

Ketel Thorstenson, LLP  
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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, 2022, 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 March 20, 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 statements 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.
- 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.
- 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.
- 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.
- We have implemented GASB 87 *Leases* during the audit period. We have implemented the new accounting standard in accordance with the transition guidance prescribed in the GASB. We have sufficient and appropriate documentation supporting all estimates and judgements underlying the amounts recorded and disclosed in the financial statements.
- Expenditures of federal awards were below the minimum threshold, and we were not required to have an audit in accordance with the Uniform Guidance.

#### **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. 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 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 the preparation of the financial statements and disclosures from the trial balance. You also performed the following non-audit services: GASB 34 government-wide adjustments, SDRS pension adjustments, 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 acknowledge that we have omitted the RSI, which includes management's discussion and analysis, budgetary comparison information, and pension schedules.

We have reviewed, approved, and accepted responsibility for those financial statements and related notes.

Sincerely yours,

**CITY OF DEADWOOD**

\_\_\_\_\_  
Mayor

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

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

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