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This representation letter is provided in connection with your audit of the financial statements of the City of Deadwood (the City), which comprise the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the disclosures (collectively, the "financial statements"), for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief as of the date of this letter, the following representations made to you during your audit.

#### **Financial Statements - General**

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated November 6, 2024, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for the preparation of the supplementary information in accordance with the applicable criteria.
- The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- We acknowledge our responsibility 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 error or fraud.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- The methods, significant assumptions, and data used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in accordance with GAAP. In regard to such estimates, management represents:
  - The significant judgments made have considered all relevant information of which we are aware,
  - The process used to determine estimates is appropriate and consistent,
  - The assumptions appropriately reflect our intent and ability to carry out specific courses of action,
  - The disclosures, including those describing estimation uncertainty, are complete and appropriate,
  - When necessary, appropriate specialized skills or expertise have been applied,
  - No subsequent events have occurred that would require adjustment to the estimates or related financial statement disclosures, and
  - The decision to exclude any accounting estimates not recognized or disclosed in the financial statements was made after considering the appropriate recognition and disclosure criteria in GAAP.
- Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.

- Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statement or in the schedule of findings.
- We are responsible for adjusting the financial statements to correct material misstatements, and we affirm that the effects of the uncorrected misstatements summarized in the attached schedule are immaterial, both individually and in the aggregate, to the financial statements as a whole for each opinion unit.
- We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- Guarantees, whether written or oral, under which the City is contingently liable, if any, have been properly recorded or disclosed.
- The financial statements include all fiduciary activities required by GASB Statement No. 84, as amended.
- The financial statements properly classify all funds and activities in accordance with GASB Statement No. 34, as amended.
- All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.

#### **Financial Statements – Account Balances**

- Deposits and investment securities are properly classified as to risk and are properly disclosed.
- The methods and significant assumptions used to determine fair values of financial instruments are quoted prices in active markets. They result in a measure of fair value appropriate for financial statement measurement and disclosure purposes.
- Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the balance sheet date and have been appropriately reduced to their estimated net realizable value by a properly identified and recorded provision for uncollectible receivables.
- Inventory quantities at the financial statement dates were determined from physical counts or from the government unit's perpetual inventory records, which have been adjusted on the basis of physical inventories taken by competent employees during the year.
- Provision, when material, has been made to reduce excess or obsolete inventories to their estimated net realizable value.
- Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated, or amortized.
- We meet the GASB-established requirements for accounting for eligible infrastructure assets using the modified approach.
- All commitments for the purchase of property, plant, and equipment have been disclosed. There are no significant idle or nonoperating fixed assets or assets held for resale.

- Capital assets, including intangible assets, have been evaluated for impairment as a result of significant and unexpected decline in service utility. Impairment loss and insurance recoveries have been properly recorded.
- We believe all material expenditures that have been deferred to future periods will be recoverable.
- Agreements to repurchase assets previously sold have been properly disclosed.
- The City has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral except as made known to you and disclosed in the financial statements. All material leases are properly recorded and disclosed in the financial statements.
- Direct borrowings and direct placements of debt have been properly segregated from other debt; and unused lines of credit, collateral pledged to secure debt, terms in debt agreements related to significant defaults or termination events with finance-related consequences, and significant subjective acceleration clauses have been properly disclosed.
- We have appropriately disclosed or recognized conduit debt obligations and/or certain arrangements associated with conduit debt obligations in accordance with GASB Statement No. 91.
- We are in compliance with all tax or debt limits, and any related debt covenants, and all such items have been properly disclosed.
- We have appropriately identified, recorded, and disclosed subscription-based information technology arrangements in accordance with GASB Statement No. 96, if any.
- Actuarial assumptions and methods used to measure pension liabilities and costs for financial accounting purposes are appropriate in the circumstances. We have adequately considered the qualifications of specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.
- Deferred compensation agreements or pension plans are properly recorded and disclosed.
- Tax abatement agreements have been properly disclosed in the financial statements, including the names of all governments involved, the gross amount and specific taxes abated, and additional commitments.
- Arrangements with financial institutions involving repurchase, reverse repurchase, or securities lending agreements, compensating balances, or other arrangements involving restrictions on cash balances, line-of-credit, or similar arrangements have been properly recorded and/or disclosed.
- Net position components (net investment in capital assets, restricted, and unrestricted) and classifications of fund balance (non-spendable, restricted, committed, assigned and unassigned) are properly classified and, if applicable, approved.
- We have appropriately disclosed the entity's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- We are following our established accounting policy regarding which resources, (i.e. restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.

- Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- Special and extraordinary items are appropriately classified and reported, if applicable.
- Participation in a public entity risk pool has been properly reported and disclosed.

#### **Information Provided**

- We have provided you with:
  - Access to all information of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters.
  - All audit or relevant monitoring reports, if any, received from funding sources.
  - Additional information that you have requested from us for the purpose of the audit.
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  - All minutes of meetings of the governing board and related committees and summaries of actions of recent meetings for which minutes have not yet been prepared.
  - All communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
  - Previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal awards. There were no significant accounting system or control breakdowns during the audit period, and no accounting data was lost.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - Management,
  - Employees who have significant roles in internal control, or
  - Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements and communicated by employees, former employees, grantors, regulators, or others.
- We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws, regulations (including those pertaining to adopting, approving, and amending budgets), contracts or grant agreements, or waste or abuse, whose effects should be considered when preparing the financial statements or as a basis for recording a loss contingency, or for reporting on non-compliance.
- We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- We have no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources and fund balance or net position.

