

January 31, 2018

City of Ely  
480 Campton Street  
Ely, NV 89301

Re: Accounting and Advisory Services

This letter confirms the Accounting and Advisory Services that the City of Ely, NV ("Ely") has asked HintonBurdick, PLLC ("HintonBurdick") to perform, and under the terms which we have agreed to do that work. Please read this letter carefully, because it outlines expectations of our firm and your organization. The intention of this letter is to confirm your understanding of, and agreement with, the scope of our services, as well as the limitations of the Accounting and Advisory Services you have asked us to perform. If you have questions regarding this letter, or believe we have missed or misstated your understanding, please call McKay Hall at (435) 628-3663 x272 to discuss this letter prior to signing.

At your request, and under your direction, we will perform the Accounting and Advisory Services described in Appendixes A and B.

Our engagement cannot be relied upon to disclose errors, fraud, or illegal acts. However, we will inform the appropriate level of management of any material errors, and of any evidence or information that comes to our attention during the performance of our procedures that fraud may have occurred. In addition, we will report to you any evidence or information that comes to our attention during the performance of our procedures regarding illegal acts that may have occurred.

Additionally, if you have questions and/or concerns regarding your ongoing financial reporting, accounting records, and business management issues, we will provide assistance and describe any alternatives we are aware of. Our advice will be based on our knowledge, training and experience, but at all times, the decisions you make are strictly yours, as is the responsibility for the financial records of your organization.

If necessary, we may recommend you contact your attorney, one of our strategic partners with specific expertise, or another person or entity better suited to assist you.

HintonBurdick, in its sole professional judgment, reserves the right to refuse to take any action that it considered unreasonable or inappropriate and will notify the City of Ely of such refusal.

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### *Your Responsibilities*

You authorize HintonBurdick to accept instructions from you and/or from the staff you designate for this engagement.

As a condition to performing the services described above, you agree to:

- Oversee the services we perform by designating an individual, preferably in senior management, who possesses suitable skill, knowledge and/or experience.
- Evaluate the adequacy and results of the services performed.
- Accept responsibility for the results of the services delivered, provided that HintonBurdick has not committed acts of gross negligence or willful misconduct.
- Assume all management responsibilities, including setting policies or strategic direction for the City of the City of Ely, and directing or accepting responsibility for the actions of your employees.
- Accept responsibility for designing, implementing, and maintaining internal controls over the bookkeeping processes and perform ongoing evaluations of these processes, provided that HintonBurdick shall be responsible for any acts of gross negligence or willful misconduct by its employees, agents, officers and/or directors.
- Acknowledge that we will use information provided by you to complete our services, without further verification or investigation regarding this information by us.

You agree the City of Ely is solely responsible for the proper recordkeeping of transactions in the records, the safekeeping of assets, and the preparation and fair presentation of the financial statements in accordance with the modified accrual basis of accounting for governmental funds and the accrual basis of accounting for proprietary funds. You agree that you will not and are not entitled to rely on any advice given to you by us unless your request and our response are provided in writing.

A successful working relationship requires a significant commitment on our part, as well as yours. The City of Ely agrees to: (i) make staff available during our ongoing work; (ii) provide timely responses to questions and calls for decisions; and (iii) devote the resources necessary to achieve the objectives of the engagement. If the information the City of Ely provides is not submitted in a timely manner, or is incomplete or unusable, we reserve the right to charge additional fees and expenses for services required to correct the problem and/or update your accounting records upon receipt of past-due information. If this occurs, we will contact you to discuss the matter and the anticipated delay in performing our services. We reserve the right to suspend or terminate our work, with 10 days prior notice, except in the event of nonpayment or other material default on your part, in which case we may suspend or terminate our work immediately upon notice to you. Upon suspension or termination, we will use commercially reasonable efforts to transfer any information in our possession to the City of Ely or its designated representative.

