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**Amendment to Agreement to Furnish Audit Services Between
City of Newport, Oregon and Aldrich CPAs + Advisors LLP**

THIS AMENDMENT is to the Agreement to Furnish Audit Services between the City of Newport, Oregon (City) and Aldrich CPAs + Advisors LLP (Contractor), dated June 20, 2022.

Recitals:

1. City and Contractor entered into an agreement dated June 20, 2022 (Agreement) for professional audit services for the City and its urban renewal agency (NURA).
2. Contractor requested, and City has agreed, to supplement the Agreement with terms and conditions from Contractor's engagement letter to City and NURA for professional audit services.

Terms of Amendment:

- A. City and Contractor agree to amend the Agreement, as provided for in Article IV, with the terms and conditions in the attached Exhibit A to this Amendment, effective on the date of the last signature below.
- B. This Amendment may be executed in counterparts and a signed copy transmitted by facsimile or other electronic means, each of which will be deemed an original, but all of which taken together will constitute one and the same agreement.

Except as expressly set forth herein, all provisions of the Agreement shall continue and remain in full force and effect. To the extent there are any inconsistencies or conflicts between the Agreement and the terms and conditions in the attached Exhibit A, the Agreement shall control and prevail.

City of Newport:



Spencer R. Nebel, City Manager

Date: 10-04-22

Aldrich CPAs + Advisors LLP:

 Partner

Name/Title:

Date: 10/5/2022

1. The first part of the paper is devoted to the study of the properties of the function $f(x)$ defined by the equation

$$f(x) = \int_0^x \frac{1}{1+t^2} dt, \quad x \in \mathbb{R}.$$

It is well known that this function is the arctangent function, i.e.,

$$f(x) = \arctan x, \quad x \in \mathbb{R}.$$

2. In the second part, we consider the function

$$g(x) = \int_0^x \frac{t}{1+t^2} dt, \quad x \in \mathbb{R}.$$

It is easy to see that

$$g(x) = \frac{1}{2} \ln(1+x^2), \quad x \in \mathbb{R}.$$

3. Finally, we study the function

$$h(x) = \int_0^x \frac{t^2}{1+t^2} dt, \quad x \in \mathbb{R}.$$

It is not difficult to verify that

$$h(x) = x - \frac{1}{2} \ln(1+x^2), \quad x \in \mathbb{R}.$$

4. The last part of the paper is devoted to the study of the function

$$k(x) = \int_0^x \frac{t^3}{1+t^2} dt, \quad x \in \mathbb{R}.$$

It is easy to see that

$$k(x) = \frac{1}{2} \ln(1+x^2) - \frac{x^2}{2}, \quad x \in \mathbb{R}.$$

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Terms of Amendment:

- A. City and Contractor agree to amend the Agreement, as provided for in Article IV, with the terms and conditions in the attached Exhibit A to this Amendment, effective on the date of the last signature below.
- B. This Amendment may be executed in counterparts and a signed copy transmitted by facsimile or other electronic means, each of which will be deemed an original, but all of which taken together will constitute one and the same agreement.

Except as expressly set forth herein, all provisions of the Agreement shall continue and remain in full force and effect. To the extent there are any inconsistencies or conflicts between the Agreement and the terms and conditions in the attached Exhibit A, the Agreement shall control and prevail.

City of Newport:



Spencer R. Nebel, City Manager

Aldrich CPAs + Advisors LLP:

Name/Title:

Date: 10-04-22

Date: _____

1. The first part of the document is a letter from the President of the United States to the Congress, dated January 3, 1862. It is a very important document, as it contains the President's annual message to Congress, which is a key part of the executive branch's communication with the legislative branch.

2. The second part of the document is a report from the Secretary of the Treasury, dated January 3, 1862. It is a very important document, as it contains the Secretary's annual report to Congress, which is a key part of the executive branch's communication with the legislative branch.

3. The third part of the document is a report from the Secretary of the Interior, dated January 3, 1862. It is a very important document, as it contains the Secretary's annual report to Congress, which is a key part of the executive branch's communication with the legislative branch.

4. The fourth part of the document is a report from the Secretary of the War, dated January 3, 1862. It is a very important document, as it contains the Secretary's annual report to Congress, which is a key part of the executive branch's communication with the legislative branch.

5. The fifth part of the document is a report from the Secretary of the Navy, dated January 3, 1862. It is a very important document, as it contains the Secretary's annual report to Congress, which is a key part of the executive branch's communication with the legislative branch.

