City of Castlewood
Meeting Agenda - City Council

Monday, March 2, 2026	**6:00 PM**	**City Hall**

1. Call to Order/Pledge of Allegiance
2. Approval of Agenda
3. Public Comment
4. Approval of Meeting Minutes
5. Approval of Bills
6. Reports

    Old Business

    1. Noise Ordinance on Main Street
    2. Facility Plan Banner February Report
    3. Farmer's Market Policy
    4. American Legion Storage and Hall Use
    5. Other Old Business

    New Business

    1. Wellness Depot Prairie Lakes 2026 Lease
    2. 1st Reading Industrial District Uses Ordinance 26-01
    3. Crack & Chip Seal Quotes
    4. 2025 Audit Engagement
    5. Drainage & Culverts
    6. HydroKlean Pay Request #1
    7. Golf Course Credit Card Addition
    8. 2026 Bridge Inspection Resolution
    9. Citizen's CD Maturing on 03/04
    10. Building permits

7. Executive Session Personnel, (SDCL 1-25-2(1))
8. Adjournment

City of Castlewood – Council Members
****Mayor – Brian Ries***
****Council Members – Ward I – Stef Goldhorn & Jeannette Bohls***
Ward II – Heather Schmit & LeeAnne Dufek
Ward III – Chad Ries & Beau Schooley

An Ordinance Regulating the Playing of Music on Main Street

WHEREAS,

The City of Castlewood seeks to preserve a pleasant, safe, and orderly environment for residents, businesses, and visitors within the downtown area; and

WHEREAS,

The City Council finds that the regular or ongoing playing of music on Main Street may create disturbances, interfere with nearby businesses and residences, and complicate enforcement; and

WHEREAS,

The City Council recognizes that music may be appropriate on a limited basis when associated with legitimate special events hosted by businesses;

NOW, THEREFORE, BE IT ORDAINED by the City Council of the City of Castlewood, South Dakota:

Section 1. Purpose

The purpose of this ordinance is to prohibit the routine or recurring playing of music on Main Street from 1st Ave to 2nd Ave while allowing music only in connection with qualifying special events.

Section 2. Definitions

For purposes of this ordinance:

A. **Main Street** means the public right-of-way, sidewalks, and public spaces along Main Street within the City of Castlewood.

B. **Music** means amplified or non-amplified sound consisting of musical content, including but not limited to live performances, recorded music, or sound transmitted through speaker systems.

C. **Regular Basis** means music that is played routinely, continuously, or on a recurring or predictable schedule, including music associated with normal business operations.

D. **Special Event** means a temporary, infrequent activity or occurrence hosted or sponsored by a business located on or adjacent to Main Street that:

1. Occurs outside of the business's normal day-to-day operations; and
2. Is conducted for a defined and limited duration, not to exceed one calendar day; and
3. Is not held on a recurring or regularly scheduled basis, including daily, weekly, or monthly occurrences; and
4. Is conducted for a specific purpose such as a promotion, celebration, grand opening, anniversary, holiday observance, or community gathering.

A special event shall not include routine business activities, background or promotional music, or any activity that functions as a substitute for regularly playing music on Main Street.

Section 3. Prohibition of Regular Music

Music shall not be played on Main Street from 1st Ave. to 2nd Ave. on a regular basis. The routine, recurring, or ongoing playing of music in the Main Street from 1st Ave to 2nd Ave is hereby prohibited.

Section 4. Special Event Exception; Compliance With Noise Ordinance

Music may be played on Main Street **only** in connection with a qualifying special event as defined in this ordinance. All music played pursuant to this section shall comply with **Ordinance 5-1-9: Noise Prohibited**, and any violation of Ordinance 5-1-9 shall constitute a violation of this ordinance.

Nothing in this section shall be construed to permit music that is otherwise prohibited by the City's noise regulations.

Section 5. Enforcement and Presumption

A. This ordinance shall be enforced by the City of Castlewood or its authorized representatives.

B. For purposes of enforcement, music played on Main Street from 1st Ave to 2nd Ave. shall be presumed to be played on a regular basis and not in connection with a special event if any of the following apply:

1. Music is played by the same business or at the same location on more than one day within a seven-day period; or
2. Music is played on a recurring or predictable schedule, regardless of how the activity is described or labeled; or
3. Music is played in a manner consistent with normal business operations, including background or promotional music intended to attract customers; or
4. Music continues beyond the defined duration of the claimed special event.

C. This presumption may be rebutted by evidence demonstrating that the music was played solely in connection with a qualifying special event as defined in this ordinance.

Section 6. Severability

If any section, subsection, clause, or provision of this ordinance is held invalid or unconstitutional, such decision shall not affect the validity of the remaining portions.

City of Castlewood
Main Street Music Policy

1. Purpose
This policy is adopted to regulate the use of amplified music on Main Street in order to preserve public order, minimize disruption, and maintain the character and enjoyment of the downtown area.