Because we will rely the City of Ely and its management to discharge the forgoing responsibilities, the City of Ely holds harmless and releases HintonBurdick, its affiliates, partners and employees from all claims, liabilities, losses, and costs arising in circumstances where there has been a known misrepresentation by a member of the City of Ely's management which has caused or contributed, in any respect, to HintonBurdick's inability to discover such matters should they exist. This provision shall survive the termination of this arrangement for services.

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### ***Hardware and Software Warranties***

During the course of the engagement, HintonBurdick may recommend the purchase and installation of computer or technological hardware, software, communications, or services by the City of Ely. Warranties, to the extent they exist, are provided only by the manufacturer/developer/vendor of those computer or software products. HintonBurdick will do its best to provide appropriate recommendations when available, but the final decision and responsibility to purchase any computer or software products is within the City of Ely's sole discretion.

### ***Computer Consulting Limitations***

HintonBurdick possesses a basic understanding of computer hardware, but our area of expertise is in accounting software and related integrated applications. HintonBurdick does not possess the skill set or ability to work on your network, computer hardware, Windows configuration, mapping of drives or any other computer related issues. We advise the City of Ely to maintain an ongoing relationship with a qualified IT professional and/or organization to ensure that you have assistance available when technology needs arise. This includes your obligation to ensure that you have access to the internet in order to work with the software solutions and other cloud-based applications that HintonBurdick may use as a part of the services provided to you.

### ***Your Investment***

The City of Ely's financial investment in its ongoing services with HintonBurdick, as well as the scope of our services with you is outlined in the Appendix(s) of this agreement. To ensure HintonBurdick is providing the City of Ely with seamless access to the services and expertise needed from us, your investment has been conveniently structured as a monthly fixed fee arrangement. If the volume of ongoing transaction processing, the complexity of the services requested, or scope of services change, we will communicate any change in our fees to by providing you a minimum of 30 days written notice.

### ***Requests for Additional Services***

HintonBurdick believes it is our responsibility to exceed your expectations and as part of that goal we want to ensure that you are never surprised by the cost for any service we provide. Therefore, we have adopted a "Service Order" policy. If you request that we provide services beyond the scope of those outlined in this agreement, then we will be happy to provide you with a "Service Order" outlining the scope of that request, our fees, and anticipated timeline for those services. Although we strive to meet your needs, we reserve the right to decline a request for additional services that is outside the scope of services we provide, our expertise or for any other reason. A "Service Order Request" form will be provided upon request. Any such service order requests will be considered addendums to this agreement and are incorporated herein by reference.

### ***Legally Required Services***

In the event HintonBurdick is required to respond to a subpoena, court order or other legal process for the production of documents and/or testimony relative to information we obtained and/or prepared during the course of this engagement, the City of Ely agrees to compensate HintonBurdick, at our standard hourly rates, at the time the services are performed. We will request a retainer payment in advance of the services being performed, as well as ongoing replenishments of the retainer. You also agree to reimburse us for all out-of-pocket expenses incurred in that regard.

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### ***Confidentiality***

The City of Ely agrees to take reasonable steps to protect all confidential information and to use the confidential information only in connection with performing the services hereunder. For purposes of this agreement, "Confidential Information" shall mean any and all information which is private and not in the public domain that is provided, obtained, or produced in connection with the services in written, oral, digital or other tangible form, including, without limitation, all information furnished at any time relating the City of Ely's business, customers, intellectual property, processes, strategies, all portions of any analyses, compilations, data, studies, or other documents prepared by HintonBurdick that contain or are based on any furnished information, or that reflect its review of such information, and any and all information, plans and activities, ideas, projects, software, methodologies, processes, tools, experience, customers and suppliers, financial information, and any other information, which ought reasonably under the circumstances to be considered confidential. HintonBurdick agrees to take reasonable steps necessary to ensure that the confidentiality of the Confidential Information is maintained and that such Confidential Information is protected from unauthorized disclosure, but not to a greater extent than the City of Ely itself uses to protect Confidential Information. Without limiting the generality of the foregoing, HintonBurdick shall not disclose Confidential Information to any party outside its organization, without the prior written approval the City of Ely, NV. HintonBurdick represents that, as a matter of policy, it informs its personal concerning maintaining the confidentiality of client information. The parties hereto agree that equitable relief, including injunctive relief and specific performance, shall be available in the event of any breach of the provisions of this agreement. Such remedies shall not be deemed to be the exclusive remedies for a breach of this agreement but shall be in addition to all other remedies available at law or equity.

