

**CITY OF SAND CITY
RESOLUTION SC 20-43, 2020**

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SAND CITY
AUTHORIZING A SERVICE AGREEMENT FOR AUDITOR SERVICES
BY HAYASHI & WAYLAND FOR FISCAL YEAR 2019-2020
AT A COST NOT TO EXCEED \$53,000**

WHEREAS, the City of Sand City is required to obtain the services of an independent qualified auditor to perform annual audits of City/Successor Agency accounts; and

WHEREAS, Hayashi & Wayland has performed an audit on behalf of the City and the Successor Agency (formerly the Redevelopment Agency), every fiscal year since 1995-96 through fiscal year 2018-2019 and has submitted a letter dated May 26, 2020 that proposes a scope of services for performing the audit for FY 2019-2020; and

WHEREAS, the City Council has been satisfied with the expertise, accuracy, and completeness of the work performed by Hayashi & Wayland; and

WHEREAS, the Administrative staff for the City of Sand City has reviewed the scope of services attached hereto as Exhibit A and found that the services to be provided are satisfactory and necessary to perform the required audits for fiscal year 2019-20 and to prepare the required State reports.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Sand City as follows:

1. The attached service agreement as proposed by Hayashi & Wayland is hereby accepted;
2. Said authorization is conditioned upon the contractor performing the service at a cost not to exceed \$53,000 to include examinations of the Transportation Agency for Monterey County's (TAMC) Measure X Programs Funding Agreement and procedures to the Appropriations Limit Worksheet as specified in the attached May 26, 2020 letters;
3. Any additional work that may be required or requested of Hayashi & Wayland will be billed at the standard hourly rates as listed in the proposal to include costs associated with proper accounting and audit procedures under the Governmental Accounting Standards Board;
4. The City Manager is authorized and directed to enter into the attached Service Agreement with Hayashi & Wayland, Certified Public Accountants, to perform the scope of services outlined in Exhibit A for the City of Sand City;
5. Hayashi & Wayland will maintain a current Sand City Business License.

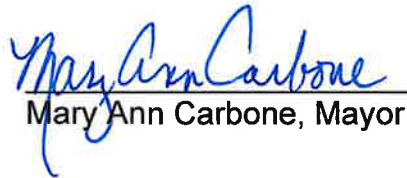
Sand City Resolution SC 20-43, 2020

PASSED AND ADOPTED by the Sand City Council this 16th, day of June 2020, by the following vote:

AYES: Council Members Blackwelder, Carbone, Cruz, Hawthorne, Sofer
NOES: None
ABSENT: None
ABSTAIN: None

APPROVED:

ATTEST:



Mary Ann Carbone, Mayor



Connie Horca, Acting City Clerk



HAYASHI | WAYLAND

May 26, 2020

City Council City of Sand City
1 Sylvan Park
Sand City, California 93955

Attention: Aaron Blair, City Manager

The Objective and Scope of the Audit of the Financial Statements

You have requested that we audit the financial statements of the City of Sand City's (the City), governmental activities, each major fund and aggregate remaining fund information as of and for the year-ended June 30, 2020 which collectively comprise the basic financial statements. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter.

Accounting standards generally accepted in the United States of America 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. 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 evidence to express an opinion or provide any assurance. RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited.

Our audit will be conducted with the objective of our expressing an opinion on the financial statements.

The Responsibilities of the Auditor

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (GAAS); and "Government Auditing Standards" issued by the Comptroller General of the United States (GAS). Those standards, regulations, supplements, or guides require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS. Also, an audit is not designed to detect errors or fraud that are immaterial to the financial statements.

In making our risk assessments, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity'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. We will also communicate to the City Council (a) any fraud involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements that becomes known to us during the audit, and (b) any instances of noncompliance with laws and regulations that we become aware of during the audit (unless they are clearly inconsequential).

