AGENDA
CITY COUNCIL MEETING
TUESDAY, NOVEMBER 9, 2021
1371 WEST FM 550 - McLENDON-CHISHOLM, TEXAS 75032
6:30 PM

			Page
1.	CALL TO ORDER		
2.	INVOCATION AND PLEDGE OF ALLEGIANCE TO U.S. AND TEXAS FLAGS		
3.	RULES OF DECORUM		
4.	CITIZEN COMMENTS		
5.	APPROVAL OF MINUTES		
	5.1.	Action regarding the Minutes of October 27, 2021 CC Meeting 10.27.21 CC Meeting	3 - 8
6.	ITEMS FOR CONSIDERATION		
	6.1.	Discussion and action regarding approval of a Resolution of the City Council of the City of McLendon-Chisholm, Texas, to cast votes for candidates to serve as member of the 2022-2023 Rockwall Central Appraisal District Board of Directors. (Requested by Mayor Pro Tem Kipphut) RCAD Letter RCAD Board of Directors Ballot City Council Letter Resolution Casting Votes	9 - 12
	6.2.	Discussion and action regarding reimbursement to MCFD New Station budget for resealing concrete seams and curbs. (Request by Chief Simmons)	
	6.3.	Consider hiring an Interim City Administrator and approving an employment contract. (Requested by Mayor Short)	
	6.4.	Discussion and action regarding approving a Letter of Engagement from Murrey Paschall & Caperton, P.C. for preparing Audited Financial Statements for FY 2020-2021. (Requested by Green) Letter of Engagement	13 - 17

7. EXECUTIVE SESSION

7.1. Adjourn into Executive Session (Closed Meeting) in accordance with Texas Government Code: Section 551:07(a)(1) Personnel Matters to deliberate the appointment, employments, evaluation, reassignment, duties, discipline or dismissal of a public officer or employee: Interim and/or permanent replace of the City Administrator and consideration of an Employment Contract.

7.2. Reconvene Regular Meeting

7.3. Executive Session Action

8. UPDATES, DISCUSSION AND DIRECTION TO STAFF

9. COUNCIL MEMBER REPORTS AND ANNOUNCEMENTS

The City Council will have an opportunity to address items of community interest including: expressions of thanks, congratulations, or condolence; information regarding holiday schedules; an honorary or salutary recognition of a public official, public employee, or other citizen; a reminder about an upcoming event organized or sponsored by the City of McLendon-Chisholm; information regarding a social, ceremonial, or community event organized or sponsored by an entity other than the City of McLendon-Chisholm that was attended or is scheduled to be attended by a member of the City Council or an official or employee of the City of McLendon-Chisholm; and announcements involving an imminent threat to the public health and safety of people in the City of McLendon-Chisholm that has arisen after posting the agenda.

10. ADJOURN

As authorized by Section 551.071 of the Texas Government Code, this meeting may be convened into closed Executive Session in order to seek confidential legal advice from the City Attorney on any agenda item herein.

I, Rochelle Green, do hereby certify that the above Notice of Meeting of the City Council of McLendon-Chisholm, Texas was posted or before 5:00 p.m., November 5, 2012, on the outside bulletin board at City Hall, a place convenient and readily accessible to the public at all times.

CITY COUNCIL MEETING
City of McLendon-Chisholm, Texas
Meeting Minutes
October 27, 2021

The City Council of the City of McLendon-Chisholm convened in Regular Session on Wednesday, October 27, 2021, at City Hall, 1371 West FM 550, McLendon-Chisholm, Texas, with the following members present:

ATTENDING:	Keith Short	Mayor
	Lorna Kipphut	Mayor Pro Tem
	Trudy Woessner	Council Member
	Norman Willis	Council Member
	Brian Davis	Council Member
ABSENT:	Dan Tucker	Council Member
Staff Present:	Lisa Palomba	City Administrator
	Shelly Green	City Secretary
	Jim Simmons	Fire Chief
	Michael Halla	City Attorney (Virtual)

1. CALL TO ORDER

Mayor Short called the meeting to order at 6:34 p.m.