6. The sixth part of the document is a report from the Secretary of the State, dated January 3, 1862. It is a very important document, as it contains the Secretary's annual report to Congress, which is a key part of the executive branch's communication with the legislative branch.

7. The seventh part of the document is a report from the Secretary of the War, dated January 3, 1862. It is a very important document, as it contains the Secretary's annual report to Congress, which is a key part of the executive branch's communication with the legislative branch.

8. The eighth part of the document is a report from the Secretary of the Navy, dated January 3, 1862. It is a very important document, as it contains the Secretary's annual report to Congress, which is a key part of the executive branch's communication with the legislative branch.

9. The ninth part of the document is a report from the Secretary of the State, dated January 3, 1862. It is a very important document, as it contains the Secretary's annual report to Congress, which is a key part of the executive branch's communication with the legislative branch.

10. The tenth part of the document is a report from the Secretary of the War, dated January 3, 1862. It is a very important document, as it contains the Secretary's annual report to Congress, which is a key part of the executive branch's communication with the legislative branch.



ALDRICH CPAs + ADVISORS LLP GENERAL BUSINESS TERMS & CONDITIONS ASSURANCE & FINANCIAL STATEMENT PREPARATION SERVICES

This document describes certain customary practices and general terms, conditions, and limitations ("Terms") relating to the delivery of audit, review, compilation, agreed upon procedure and financial statement preparation services ("Services" or "Engagement") by Aldrich CPAs + Advisors LLP ("we" or "our"). All Services Aldrich CPAs + Advisors provides to its clients or a third party ("you" or "your") are subject to these Terms, and the terms and conditions contained in the accompanying Engagement Letter.

1. *Scope of Services.* Our services will be limited to the Services specifically described in our Engagement Letter. Services do not include presentation to or representation before any third party, regulator or other authorities. If services beyond those specifically described in our Engagement Letter are requested by you or required, these additional services will be provided either under a separate engagement or a modification of an existing Engagement at an additional cost. We presume requests for additional services by your personnel or agents are authorized by you. Our agreement to provide Services under the current Engagement does not obligate us to accept any other engagement.
2. *Invoices.* Our fees and expenses are billed on a regular basis. Unless otherwise indicated, fees and expenses quoted in our Engagement Letter are estimates, are not contingent on the results of the Services, and each invoice is payable in full on receipt. If you believe any invoice is incorrect or unacceptable, you will notify us in writing within 30 days of receipt. Aldrich CPAs + Advisors may suspend or terminate Services and charge interest on amounts due if any invoice remains unpaid more than 60 days after date of invoice.
3. *Confidentiality.* Aldrich CPAs + Advisors and its employees will maintain the confidentiality of your Confidential Information, as defined below. We may disclose Confidential Information if compelled by a court or governmental agency, but we will use reasonable efforts to inform you prior to such disclosure.

Aldrich CPAs + Advisors will use reasonable precautions to protect your Confidential Information, but we have no obligation to use any measures not regularly employed by us in protecting our own Confidential Information.

Except as provided below, "Confidential Information" means (i) information contained in your internal financial and business records, (ii) information reported on your tax returns, and (iii) other information concerning you or your business that is marked confidential" or otherwise identified as "confidential" in writing at the time of disclosure. Confidential Information does not include information (i) that is or becomes publicly known or available without breach of our obligations under this section, (ii) is disclosed by you to another party without confidentiality restrictions, (iii) is received by us on a non-confidential basis from another party reasonably presumed to be authorized to make such disclosure, or (iv) previously known or subsequently independently developed by us.

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4. *Data Security.* Aldrich CPAs + Advisors regularly communicates via email and stores and processes your information, including Confidential Information, on private networks and secured provider networks, computer servers and applications (the "Cloud"). Emails and other electronically stored and transmitted information may be diverted, intercepted, altered, read, disclosed or otherwise used or communicated by unauthorized third parties. While we will use resources and select suppliers of computer services that we determine provide highly secure environments, the security and protection of email and other electronically stored or transmitted data cannot be guaranteed or warranted. Accordingly, we will not be responsible for and specifically disclaim any liability for any information security breaches whatsoever, unless such breach is the result of our gross negligence or intentional misconduct, subject to the limitations set forth in Section 12.