The funds that you have told us are maintained by the City and that are to be included as part of our audit are listed here:

- General fund
- Special revenue funds
- Fiduciary funds

Our reports on internal control will include any significant deficiencies and material weaknesses in controls of which we become aware as a result of obtaining an understanding of internal control and performing tests of internal control consistent with requirements of the standards identified above. Our report on compliance matters will address material errors, fraud, abuse, violations of compliance obligations, and other responsibilities imposed by state and federal statutes and regulations or assumed by contracts, and any state or federal grant, entitlement or loan program questioned costs of which we become aware, consistent with requirements of the standards identified above.

The Responsibilities of Management and Identification of the Applicable Financial Reporting Framework

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

1. For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America;
2. To evaluate subsequent events through the date the financial statements are issued or available to be issued, and to disclose the date through which subsequent events were evaluated in the financial statements. Management also agrees that it will not evaluate subsequent events earlier than the date of the management representation letter referred to below;
3. For the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; and



4. For establishing and maintaining effective internal control over financial reporting and for informing us of all significant deficiencies and material weaknesses in the design or operation of such controls of which it has knowledge;
5. For report distribution; and
6. 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 such as records, documentation, and other matters;
 - (b) Additional information that we may request from management for the purpose of the audit; and
 - (c) Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence.

As part of our audit process, we will request from management written confirmation concerning representations made to us in connection with the audit including among other items:

- a. That management has fulfilled its responsibilities as set out in the terms of this letter; and
- b. That it believes 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 taken as a whole.

Management is responsible for identifying and ensuring that the City complies with the laws and regulations applicable to its activities, and for informing us about all known material violations of such laws or regulations. In addition, management is responsible for the design and implementation of programs and controls to prevent and detect fraud or abuse, and for informing us about all known or suspected fraud or abuse affecting the City involving management, employees who have significant roles in internal control, and others where the fraud or abuse could have a material effect on the financial statements or compliance. Management is also responsible for informing us of its knowledge of any allegations of fraud or abuse or suspected fraud or abuse affecting the City received in communications from employees, former employees, analysts, regulators, or others.

Management is responsible for the preparation of the required supplementary information (RSI) and supplementary information presented in relation to the financial statements as a whole in accordance with accounting principles generally accepted in the United States of America. Management agrees to include the auditor's report on the RSI or supplementary information in any document that contains the supplementary information and indicates that the auditor has reported on such RSI or supplementary information. Management also agrees to present the supplementary information with the audited financial statements or, if the supplementary information will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.

The City Council is responsible for informing us of its views about the risks of fraud or abuse within the City, and its knowledge of any fraud or abuse or suspected fraud or abuse affecting the City.



Because Hayashi Wayland will rely on City of Sand City and its management and City Council to discharge the forgoing responsibilities, the City of Sand City holds harmless and releases Hayashi Wayland, its partners, and employees from all claims, liabilities, losses, and costs arising in circumstances where there has been a knowing misrepresentation by a member of City of Sand City's management which has caused, in any respect, Hayashi Wayland breach of contract or negligence. This provision shall survive the termination of this arrangement for services.

Records and Assistance

If circumstances arise relating to the conditions of the City's records, the availability of appropriate audit evidence, or indications of a significant risk of material misstatement of the financial statements because of error, fraudulent financial reporting, misappropriation of assets, which in our professional judgment prevent us from completing the audit or forming an opinion, we retain the unilateral right to take any course of action permitted by professional standards, including declining to express an opinion or issue a report, or withdrawal from the engagement.

During the course of our engagement, we may accumulate records containing data which should be reflected in the City's books and records. The City will determine that all such data, if necessary, will be so reflected. Accordingly, the City will not expect us to maintain copies of such records in our possession.

The assistance to be supplied by City personnel, including the preparation of schedules and analyses of accounts will be discussed and coordinated with Aaron Blair, City Manager. The timely and accurate completion of this work is an essential condition to our completion of the audit and issuance of our audit report.