2. Applicability
This policy applies to any individual, business, organization, or entity that plays amplified music on Main Street in Castlewood using any external speaker or sound system, whether permanent or temporary.

3. Approval Required
No amplified music shall be played on Main Street without **prior written approval** from both the **Mayor** and the **Finance Officer** of the City of Castlewood.

Approval is required for each installation or use and must be obtained before any music is played.

4. Permitted Hours
Amplified music is permitted only between the hours of **8:00 a.m. and 8:00 p.m.**

5. Permitted Audio Source and Content
a. Music must be provided exclusively through a **music streaming service.**
b. The use of **radio stations**, including AM, FM, satellite, or internet radio broadcasts, is prohibited.
c. Audio content shall consist of **music only**. The following are expressly prohibited:

- Commercials or advertisements
- Podcasts
- Spoken commentary or announcements
- News, talk shows, interviews, or similar spoken-word programming

6. Conditions of Approval
The Mayor and Finance Officer may impose reasonable conditions as part of the approval, including but not limited to:

- Volume limits
- Duration of use
- Type or placement of equipment
- Content restrictions consistent with this policy

7. Enforcement
Any use of amplified music in violation of this policy or the conditions of approval may be ordered to cease immediately. Violations may be subject to additional enforcement action as permitted under applicable city ordinances or state law.

8. Effective Date
This policy shall take effect upon adoption by the City of Castlewood.

ENGINEERING REPORT

TO	City of Castlewood, SD
DATE	February 25, 2026
SUBJECT	City Engineer's Report

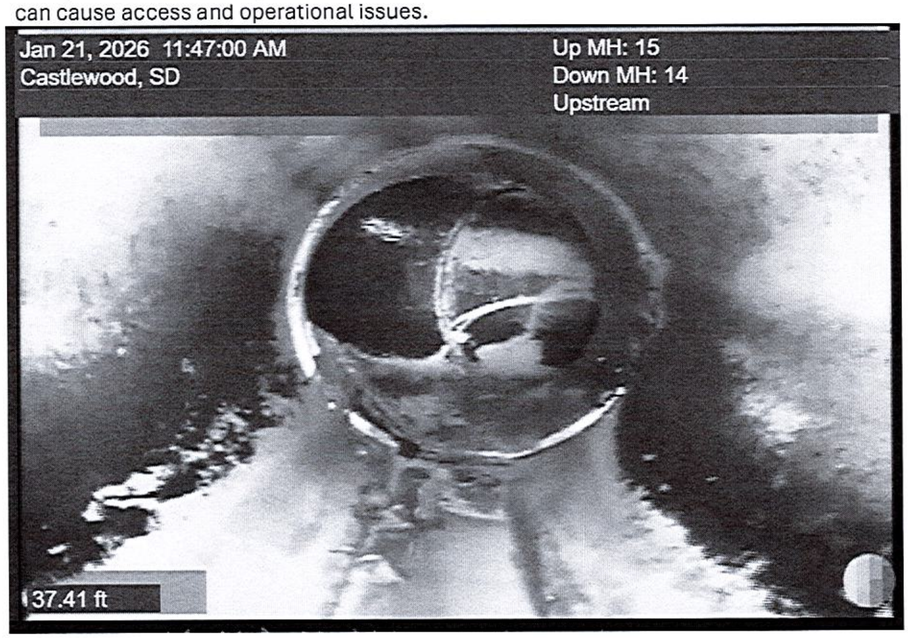
<u>24504.00 Castlewood Wastewater Facility Plan (Project Manager – Christa Timmer)</u>

Project Summary:

- Complete televising assistance and prepare a wastewater facility plan. This work includes evaluating existing conditions of the collection system and WWTF, projection of future flows and loading, an evaluation of improvements needed for ongoing use of the sanitary sewer and WWTF, and Report Preparation. This work also includes providing bidding or other documentation for the city to complete televising of their sanitary sewer system.

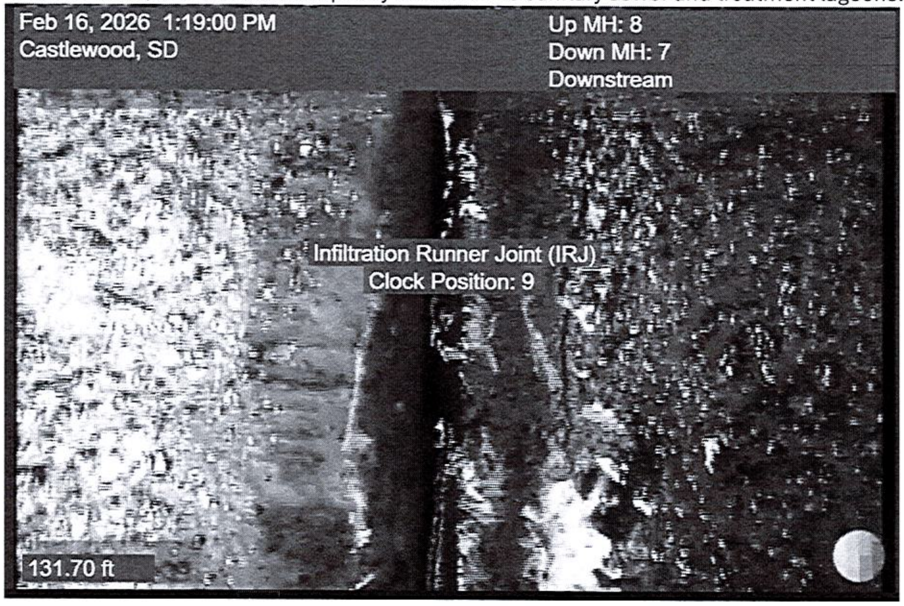
Project Status:

- HK Solutions out of Watertown has been contracted to complete sewer televising work. HK is generally working from north to south and must provide door hangers the day before completing work. The tentative televising schedule is below:
    - 22,840 LF out of an estimated 26,500 LF (86%) of Castlewood's sanitary sewer main has been televised to date.
    - There are a few areas in town that were not able to be televised due to frozen ground above manhole covers and other access concerns.
        - Banner staff is working with City staff to obtain access to these areas.
        - HK plans to return in the spring to televise any piping we can gain access to – dates TBD.
    - The televising that has been completed to date has items that include but are not limited to:
        - Multiple bends and fittings in the sewer mains in town. Bends and fittings without a manhole can cause access and operational issues.

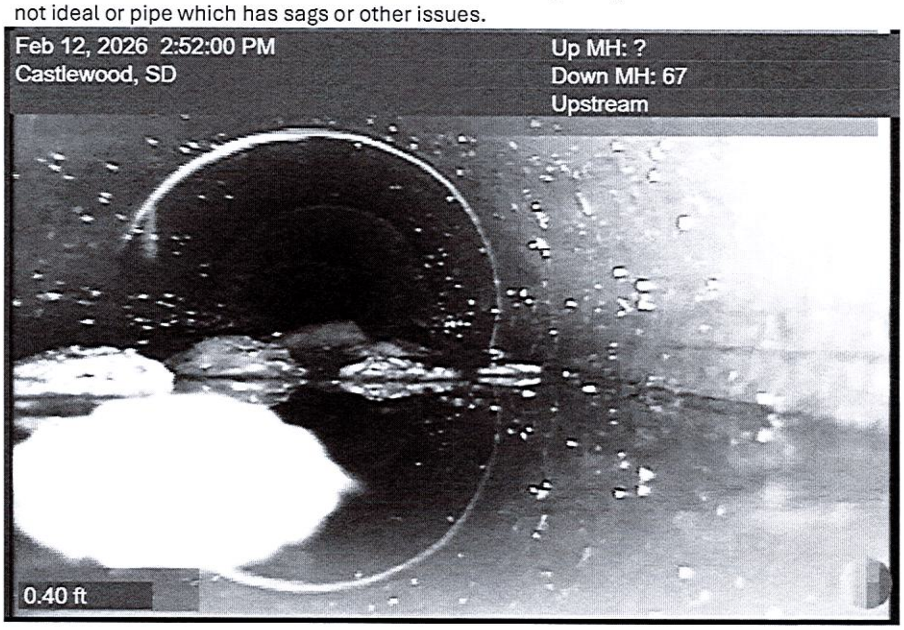


BANNER

- Active inflow and infiltration. This allows groundwater and stormwater into the sanitary sewer system. Inflow and infiltration leads to additional cost from pump run times, pump maintenance, and can cause capacity issues in the sanitary sewer and treatment lagoons.



- A few areas of excess debris, excess debris can be a sign of hydraulic conditions that are not ideal or pipe which has sags or other issues.



- Information from televising helps to better understand Castlewood's sewer collection system. The data will be used to evaluate condition, identify problems, and recommend potential improvements.
- Sewer televising is considered standard practice and commonly utilities will televise their systems every few years.

- Banner is continuing to work on the facility plan. There are no upcoming deadlines for this work.
- **Banner helped the city to receive $10,000 in a Small Community Planning Grant from 1st District.**
- Banner coordinated with East Dakota Water Development District and attended Meeting on February 19 in Brookings to ask for funding assistance for this project. **$24,850 in Grant Funding was approved by the board.**

Project Schedule:

- Kickoff Meeting – Complete
- Finalizing televising bid documents – Complete
- Collection System Televising: Bid Opening – Complete
- Collection System Televising: Award Contract – Complete
- Collection System Televising: Notice to Proceed – Complete
- Collection System Televising: Substantial Completion – May 15, 2026
- Collection System Televising: Final Completion – June 1, 2026
- Data Collection – March 2026
- Alternative Evaluation - May 2026
- Submit Draft Facility Plan for Review – August 2026
- Submit Final Facility Plan and Present Findings to Council – September 2026
- State Water Plan Application – October 1, 2026
- Public Hearing – December 2026
- Project Funding Application – January 1, 2027

Council Action for Consideration: Approve Pay Application #1 from HK for televising.