2. INVOCATION AND PLEDGE OF ALLEGIANCE TO U.S. AND TEXAS FLAGS

Council Member Willis delivered the invocation and Mayor Pro Tem Kipphut led the pledge of allegiance to the U.S. and Texas Flags.

3. RULES OF DECORUM

Mayor Short announced the Rules of Decorum are in place and are to be observed throughout the meeting.

4. CITIZEN COMMENTS

Adriene Balkum, 1518 Firenza Ct. Discussed the need for preservation photos.

At this time, Mayor Short acknowledged outgoing City Administrator Lisa Palomba and presented a token of appreciation from the City.

5. PUBLIC SAFETY BUILDING STATUS REPORT

5.1. Sean Spyres, AGCM Project Manager, provide an update regarding status of the Fire Station construction project.

6. PRESENTATIONS

6.1. Dennis London, local USMC Toys for Tots Coordinator gave a presentation regarding the 2021 Toys for Tots Program in Rockwall County to include notification of an event to be held at Smoke Monkey on November 27, 2021.

7. CONSENT AGENDA

7.1. Action regarding the Minutes of October 13, 2021 City Council Meeting

7.2. Budget Report September 2021

7.3. McLendon-Chisholm Fire Rescue Report September 2021

7.4. Building Official Report September 2021

7.5. Animal Control Report September 2021

7.6. CWD Report September 2021

7.7. Sheriff's Report September 2021

MOTION: APPROVE THE CONSENT AGENDA AS PRESENTED.

MADE BY: Council Member Davis
SECONDED BY: Council Member Woessner
APPROVAL: Unanimous

8. ITEMS FOR CONSIDERATION

8.1. Presentation, discussion and action regarding the FY 2019-2020 Audit.

Kyle Caperton and Kyle Allis presented the completed FY 2019-2020 audited financial statements.

MOTION: APPROVE THE FY 2019-2020 AUDIT AS PRESENTED BY CITY AUDITORS, MURREY PASCHALL & CAPERTON, P.C.

MADE BY: Council Member Kipphut
SECONDED BY: Council Member Willis
APPROVAL: Unanimous

8.2. Receive a report from Chief Simmons regarding Fire Department Fleet.

Chief Simmons presented a report on the status of equipment in the Fire Department Fleet.

Council directed Chief Simmons to come back with an updated report.

8.3. Presentation, discussion and possible action regarding a Development Agreement between MC Trilogy, LLC., a Texas limited liability partnership and the City of McLendon-Chisholm as related to a Development Agreement for approximately 179 acres located in the City of McLendon-Chisholm and approximately 575 acres located in McLendon-Chisholm's Extraterritorial Jurisdiction (ETJ).

Misty Ventura, representing the Huffines Communities, presented the new development plan and respectfully requested the Council approve the document.

City Planner Mike Coker presented his review of the plan.

City Council, City Attorney Halla, City Planner Coker, and Misty Ventura, attorney for Huffines, held considerable discussion regarding the approval of this plan.

Mayor Short called for a break at 8:15 p.m.

Council reconvened the meeting at 8:22 p.m.

MOTION: APPROVE THE DEVELOPMENT AGREEMENT BETWEEN MC TRILOGY TEXAS, LLC, A TEXAS LIMITED LIABILITY PARTNERSHIP AND THE CITY OF MCLENDON-CHISHOLM, AS RELATED TO A DEVELOPMENT AGREEMENT FOR APPROXIMATELY 179 ACRES LOCATED IN THE CITY OF MCLENDON-CHISHOLM AND APPROXIMATELY 575 ACRES LOCATED IN MCLENDON-CHISHOLM'S ETJ, AS PRESENTED.

MADE BY: Council Member Willis
SECONDED BY: Council Member Davis

MOTION WAS AMENDED TO INCLUDE LANGUAGE CHANGE TO SECTION 2.2. CONCEPT PLAN REVISIONS, AS READ INTO THE RECORD AND ATTACHED TO THE MINUTES OF THIS MEETING.

ROLL CALL VOTE:	**Council Member Woessner**	**AYE**
	Council Member Davis	**AYE**
	Council Member Willis	**AYE**
	Council Member Kipphut	**NAY**

THE MOTION IS APPROVED.