In connection with our audit, you have requested us to perform certain non-audit services necessary for the preparation of the financial statements, including making journal entries to the trial balance, drafting the financial statements and footnotes, in addition to preparation of the Annual Report of Financial Transactions and the Annual Street Report to be submitted to the State Controller's office. The GAS independence standards require that the auditor maintain independence so that opinions, findings, conclusions, judgments, and recommendations will be impartial and viewed as impartial by reasonable and informed third parties. Before we agree to provide the aforementioned non-audit services to the City of Sand City, we determine whether providing such a service would create a significant threat to our independence for GAS audit purposes, either by itself or in aggregate with other non-audit services provided. A critical component of our determination is consideration of management's ability to effectively oversee the non-audit service to be performed. The City has agreed that Aaron Blair, City Manager, possesses suitable skill, knowledge, or experience and that he understands adjustments to the trial balance and financial statement drafting services to be performed and the reports to be submitted to the State Controller's office sufficiently to oversee them. Accordingly, the management of the City of Sand City agrees to the following:

1. The City of Sand City has designated Aaron Blair, City Manager, a senior member of management, who possesses suitable skill, knowledge, and experience to oversee these services;
2. Aaron Blair, City Manager will assume all management responsibilities for subject matter and scope of the adjustments to the trial balance and compilation services;
3. The City of Sand City will evaluate the adequacy and results of the services performed; and
4. The City of Sand City accepts responsibility for the results and ultimate use of the services.



GAS further requires we establish an understanding with the management of the City of Sand City of the objectives of the non-audit service, the services to be performed, the entity's acceptance of its responsibilities, the auditor's responsibilities, and any limitations of the non-audit service. We believe this letter documents that understanding.

Other Relevant Information

Hayashi Wayland may mention the City name and provide a general description of the engagement in Hayashi Wayland's client lists and marketing materials.

In accordance with GAS, a copy of our most recent peer review report is enclosed for your information.

Parties' Understandings Concerning Situation Around COVID-19

Hayashi Wayland and the City of Sand City acknowledge that, at the time of the execution of this arrangement letter, federal, state and local governments, both domestic and foreign, have restricted travel and/or the movement of their citizens due to the ongoing and evolving situation around COVID-19. In addition, like many organizations and companies in the United States and around the globe, Hayashi Wayland has restricted its employees from travel and onsite work, whether at a client facility or Hayashi Wayland facility, to protect the health of both Hayashi Wayland's and its clients' employees. Accordingly, to the extent that any of the services described in this arrangement letter requires or relies on Hayashi Wayland or the City of Sand City personnel to travel and/or perform work onsite, either at the City of Sand City's or Hayashi Wayland's facilities, including, but not limited to, maintaining business operations and/or IT infrastructure, Hayashi Wayland and the City of Sand City acknowledge and agree that the performance of such work may be delayed, significantly or indefinitely, and thus certain services described herein may need to be rescheduled and/or suspended at either Hayashi Wayland's or the City of Sand City's sole discretion. Hayashi Wayland and the City of Sand City agree to provide the other with prompt written notice (email will be sufficient) in the event any of the services described herein will need to be rescheduled and/or suspended. Hayashi Wayland and the City of Sand City also acknowledge and agree that any delays or workarounds due to the situation surrounding COVID-19 may increase the cost of the services described herein. Hayashi Wayland will obtain the City of Sand City's prior written approval (email will be sufficient) for any increase in the cost of Hayashi Wayland services that may result from the situation surrounding COVID-19.

Fees, Costs, and Access to Workpapers

Our fees for the audit and accounting services described above are based upon the value of the services performed and the time required by the individuals assigned to the engagement, plus direct expenses. Our fee estimate and completion of our work is based upon the following criteria:

1. Anticipated cooperation from City personnel.
2. Timely responses to our inquiries.
3. Timely completion and delivery of client assistance requests.
4. Timely communication of all significant accounting and financial reporting matters.
5. The assumption that unexpected circumstances will not be encountered during the engagement.



If any of the aforementioned criteria are not met, then fees may increase. Our fee for the services described in this letter will not exceed \$51,000 unless the scope of the engagement is changed or any of the aforementioned criteria are not met, in which case we will discuss the situation with you before proceeding. Accounts not paid within 30 days from the date of the invoice are subject to a .833% monthly finance charge. Accounts remaining unpaid will also be liable for reasonable collection costs.

