

5/2/19

RESOLUTION NO. 2019-009

A RESOLUTION ACCEPTING AND APPROVING A PROPOSAL FROM MCGEE, HEARNE & PAIZ, LLP, CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS, TO AUDIT THE FINANCIAL RECORDS OF THE CITY OF ROCK SPRINGS FOR THE FISCAL YEAR ENDING JUNE 30, 2019, AND AUTHORIZING TIMOTHY A. KAUMO, AS MAYOR OF THE CITY OF ROCK SPRINGS, WYOMING, AND MATTHEW L. MCBURNETT, AS CITY CLERK OF THE CITY OF ROCK SPRINGS, WYOMING, TO EXECUTE AND CONFIRM SAID PROPOSAL ON BEHALF OF THE CITY.

WHEREAS, proposals were requested for independent audit services for the City of Rock Springs in order to comply with State Statutes; and,

WHEREAS, the City of Rock Springs wishes to accept an offer from McGee, Hearne & Paiz, LLP, Certified Public Accounts and Consultants, to audit the general purpose financial statements of the City of Rock Springs for the year ending June 30, 2019; and,

WHEREAS, the fee for said audit will be as stated on the attached proposal and by this reference herein incorporated; and,

WHEREAS, the Governing Body of the City of Rock Springs has said proposal before it and has given it careful review and consideration.

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF THE CITY OF ROCK SPRINGS, STATE OF WYOMING:

Section 1. That the terms and provisions of the proposal for an audit of the financial records of the City of Rock Springs for the fiscal year ending June 30, 2019, with McGee, Hearne & Paiz, LLC, Certified Public Accountants and Consultants, is hereby accepted and approved by the City of Rock Springs, Wyoming.

Section 2. That the Mayor of the City of Rock Springs be, and he is hereby, authorized, empowered and directed to execute and confirm said proposal on behalf of said City; and that the City Clerk of said City, be and he is hereby authorized and directed to attach to said proposal a certified copy of this resolution.

PASSED AND APPROVED this _____ day of _____, 2019.

President of the Council

Mayor

Attest:

City Clerk



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March 26, 2019

City of Rock Springs, Wyoming
212 D Street
Rock Springs, Wyoming 82901

Attention: Mr. Matt McBurnett, Director of Administrative Services

The Objective and Scope of the Audit of the Financial Statements

You have requested that we audit the financial statements of the City of Rock Springs, Wyoming (the "City"), which comprise governmental activities, business-type activities, each major fund and aggregate remaining fund information as of and for the year ending June 30, 2019, which collectively comprise the basic financial statements. You have also requested that we report on whether the supplementary information included with the financial statements is fairly stated, in all material respects, in relation to the financial statements as a whole. The Governmental Accounting Standards Board (GASB) requires that required supplementary information (RSI) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We will apply certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America (GAAS). We will not express an opinion or provide any assurance on the information because the limited procedures will not provide us with sufficient evidence to express an opinion or provide any assurance. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter.

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

We will also perform the audit of the City as of June 30, 2019, so as to satisfy the audit requirements imposed by the Single Audit Act and Subpart F of Title 2 U. S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

The Responsibilities of the Auditor

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (GAAS); *Government Auditing Standards* issued by the Comptroller General of the United States (GAS); the provisions of the Single Audit Act, Subpart F of Title 2 U.S. CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the U.S. Office of Management and Budget's (OMB) Compliance Supplement. Those standards, regulations, or supplements require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS. Also, an audit is not designed to detect errors or fraud that are immaterial to the financial statements. The determination of abuse is subjective; therefore, GAS does not expect us to provide reasonable assurance of detecting abuse.

In making our risk assessments, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.

We will also communicate to the City Council (a) any fraud involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements that becomes known to us during the audit, and (b) any instances of noncompliance with laws and regulations that we become aware of during the audit (unless they are clearly inconsequential).

