

Name of Client: City of Rapid City
Proposed by: Casey Peterson & Associates, Ltd.

Period Ended: December 31, 2007
Date Prepared: March 27, 2009

During the audit for the year ended December 31, 2007 we had discussions with the management of the City of Rapid City regarding the need to perform the following services in addition to those agreed to in our original engagement letter dated January 21, 2008 in order to complete the audit of the financial statements for the City of Rapid City:

Reasons for requiring the change order:

1. The City of Rapid City was required to implement GASB 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, during the year ended December 31, 2007 as this accounting pronouncement relates to the City's tax increment district financing arrangements. Based on our initial interpretation, and the City's initial interpretation, of this standard it was believed the standard was not applicable to the City's tax increment district financing arrangements. However, after consultations with GASB and the individual who wrote the pronouncement it was determined that the accounting guidance was applicable. The work related to assisting in the implementation of this standard, and the related audit work, was not included in our original fee quote.
2. During the year ended December 31, 2007 the City implemented new accounting software and the accounting staff primarily responsible for the preparation of the financial statements were not employed by the City. These two changes resulted in difficulties in reconciling bank accounts and the preparation of the financial statements. Therefore, certain information and historical data needed during the course of the audit was not available. For example, the audit was started prior to having a draft of the financial statements. Therefore, additional time was required to reconcile audit information to the final draft of the financial statements once the final draft was received.

Nature of work to be performed:

1. Auditing the implementation of GASB 48 – Debt and certain capital assets related to certified tax increment districts were required to be recorded under GASB 48. The debt and certain capital assets had not been audited in prior years. This required auditing certain activities of each tax increment district from their inception. This also required significant changes to the financial statements and the audit of those changes.
2. Change in Accounting Software and Business Office Personnel – Because certain information, such as the financial statements and bank reconciliations, were not available during the audit additional audit work was required to update workpapers to agree with the final draft of the financial statements and to determine different methods of auditing certain information.

Estimated cost of change/ additional work: \$8,000

The terms and conditions of payment will be the same as in our original engagement letter. If you have any questions or concerns regarding this change order please contact Mark Lyons at 605-348-1930

Sincerely,

Casey Peterson & Associates, Ltd.

Accepted:

City Finance Officer:

Date: