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December 10, 2012

City Council,
Sam Kooiker, Mayor
Pauline Sumption, Finance Officer
City of Rapid City
300 Sixth Street
Rapid City, SD 57701

Dear City Council:

This letter is to confirm our understanding of the terms, limitations, charges, and objectives for the accounting services we will provide for the City of Rapid City for the years ended **December 31, 2008, 2009, and 2010.**

Objectives and Nature of Services

The objectives of this engagement will provide accounting services to correct the 2008, 2009, and 2010 financial statements for prior period adjustments for the Organization for their audit.

Our engagement cannot be relied upon to disclose errors, fraud, or illegal acts. However, we will inform the appropriate level of management of any material errors and of any evidence or information that comes to our attention during the performance of our procedures that fraud may have occurred. In addition, we will inform you of any evidence or information that comes to our attention during the performance of our procedures regarding illegal acts that may have occurred, unless they are clearly inconsequential. We have no responsibility to identify and communicate deficiencies in your internal control as part of this engagement.

Scope of Services and Work Schedule

We will provide accounting services for the Organization to make necessary changes to the 2008, 2009, and 2010 financial statements for prior period adjustments identified during the 2009, 2010, and 2011 audits.

Your Responsibilities

You are responsible for:

- a) Management decisions and functions;
- b) Designating an individual with suitable skill, knowledge, or experience to oversee any of these services we provide;
- c) Evaluating the adequacy and results of the services performed and accepting responsibility for the results;
- d) designing, implementing, establishing and maintaining internal controls, including monitoring ongoing activities;
- e) Preventing and detecting fraud;
- f) Identifying and ensuring that the organization complies with the laws and regulations applicable to its activities;
- g) The selection and application of accounting principles; and
- h) Making all financial records and related information available to us.

It is your responsibility to review and approve the prior period adjustments. It is your responsibility to review the financial statements.

Timing

We will work with you to determine an appropriate time to provide these services. Our goal is to provide services in December 2012.

Fees

This engagement will be billed at an hourly rate of \$125 up to \$1,500 per year. Due to the nature of the engagement, there may be issues or problems that arise during the course of the engagement. If this is the case, we will discuss our options with you at that time and determine an appropriate course of action. We will stay in constant communication with you as to the progress of our work and the time spent.

Our invoices for these fees will be rendered each month as work progresses and are payable upon presentation. In accordance with our firm policies, work may be suspended if your account becomes 60 days or more overdue and may 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 completed all items listed above. 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.

As part of this understanding, you agree to not offer employment to any of our professional staff members assigned to your compilation for a 24-month period following the delivery of your compilation report, unless you obtain written permission from the partner-in-charge of this engagement.

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 standard billing rates for our professional time and expenses, including reasonable attorney's fees, incurred by us in responding to such requests.

We shall be pleased to discuss this letter with you at any time.

If the foregoing is in accordance with your understanding, please sign one copy of this letter in the space provided and return it to us. We appreciate the opportunity to provide these services for you.

Sincerely,

KETEL THORSTENSON, LLP



John B. Walker, CPA
Partner

The foregoing letter fully describes our understanding and is accepted by us.

By _____

Name

Title

Date