5. *Deliverables, Documents & Files.* We will deliver to you the opinions, reports, financial statements or other documents or information expressly identified in the Engagement Letter ("Deliverables"). Unless otherwise provided by applicable laws or regulations and except for the Deliverables and the 'Documents Produced' as set out in Article II, Section D, of the agreement for audit services dated June 20, 2022, our work product, work papers and files will remain our property; and we retain all related intellectual property rights. We, in our sole discretion, may provide you with access to or copies of our work product, work papers and files, but you agree to pay all costs associated with such access or copies. At the conclusion of our Engagement, we will promptly return to you your original records and documents. We will retain Engagement documentation for a period of 7 years. Thereafter, we will destroy our Engagement files in accordance with our document retention policy.

6. *Document Production & Testimony.* If, during the Engagement or thereafter, we are requested or authorized by you, or if we are required by law or regulation, subpoena or other authorities or legal process, to produce any documents or files, or to make our personnel available in connection with our Engagement, you will reimburse us for our professional time and expenses, as well as the fees and expenses of our legal counsel or other advisors, incurred in responding to such requests.

In certain circumstances, information, particularly Confidential Information, may be protected by an accountant/client privilege; which you are responsible for recognizing, asserting and maintaining. You must notify us if you wish to claim any privilege, and we will cooperate with your reasonable instructions relating to the privilege. Any questions concerning the availability, maintenance, waiver, and process for asserting a privilege should be directed to your legal counsel. In some jurisdictions the accountant/client privilege may belong to the accountant and not the client.

7. *Third Parties, Independent Contractors.* In performing the Services, we may use the services of domestic and foreign (as permitted by applicable law and regulation) independent contractors, other third party personnel, and part-time or seasonal employees. By engaging us, and with your written approval, you may authorize us to allow employees of such third parties to access to your files, financial information and other Confidential Information as necessary to provide the Services, with the exception that we are expressly authorized to use Aldrich Business Services PVT LTD. We require third parties to protect the confidentiality of Confidential Information disclosed to them; and may also require you to execute documents authorizing such disclosure. Our use of any third party does not affect our obligations to you under our Engagement Letter.

8. *Reliance.* Our Services, including our opinions, reports, compilations or financial statements, are provided for your benefit, and not for the benefit of any third party. You agree to indemnify and hold Aldrich harmless, in accordance with Section 13, from claims based on a third party's use of or reliance on our Services.

1. The first part of the document discusses the importance of maintaining accurate records of all transactions and the role of the accounting system in providing reliable financial information. It emphasizes the need for transparency and accountability in financial reporting.

2. The second part of the document outlines the various methods used to collect and analyze financial data, including the use of statistical techniques and the application of mathematical models. It highlights the importance of using appropriate methods to ensure the accuracy and reliability of the results.

3. The third part of the document discusses the challenges faced by organizations in managing their financial resources and the role of the accounting system in addressing these challenges. It emphasizes the need for effective financial management and the importance of using the accounting system to monitor and control financial performance.

4. The fourth part of the document discusses the role of the accounting system in providing financial information to management and the importance of using this information to make informed decisions. It emphasizes the need for accurate and timely financial information and the role of the accounting system in providing this information.

5. The fifth part of the document discusses the role of the accounting system in providing financial information to external stakeholders and the importance of using this information to build trust and confidence. It emphasizes the need for transparency and accountability in financial reporting and the role of the accounting system in providing this information.

6. The sixth part of the document discusses the role of the accounting system in providing financial information to the public and the importance of using this information to make informed decisions. It emphasizes the need for accurate and timely financial information and the role of the accounting system in providing this information.

7. The seventh part of the document discusses the role of the accounting system in providing financial information to the government and the importance of using this information to make informed decisions. It emphasizes the need for accurate and timely financial information and the role of the accounting system in providing this information.

8. The eighth part of the document discusses the role of the accounting system in providing financial information to the media and the importance of using this information to make informed decisions. It emphasizes the need for accurate and timely financial information and the role of the accounting system in providing this information.

9. The ninth part of the document discusses the role of the accounting system in providing financial information to the public and the importance of using this information to make informed decisions. It emphasizes the need for accurate and timely financial information and the role of the accounting system in providing this information.

10. The tenth part of the document discusses the role of the accounting system in providing financial information to the public and the importance of using this information to make informed decisions. It emphasizes the need for accurate and timely financial information and the role of the accounting system in providing this information.