Our professional standards require that we perform certain additional procedures, on current and previous years' engagements, whenever a partner or professional employee leaves the firm and is subsequently employed by or associated with a client in a key position. Accordingly, the City agrees it will compensate Hayashi Wayland for any additional costs incurred as a result of the City's employment of a partner or professional employee of Hayashi Wayland.

The City agrees not to make any offers of employment to Hayashi Wayland employees. If for any reason our employees should obtain employment with your organization during the period of this engagement, you agree to pay our firm an Employment Firm Placement Fee of 35% of the first year's annual compensation of the respective Hayashi Wayland employee.

In the event we are requested or authorized by the City of Sand City or are required by government regulation, subpoena, or other legal process to produce our documents or our personnel as witnesses with respect to our engagements for the City, City of Sand City will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests.

Claim Resolution

Any claims arising out of services rendered pursuant to this agreement shall be resolved in accordance with the laws of California. It is agreed by the City of Sand City and Hayashi Wayland or any successors in interest that no claim arising out of services rendered pursuant to this agreement by or on behalf of the City of Sand City shall be asserted more than two years after the date of the last audit report issued by Hayashi Wayland.

Information Security - Miscellaneous Terms

Hayashi Wayland is committed to the safe and confidential treatment of the City of Sand City proprietary information. Hayashi Wayland is required to maintain the confidential treatment of client information in accordance with relevant industry professional standards which govern the provision of services described herein. City of Sand City agrees that it will not provide Hayashi Wayland with any unencrypted electronic confidential or proprietary information, and the parties agree to utilize commercially reasonable measures to maintain the confidentiality of the City of Sand City information, including the use of collaboration sites to ensure the safe transfer of data between the parties.

Hayashi Wayland may terminate this relationship immediately in its sole discretion if Hayashi Wayland determines that continued performance would result in a violation of law, regulatory requirements, applicable professional standards or Hayashi Wayland client acceptance or retention standards, or if City of Sand City is placed on a verified sanctioned entity list or if any director or executive of, or other person closely associated with, City of Sand City or its affiliates is placed on a verified sanctioned person list, in each case, including but not limited to lists promulgated by the Office of Foreign Assets Control of the U.S. Department of the Treasury, the U.S. State Department, the United Nations Security Council, the European Union or any other relevant sanctioning authority.



If any term or provision of this arrangement letter is determined to be invalid or unenforceable, such term or provision will be deemed stricken and all other terms and provisions will remain in full force and effect.

Reporting

We will issue a written report upon completion of our audit of the City of Sand City's financial statements. Our report will be addressed to the Honorable Mayor and City Council. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement.

In addition to our reports on the City of Sand City's financial statements, we will also issue the following reports or types of reports:

- A report on internal control related to the financial statements. This report will describe the scope of testing of internal control and the results of our tests of internal controls.
- A report on compliance with laws, regulations, and the provisions of contracts or grant agreements. We will report on any noncompliance that could have a material effect on the financial statements
- The "Annual Report of Financial Transactions" and the "Annual Street Report" for submission to the State Controller's Office. The responsibility we are to take for the material included in these reports will be the same as that we assume for other supplementary information accompanying the financial statements. You acknowledge that you have the final responsibility for these reports and, therefore, you should review them carefully before you sign and file them.

This letter constitutes the complete and exclusive statement of the agreement between Hayashi Wayland and City of Sand City, superseding all proposals, oral or written, and all other communications, with respect to the terms of the engagement between the parties.