24630.00 Castlewood Drainage Study (Project Manager – Kent Johnson)

Project Summary:

- This study is intended to be a comprehensive evaluation of the existing stormwater drainage that contributes runoff within the city limits. This comprehensive overview will be completed using LiDAR data to determine general overland flow. Locations with concentrated flow or areas with known drainage deficiencies will have a field survey performed, if determined necessary. The watershed and sub-watershed runoff flows will be determined for each delineated area within the study boundary. Localized areas, identified to have drainage issues will be evaluated further to determine options for drainage improvements. Focus will be placed on known areas of concern, including along Main St between 1st Ave and 3rd Ave and on 3rd Ave from Market St to Alice St. This plan will not effectively address private property drainage issues arising from adjacent property improvements; however, it will attempt to address public and/or street drainage that discharges through private property.

Project Status:

- Banner had a kickoff meeting with City staff on January 15th to discuss issue areas, goals, and expectations of the study. Survey data collection has started, but we are waiting for culverts to be clear of ice to complete.
- Most drainage model layers have been created. Major culverts have been inputted and the hydrology components have been completed. We are currently working on finishing up model layers and inputting storm infrastructure, and minor adjustments to terrain.

Project Schedule:

- Kickoff Meeting – Complete
- Data Collection – January 2026 – March 2026 (weather dependent)
- Stormwater Analysis – April 2026 – June 2026
- Prepare Drainage Report – July 2026 – September 2026
- Present Report findings to City staff and Council – October 2026

- Deliver Final Report – October 2026

Council Action for Consideration: None.

Pending Contracts / Proposals

None.

Banner Associates, Inc.
Tel | 605.692.6342   Toll Free | 1.855.323.6342
www.bannerassociates.com

City of Castlewood
Farmers Market Policy

1. Purpose

The purpose of this policy is to establish rules and requirements for participation in the City of Castlewood Farmers Market to ensure compliance with state and local laws, promote public safety, and support local vendors.

2. Applicability

This policy applies to all individuals, businesses, and organizations seeking to sell goods at any farmers market event held within the City of Castlewood.

3. Vendor Registration and Fee

5 Castlewood days additional $10.00 ★

- All vendors must register with the City of Castlewood prior to participating in the farmers market.
- A non-refundable fee of $25 per summer season is required for each vendor.
- Payment of the fee grants permission to participate for the entire designated farmers market season, subject to compliance with this policy.

4. Sales Tax License Requirement

- **All vendors selling goods are required to hold a valid South Dakota sales tax license.**
- Proof of a current sales tax license must be submitted to the City prior to approval to sell at the farmers market.
- Vendors are solely responsible for collecting and remitting applicable sales taxes in accordance with state law.

5. Permitted Goods

Vendors may sell agricultural products, food items, crafts, and other goods permitted under state and local law. The City reserves the right to prohibit the sale of any item deemed unsafe, unlawful, or inconsistent with the purpose of the farmers market.

6. Compliance with Laws

All vendors must comply with:

- South Dakota state laws and regulations
- Hamlin County health regulations, if applicable
- City of Castlewood ordinances and policies

Failure to comply may result in suspension or revocation of permission to participate without refund of the vendor fee.

7. Enforcement

The City of Castlewood or its designee may enforce this policy. The City reserves the right to deny or revoke vendor participation for violations of this policy or applicable laws.

8. Policy Administration

This policy shall be administered by the City of Castlewood and may be amended by the City Council as needed.

Place, Dates, times & the rest of the details up to the market organizer.

WELLNESS DEPOT, CASTLEWOOD, SD
LEASE AGREEMENT

THIS LEASE AGREEMENT dated as of this 2nd day of March 2026, by and between the CITY OF CASTLEWOOD, a South Dakota Political Subdivision, of PO Box 17, Castlewood, South Dakota 57223 ("Lessor" or "City"), and Prairie Lake Healthcare System, Inc. of 401 9th Ave NW, Watertown, South Dakota 57201 (hereinafter referred to as Tenant).

INTRODUCTION

Lessor desires to lease certain real property and improvements located in Castlewood, South Dakota, to Tenant, at which location City owns the **Wellness Depot**, of 111 N. 1st Ave., Castlewood, SD 57223, on the terms and conditions hereinafter set forth.

ARTICLE I
DEMISE OF LEASED PREMISES

Lease of Premises. Subject to the terms and conditions provided herein, Lessor, for and in consideration of the covenants and promises herein contained to be kept, performed and observed by Tenant, does hereby lease to Tenant, and Tenant does hereby accept from Lessor, the real property, improvements, and fixtures, constituting the leased clinic space within the Wellness Depot, Castlewood, South Dakota, (hereinafter referred to as "Leased Premises" or "Clinic Space").

TO HAVE AND TO HOLD the Leased Premises, together with all rights, privileges, easements and appurtenances belonging to or in any way pertaining to said Leased Premises.