You assume all responsibility relating to adherence with privacy and disclosure requirements relating to the use and sharing of information in your industry.

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

### ***Third Party Disclosure and the use of Third Party Services***

Unless you indicate otherwise, you consent to and authorize our firm to transmit Confidential Information that you provide to us to third parties in order to facilitate delivering our services to you. Examples of such transmissions may include the access to your contact information by members of our team (independent contractors such as consultants, administrative assistants, or third party developers), transfer of accounting information and other data files via the internet, online back-up services, web site developer and hosting services (for newsletter and order processing), credit card processing organization, etc. We only work with established, reputable companies that have demonstrated their commitment to safeguarding your data. Please feel free to inquire if you would like additional information regarding the transmission of confidential information to entities outside the firm.

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### ***Electronic (Email) Communications***

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

### ***Record Retention***

During the course of HintonBurdick's work with you, we may use one or more third party applications (including internet-based application providers) to provide portions of our services to you. This may include online filing of your Accounts Payable or other business documents. By signing this agreement, you confirm that you understand the services being provided and also agree that HintonBurdick is not liable for record retention or any other aspect of the services provided by these 3<sup>rd</sup> parties, even if we absorb the cost (in part or in full) of a third party service as a benefit to you. The City of Ely at all times assumes responsibility for a decision to maintain hard copies of your original documents or to limit your document retention to the digital copies stored by the web application.

It is our policy to keep our electronic and work paper files electronically for seven (7) years, unless otherwise required by tax or other regulatory agencies. All work paper and miscellaneous report copies that we are not required to retain are shredded at the conclusion of the engagement. At the end of seven years electronic files may be erased.

In the unlikely event that we do obtain any hard copy documents from you, all original paper documents provided by you will be returned to you promptly upon completion of our work. We typically do not keep copies of all documents. It is your responsibility to safeguard your documents in case of future need. We may occasionally keep some copies we deem necessary to our work.

If our engagement with you ends for any reason, you will have the option to continue any third party subscription based services at your expense (in some cases we may have absorbed the cost of these services during our work with you). You agree to complete the transfer of services to your name and assume responsibility for payment within 10 days of the end of our work with you. Our "end date" will be defined as the 11<sup>th</sup> business day following the date shown on the email or letter of termination/resignation transmitted by either party. You understand that if you do not assume responsibility for these services that they may be cancelled. Additional fees may apply if you elect to restore those services (if that option is available from the service provider) or request copies (digital or hard copy) of records from the third party provider.

### ***Non-Solicitation of Our Employees***

We value each of our clients as well as each of our employees. We have spent a great deal of time and resources to locate, train, and retain our employees. We respectfully request that you do not solicit our employees to work for you. If you do hire one of our employees within 2 years of when they last worked for HintonBurdick, we will be due a finder's fee equal to 100% of the annual salary or annual wage they were earning as of their last day of employment. Payment will be due within 10 days of your receipt of our invoice.

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### ***Mediation/Arbitration***

In the event of any dispute, claim, question or disagreement that arises related to the scope of services set forth in this engagement, the City of Ely and HintonBurdick agree to use their best efforts to settle the matter amicably. If the matter cannot be settled by this means and the claim(s) exceed \$10,000, the City of Ely and HintonBurdick agree to settle the dispute by mandatory arbitration/mediation to be held in Washington County, Utah and administered by the American Arbitration Association under its Commercial Mediation Rules. Costs of any arbitration/mediation proceeding shall be shared equally by the City of Ely and HintonBurdick. Any arbitration/mediation award rendered against HintonBurdick shall be limited to no more than HintonBurdick's actual billed/invoiced fees and expenses related to this engagement.

