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RUSSELL A. OLSON
AUDITOR GENERAL

February 1, 2021

Municipality of Deadwood
102 Sherman Street
Deadwood, South Dakota 57732

This letter is intended to inform you of matters that must be formally communicated to those charged with governance in accordance with auditing standards generally accepted in the United States of America. These required communications include, but are not limited to, the following:

- 1) The auditor's views about qualitative aspects of the entity's significant accounting practices.
- 2) Any significant difficulties encountered during the audit.
- 3) Any disagreements with management.
- 4) Corrected and uncorrected misstatements, other than those that are trivial, brought to management's attention as a result of the audit.
- 5) Representations the auditor has requested from management.
- 6) Management's consultation with other accountants, if any.
- 7) Any significant issues arising from the audit that were discussed or communicated to management.
- 8) Any other findings or issues considered significant or relevant to those charged with governance regarding their oversight of the financial reporting process, such as any threats to auditor independence.

As part of performing the audit of the financial statements of Municipality of Deadwood (Municipality) as of December 31, 2019 and for the year then ended, we have identified the following matters that we feel are required to be communicated to those charged with governance.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant policies used by the Municipality are described in Note 1 to the financial statements. No accounting policies were changed during the audit period noted above. We noted no transactions entered into by the Municipality during the audit period for which there was a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The significant estimates used by the Municipality include estimating the amount of revolving loans that will be written off as uncollectible

Difficulties Encountered in Performing the Audit

We noted no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

For the purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no significant disagreements arose during the course of our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management and those charged with governance.

There were no material unposted audit adjustments for the audit period ended December 31, 2019. A recap of significant auditor recommended adjustments that were posted to the financial statements we given to and approved by the Municipal Finance Officer.

We are also required to communicate with management and those charged with governance the effect of any uncorrected misstatements which are less than material but more than trivial, including the impact of unposted adjustments in prior years. A recap of these items has been discussed with and approved by the Municipality Finance Officer.

Management Representations

We have requested certain representations from management that are included in the management representation letters dated February 1, 2021.

Management's Consultation with other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If consultation involves application of an accounting principle to the Municipality's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

There were no other findings or issues noted during the audit.

This communication is intended solely for the information and use of those charged with governance and, if appropriate, management and is not intended to be and should not be used by anyone other than those specified parties.

Sincerely,
Allen L. Schaefer

Allen L Schaefer
Auditor-in-Charge