



Ketel Thorstenson, LLP
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April 29, 2026

City of Deadwood
102 Sherman Street
Deadwood, SD 57732

Dear Client:

We are pleased to confirm our understanding of the services we are to provide for the City of Deadwood (the City) for the year ended December 31, 2025.

You have requested that we prepare the financial statements of the City, which comprise the annual report of the City, as of and for the year ended December 31, 2025, for the Department of Legislative Audit requirements.

We will assist your staff in adjusting the books of accounts with the objective that they will be able to prepare a working trial balance from which the financial statements can be prepared. Your staff will provide us with a detailed trial balance and any supporting schedules we require. We will work with your staff throughout the year to prepare any journal entries necessary to correct the books and records, with the goal of having constant communication and training throughout this process.

Our Responsibilities

The objective of our engagement is to prepare financial statements in accordance with accounting principles generally accepted in the United States of America based on information provided by you. We will conduct our engagement in accordance with Statements on Standards for Accounting and Review Services (SSARS) promulgated by the Accounting and Review Services Committee of the AICPA and comply with the AICPA's *Code of Professional Conduct*, including the ethical principles of integrity, objectivity, professional competence, and due care.

We are not required to, and will not, verify the accuracy or completeness of the information you will provide to us for the engagement or otherwise gather evidence for the purpose of expressing an opinion or a conclusion. Accordingly, we will not express an opinion or a conclusion nor provide any assurance on the financial statements.

Our engagement cannot be relied upon to identify or disclose any financial statement misstatements, including those caused by fraud or error, or to identify or disclose any wrongdoing within the entity or noncompliance with laws or regulations.

An engagement to compile financial statements differs significantly from a review or audit of financial statements. An engagement to compile financial statements does not contemplate performing inquiry, analytical procedures, or other procedures ordinarily performed in a review. It also does not contemplate obtaining an understanding of the entity's internal controls, assessing fraud risk, testing accounting records by obtaining sufficient appropriate audit evidence through inspection, observation, confirmation, or the examination of source documents, or other procedures ordinarily performed in an audit.

Management Responsibilities

The engagement to be performed is conducted on the basis that management acknowledges and understands that our role is the preparation of the annual report in accordance with accounting principles generally accepted in the United States of America. Management has the following overall responsibilities that are fundamental to our undertaking the engagement to prepare your financial statements in accordance with SSARS:

- a. The selection of the accounting principles generally accepted in the United States of America as the financial reporting framework to be applied in the preparation of the annual report.
- b. 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.
- c. The prevention and detection of fraud.
- d. To ensure that the entity complies with the laws and regulations applicable to its activities.
- e. The accuracy and completeness of the records, documents, explanations, and other information, including significant judgments, you provide to us for the engagement to prepare financial statements.
- f. To provide us with:
 - i. Documentation and other related information that is relevant to the preparation and presentation of the financial statements,
 - ii. Additional information that may be requested for the purpose of the preparation of the financial statements, and
 - iii. Unrestricted access to persons within the entity of whom we determine it necessary to communicate.

It is your responsibility to review these financial statements and copies of the other reconciliations, schedules, forms, reports, or any other item that results from the scope of services when we deliver them. Our regular procedures include making certain adjusting or reclassification entries to your general ledger. Some will be in the nature of standard recurring accruals and adjustments. Others will be one-time adjustments or reclassifications. We will provide copies of all such items with the financial statement when we deliver it. It is your responsibility to review these entries as well and let us know if there should be any changes or corrections to the statements. Your acceptance of the financial statements, reconciliations, schedules, forms, reports, or any other items that results from the scope of services is acknowledgment that you have reviewed and approved them.

You are also responsible for all management decisions and responsibilities and for designating an individual with suitable skills, knowledge, or experience to oversee our bookkeeping services and preparation of your financial statements. You are responsible for evaluating the adequacy and results of the services performed and accepting responsibility for such services.