The City of Ely and HintonBurdick further agree that any dispute between them concerning the payment or nonpayment of any fees, expenses and/or other disbursements related to this engagement that totals \$10,000 or less will be filed in the small claims court of Washington County, Utah and will not be subject to mandatory arbitration/mediation. The City of Ely irrevocably submits to the exclusive jurisdiction of such Utah courts and expressly waives the defense of inconvenient forum.

### ***Third Party Settlements***

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

### ***Governing Law & Severability***

This Agreement shall be governed by and construed in accordance with the laws of the State of Nevada, without regard to the principles of conflicts of law thereof. If any portion of this engagement letter is deemed invalid or unenforceable, such a finding shall not invalidate the remainder of the terms set forth in this engagement letter.

### ***Assignment***

All obligations provided under this agreement are between HintonBurdick and the City of Ely and neither party shall assign any rights or delegate any obligations hereunder without the other party's prior written consent. Any attempted assignment without the required consent shall be null and void.

### ***Costs of Enforcement and Claim Limitations***

In the event a party is judged to be in breach of this agreement, including, as to the City of Ely, any payment obligations, and as to HintonBurdick, any confidentiality obligations, the party in breach shall reimburse the non-breaching party for its reasonable out-of-pocket costs of enforcing the provisions of this agreement, including reasonable attorneys' fees and disbursements.

### ***Termination of Services***

Either party may terminate this agreement if the other party commits a material breach of the agreement by providing written notice to the other party.

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The City of Ely understands and agrees that HintonBurdick may withdraw from the present engagement at any time for any reason at its sole discretion. the City of Ely further agrees that if it fails to provide the requested information or pay for services for this engagement on the agreed upon schedule, HintonBurdick may discontinue performing services until all outstanding balances are paid and/or may withdraw from the engagement 10 days after the mailing of written notice to the City of Ely at the same address to which statements are sent.

If HintonBurdick's work is suspended due to lack of payment and later receives payment from the City of Ely, along with a request that we resume services, HintonBurdick will provide you with an updated timeline for completion of any past due work. The City of Ely understands that this situation may result in significant delays in processing.

HintonBurdick reserves the right to terminate work on the engagement immediately if, during the course of our services, we become aware of any matters that would compromise our professional or legal standing in any way, either in fact or based on confirmed or potential public perception.

Any dispute regarding billed amounts must be submitted in writing within 10 days of the invoice date; email is acceptable. No amounts may be disputed after that 10 day period.

The City of Ely may elect to terminate this agreement by providing HintonBurdick with 30 days written notice. In the event that services are terminated, the City of Ely assumes responsibility for the transfer of any third party vendor services as described earlier in this agreement.

If HintonBurdick's work is suspended or terminated as provided herein, you agree HintonBurdick will not be responsible for the City of Ely's failure to meet government and other deadlines, for any penalties or interest that may be assessed against you resulting from your failure to meet such deadlines, or for any other damages, including consequential damages.

#### ***Insurance Requirements***

The City of Ely hereby acknowledges that it maintains business insurance necessary to cover the scope and aspects of the engagement as described in this letter and related Appendix(s).

#### ***Conclusion***

This engagement letter and related Appendix(s) sets forth the entire agreement relating to our work with you. This letter supersedes any prior agreements, discussions or understandings. No amendment or modification of this agreement shall be valid unless in writing, signed by both parties to this agreement. As indicated earlier in this agreement, you may request that we perform additional services at a future date beyond the scope of this engagement letter. If this occurs, we will communicate with you regarding the scope and estimated cost of these additional services. Engagements for additional service will necessitate that we issue a Service Order as an addendum to this agreement, or a separate engagement letter to reflect the obligations of both parties.

The terms of this agreement are valid if signed by both parties within 20 days of the date of this letter. After that date an updated agreement may be necessary, which will include any changes to our fees, billing structure, or any other aspect of our work.

If this letter correctly describes our engagement, please print and sign an original of this engagement letter and return it to us.

Sincerely,

Chad B. Atkinson, CPA

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**APPROVED:**

The above letter and the supporting Appendix(s) confirms our understanding of the services to be performed and the limitations of those services.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Title

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Date

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## Appendix A

### Services to be Provided

The services marked with an X will be provided to The City of Ely, NV

|   | <b>Type of Service</b>   | <b>Frequency/Notes</b> |
|---|--|------------------------|
| X | Assist with reconciliation of bank accounts  | As needed              |
| X | Resolve posting issues in Caselle  | As needed              |
| X | Review balance sheet accounts in all funds   | Quarterly              |
| X | Assist in the reconciliation and resolution of differences between your subsidiary ledgers (Utility billing, AP, Payroll) and the general ledger | Quarterly              |
| X | Post audit entries and agree the final audit balances to your accounting system  | Annually               |
| X | Assist with capital assets and maintaining your capital asset software for the audit   | Annually               |
| X | Review adjusting journal entries prepared by your staff  | Quarterly              |
| X | Post adjusting journal entries   | As needed              |
| X | Review the allocation of costs between the funds to be sure that allocations are reasonable and consistent                                       | Annually               |
| X | Assist in the preparation for the annual audit   | Annually               |
| X | Prepare the annual financial statements for the City to be audited   | Annually               |
| X | Review and improve internal control procedures with our firm involved in the controls  | As needed              |
| X | Meet with the City Clerk regularly to address concerns and go over the financial condition of the City   | As needed              |
| X | Assist in submitting required reports with Taxation.   | As needed              |
| X | Assist in the training of the accounting staff at the City   | As needed              |
|   |  |                        |
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## **Appendix B**

### **Service Level Agreement, Financial Policies and Fees**

#### **Your HintonBurdick, PLLC Accounting Team**

Initially, our services with you will be provided by the following HintonBurdick, PLLC team members:

Chad B. Atkinson, CPA (Partner)  
McKay Hall, CPA, CISA, CITP, CFE (Manager)

Additional/alternate staff may be assigned to you where appropriate as this engagement progresses.

#### **Your Processing, Meeting and Reporting Schedule:**

In order to ensure timely and accurate ongoing services, it is important that we ask you to provide us with your ongoing transactions, accounts payable and other information.

Meeting and reporting schedules will be determined and set on an as needed basis. Should a more regimented schedule be required one can be established.

#### **Fees**

Your investment in the outsourced accounting services you will receive from us are structured as follows:

- A monthly fee of \$2,400.
- Upon request of either party, we will analyze and discuss this fee with you on a quarterly basis to implement or resolve any appropriate changes.
- Other services will be charged on an hourly basis as services are provided.

#### **Payment Methods**

We accept checks, bank drafts as well as major credit cards. Our invoices for the fees listed above will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 30 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. In the event any statement or invoice rendered by us to you is not paid within thirty (30) days of the date of the invoice, a late charge shall accrue on the unpaid balance at the rate of 1.5% per month until paid. If billings are not paid within thirty (30) days of the invoice date, in our sole discretion, we may stop all work until your account is brought current or we may withdraw from this engagement. You acknowledge and agree that we are not required to continue work in the event of your failure to pay on a timely basis for services rendered as required by this engagement letter. You further acknowledge and agree that in the event we stop work or withdraw from this engagement we shall not be liable to you for any damages that occur as a result of our ceasing to render services

#### **On-Site Services**

We have many ways of working with you remotely. This includes, but is not limited to, remote access through GoToMeeting, Remote Accounting Solutions, document exchange via web-portal, etc. We prefer to work remotely for three reasons:

1. We can schedule an appointment with you much more quickly;
2. It is a more cost-effective alternative for you than paying the trip charge; and
3. We are more readily available to you and our other clients to answer questions as they arise.

For these and other reasons that benefit you as our client, our Accounting and Advisory Services are provided in a virtual environment. On site visits may be requested and scheduled, but significant or excessive on-site visits will initiate a review and discussion of the accounting assistance services provided and the possible need for a change order.

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We will communicate with you often, making recommendations to help you build a better operation and to develop a win-win, long-term relationship with you. We encourage you to communicate with us frequently, too.

We look forward to continuing to work with you!

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