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

Governmental Funds:

General Fund

Proprietary Funds:

Water Fund

Wastewater Fund

Rock Springs Housing Authority Funds

(collectively, "Housing Authority Funds"):

Public Housing

Section 8 Vouchers

Supportive Housing

Capital Fund

Employee Insurance Fund (Internal Service)

The component unit whose financial statements you have told us are to be included as part of the City's basic financial statements is the Rock Springs Housing Authority.

The Federal financial assistance programs and awards that you have told us that the City participates in and that are to be included as part of the single audit will be provided in the planning phase.

We are responsible for the compliance audit of major programs under the Uniform Guidance, including the determination of major programs, the consideration of internal control over compliance, and reporting responsibilities.

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

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

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

1. For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America;
2. To evaluate subsequent events through the date the financial statements are issued or available to be issued, and to disclose the date through which subsequent events were evaluated in the financial statements. Management also agrees that they will not evaluate subsequent events earlier than the date of the management representation letter referred to below;
3. For the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error;
4. For establishing and maintaining effective internal control over financial reporting and for informing us of all significant deficiencies and material weaknesses in the design or operation of such controls of which it has knowledge;
5. For report distribution; and
6. To provide us with:
 - a. Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters;
 - b. Additional information that we may request from management for the purpose of the audit; and
 - c. Unrestricted access to persons within the City from whom we determine it necessary to obtain audit evidence.

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

1. That management has fulfilled its responsibilities as set out in the terms of this letter; and
2. That management believes the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

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

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

Because the audit will be performed in accordance with the Single Audit Act and the Uniform Guidance, management is responsible for (a) identifying all Federal awards received and expended; (b) preparing the Schedule of Expenditures of Federal Awards (including notes and noncash assistance received) in accordance with Uniform Guidance requirements; (c) internal control over compliance; (d) compliance with Federal statutes, regulations, and the terms and conditions of Federal awards; (e) making us aware of significant vendor relationships where the vendor is responsible for program compliance; (f) following up and taking corrective action on audit findings, including the preparation of a summary Schedule of Prior Audit Findings and a Corrective Action Plan; and (g) submitting the reporting package and data collection form.

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

Our association with an official statement is a matter for which separate arrangements will be necessary. The City agrees to provide us with printer's proofs or masters of such offering documents for our review and approval before printing and with a copy of the final reproduced material for our approval before it is distributed. In the event our auditor/client relationship has been terminated when the City seeks such consent, we will be under no obligation to grant such consent or approval.

The City agrees that it will not associate us with any public or private securities offering without first obtaining our consent. Therefore, the City agrees to contact us before it includes our reports or otherwise makes reference to us, in any public or private securities offering.

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

Records and Assistance

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

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

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

The assistance to be supplied by City personnel, including the preparation of schedules and analyses of accounts, will be discussed and coordinated with Matt McBurnett, Director of Administrative Services, and Alex Visser, Senior Accountant. The timely and accurate completion of this work is an essential condition to our completion of the audit and issuance of our audit report.

In connection with our audit, you have requested us to perform a certain non-audit service necessary for the preparation of the financial statements, including the following:

- Drafting the Data Collection Form

This non-audit service does not constitute an audit under GAS and such the service will not be conducted in accordance with GAS. We will perform the service in accordance with applicable professional standards.

The GAS independence standards require that the auditor maintain independence so that opinions, findings, conclusions, judgments, and recommendations will be impartial and viewed as impartial by reasonable and informed third parties. Before we agree to provide a non-audit service to the City, we determine whether providing such a service would create a significant threat to our independence for GAS audit purposes, either by itself or in aggregate with other non-audit services provided. A critical component of our determination is consideration of management's ability to effectively oversee the non-audit service to be performed. The City has agreed that Matt McBurnett, Director of Administrative Services, possesses suitable skill, knowledge, or experience, and that the individual understands the non-audit service above to be performed sufficiently to oversee them. Accordingly, the management of the City agrees to the following:

1. The City has designated Matt McBurnett, Director of Administrative Services, as a senior member of management, who possesses suitable skill, knowledge and experience to oversee the service;
2. Matt McBurnett, Director of Administrative Services, will assume all management responsibilities for subject matter and scope of the service performed;
3. The City will evaluate the adequacy and results of the service performed; and
4. The City accepts responsibility for the results and ultimate use of the service.