1. Term. This Lease shall commence on the _____ day of _______________ 2026 (hereinafter the "Commencement Date") and shall be for a term of one year, unless sooner terminated as hereinafter provided. Lessee will give notice of its election to terminate the lease at any time on 60 days written notice to the Lessor. The term is hereinafter referred to as the "Term."

In consideration of said Lease, the Tenant covenants and agrees as follows:

2. Rental Amount. To pay to the City as rent for the above described property the sum of $_3250.00_ a month, with the contract to be renegotiated after one year. Tenant agrees to pay Lessor the sum of $3250.00 per month, payable on the 15th day of each and every month thereafter. All payments due of the Tenant shall be made or delivered to the Lessor at the following address:

   City of Castlewood Finance Office
   PO Box 17
   Castlewood, SD 57223
3. The Tenant should not be deemed to be an agent or employer of the City of Castlewood.

4. That the Tenant has examined and knows the condition of said premises, and has received the same in their present condition, except as herein otherwise specified, and that no representations as to the condition or repair thereof have been made by the City or the

agent of said party prior to, or at the execution of this Lease. During the term of this Lease, the City will remove the snow and ice and ice buildup from the premises if necessary, and clean the snow and ice from the sidewalks and parking areas of said premises.

5. Upon the termination of this Lease, the Tenant in any way, will yield up said premises to City in a condition and repair commensurate with the condition and repair at the commencement of this Lease (loss by fire and ordinary wear expected). Tenant will be responsible for the routine and daily maintenance and all other incidental maintenance expenses that may be necessary in order to keep the building in the same condition as it was at the inception of the lease.

6. For any improvement or change to the structure, Tenant will obtain the prior written approval of the City, which consent shall not be unreasonably withheld. During the term of this Lease, title to all improvements and to real estate shall belong to the City. That the parties agree that the Tenant shall have the privilege, at any time on or before vacating the premises, of removing any or all of its personal property, equipment and fixtures, and shall repair any damage caused by such removal, restoring the leased premises to their original condition, usual use and wear excepted. The Tenant agrees to save the City harmless on account of claims for mechanic's, materialmen's or other liens in connection with any alterations, additions or improvements, which may be installed or constructed by the Lessor.

7. That the City shall not be liable for any damage occasioned by failure to keep said premises in repair. Further, all personal property of any kind or description whatsoever in the leased premises shall be at the Tenant's sole risk and the City shall not be liable for any damage done to or loss of such personal property or damage or loss suffered by the business or occupation of the Lessee, and shall not be liable for any damage done or occasioned by or from plumbing, gas, water steam or other pipes, or sewerage, or the bursting, leaking or running of any tank, washstand, water closet or waste pipe in, above, upon or about said building or premises, not for damage occasioned by water, snow or ice being upon or coming through the roof.

8. That the Tenant will not allow said premises to be used for any purpose other than that hereinbefore specified, nor to be occupied, in whole or in part, by any other person, and will not sublet the same, nor any part thereof, nor assign this Lease, without in each case the written consent of the City first hand, and will not permit any transfer, by operation of law, of the interest in said premises acquired through this Lease; and will not permit said premises to be used for any unlawful purpose or purpose that will injure the reputation of the same or of the building of which they are a part, and will not permit any alteration of

or upon any part of said demised premises, nor allow any signs or placards posted or placed thereon, except for identification of Tenant and its business or by written consent of City; all alterations and additions to said premises shall remain for the benefit of the City unless otherwise provided in said consent as aforesaid.

9. All utility services necessary to its proper use of the Leased Premises, including municipal water and sewer charges, heat, gas, telephone service, cable, internet, electricity, and any and all other utilities will be paid by City except the City shall not pay for internet or network charges. Cleaning services will be provided by the city. The Tenant will be responsible for internet and any related network charges for its use.

10. That the Tenant agrees to allow the City free access to the premises hereby leased for the purpose of examining or exhibiting the same, or to make any needful repairs or alterations of said premises, which said City may see fit to make provided that prior approval is secured from the Tenant.

11. Tenant understands clinic space will not be shared by other tenants as Prairie Lakes Healthcare System will be the exclusive tenant of the building.

12. That the Tenant shall be responsible for all of its own payable and receivable, payroll and payroll taxes as well as any sales tax applicable for its operation.

13. That if the Tenant shall abandon or vacate said premises before the end of the term of this Lease or shall suffer the rent to be in arrears, the City may at its option and without notice enter said premises, remove any signs of said Tenant therefrom and re-let same as it may see fit without such retaking voiding or terminating this Lease, and that for the purpose of such re-letting the said City is authorized to make any repairs, changes, alterations or additions in or to the leased premises as may be necessary, in the opinion of the City for the purpose of such re-letting, and if a sufficient sum shall not be realized from such re-letting, or if re-letting is not, after due diligence, accomplished, after paying all the costs and expenses of such repairs, changes, alterations or additions and the expense of such re-letting the Tenant agrees to satisfy and pay all deficiencies, if any, in the rent hereby reserved over the net avails of re-letting.