8.4. Discussion and action regarding an option to establish a flexible spending account (FSA) with an employer contribution for employees to pay for copayments, deductibles, or other out of pocket health care costs.

MOTION: APPROVE AN OPTION TO ESTABLISH FLEXIBLE SPENDING ACCOUNT (FSA) WITH AN EMPLOYER CONTRIBUTION FOR EMPLOYEES TO PAY FOR COPAYMENTS, DEDUCTIBLES, OR OTHER OUT OF POCKET HEALTH CARE COSTS.

MADE BY: Council Member Davis
SECONDED BY: Council Member Willis
APPROVAL: Unanimous

8.5. Resolution cancelling second city council meetings in November and December.

RESOLUTION NO. 2021-12
A RESOLUTION OF THE MCLENDON-CHISHOLM, TEXAS, RESCHEDULING OR CANCELLING REGULAR CITY COUNCIL MEETINGS DURING THE 2021 HOLIDAY SEASON AND DESIGNATED DATES; PROVIDING A REPEALING CLAUSE; PROVIDING A SEVERABILITY CLAUSE; AND PROVIDING AN EFFECTIVE DATE.

MOTION: APPROVE RESOLUTION 2012-12 CANCELLING THE SECOND CITY COUNCIL MEETINGS IN NOVEMBER AND DECEMBER.

MADE BY: Council Member Kipphut
SECONDED BY: Council Member Woessner
APPROVAL: Unanimous

8.6. Consider a Resolution designating an official newspaper and alternate official newspaper.

RESOLUTION 2021-13
A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MCLENDON-CHISHOLM, TEXAS DESIGNATING AN OFFICIAL NEWSPAPER AND ALTERNATE OFFICIAL NEWSPAPER; AND PROVIDING AN EFFECTIVE DATE.

MOTION: APPROVE RESOLUTION 2021-13 DESIGNATING THE ROCKWALL HERALD BANNER AS THE CITY'S OFFICAL NEWSPAPER WITH THE

DALLAS MORNING NEWS AS THE ALTERNATE OFFICIAL NEWSPAPER.

MADE BY: **Council Member Kipphut**
SECONDED BY: **Council Member Woessner**
APPROVAL: **Unanimous**

8.7. Discussion and action regarding consideration of a maintenance contract with Argent Associates for as needed Audio visual Remote and Onsite Support.

MOTION: APPROVE A MAINTENANCE CONTRACT WITH ARGENT ASSOCIATES FOR AS NEEDED AUDIO VISUAL REMOTE AND ONSITE SUPPORT WITH A MAXIMUM OF EIGHT (8) HOURS FOR THE INSTALLATION OF THE NEW ENCODER.

MADE BY: **Council Member Davis**
SECONDED BY: **Council Member Kipphut**
APPROVAL: **Unanimous**

8.8. Discussion and action to accept the resignation of the City Administrator, Lisa Palomba, effective November 1, 2021.

City Administrator Palomba stated this was a bittersweet decision to make, but it was one she felt she had to make.

MOTION: ACCEPT THE RESIGNATION OF CITY ADMINISTRATOR LISA PALOMBA EFFECTIVE NOVEMBER 1, 2021.

MADE BY: **Council Member Kipphut**
SECONDED BY: **Council Member Davis**
APPROVAL: **Unanimous**

9. EXECUTIVE SESSION

9.1. Recess into Executive Session (Closed Meeting) in accordance with Texas Government Code: Section 551.074(a)(1) Personnel Matters to deliberate the appointment, employment, evaluation, reassignment, duties, discipline or dismissal of a public officer or employee: Interim and/or permanent replacement of the City Administrator.

Council recessed into Executive Session at 8:48 p.m.

9.2. Reconvene Regular Meeting

Council reconvened the regular meeting at 9:09 p.m.

9.3. Executive Session Action

No Action Taken

10. UPDATES, DISCUSSION AND DIRECTION TO STAFF

Mayor Short reminded everyone of the upcoming Veterans' Day event. It will be held on Veterans' Day, November 11, 2021, at 11:00 a.m.

Council Member Kipphut reported the bricks are in and have been installed.

Council Member Woessner reported she is going to start decorating come November so the place will be ready. She is going to be looking for cookies and donations. She is working with the Chief on the grand opening of the new fire station.