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

Other Relevant Information

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

Fees, Costs, and Access to Workpapers

Our fees for the services described above are based upon the value of the services performed and the time required by the individuals assigned to the engagement plus directly billed expenses including report processing, travel, meals, and fees for services from other professionals. Our fee for rendering the services described in this letter for the year ending June 30, 2019 will be \$61,000.

Our fees and completion of our work are based upon the following criteria:

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

If any of the aforementioned criteria are not met, then fees may increase. Interim billings may be submitted as work progresses and as expenses are incurred. Billings are due upon submission.

When an engagement has been suspended at the request of management or those charged with governance and work on that engagement has not recommenced within 120 days of the request to suspend our work, McGee, Hearne & Paiz, LLP may, at its sole discretion, terminate this arrangement letter without further obligation to the City. Resumption of audit work following termination may be subject to our client acceptance procedures and, if resumed, will necessitate additional procedures not contemplated in this arrangement letter. Accordingly, the scope, timing and fee arrangement discussed in this arrangement letter will no longer apply. In order for McGee, Hearne & Paiz, LLP to recommence work, a new arrangement letter would need to be mutually agreed upon and executed.

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

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

The documentation for this engagement is the property of McGee, Hearne & Paiz, LLP. However, you acknowledge and grant your assent that representatives of the cognizant or oversight agency or their designee, other government audit staffs, and the U.S. Government Accountability Office shall have access to the audit documentation upon their request and that we shall maintain the audit documentation for a period of at least three years after the date of the report, or for a longer period if we are requested to do so by the cognizant or oversight agency. Access to requested documentation will be provided under the supervision of McGee, Hearne & Paiz, LLP audit personnel and at a location designated by our Firm.

Claim Resolution

The City and McGee, Hearne & Paiz, LLP agree that no claim arising out of services rendered pursuant to this arrangement letter shall be filed more than two years after the date of the audit report issued by McGee, Hearne & Paiz, LLP or the date of this arrangement letter if no report has been issued. In no event shall either party be liable to the other for claims of punitive, consequential, special or indirect damages. McGee, Hearne & Paiz, LLP's liability for all claims, damages and costs of the City arising from this engagement is limited to the amount of fees paid by the City to McGee, Hearne & Paiz, LLP for the services rendered under this arrangement letter.

McGee, Hearne & Paiz, LLP may terminate this relationship immediately in its sole discretion if McGee, Hearne & Paiz, LLP determines that continued performance would result in a violation of law, regulatory requirements, applicable professional standards or McGee, Hearne & Paiz, LLP's client acceptance or retention standards.

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

Reporting

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

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

1. A report on the fairness of the presentation of the City's Schedule of Expenditures of Federal Awards in relation to the financial statements as a whole for the year ending June 30, 2019;
2. Reports on internal control related to the financial statements and major programs. These reports will describe the scope of testing of internal control and the results of our tests of internal control;
3. Reports on compliance with laws, regulations, and the provisions of contracts or grant agreements. We will report on any noncompliance that could have a material effect on the financial statements and any noncompliance that could have a material effect, as defined by Subpart F of Title 2 U. S. CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, on each major program;
4. An accompanying Schedule of Findings and Questioned Costs; and
5. A report on the fairness of the presentation of the City of Rock Springs Housing Authority's financial data schedule for the year ending June 30, 2019. The responsibility we are to take for the material included in this report will be the same as that we assume for other supplementary information accompanying the financial statements.

This letter constitutes the complete and exclusive statement of agreement between McGee, Hearne & Paiz, LLP and the City, superseding all proposals, oral or written, and all other communication with respect to the terms of the engagement between the parties.