Electronic Signatures and Counterparts

Each party hereto agrees that any electronic signature of a party to this agreement or any electronic signature to a document contemplated hereby (including any representation letter) is intended to authenticate such writing and shall be as valid, and have the same force and effect, as a manual signature. Any such electronically signed document shall be deemed (i) to be "written" or "in writing," (ii) to have been signed and (iii) to constitute a record established and maintained in the ordinary course of business and an original written record when printed from electronic files. Each party hereto also agrees that electronic delivery of a signature to any such document (via email or otherwise) shall be as effective as manual delivery of a manual signature. For purposes hereof, "electronic signature" includes, but is not limited to, (i) a scanned copy (as a "pdf" (portable document format) or other replicating image) of a manual ink signature, (ii) an electronic copy of a traditional signature affixed to a document, (iii) a signature incorporated into a document utilizing touchscreen capabilities or (iv) a digital signature. This agreement 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. Paper copies or "printouts," of such documents if introduced as evidence in any judicial, arbitral, mediation or administrative proceeding, will be admissible as between the parties to the same extent and under the same conditions as other original business records created and maintained in documentary form. Neither party shall contest the admissibility of true and accurate copies of electronically signed documents on the basis of the best evidence rule or as not satisfying the business records exception to the hearsay rule.



Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements of our audit of the financial statements including our respective responsibilities.

Sincerely,



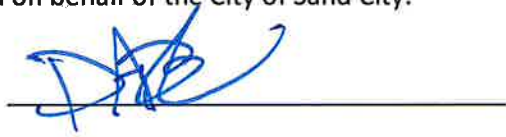
Michael B. Nolan, CPA, CFE, CGMA
Partner
Hayashi Wayland

Enclosure: Peer Review Report

51880/ml

Confirmed on behalf of the City of Sand City:

Signature



Date



CITY OF SAND CITY

**Cost Proposal
June 30, 2020**

Hayashi Wayland professional fees are based upon the time spent on an engagement at hourly rates related to the levels of experience of the individuals assigned. We believe that our rates are comparable to those of other accounting firms. However, we believe that our audit approaches and techniques provide a unique capability to achieve audit cost savings while maintaining the highest quality standards.

We propose the following fees for the fiscal year ended June 30, 2020:

City of Sand City, including the Sand City Successor Agency	\$ 44,000
Annual Report of Financial Transactions	4,500
Annual Street Report	<u>2,500</u>
	<u>\$ 51,000</u>

These fees assume that all the records needed for the audit are available in reasonable condition and that your staff will be available to answer questions, copy documents, and pull selected invoices, canceled checks and other files necessary for the audit.

If, during the course of the engagement, any special or additional work is required we will discuss it with you before we incur additional costs. This work will be billed as an additional charge according to our standard hourly rates as follows:

Partner Services	\$ 350/Hr.
Manager/Supervisor Services	\$ 275/Hr.
Senior Services	\$ 150/Hr.
Junior Staff and Clerical Services	\$ 120/Hr.

We will strive to keep our costs to a minimum so the City will receive the maximum benefit from our services. We look forward to a continuing professional relationship.





CliftonLarsonAllen LLP
CLAconnect.com

REPORT ON THE FIRM'S SYSTEM OF QUALITY CONTROL

To the Partners of Hayashi & Wayland Accounting & Consulting LLP
and the CalCPA Peer Review Program

We have reviewed the system of quality control for the accounting and auditing practice of Hayashi & Wayland Accounting & Consulting LLP (the firm) in effect for the year ended May 31, 2017. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards* (including compliance audit under the Single Audit Act) and audits of employee benefit plans.

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Hayashi & Wayland Accounting & Consulting LLP in effect for the year ended May 31, 2017, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)*, or *fail*. Hayashi & Wayland Accounting & Consulting LLP has received a peer review rating of *pass*.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Bellevue Washington
November 9, 2017



HAYASHI | WAYLAND

May 26, 2020

City Council City of Sand City
1 Pendergrass Way
Sand City, California 93955

Attention: Aaron Blair, City Manager

We are pleased to confirm our understanding of the services we are to provide for the City of Sand City.

We will examine the City of Sand City's compliance with the requirements included in Transportation Agency for Monterey County's (TAMC) Ordinance No. 2016-01 Transportation Safety and Investment Plan (the Ordinance) and in the Measure X Master Programs Funding Agreement (the Agreement) between TAMC and the City of Sand City as and for the year ended June 30, 2020. The objectives of our examination are to (1) obtain reasonable assurance about whether the City of Sand City is in compliance with the Ordinance and the Agreement; and (2) to express an opinion as to whether the City of Sand City is in compliance with the Ordinance and the Agreement.