14. Should Tenant default in the performance of any material covenant, condition or agreement in this Lease and such default is not corrected within thirty (30) days after receipt of written notice thereof, the City may declare this Lease and all rights and interests created by it to be terminated, whereupon, this Lease shall cease and come to an end as if that were the day originally fixed herein for the expiration of the term hereof. Any termination of this Lease as herein provided shall not relieve Tenant from the

payment of any sum or sums that shall be then due and payable to City hereunder, or any claim for damages then or theretofore accruing against Tenant hereunder, and any such termination shall not prevent City from enforcing the payment of any such sum or sums recovering damages by any remedy provided for by law, or from recovering damages from Tenant for any default thereunder. All rights, options and remedies of City contained in this Lease shall be construed and held to be cumulative, and no one of them shall be exclusive of the other, and City shall have the right to pursue any one or all of such remedies. No waiver by City of a breach of any of the covenants, conditions or restrictions of this Lease shall be construed or held to be a condition or restriction herein contained.

15. In case said premises shall be rendered untenantable by fire or other casualty, the City may, at its option, terminate this Lease or repair said premises within ninety (90) days from the date of the loss, and failing so to do, or upon the destruction of said premises by fire, the term hereby created shall cease. No compensation or claim will be allowed by the City by reason of inconvenience or annoyance arising from the necessity or repairing, altering or improving any portion of the building.

16. That the Tenant agrees that it will, at all times, indemnify and save, protect and keep harmless the City from every and all costs, loss, damage, liability and expense whatsoever which may arise from or be claimed against said Lessor, by any person or persons for any injuries to person or property, or damage of whatever kind or character consequent upon or arising from the use or occupancy of said premises by the said Tenant or consequent upon or arising from any neglect or fault of the Tenant or his agents and employees in the use and occupancy of the premises, or consequent upon or arising from any failure by said Tenant to so comply and conform with all laws, statutes, ordinances, and regulations of the United States, the State and Municipality in which said premises are situated, now and hereafter in force; and if any suits or proceedings shall be brought against the City, on account of any alleged violation thereof, or failure to comply and conform therewith, or on account of any damage, omission, neglect (or use of said Premise), by the Tenant or its agents and employees, or any other person on said premise, that the Tenant will defend the same, and will pay whatever judgment or judgments which may be recovered against the Lessor or against the said demised premises on account thereof.

17. No waiver of any condition or covenant of this Lease by the City or Tenant shall be deemed to imply or constitute a further waiver of any other like condition or covenant of said lease.
18. If said premises, or any portion of said building during the term of this Lease, shall be damaged by the act, default, or negligence of the Tenant, or the Tenant's agent, employee

or employees, patrons, quests, or any person admitted to said premises by the Tenant, the Tenant will pay to the City, upon demand, such sum as shall be necessary to restore said premises to their present condition. The Tenant hereby assumes full responsibility for the character, acts, and conduct of all persons admitted to said premises or to any portion of said building by the consent of the Tenant, or by or with the consent of the Tenant's employees or any person acting for or on behalf of Tenant.

19. The covenants and agreements contained herein shall be binding upon the parties hereto and upon their respective successors, heirs, executors and administrators.

20. The City shall insure the buildings and all other improvements located on or appurtenant to the Leased Premises against loss or damage by fire and such other risks as are now or hereafter included in an extended coverage endorsement in common use for commercial structures, including vandalism and malicious mischief, in such responsible insurance companies as the City shall select.

21. Tenant shall obtain and maintain, during the entire term of this Lease, at its sole costs and expense, public liability insurance with limits of not less than $1,000,000 per incident for personal injury or death, and $300,000 for property damage, name the City as an insured on said policy, and shall deliver copies of said policy or policies to the City immediately upon procurement thereof. Tenant shall further be responsible for obtaining and carrying all fire, wind and other extended insurance coverage on the premises in an amount not less than $300,000 during the term of the Lease, with loss payable clause on the insurance policy providing for payment to the City in a sum of not less than $300,000 for damages to the building.

22. City shall be responsible for the payment of all real estate taxes that may be owed on the premises during the term of the lease.

23. Time shall be construed to be of the essence hereof, whenever any act hereunder is required to be done at a certain time, or within a prescribed period of time.

24. This Lease, and any amendments which the parties may execute hereto, sets forth all of the promise agreements, conditions and understandings between City and Tenant relative to the demised premises, and there are no other promises, agreements, conditions, and understandings, either oral or written, between them.
25. No subsequent alteration, amendment, change or addition to the Lease shall be binding upon City and Tenant unless same has been reduced to writing and executed by City and Tenant.

26. City covenants that so long as Tenant performs all Tenant's obligation under this Lease, Tenant shall have possession of the premises during the term of Lease, subject to the provision of this Lease, free from eviction by anyone claiming by, through or under City.