Electronic Signatures and Counterparts

Each party hereto agrees that any electronic signature of a party to this agreement or any electronic signature to a document contemplated hereby (including any representation letter) is intended to authenticate such writing and shall be as valid, and have the same force and effect, as a manual signature. Any such electronically signed document shall be deemed (i) to be "written" or "in writing," (ii) to have been signed, and (iii) to constitute a record established and maintained in the ordinary course of business and an original written record when printed from electronic files. Each party hereto also agrees that electronic delivery of a signature to any such document (via email or otherwise) shall be as effective as manual delivery of a manual signature. For purposes hereof, "electronic signature" includes, but is not limited to, (i) a scanned copy (as a "pdf" (portable document format) or other replicating image) of a manual ink signature, (ii) an electronic copy of a traditional signature affixed to a document, (iii) a signature incorporated into a document utilizing touchscreen capabilities, or (iv) a digital signature.

This agreement may be executed in one or more counterparts, each of which shall be considered an original instrument, but all of which shall be considered one and the same agreement. Paper copies or "printouts," of such documents if introduced as evidence in any judicial, arbitral, mediation or administrative proceeding, will be admissible as between the parties to the same extent and under the same conditions as other original business records created and maintained in documentary form. Neither party shall contest the admissibility of true and accurate copies of electronically signed documents on the basis of the best evidence rule or as not satisfying the business records exception to the hearsay rule.

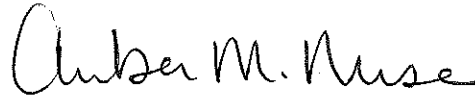
City of Rock Springs, Wyoming

March 26, 2019

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

McGEE, HEARNE & PAIZ, LLP



Amber M. Nuse, CPA, CTFA
Partner

Enclosure: Peer Review Letter
Confirmed on behalf of the addressee:

City Council President

_____, 2019

Tim Kaumo
Mayor

_____, 2019

Matt McBurnett
Director of Administrative Services

_____, 2019



SYSTEM REVIEW REPORT

September 28, 2016

To the Partners of
McGee, Hearne & Paiz, LLP
and the Peer Review Committee of the Nevada Society
of Certified Public Accountants

We have reviewed the system of quality control for the accounting and auditing practice of McGee, Hearne & Paiz, LLP (the firm) in effect for the year ended June 30, 2016. 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. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. 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. 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. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included audits performed under *Government Audit Standards* and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of McGee, Hearne & Paiz, LLP in effect for the year ended June 30, 2016, 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*. McGee, Hearne & Paiz, LLP has received a peer review rating of *pass*.

Brady, Martz

Brady Martz and Associates, P.C.



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March 26, 2019

City of Rock Springs
Rock Springs Housing Authority
233 C Street
Rock Springs, Wyoming 82901

Attention: Mr. Matt McBurnett, Director of Administrative Services

This letter is to explain our understanding of the arrangements for, and the nature and limitations of, the services we are to perform for the Rock Springs Housing Authority (the "Authority") with respect to the electronic submission and related hard copy documents as of and for the year ending June 30, 2019. This engagement is for the sole purpose of determining whether the electronic submission of certain information through the U.S. Department of Housing and Urban Development's (HUD) Financial Assessment Subsystem – Public Housing Agency (FASPHA) is complete and accurate as it relates to the applicable hard copy documents. The specific procedures to be performed are included as an attachment to this letter.

Engagement Services

Our engagement will be conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States (GAS), the *Consolidated Audit Guide for Audits of HUD Programs* (the Guide), the *Uniform Financial Reporting Standards for HUD Housing Programs* and the *Industry User Guide for the Financial Assessment Subsystem – Public Housing Agency (FASPHA)* as agreed to by the Authority and HUD's Real Estate Assessment Center (REAC).

Our report will contain a statement that it is intended solely for the use of the Rock Springs Housing Authority, the City of Rock Springs, Wyoming, and HUD and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Should you desire that others be added to our report as specified parties, please contact us as it will be necessary to obtain their agreement with respect to the sufficiency of the procedures for their purpose.

We take no responsibility for the security of the information transmitted electronically to HUD.