The financial statements will not be accompanied by a report. However, you agree that the financial statements will clearly indicate that no assurance is provided on them.

Engagement Administration, Fees and Other

Jeff Yennie is the engagement partner and is responsible for supervising the engagement.

We will schedule the engagement based in part on deadlines, working conditions, and the availability of key personnel. We will plan the engagement based on the assumption that your personnel will cooperate and provide assistance by performing tasks such as preparing requested schedules and retrieving supporting documents. If, for whatever reason, your personnel are unavailable to provide the necessary assistance in a timely manner, it may substantially increase the work we have to do to complete the engagement within the established deadlines, resulting in an increase in fees from our original fee estimate. If the engagement is rescheduled due to lack of providing enough information in a timely manner, we may assess a rescheduling fee up to 10 percent of your service fee, with a minimum rescheduling fee of \$1,000. We will not undertake any accounting services (including but not limited to reconciliation of accounts and preparation of requested schedules) without obtaining your approval.

We will utilize portals, collaborative, virtual workspaces in a protected, online environment. Our portals permit real-time collaboration across geographic boundaries and time zones and allow us to share data, engagement information, knowledge, and deliverables in a protected environment. To use the portals, you may be required by the provider of portals to execute a client portal agreement and agree to be bound by the terms, conditions and limitations of such agreement. You agree that we have no responsibility for the activities of the portals and agree to indemnify and hold us harmless with respect to all claims arising from your misuse of the portals.

You are responsible for maintaining your own copy of information provided on the portals. We do not provide back-up services for any of your data or records, including information we provide to you. Portals are utilized solely as a method of transferring data and are not intended for the storage of your information. Information on the portals may be deleted at any time.

If you decide to transmit your confidential information to us in a manner other than a secure portal, you accept responsibility for all unauthorized access to your confidential information. If you request that we transmit confidential information to you in a manner other than a secure portal or encrypted email, you agree that we are not responsible for any liability, including but not limited to, (a) any loss or damage of any nature, whether direct or indirect, that may arise as a result of our sending confidential information in a manner other than a secure portal, and (b) any damages arising as a result of any virus being passed on or with, or arising from any alteration of, any email message.

In providing our services to you, we may send data over the Internet, temporarily store electronic data via computer software applications hosted remotely on the Internet or utilize cloud-based storage. Your confidential electronic data may be transmitted or stored using these methods. In using these data communication and storage methods, our firm employs measures designed to maintain data security. We use reasonable efforts to keep such communications and electronic data secure in accordance with our obligations under applicable laws, regulations, and professional standards. You recognize and accept that we have no control over the unauthorized interception or breach of any communications or electronic data once it has been transmitted or if it has been subject to unauthorized access while stored, notwithstanding all reasonable security measures employed by us. You consent to our use of these electronic devices and applications during this engagement.

In the interest of enhancing our availability to meet your professional service needs while maintaining service quality and timeliness, we may use third-party service providers, subcontractors, commercially-available artificial intelligence, or software tools, some of which may utilize or offer artificial intelligence capabilities (collectively, "external parties") to assist us. We may provide your confidential information to external parties in support of our services. We require our external parties to have established procedures and controls designed to protect client confidentiality and maintain data security. Our firm remains responsible for exercising reasonable care in providing our services, and our work product will be subjected to our firm's customary quality control procedures. By accepting the terms and conditions of our engagement, you are providing your consent and authorization to disclose your confidential information to external parties, if such disclosure is necessary to deliver professional services or provide support services to our firm.

The documentation for this engagement will be retained for a minimum of seven years after the report release date.

Our professional fees for the services outlined above will be based upon the complexity of the work to be performed and our professional time, plus applicable sales tax. Professional time spent depends on the timely delivery, availability, quality, and completeness of the information you provide to us. You agree that you will deliver all records requested and respond to all inquiries made by our staff to complete this engagement on a timely basis. You will also be billed for travel, other out-of-pocket costs such as postage, and technology fees. We will provide you with an electronic copy of the financial statements. If you elect to have paper copies produced by us, they will be billed at \$25 each. 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 will 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, even if we have not issued 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. At completion of the engagement, we will submit a final invoice which is due upon receipt.