9. *Changes in Laws, Regulations & Standards.* Changes to applicable law, regulations, and accounting, auditing or professional standards could materially affect the performance of the Services, including our opinions, reports, and presentation of financial statements. Such changes may also impact the time required to complete the Services and our professional fees.

10. *Independence & Conflicting Engagements.* If at any time, we determine in our sole discretion that our independence or objectivity is potentially impaired or a conflict of interest exists which prevents us from providing the Services in accordance with the applicable professional and ethical standards, we will notify you of the potential impairment or conflict, and we may withdraw from the engagement, unless the impairment or conflict can be removed to the extent permitted by applicable professional and ethical standards. You agree to advise us of other actual or potential engagements involving Aldrich CPAs + Advisors.

11. *Termination.* You may terminate the Engagement Letter at any time by written notice to us. Subject to any restrictions imposed by applicable professions and ethical standards, we may terminate the Engagement Letter at any time upon first providing 120 days prior written notice to you. Termination for any reason will not affect your obligation to pay us for fees and expenses incurred prior to termination, or our obligation to transfer files to and otherwise cooperating with successor auditors or accountants. If you terminate any Engagement Letter after we have commenced performing services under a fixed fee arrangement, you are obligated to pay us the entire fixed fee upon termination. All provisions of these Terms and the Engagement Letter will survive the termination of the Engagement Letter; except our obligation to perform Services and your obligation to pay invoices for Services not performed.

12. *Warranties & Limitations.* The Services performed under the Engagement Letter and Terms are professional in nature. Aldrich CPAs + Advisors warrants that it will perform the Services in good faith, with due care and in accordance with any applicable professional standards. Aldrich CPAs + Advisors specifically disclaims all other warranties, either express or implied, and makes no guarantee regarding the results of the Services and/or the use or implementation by you or any permitted third party. As your exclusive remedy for any breach of this warranty, Aldrich CPAs + Advisors will, on receipt of written notice within a reasonable time following the discovery of the breach, use diligent efforts to cure the breach.

If Aldrich CPAs + Advisors fails to provide an acceptable cure in a reasonable period of time, Aldrich CPAs + Advisors will return the professional fees paid to Aldrich CPAs + Advisors with respect to the Services giving rise to the breach, not to exceed the amount of actual and direct damages resulting from our failure to meet our obligations. This will be your sole and exclusive remedy. In no event will our liability for any claim arising out of or relating to our failure to meet our obligations under the Engagement Letter or these Terms exceed the amount of the fees actually paid to us under the Engagement Letter or extend to any indirect consequential, special, exemplary or punitive damages.

Any claim or action by either party, regardless of its nature, arising out of or relating to any matter under the Engagement Letter or these Terms must be brought within 24 months after the party first knows or has reason to know that the claim or cause of action exists, unless otherwise provided by applicable law.

13. *Indemnification.* You will indemnify and hold harmless, Aldrich CPAs + Advisors, its subcontractors and their personnel from any and all costs, expenses, settlements or penalties ("Liability") related to any proceeding initiated by a third party, and to the extent that such Liability results directly from your knowing, intentional or negligent misrepresentations, the provision of inaccurate or incomplete information by you, material errors, irregularities, fraud, embezzlements or other defalcation not detected by us, or the unauthorized disclosure of our Deliverables to a third party; provided that the Liability is not the result of our failure to comply with professional standards, these Terms or the Engagement Letter.



14. *Dispute Resolution.* Aldrich CPAs + Advisors and you agree that any dispute regarding the Services will be finally resolved first through mediation, and, if unsuccessful, through arbitration. Following a good faith attempt by the parties' representatives to resolve the dispute, non-binding mediation may be initiated by either party; and the parties will select a mediator acceptable to both and will share the cost of mediation equally. Failing resolution through mediation, the parties will submit the dispute to binding arbitration before a single arbitrator with accounting industry experience reasonably acceptable to the parties. The arbitration will be subject to the rules established by the parties or the arbitrator, if the parties cannot agree. Arbitration will take place in Lincoln County, Oregon, or such other place as the parties may agree. The findings of the arbitrator will be final and binding, and enforceable in any court with appropriate jurisdiction. Each party shall bear its own costs related to the arbitration; provided, however, the parties shall share the fees and expenses of the arbitrator equally.

You acknowledge and agree that no affiliated or related entity of Aldrich CPAs + Advisors will have any liability to you or any other person; and you will not bring any action against any such affiliated or related entity of Aldrich CPAs + Advisors in connection with the Engagement.

15. *General.* If either party is delayed in performance or has the inability to perform due to any breach of this agreement by the other party, act of God, labor dispute or strike, or civil disturbance, significant cyber security incident perpetrated by an external third party, or any other cause beyond that party's control and not due to that party's fault or negligence, then the failure to perform is excused. The other party shall have the right to terminate this agreement if such failure continues for an unreasonable period of time, and neither party shall be liable to the other party on such termination.

No waiver of any breach of these Terms or the Engagement Letter will be effective unless the waiver is in writing and signed by the applicable party. No waiver of one breach will be a waiver of any other or subsequent breach.

You may not assign the Engagement Letter to any other party without our prior written consent, except that you may assign the Engagement Letter to any party that acquires substantially all of your assets and goodwill. These Terms and the Engagement Letter is binding on Aldrich CPAs + Advisors' and your successors and assigns. Except as expressly provided in the Engagement Letter, there are no third party beneficiaries to the Engagement Letter.

The Engagement Letter, including these Terms, and all matters relating to the Services will be governed by the laws of the State of Oregon. Any legal action related to the Services not subject to arbitration as described in Section 14 will be brought exclusively in the appropriate court located in Lincoln County, Oregon.

If any provision of these Terms or the Engagement Letter is found to be unenforceable, such finding will not affect the enforceability of other provisions; and such unenforceable provision will be deemed modified to the extent necessary to render it enforceable, preserving to the fullest extent permissible the intent of the parties.



Aldrich CPAs + Advisors LLP
5665 SW Meadows Road, #200
Lake Oswego, Oregon 97035

July 20, 2022

The Honorable Mayor and City Council
City of Newport, Oregon

We are pleased to confirm our understanding of the services we are to provide for the City of Newport, Oregon for the year ended June 30, 2022.

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 of Newport, Oregon (the City) as of and for the year ended June 30, 2022. 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) Schedule of Proportionate Share of Net Pension Liability
- 3) Schedule of Contributions - Pension
- 4) Schedule of Net Pension Liability and Changes in Net Pension Liability
- 5) Schedule of Employer Contributions
- 6) Schedule of Investment Rate of Return
- 7) Schedule of the Proportionate Share of OPEB - RHIA
- 8) Schedule of Contributions to OPEB - RHIA
- 9) Schedule of Changes in OPEB Liability and Related Ratios - Implicit Rate Subsidy
- 10) Schedule of Contributions to OPEB - Implicit Rate Subsidy

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 report combined with our auditor's report on the financial statements.

- 1) Schedule of Expenditures of Federal Awards.
- 2) Combining Financial Statements
- 3) Individual Fund Schedules

In connection with our audit of the basic financial statements, we will read the following other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

- 1) Introductory Section
- 2) Statistical Section

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 auditor's 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*.
- 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).

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS AND SINGLE AUDIT

We will conduct our audit in accordance with GAAS; the Minimum Standards for Audits of Oregon Municipal Corporations; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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, Minimum Standards 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 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.

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, tests of the physical existence of inventories, 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.

We have identified the following significant risk(s) of material misstatement as part of our audit planning:

- Management override of internal controls
- Improper revenue recognition
- Fraud risks related to asset misappropriation
- Risk of noncompliance with Oregon Revised Statutes and Uniform Guidance

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.

Our audit of financial statements does not relieve you of your responsibilities.

AUDIT PROCEDURES—INTERNAL CONTROL

We will obtain an understanding of the government and its environment, including internal control relevant to the audit, 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*.

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 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*.

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.

OTHER SERVICES

We will also assist in preparing the financial statements, schedule of expenditures of federal awards, and related notes of the City's in conformity with accounting principles generally accepted in the United States of America and the Uniform Guidance based on information provided by you.

We may also provide you with the following bookkeeping and consulting services:

- a. Preparation of proposed journal entries.
- b. Updating and maintaining depreciation schedules based on information you provide.
- c. Assist with the reconciliations or calculations of various accounts.
- d. Consultation on your health insurance plan.
- e. Consultation on your retirements plan design or investment strategies.

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, schedule of expenditures of federal awards, 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, schedule of expenditures of federal awards, 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 schedule of expenditures of federal awards, and related notes and that you have reviewed and approved the financial statements, the schedule of expenditures of federal awards, 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.



RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS AND 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, schedule of expenditures of federal awards, 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, schedule of expenditures of federal awards, all financial records, and related information available to us and for the accuracy and completeness of that information (including information from outside of the general and subsidiary ledgers). 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; (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; schedule of expenditures of federal awards; 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.

You are responsible for identifying all federal awards received and understanding and complying with the compliance requirements and for the preparation of the schedule of expenditures of federal awards (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 schedule of expenditures of federal awards in any document that contains, and indicates that we have reported on, the schedule of expenditures of federal awards. You also agree to include the audited financial statements with any presentation of the schedule of expenditures of federal awards that includes our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance; (2) you believe the schedule of expenditures of federal awards, 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 schedule of expenditures of federal awards.

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. 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.

ENGAGEMENT ADMINISTRATION, FEES, AND OTHER

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

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, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditor's 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 auditor's reports or nine months after the end of the audit period.

We will provide 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 Aldrich CPAs + Advisors 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 the cognizant or oversight agency for audit 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 Aldrich CPAs + Advisors LLP 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 the Cognizant Agency, Oversight Agency for Audit, 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.

Andy Maffia is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them. We expect to perform interim procedures beginning July 20, 2022 and year end fieldwork procedures beginning October 17, 2022.

Billings for these services will be invoiced in accordance with our attached Aldrich CPAs + Advisors LLP General Business Terms & Conditions. We estimate that our fees for the audit of the financial statements for the year ending June 30, 2022 to be \$45,000. We estimate that our fees for the single audit to be \$10,175 for the audit of the first major program. Additional major programs audited will be billed at \$2,000 - \$5,000 per program depending upon the complexity of the program. If you have elected to subscribe to the LeaseCrunch lease accounting platform through Aldrich, this will be billed annually at a cost of \$95 per lease for 1-20 leases or \$80 per lease if there are over 20 leases.

Our fees are not contingent on the results of our services. In addition, our fee estimate is based on the assumptions and management responsibilities contained in this letter. Accordingly, if significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

REPORTING

We will issue written reports upon completion of our Single Audit. Our reports will be addressed to the Mayor and City Council of the City of Newport, Oregon. 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 auditor's 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.

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. 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.

We appreciate the opportunity to be of service to the City of Newport, Oregon 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,

Aldrich CPAs + Advisors LLP

RESPONSE:

This letter correctly sets forth the understanding of the City of Newport, Oregon.

Management signature: *D. R. Miller*

Title: *City Manager* Date: *10-04-22*

Governance signature: *Cynthia Jacob*

Title: *Council President* Date: *10-04-22*

10-11-12
10-11-12

Briscoe, Burke & Grigsby LLP
CERTIFIED PUBLIC ACCOUNTANTS

Report on the Firm's System of Quality Control

October 5, 2020

To the Partners of Aldrich CPAs + Advisors LLP
and the Oregon Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Aldrich CPAs + Advisors LLP (the firm) in effect for the year ended April 30, 2020. 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.

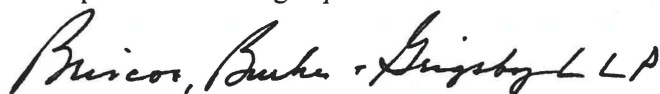
Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits 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 Aldrich CPAs + Advisors LLP in effect for the year ended April 30, 2020, 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*. Aldrich CPAs + Advisors LLP has received a peer review rating of *pass*.



Certified Public Accountants



Aldrich CPAs + Advisors LLP
5665 SW Meadows Road, #200
Lake Oswego, Oregon 97035

July 20, 2022

The Agency Officials
The Newport Urban Renewal Agency
Newport, Oregon

We are pleased to confirm our understanding of the services we are to provide the Newport Urban Renewal Agency for the year ended June 30, 2022.

AUDIT SCOPE AND OBJECTIVES

We will audit the governmental activities and major fund, including the disclosures, which collectively comprise the basic financial statements of the Newport Urban Renewal Agency (the Agency), a component unit of Newport, Oregon as of and for the year ended June 30, 2022. Accounting standards generally accepted in the United States of America (GAAP) provide for certain required supplemental information (RSI), such as management's discussion and analysis (MD&A), to supplement the Agency'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 Agency'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

The objectives of our audit are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; issue an auditor's report that includes our opinion about whether your financial statements are fairly presented, in all material respects, in conformity with GAAP; and report on the fairness of the supplemental 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 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

We will conduct our audit in accordance with GAAS and Minimum Standards for Audits of Oregon Municipal Corporations and will include tests of your accounting records and other procedures we consider necessary to enable us to express such opinions. As part of an audit in accordance with GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit.

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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 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 may not be detected by us, even though the audit is properly planned and performed in accordance with GAAS. 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. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that comes 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. 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.

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, tests of the physical existence of inventories, and direct confirmation of receivables and certain assets and liabilities by correspondence with selected customers, creditors, and financial institutions. We will also request written representations from your attorneys as part of the engagement.

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.

Our audit of the financial statements does not relieve you of your responsibilities.

AUDIT PROCEDURES—INTERNAL CONTROL

We will obtain an understanding of the government and its environment, including internal control relevant to the audit, 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. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. 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.

We have identified the following significant risk(s) of material misstatement as part of our audit planning:

- Management override of internal controls
- Improper revenue recognition
- Fraud risks related to asset misappropriation
- Risk of noncompliance with Oregon Revised Statutes

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 Agency's compliance with the provisions of applicable laws, regulations, contracts, and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion.

OTHER SERVICES

We will also assist in preparing the financial statements and related notes of the Agency in conformity with accounting principles generally accepted in the United States of America and the Uniform Guidance based on information provided by you.

We may also provide you with the following bookkeeping and consulting services:

- a. Preparation of proposed journal entries.
- b. Updating and maintaining depreciation schedules based on information you provide.
- c. Assist with the reconciliations or calculations of various accounts.
- d. Consultation on your health insurance plan.
- e. Consultation on your retirements plan design or investment strategies.

We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statement 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 statement preparation services and any other nonattest services we provide; oversee the services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them.

RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

Our audit will be conducted on the basis that you acknowledge and understand your responsibility for designing, implementing, and maintaining 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 monitoring ongoing activities; for the selection and application of accounting principles; and for the preparation and fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America with the oversight of those charged with governance.

Management is responsible for making drafts of financial statements, all financial records, and related information available to us and for the accuracy and completeness of that information (including information from outside of the general and subsidiary ledgers). 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) additional information that we may request for the purpose of the audit; and (3) 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 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 and regulations.

You are responsible for the preparation of the supplemental information in conformity with accounting principles generally accepted in the United States of America (GAAP). You agree to include our report on the supplemental information in any document that contains, and indicates that we have reported on, the supplemental information. You also agree to include the audited financial statements with any presentation of the supplemental information that includes our report thereon. Your responsibilities include acknowledging to us in the representation letter that (1) you are responsible for presentation of the supplemental information in accordance with GAAP; (2) you believe the supplemental 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 supplemental information.

ENGAGEMENT ADMINISTRATION, FEES, AND OTHER

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

The audit documentation for this engagement is the property of Aldrich CPAs + Advisors, 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 the Agency's regulator or its designee. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Aldrich CPAs + Advisors, LLP personnel. Furthermore, upon request, we may provide copies of selected audit documentation to Agency's regulator or its designee. The Agency's regulator or its designee may intend or decide to distribute the copies or information contained therein to others, including other governmental agencies.

Andy Maffia the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

We expect to begin our audit on approximately July 20, 2022.

Billings for these services will be invoiced in accordance with our attached Aldrich CPAs + Advisors LLP General Business Terms & Conditions. We estimate that our fees for the audit of the financial statements for the year ending June 30, 2022 to be \$8,200. If you have elected to subscribe to the LeaseCrunch lease accounting platform through Aldrich, this will be billed annually at a cost of \$95 per lease for 1-20 leases or \$80 per lease if there are over 20 leases.

Our fees are not contingent on the results of our services. In addition, our fee estimate is based on the assumptions and management responsibilities contained in this letter. Accordingly, if significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

REPORTING

We will issue a written report upon completion of our audit of the Newport Urban Renewal Agency's financial statements. Our report will be addressed to Agency Officials of the Newport Urban Renewal Agency's. 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 auditor's 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 withdraw from this engagement.

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 and the attached Aldrich CPAs + Advisors LLP General Business Terms & Conditions, please sign the enclosed copy and return it to us.

Very truly yours,

Aldrich CPAs + Advisors LLP

RESPONSE:

This letter correctly sets forth the understanding of the Newport Urban Renewal Agency.

Management signature: *[Signature]*

Title: *City Manager* Date: *10-04-22*

Governance signature: *[Signature]*

Title: *Council President* Date: *10-04-22*