- We have provided you with all of the information that is relevant to our plans to mitigate the adverse effects of conditions and events that indicate there is substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time, including our evaluation of the likelihood that those plans can be effectively implemented.
- We have disclosed to you the identity of the City's related parties and all the related party relationships and transactions, including any side agreements, of which we are aware.
- We are responsible for compliance with laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds. There are no violations or possible violations (including budget ordinances and debt covenants) whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.
- We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of identified and suspected fraud and noncompliance with provisions of laws and regulations, and contracts and grant agreements that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- We have a process to track the status of audit findings and recommendations, when applicable.
- We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions for the report, if applicable.
- If applicable, we have taken timely and appropriate steps to remedy identified and suspected fraud or noncompliance with provisions of laws, regulations, contracts, and grant agreements, that you have reported to us.
- We understand that you prepared the trial balance for use during the audit and that your preparation of the trial balance was limited to formatting the information in our general ledger into a working trial balance. We agree with the classifications of the trial balance that were utilized in the financial statement preparation (see attached).

In addition, you prepared the adjusting journal entries necessary to ensure the financial statements are not materially misstated, and we acknowledge that we have reviewed and approved those entries and accepted responsibility for them (see attached). We are in agreement with those adjustments, and they will be recorded in our records.

Also, as part of your audit, you assisted with preparation of the financial statements and disclosures and schedule of expenditures of federal awards, from the trial balance. You also performed the following non-audit services: pension adjustments, GASB 34 adjustments, data collection form preparation, and assistance with implementation of new accounting standards. We acknowledge our responsibility as it relates to those non-audit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably in senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; accept responsibility for the results of the services; and ensure that the entity's data and records are complete and receive sufficient information to oversee the services.

We have reviewed, approved, and accepted responsibility for those financial statements and related notes and schedule of expenditures of federal awards.

- We acknowledge that we have omitted the RSI, which includes management's discussion and analysis, budgetary comparison information, and pension schedules.
- We acknowledge our responsibility for presenting the supplementary information (which includes the supplementary schedules of Schedule of Expenditures of Federal Awards) in accordance with U.S. GAAP, and we believe the supplementary information, including its form and content, is fairly presented in accordance with U.S. GAAP. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior year, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

#### **Compliance – Uniform Grant Guidance**

- With respect to federal award programs:
  - We are responsible for understanding and complying with, and have complied with, the requirements 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), relating to preparation of the Schedule of Expenditures of Federal Awards (SEFA).
  - We acknowledge our responsibility for presenting the SEFA and related disclosures in accordance with the requirements of the Uniform Guidance, and we believe the SEFA, including its form and content, is fairly presented in accordance with the Uniform Guidance. The methods of measurement and presentation of the SEFA have not changed from those used in the prior year, and we have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the SEFA.
  - If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issue the SEFA and the auditor's report thereon.
  - We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance compliance audit, and have included in the SEFA, expenditures made during the audit period for all awards provided by federal agencies in the form of federal awards, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
  - We are responsible for understanding and complying with, and have complied with, the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of our federal programs and have identified and disclosed to you the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major federal program.
  - If applicable, we are responsible for establishing, designing, implementing, and maintaining, and have established, designed, implemented, and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that we are managing our federal awards in compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.
  - We have made available to you all federal awards (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.
  - We have received no requests from a federal agency to audit one or more specific programs as a major program.

- We have complied with the direct and material compliance requirements (except for noncompliance disclosed to you), including when applicable, those set forth in the *OMB Compliance Supplement*, relating to federal awards, and have identified and disclosed to you all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal awards, as applicable.
- We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB's Uniform Guidance (2 CFR Part 200, Subpart E).
- We have disclosed to you our interpretation of any compliance requirements that may have varying interpretations.
- We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
- No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies or material weaknesses in internal control over compliance, subsequent to the period covered by the auditor's report.
- Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.
- The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.
- If applicable, we have monitored subrecipients to determine that they have expended subawards in compliance with federal statutes, regulations, and the terms and conditions of the subaward and have met the other pass-through entity requirements of the Uniform Guidance.
- If applicable, we have issued management decisions for audit findings that relate to federal awards made to subrecipients and such management decisions have been issued within six months of acceptance of the audit report by the Federal Audit Clearinghouse. Additionally, we have followed up ensuring that the subrecipient has taken timely and appropriate action on all deficiencies through audits, on-site reviews, and other means that pertain to the federal award provided to the subrecipient.
- If applicable, we have considered the results of subrecipient audits and have made any necessary adjustments to our books and records.
- We have charged costs to federal awards in accordance with applicable cost principles.
- We are responsible for and have accurately prepared the Summary Schedule of Prior Audit Findings to include all findings required to be included by the Uniform Guidance, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- We are responsible for and have ensured the reporting package does not contain protected personally identifiable information.
- We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.

- We are responsible for taking corrective action on each audit finding of the compliance audit and have developed a corrective action plan that meets the requirements of the Uniform Guidance.
- If applicable, we have disclosed to you all contracts or other agreements with service organizations, and we have disclosed to you all communications from the service organizations relating to noncompliance at the service organizations.

Sincerely yours,

**CITY OF DEADWOOD**

\_\_\_\_\_  
Mayor

\_\_\_\_\_  
Finance Officer

\_\_\_\_\_  
Commission President

DATE: \_\_\_\_\_