

**SOUTH DAKOTA ELLSWORTH DEVELOPMENT AUTHORITY
RESOLUTION NO. 17-02**

RESOLUTION TO APPROVE FY2016 AUDITOR'S REPORT

BE IT HEREBY RESOLVED, that the Board of Directors of the South Dakota Ellsworth Development Authority (SDEDA) hereby approves the SDEDA Financial Statements and Independent Auditor's Report for the Year ending June 30, 2016 attached as Exhibit A.

By: 
Pat Burchill, Chairman

Adopted: 10 NOV 2016

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Exhibit A – SDEDA – FY2016 Auditor's Report (See SDEDA Office Records – Binder # 40f – Financial Documents – FY2016)



Ketel Thorstenson, LLP

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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

October 19, 2016

To the Board of Directors
South Dakota Ellsworth Development Authority

We have audited the financial statements of South Dakota Ellsworth Development Authority (the Authority) for the year ended June 30, 2016, and have issued our report thereon dated October 19, 2016. Professional standards require that we provide you with the information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated June 9, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the year. We noted no transactions entered into by the Authority during the year for which there is 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 most sensitive estimates affecting the financial statements were:

Management's estimate of the allowance for loan losses related to Freedom Estates notes receivable is based on current economic conditions, delinquency trends, and the physical inspections of secured properties.

Management's estimate of impairment for long-lived assets, specifically assets held for development and land and easements, is based on estimated fair value.

We evaluated the key factors and assumptions used to develop the above estimates in determining they are reasonable in relation to the financial statements taken as a whole. We proposed an audit adjustment to record a \$25,000 allowance for loan losses on one note receivable that was in default; however, it was deemed immaterial to record by management.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures can be particularly sensitive because of their significance to financial statement users; however, no such disclosures are included in the 2016 financial statements.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

One material misstatement detected as a result of audit procedures was corrected by management. This misstatement was the result of an error in calculating deferred revenue and totaled \$1,312,832.

Disagreements with Management

For purposes of this letter, a disagreement with management is 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 such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 19, 2016.

Management Consultations with Other Independent 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 a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our 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

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Group Audits

No limitations were imposed on the group audit, and we were not restricted from accessing any information. We have communicated with the group auditor as requested.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of South Dakota Ellsworth Development Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,



KETEL THORSTENSON, LLP
CERTIFIED PUBLIC ACCOUNTANTS

SD Ellsworth Development Authority
Passed Adjustments
6/30/2016

Description	DR(CR)				
	Assets	Liabilities	Equity	Rev	Expense
Carryover Impact from Previous Years					
Accounts payable written off to miscellaneous income in FY15 instead of FY16 (GW and GF)			13,047	(13,047)	
To record accounts payable (GW and GF)			23,942		(23,942)
To correct PY recording of REPI state revenue - no reversing effect					
Current Year Misstatements					
<i>Factual Misstatements</i>					
Note receivable allowance on 245 Trenton (GW & GF)	(25,000)				25,000
In-kind Match - 342 Cottonwood (GW)				(14,600)	14,600
In-kind Match - 229 Oak (GW)				(17,400)	17,400
<i>Judgmental Misstatements</i>					
None					
<i>Projected Misstatements</i>					
None					
Net Differences	(25,000.00)	-	36,989.00	(45,047.00)	33,058.00
F/S total - FINAL - Govt Wide	31,334,497	(26,411,394)	(4,923,103)	(6,372,055)	5,358,271
F/S total - FINAL - General Fund	7,755,195	(5,942,802)	(1,812,393)	(3,985,946)	3,170,072
F/S total - FINAL - Proprietary Fund	23,023,070	(23,268,862)	245,792	(2,554,240)	2,344,348
Net Audit Differences as a % of Govt Wide	-0.08%	0.00%	-0.75%	0.71%	0.62%
Net Audit Differences as a % of Gen Fund	-0.32%	0.00%	-2.04%	0.33%	0.03%