Either party may terminate this agreement at any time, and we reserve the right to withdraw from the engagement without completing services for any reason, including, but not limited to, non-payment of fees, your failure to comply with the terms of this agreement, or as we determine professional standards require. If our work is suspended or terminated, you agree that we will not be responsible for your failure to meet governmental and other deadlines, or for any liability, including but not limited to, penalties or interest that may be assessed against you resulting from your failure to meet such deadlines. If this agreement is terminated before services are completed, you agree to compensate us for the services performed and expenses incurred through the effective date of termination.

You may request that we perform additional services not addressed in this engagement letter. If this occurs, we will communicate with you regarding the scope of the additional services and the estimated fees. We also may issue a separate engagement letter covering the additional services. In the absence of any other written communication from us documenting such additional services, our services will continue to be governed by the terms of this engagement letter and will be billed separately each month.

In the event we are requested pursuant to subpoena or other legal process to produce documents relating to current or prior engagements for the Company in legal, administrative, arbitration, or similar proceedings to which we are not a party, the Company shall reimburse us at our standard billing rates for our professional time and expenses, including reasonable attorney's fees, incurred by us in responding to such requests. In the event of a dispute, the courts of the state of South Dakota shall have jurisdiction, and all disputes will be submitted to the state of South Dakota, which is the proper and most convenient venue for resolution. We also agree that the law of the state of South Dakota shall govern all such disputes.

If a dispute arises out of or relates to this Agreement, including the scope of services contained herein, or the breach thereof, and if the dispute cannot be settled through negotiation, the parties agree first to try to settle the dispute by mediation administered by the American Arbitration Association ("AAA") under the AAA Accounting and Related Services Arbitration Rules and Mediation Procedures before resorting to arbitration, litigation, or some other dispute resolution procedure. The mediator will be selected by mutual agreement of the parties. If the parties cannot agree on a mediator, a mediator shall be designated by the AAA. The mediation will be conducted in the state noted above.

The mediation will be treated as a settlement discussion and, therefore, all discussions during the mediation will be confidential. The mediator may not testify for either party in any later proceeding related to the dispute. No recording or transcript shall be made of the mediation proceedings. The costs of any mediation proceedings shall be shared equally by all parties. Any costs of legal representation shall be borne by the hiring party.

You agree to hold us harmless and to release, indemnify, and defend us from any liability or costs, including attorney's fees, resulting from management's knowing misrepresentations to us.

Notwithstanding anything to the contrary in this agreement, Ketel Thorstenson, LLP shall not be liable for any lost profits, indirect, special, incidental, punitive, consequential, or similar damages, to the extent such damages may be lawfully limited or excluded, of any nature even if we have been advised by you of the possibility of such damages.

You agree that any claim arising out of this agreement shall be commenced within 3 years from the date our services conclude as outlined in this agreement, regardless of any longer period of time for commencing such claim as may be set by law. A claim is understood to be a demand for money or services, the service of a suit, or the institution of arbitration proceedings against Ketel Thorstenson, LLP.

You acknowledge we have invested time and money into developing and training our personnel. You agree to inform the engagement partner before entering into any substantive employment discussions with any of our personnel. If you should choose to hire one of our employees, we may, at our discretion, charge you a recruiting fee of fifty percent of the annual salary offered to our employee to compensate us for the loss of our valued and extensively trained employee.

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

Sincerely,

KETEL THORSTENSON, LLP



Jeff T. Yennie, CPA, CVA
Partner

This letter correcting sets forth the understanding of our contract. I have read it and fully understand its terms and provisions.

Accepted By: _____

Title: Finance Officer

Accepted By: _____

Title: Mayor / Council

Date: _____