11. COUNCIL MEMBER REPORTS AND ANNOUNCEMENTS

None

10. ADJOURN

There being no further business to discuss, Mayor Short adjourned the meeting at 9:16 p.m.

APPROVED:

____
Keith Short, Mayor

ATTEST:

____
Rochelle Green, City Secretary

Rockwall
Central Appraisal District

October 22, 2021

CITY OF MCLENDON-CHISHOLM
MAYOR KEITH SHORT
1371 W FM 550
MCLENDON-CHISHOLM, TX 75032

Dear Mayor Short,

Texas Property Tax Code 6.03 (j) states:

- Before October 30, the chief appraiser shall prepare a ballot, listing the candidates whose names were timely submitted under Subsections (g) . . . alphabetically according to the first letter in each candidate's surname, and shall deliver a copy of the ballot to the presiding officer of the governing body of each taxing unit that is entitled to vote.

Texas Property Tax Code 6.03 (k) states:

- The governing body of each taxing unit entitled to vote shall determine its vote by resolution and submit it to the chief appraiser ***before December 15***. The chief appraiser shall count the votes, declare the five candidates who receive the largest cumulative vote totals elected, and submit the results before December 31.

A ballot is prepared and enclosed with the following:

- The ballot with a list of all eligible nominees, a column to list the name of entity voting and a column for number of votes cast.
- The taxing unit should complete the number of votes cast for the nominee or nominees.
- The taxing unit may only cast the total number of votes their taxing unit is entitled.
- Votes may be cast for one person or divided among multiple nominees.

Number of votes your entity is entitled to is: **15**

Please contact me if you have questions.

Sincerely,

Kevin Passons
Chief Appraiser

841 Justin Road
Rockwall, TX 75087
www.rockwallcad.com

Metro: 972-771-2034
Toll Free: 1-877-438-5304
Fax: 972-771-6871

2021 Board of Directors Ballot

2022-2023 Rockwall Central Appraisal District Board of Directors

Nominee	Name of Voting Entity	Number of Votes Cast
Vicki Alexander		
John Brandt		
John Hohenshelt		
Trace Johannesen		
Lorne Liechty		
Russell Summers		

Ballots must be returned before December 15, 2021

City of Fate
1900 CD Boren Parkway
Fate, TX 75087

October 27, 2021

McLendon Chisolm Mayor and City Council:
Mayor Keith Short
Mayor Pro Tem Lorna Kipphut
Council Member Norman Willis
Council Member Trudy Woessner
Council Member Brian Davis
Council Member Dan Tucker
Via Email

RE: RCAD Nominations and Election

Dear Mayor and City Council,

My name is John Brandt, Fate City Council Member, Place 2. I have proudly accepted a nomination to the RCAD Board of Directors by the City Council of Fate, Texas. As a homeowner in the Fate Woodcreek community, parent, small business owner, and a licensed Texas Real Estate Agent, I believe I have the qualities that you are looking for in a RCAD Board. I would appreciate this opportunity to further serve the Rockwall County community and ask you to consider casting your vote for me, John Brandt.

You may reach me directly by phone or email and am happy to meet in person.

John Brandt
Fate City Council, Place 2
Direct 469-668-3051
Email jbrandt@fatetx.gov

Thank you for this opportunity, your time, and your careful consideration.

Sincerely,

John Brandt
Fate City Council, Place 2

RESOLUTION NO. 2021-___

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MCLENDON-CHISHOLM, TEXAS, TO CAST VOTES FOR CANDIDATES TO SERVE AS A MEMBER OF THE 2022-2023 ROCKWALL CENTRAL APPRAISAL DISTRICT BOARD OF DIRECTORS

WHEREAS, the City Council of the City of McLendon-Chisholm, Texas desires to cast votes for a candidate to serve as a member of the Board of Directors of the Rockwall Central Appraisal District; and

WHEREAS, the City Council recognizes the importance of the Board of Directors in providing leadership for the Rockwall Central Appraisal District; and

WHEREAS, the City Council wishes to promote a continued emphasis on fair and uniform appraisals and the efficient operation of the Rockwall Central Appraisal District.

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MCLENDON-CHISHOLM, TEXAS:

Section 1. **THAT** the City of McLendon-Chisholm's 15 votes be cast for the following person to serve as a member of the 2022-2023 Rockwall Central Appraisal District Board of Directors:

- John Brandt

AND IT IS SO RESOLVED.

PASSED AND APPROVED by the City Council of McLendon-Chisholm, Texas, on this, the 9th day of November, 2021.

APPROVED:

____
Keith Short, Mayor

ATTEST:

____
Rochelle Green
City Secretary

Murrey Paschall & Caperton PC

Certified Public Accountants

November 4, 2021

To the Honorable Mayor and Members of the City Council

City of McLendon-Chisholm
1371 West FM 550
McLendon-Chisholm, Texas 75032

We are pleased to confirm our understanding of the services we are to provide the City of McLendon-Chisholm for the year ended September 30, 2021. We will audit the financial statements of the governmental activities, the business-type activities, and each major fund, including the related notes to the financial statements, which collectively comprise the basic financial statements of the City of McLendon-Chisholm as of and for the year ended September 30, 2021. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the City of McLendon-Chisholm'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 of McLendon-Chisholm's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by U.S. generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1) Management's Discussion and Analysis.
2) Statement of Revenue, Expenditures, and Changes in Fund Balance-Budget and Actual (Non-GAAP Budgetary Basis)
3) Schedule of Changes in Net Pension Liability and Related Ratios
4) Schedule of Changes in OPEB Liability and Related Ratios

AUDIT OBJECTIVES

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to 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. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of the accounting records of the City of McLendon-Chisholm and other procedures we consider necessary to enable us to express such opinions. We will issue a written report upon completion of our audit of the City of McLendon-Chisholm's financial statements. Our report will be addressed to the honorable mayor and members of the city council of the City of McLendon-Chisholm. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. 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 may withdraw from this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and on compliance and other matters will include a paragraph that states (1) that 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 on compliance, and (2) that 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 paragraph will also state that the report is not suitable for any other purpose. If during our audit we become aware that the City of McLendon-Chisholm is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

AUDIT PROCEDURES—GENERAL

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. 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. 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 nor do they expect auditors to provide reasonable assurance of detecting waste and 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, an unavoidable risk exists that some material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards 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. 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, and of any material abuse that comes to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories (if any), and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

AUDIT PROCEDURES—INTERNAL CONTROL

Our audit will include obtaining an understanding of the government and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. 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*.

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 and *Government Auditing Standards*.

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 of McLendon-Chisholm's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit 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*.

OTHER SERVICES

We will also assist in preparing the financial statements and related notes of the City of McLendon-Chisholm in conformity with U.S. generally accepted accounting principles based on information provided by you. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial 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.

MANAGEMENT RESPONSIBILITIES

Management is responsible for 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, and for evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met; following laws and regulations; and 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 and all accompanying information in conformity with U.S. generally accepted accounting principles, and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. 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, including identification of all related parties and all related-party relationships and transactions, (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.

Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the written 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 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 and for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts or grant agreements that we report.

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

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits or other studies related to the objectives discussed in the Audit 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 other 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.

You agree to assume all management responsibilities relating to the financial statements 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 and related notes and that you have reviewed and approved the financial statements 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.

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.

We will provide copies of our reports to the City of McLendon-Chisholm; 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 Murrey Paschall & Caperton, P.C. 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 regulatory authorities 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 Murrey Paschall & Caperton, P.C. 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 regulatory authorities. If we are aware that a federal awarding agency 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.

We expect to begin our audit in December 2021 and to issue our reports no later than March 31, 2022. Kyle Caperton is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

Our fee for these services will be at our standard hourly rates plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.) except that we agree that our gross fee, including expenses, will not exceed $15,000 ($12,500 City and $2,500 PID activity). Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 60 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. 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.

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

Very truly yours,

Murrey Paschall & Caperton, PC

Murrey Paschall & Caperton, P.C.

RESPONSE:

This letter correctly sets forth the understanding of the City of McLendon-Chisholm.

Management signature: ____________________________ Date: ____

Title: ____

Governance signature: ____________________________ Date: ____

Title: ____