includes, but is not limited to, a scanned copy of a manual signature, an electronic copy of a manual signature affixed to a document, a signature incorporated into a document utilizing touchscreen capabilities, or a digital signature. Documents may be executed in one or more counterparts, each of which shall be considered an original instrument, but all of which shall be considered one and the same agreement.

### ***Firm Associations***

The firm is a member of PrimeGlobal, the association of advisory and accounting firms. No PrimeGlobal member firm is an agent or partner of the association or of any other member firm. No PrimeGlobal member firm has the authority to enter into any legal obligations on behalf of the association or any other member firm. If the firm introduces you to another PrimeGlobal member firm, this firm specifically denies any liability for any work performed by that firm. You should make your own contractual arrangements with that firm for work that they perform. The fact that you may have been introduced to us by another PrimeGlobal member firm does not make that firm, its partners, or its employees responsible for any of our acts or omissions.

The firm is not the agent or partner of PrimeGlobal or any other member firm, and does not have the authority to enter into legal obligations on behalf of either the association or any other member firm thereof. You agree that this firm has the sole liability for any work performed under this engagement and you undertake not to make any claim or bring any proceedings against either PrimeGlobal or any other member of PrimeGlobal in relation to work covered by this engagement.

### ***Entire Agreement***

This Agreement, including this *Terms and Conditions Addendum*, represents the entire agreement of the parties and supersedes all previous oral, written or other understandings and agreements between the parties. Any modification to the terms of this Agreement must be made in writing and signed by both parties. This Agreement has been entered into solely between you and LSL, LLP, and no third-party beneficiaries are created hereby.



**THIS AGREEMENT CONTAINS AN ARBITRATION PROVISION.** You and the firm agree that any dispute between us relating to our services shall be submitted to formal mediation and, if not resolved, mandatory, binding, and confidential arbitration. ***We specifically direct your attention to the Dispute Resolution provision on page 5 of our Terms and Conditions Addendum***

Very truly yours,

*LSL, LLP*

Accepted:

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Entity Name (If Relevant): City of Sutter Creek

Date: \_\_\_\_\_

# Exhibit A

## APPROPRIATIONS LIMIT PROCEDURES

1. We will obtain the completed Worksheets No. 1 through No. 7 (or other alternative computations) and compare the limit and annual adjustment factors included in those worksheets to the limit and annual adjustment factors that were adopted by resolution of the City Council. We will also compare the population and inflation options included in the aforementioned worksheets to those that were selected by a recorded vote of the City Council.
2. For the accompanying Appropriations Limit Worksheet No. 6, we will multiply line A, last year's limit, by line D, ratio of change, and agree the resulting amount to line E, this year's limit.
3. We will compare the current year's information presented in the accompanying Appropriations Limit Worksheet No. 6 to the other worksheets described in No. 1 above.
4. We will compare the prior year appropriations limit presented in the accompanying Appropriations Limit Worksheet No. 6 to the prior year appropriations limit adopted by the City Council for the prior year.