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

Furthermore, the procedures were not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, we will communicate to management and the City Council any significant deficiencies or material weaknesses that become known to us during the course of the engagement.

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Rock Springs Housing Authority's Responsibilities

The sufficiency of the procedures included in the attachment is solely the responsibility of the Authority. We make no representation regarding the sufficiency of the procedures described above either for the purpose for which these services have been requested or for any other purpose.

The Authority is responsible for establishing and maintaining internal controls, including monitoring ongoing activities, for the fair presentation of the electronic submission and related hard copy documents listed on the attached schedule as of and for the year ending June 30, 2019 in accordance with the Guide. The Authority is also responsible for making all management decisions and performing all functions for designating individuals with suitable skills, knowledge and experience to oversee the non-attest services we provide.

Because McGee, Hearne & Paiz, LLP will rely on the Authority and its management and the City Council to discharge the foregoing responsibilities, the Authority holds harmless and indemnifies McGee, Hearne & Paiz, LLP and its partners and employees from all claims, liabilities, losses and costs arising in circumstances where there has been a knowing misrepresentation by a member of the Authority's management that has caused, in any respect, McGee, Hearne & Paiz, LLP's breach of contract or negligence. This provision will survive termination of this letter.

Records and Assistance

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

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

McGee, Hearne & Paiz, LLP is committed to the safe and confidential treatment of the Authority's proprietary information. McGee, Hearne & Paiz, LLP is required to maintain the confidential treatment of client information in accordance with relevant industry professional standards which govern the provision of services described herein. The Authority agrees that it will not provide McGee, Hearne & Paiz, LLP with any unencrypted electronic confidential or proprietary information, and the parties agree to utilize commercially reasonable measures to maintain the confidentiality of the Authority's information, including the use of collaborate sites to ensure the safe transfer of data between the parties.

The assistance to be supplied by the Authority's personnel, including the preparation of schedules and analyses of accounts, will be discussed and coordinated with April Thompson, Supervisor of Housing and Community Development. The timely and accurate completion of this work is an essential condition to our completion of our services and issuance of our report.

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

Fees, Costs, and Access to Documentation

Our fees for the services described above are based upon the value of the services performed and the time required by the individuals assigned to the engagement plus directly billed expenses, including report processing, travel, meals, and fees for services from other professionals, as applicable. Interim billings may be submitted as work progresses and as expenses are incurred. Billings are due upon submission.

When an engagement has been suspended at the request of management or those charged with governance and work on that engagement has not recommenced within 120 days of the request to suspend our work, McGee, Hearne & Paiz, LLP may, at its sole discretion, terminate this arrangement letter without further obligation to the Authority. Resumption of work following termination may be subject to our client acceptance procedures and, if resumed, will necessitate additional procedures not contemplated in this arrangement letter. Accordingly, the scope, timing and fee arrangement discussed in this arrangement letter will no longer apply. In order for McGee, Hearne & Paiz, LLP to recommence work, a new arrangement letter would need to be mutually agreed upon and executed.

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

The working papers for this engagement are the property of McGee, Hearne & Paiz, LLP. However, you acknowledge and grant your consent that representatives of the Secretary of Housing and Urban Development, the HUD Inspector General and the U.S. Government Accountability Office shall have access to the working papers upon request, and that we shall maintain the working papers for a period of at least six years after the date of the filing or for a longer period if we are requested to do so by the agency. Access to requested working papers will be provided under supervision of McGee, Hearne & Paiz, LLP audit personnel and at a location designated by our Firm.

This letter constitutes the complete and exclusive statement of agreement between McGee, Hearne & Paiz, LLP and the Authority superseding all proposals, oral or written, and all other communications with respect to the terms of the engagement between the parties. If any term or provision of this agreement is determined to be invalid or unenforceable, such term or provision will be deemed stricken, and all other terms and provisions will remain in full force and effect.

McGee, Hearne & Paiz, LLP may terminate this relationship immediately in its sole discretion if McGee, Hearne & Paiz, LLP determines that continued performance would result in a violation of law, regulatory requirements, applicable professional standards or McGee, Hearne & Paiz, LLP's client acceptance or retention standards.