Our examination will be conducted in accordance with attestation standards established by the American institute of Certified Public Accountants. Accordingly, it will include examining, on a test basis, your records and other procedures to obtain evidence necessary to enable us to express our opinion. We will issue a written report upon completion of our examination. Our report will be addressed to the City Council of Sand City. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion. If our opinion is other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the examination or are unable to form or have not formed an opinion, we may decline to express an opinion or may withdraw from this engagement.

Because of the inherent limitations of an examination engagement, together with the inherent limitations of internal control, an unavoidable risk exists that some material misstatements may not be detected, even though the examination is properly planned and performed in accordance with the attestation standards.

We understand that you will provide us with the information required for our examination and that you are responsible for the accuracy and completeness of that information. We may advise you about appropriate criteria, but the responsibility for the subject matter remains with you.

You are responsible for, and agree to provide us with, a written assertion regarding this engagement. Failure to provide such an assertion will result in our withdrawal from the engagement. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the measurement, evaluation, or disclosure of the subject matter; (2) additional information that we may request for the purpose of the examination; and (3) unrestricted access to persons within the entity from whom we determine it necessary to obtain evidence. At the conclusion of the engagement, you agree to provide us with certain written representations in the form of a representation letter.



Our fees for this service will be at time and expenses, not to exceed \$1,000. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation.

We appreciate the opportunity to be of service to you 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 enclosed copy and return it to us.

Sincerely,



Michael B. Nolan, CPA, CFE, CGMA
Partner
Hayashi Wayland

Confirmed on behalf of the City of Sand City:

Signature  _____

Date  _____





HAYASHI | WAYLAND

May 26, 2020

City Council City of Sand City
1 Pendergrass Way
Sand City, California 93955

Attention: Aaron Blair, City Manager

RECEIVED

MAY 28 2020

CITY OF SAND CITY

We are pleased to confirm our understanding of the services we are to provide for the City of Sand City.

We will perform procedures to the Appropriations Limit Worksheet of the City of Sand City as of and for the year ended June 30, 2020 as prescribed in the League of California Cities and presented in their *Article XIII-B Appropriations Limitation Uniform Guidelines*. The objectives of our examination are to (1) obtain reasonable assurance about whether the City of Sand City is in compliance with the requirements of Article XIII-B of the California Constitution and (2) to express an opinion as to whether the City of Sand City met the requirements.

Our examination will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Accordingly, it will include examining, on a test basis, your records and other procedures to obtain evidence necessary to enable us to express our opinion. We will issue a written report upon completion of our examination. Our report will be addressed to the City Council of Sand City. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion. If our opinion is other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the examination or are unable to form or have not formed an opinion, we may decline to express an opinion or may withdraw from this engagement.

Because of the inherent limitations of an examination engagement, together with the inherent limitations of internal control, an unavoidable risk exists that some material misstatements may not be detected, even though the examination is properly planned and performed in accordance with the attestation standards.

We understand that you will provide us with the information required for our examination and that you are responsible for the accuracy and completeness of that information. We may advise you about appropriate criteria, but the responsibility for the subject matter remains with you.

You are responsible for, and agree to provide us with, a written assertion regarding this engagement. Failure to provide such an assertion will result in our withdrawal from the engagement. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the measurement, evaluation, or disclosure of the subject matter; (2) additional information that we may request for the purpose of the examination; and (3) unrestricted access to persons within the entity from whom we determine it necessary to obtain evidence. At the conclusion of the engagement, you agree to provide us with certain written representations in the form of a representation letter.



City Council City of Sand City
May 26, 2020
Page 2 of 2

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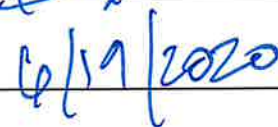
Sincerely,



Michael B. Nolan, CPA, CFE, CGMA
Partner
Hayashi Wayland

Confirmed on behalf of the City of Sand City:

Signature  _____

Date  _____