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

Electronic Signatures and Counterparts


Each party hereto agrees that any electronic signature of a party to this agreement or any electronic signature to a document contemplated hereby (including any representation letter) is intended to authenticate such writing and shall be as valid, and have the same force and effect, as a manual signature. Any such electronically signed document shall be deemed (i) to be "written" or "in writing," (ii) to have been signed and (iii) to constitute a record established and maintained in the ordinary course of business and an original written record when printed from electronic files.

Each party hereto also agrees that electronic delivery of a signature to any such document (via email or otherwise) shall be as effective as manual delivery of a manual signature. For purposes hereof, "electronic signature" includes, but is not limited to, (i) a scanned copy (as a "pdf" (portable document format) or other replicating image) of a manual ink signature, (ii) an electronic copy of a traditional signature affixed to a document, (iii) a signature incorporated into a document utilizing touchscreen capabilities or (iv) a digital signature.

This agreement may be executed in one or more counterparts, each of which shall be considered an original instrument, but all of which shall be considered one and the same agreement. Paper copies or "printouts," of such documents if introduced as evidence in any judicial, arbitral, mediation or administrative proceeding, will be admissible as between the parties to the same extent and under the same conditions as other original business records created and maintained in documentary form. Neither party shall contest the admissibility of true and accurate copies of electronically signed documents on the basis of the best evidence rule or as not satisfying the business records exception to the hearsay rule.

If this letter defines the arrangements as the Authority understands them, please sign and date a copy of this letter and return it to us. We appreciate your business.

McGEE, HEARNE & PAIZ, LLP


Brandy M. Marrou, CPA
Partner

Enclosures: Attachment
Peer Review Letter

Confirmed on behalf of the Authority:

_____, 2019
City Council President

_____, 2019
Tim Kaumo
Mayor

_____, 2019
Matt McBurnett
Director of Administrative Services

_____, 2019
April Thompson, Supervisor of
Housing and Community Development

Attachment to Arrangement Letter

We will apply the following agreed-upon procedures, which were agreed to by the Authority and HUD's REAC:

Agreed-upon procedures are to compare the electronic submission of the items listed in the *UFRS Rule Information* column with the corresponding printed documents listed in the *Hard Copy Document(s)* column as shown in the chart below. The results of the performance of our agreed-upon procedures will indicate agreement or non-agreement of the electronically submitted information and hard copy documents.

UFRS Rule Information	Hard Copy Document(s)
<ul style="list-style-type: none">• Balance Sheet and Revenue and Expense (data line items 111 to 11210)• Footnotes (data element G5000-010)• Type of opinion on FDS (data element G3100-040)	<ul style="list-style-type: none">• Financial Data Schedule of Component Unit• Footnotes to the audited basic financial statements of the reporting entity• Auditor's supplemental report on FDS

At the conclusion of our engagement, we will assist you with the electronic submission of a report outlining the procedures performed and our findings resulting from the procedures performed.

The procedures to compare the financial and compliance data entered into the electronic system to the hard copy documents in order to determine if they are complete and accurate do not constitute an audit made in accordance with generally accepted auditing standards or GAS; therefore, we will not express an opinion on any of the specific elements, accounts or items referred to in our report or on the financial statements of the Authority taken as a whole as part of this service.



SYSTEM REVIEW REPORT

September 28, 2016

To the Partners of
McGee, Hearne & Paiz, LLP
and the Peer Review Committee of the Nevada Society
of Certified Public Accountants

We have reviewed the system of quality control for the accounting and auditing practice of McGee, Hearne & Paiz, LLP (the firm) in effect for the year ended June 30, 2016. 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. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. 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. 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. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included audits performed under *Government Audit Standards* and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of McGee, Hearne & Paiz, LLP in effect for the year ended June 30, 2016, 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*. McGee, Hearne & Paiz, LLP has received a peer review rating of *pass*.

Brady, Martz

Brady Martz and Associates, P.C.