27. When this Lease provides for the consent of a party, such consent shall not be unreasonably withheld.

IN WITNESS WHEREOF, the City and Tenant have executed this Lease the day and year above just written.

CASTLEWOOD CITY

By ______________________________
CASTLEWOOD CITY MAYOR

ATTEST: ____________________

Lessor

By ______________________________
Its ___________________________

Ordinance 26-01

An ordinance amending Chapter 2.10 adopted by Ordinance 23-17 dated 10/24/2023 as amended, of the Zoning Ordinance of the City of Castlewood.

BE IT ORDAINED by the City Council of the City of Castlewood, South Dakota that Chapter 2.10 "I" "Industrial District", Section 2.10.01 "Permitted Uses" adopted by Ordinance 23-17 dated 10/24/2023, as amended, of the Zoning Ordinance of the City of Castlewood be amended by striking the language in bold and underline:

2. Private and Commercial storage buildings ~~**used exclusively for storage and not for performance of any other services;**~~

BE IT FURTHER ORDAINED by the City Council of the City of Castlewood, South Dakota that Chapter 2.10 "I" "Industrial District", Section 2.10.04 "Conditional Uses" adopted by Ordinance 23-17 dated 10/24/2023, as amended, of the Zoning Ordinance of the City of Castlewood be amended by adding the language in bold and underline:

5. **Retail sales**

6. **Eating Establishments**

Adopted this ____ day of _______, 2026.

ATTEST:

______________________________ ______________________________

Mayor
City of Castlewood

Castlewood Finance Officer

ELO
CPAs &
ADVISORS

elocpa.com

December 31, 2025

To the Council Members and Finance Officer
City of Castlewood, South Dakota

We are pleased to confirm our understanding of the services we are to provide City of Castlewood for the year ended December 31, 2025.

Audit Scope and Objectives

We will audit the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, and the disclosures, which collectively comprise the basic financial statements of City of Castlewood as of and for the year ended December 31, 2025

We have also been engaged to report on supplementary information other than RSI that accompanies City of Castlewood's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS, and we will provide an opinion on it in relation to the financial statements as a whole in a report combined with our auditor's report on the financial statements:

1) Budgetary Comparison Schedules – Modified Cash Basis – General Fund, First Cent Sales Tax Fund, and Additional Sales Tax Fund
2) Schedule of Changes in Long-Term Debt
3) Schedule of Proportionate Share of the Net Pension Liability (Asset)

The objectives of our audit are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; issue an auditor's report that includes our opinion about whether your financial statements are fairly presented, in all material respects, in conformity with the modified cash basis of accounting; and report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment of a reasonable user made based on the financial statements.

The objectives also include reporting on internal control over financial reporting and compliance with provisions of laws, regulations, contracts, and award agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.

Auditor's Responsibilities for the Audit of the Financial Statements

We will conduct our audit in accordance with GAAS and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of your accounting records of City of Castlewood and other procedures we consider necessary to enable us to express such opinions. As part of an audit in accordance with GAAS and *Government Auditing Standards*, we exercise professional judgment and maintain professional skepticism throughout the audit.

We will evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management. We will also evaluate the overall presentation of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government. Because the determination of waste and abuse is subjective, *Government Auditing Standards* do not expect auditors to perform specific procedures to detect waste or abuse in financial audits nor do they expect auditors to provide reasonable assurance of detecting waste or abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is an unavoidable risk that some material misstatements may not be detected by us, even though the audit is properly planned and performed in accordance with GAAS and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

We will also conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the government's ability to continue as a going concern for a reasonable period of time.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of receivables and certain assets and liabilities by correspondence with selected customers, creditors, and financial institutions. We will also request written representations from your attorneys as part of the engagement.

We have identified the following significant risk(s) of material misstatement as part of our audit planning:

> According to GAAS, significant risks include management override of controls, and improper revenue recognition due to fraud.

We may, from time to time and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

Audit engagement planning has not concluded and modifications may be made.

Our audit of financial statements does not relieve you of your responsibilities.

Audit Procedures—Internal Control

We will obtain an understanding of the government and its environment, including the system of internal control, sufficient to identify and assess the risks of material misstatement of the financial statements, whether due to error or fraud, and to design and perform audit procedures responsive to those risks and obtain evidence that is sufficient and appropriate to provide a basis for our opinions. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. Accordingly, we will express no such opinion. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and *Government Auditing Standards*.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of City of Castlewood's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

Responsibilities of Management for the Financial Statements

Our audit will be conducted on the basis that you acknowledge and understand your responsibility for designing, implementing, establishing, and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, and for evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles, for the preparation and fair presentation of the financial statements and all accompanying information in conformity with the modified cash basis of accounting, and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is responsible for making drafts of financial statements, all financial records, and related information available to us; for the accuracy and completeness of that information (including information from outside of the general and subsidiary ledgers); and for the evaluation of whether there are any conditions or events, considered in the aggregate, that raise substantial doubt about the government's ability to continue as a going concern for the 12 months after the financial statements date or shortly thereafter (for example, within an additional three months if currently known). You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, identification of all related parties and all related-party relationships and transactions, and other matters; (2) additional information that we may request for the purpose of the audit; and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by GAAS and *Government Auditing Standards*.

Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the written representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements of each opinion unit taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants and for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, or contracts or grant agreements that we report.

You are responsible for the preparation of the supplementary information, which we have been engaged to report on, in conformity with modified cash basis accounting. You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with the modified cash basis of accounting; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with the modified cash basis of accounting; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits or other studies related to the objectives discussed in the Audit Scope and Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

Other Services

We will also assist in preparing the financial statements and related notes of City of Castlewood in conformity with the modified cash basis of accounting based on information provided by you. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statement services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

You agree to assume all management responsibilities relating to the financial statements and related notes and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements and related notes and that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

Engagement Administration, Fees, and Other

We understand that your employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any documents selected by us for testing.

We will provide copies of our reports to the municipality; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of ELO Prof. LLC and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to SD Department of Legislative Audit or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for the purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of ELO Prof. LLC personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend or decide to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by the agencies listed above. If we are aware that a federal awarding agency or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

Jamie Eldeen, CPA is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them. We expect to begin our audit in approximately March 2026.

Our fee for services will be $16,500 plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, confirmation service provider fees, etc.). Our invoices for these fees will be rendered as follows: 50% upon commencement of fieldwork and 50% upon final approval of the financial statements and are payable on 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 upon written notification of termination, even if we have not completed our report. 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. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

Reporting

We will issue a written report upon completion of our audit of City of Castlewood's financial statements. Our report will be addressed to the Council Members of City of Castlewood Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinions, add a separate section, or add an emphasis-of-matter or other-matter paragraph to our auditor's report, or if necessary, withdraw from this engagement. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or we may withdraw from this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government*

Auditing Standards. The report on internal control and on compliance and other matters will state (1) that the purpose of the report is solely to describe the scope of testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control on compliance, and (2) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The report will also state that the report is not suitable for any other purpose. If during our audit we become aware that City of Castlewood is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with the modified cash basis of accounting and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

We appreciate the opportunity to be of service to City of Castlewood and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the attached copy and return it to us.

Please also submit one copy to Sheri Doolittle at the SD Department of Legislative Audit: sheri.doolittle@state.sd.us

Very truly yours,
ELO Prof, LLC

Jamie Eldeen, CPA

RESPONSE:

This letter correctly sets forth the understanding of City of Castlewood.

Management signature: ______________________________

Title: ______________________________

Date: ______________________________

Governance signature: ______________________________

Title: ______________________________

Date: ______________________________

Contractor's Application for Payment

Owner:	City of Castlewood, SD	**Owner's Project No.:**	
Engineer:	Banner Associates, Inc.	**Engineer's Project No.:**	24504.00
Contractor:	Hydro-Klean LLC	**Contractor's Project No.:**	PJ117541
Project:	Castlewood Sanitary Sewer System Cleaning and Televising		
Contract:			

Application No.: 1 **Application Date:** 2/24/2026

Application Period: **From** 1/21/2026 **to** 2/18/2026

1. Original Contract Price		$ 71,205.00
2. Net change by Change Orders		$ -
3. Current Contract Price (Line 1 + Line 2)		$ 71,205.00
4. Total Work completed and materials stored to date (Sum of Column G Lump Sum Total and Column J Unit Price Total)		$ 50,292.83
5. Retainage		
a. 10% X $ 50,292.83 Work Completed =	$ 5,029.28	
b. X $ - Stored Materials =	$ -	
c. Total Retainage (Line 5.a + Line 5.b)		$ 5,029.28
6. Amount eligible to date (Line 4 - Line 5.c)		$ 45,263.55
7. Less previous payments (Line 6 from prior application)		
8. Amount due this application		$ 45,263.55
9. Balance to finish, including retainage (Line 3 - Line 4 + Line 5.c)		$ 25,941.45

Contractor's Certification

The undersigned Contractor certifies, to the best of its knowledge, the following:

(1) All previous progress payments received from Owner on account of Work done under the Contract have been applied on account to discharge Contractor's legitimate obligations incurred in connection with the Work covered by prior Applications for Payment;

(2) Title to all Work, materials and equipment incorporated in said Work, or otherwise listed in or covered by this Application for Payment, will pass to Owner at time of payment free and clear of all liens, security interests, and encumbrances (except such as are covered by a bond acceptable to Owner indemnifying Owner against any such liens, security interest, or encumbrances); and

(3) All the Work covered by this Application for Payment is in accordance with the Contract Documents and is not defective.

Contractor: Hydro-Klean LLC

Signature: Amber Olsen **Date:** 2/24/26

Recommended by Engineer		**Approved by Owner**	
By:	Jessica Weidahl	**By:**	
Title:	Project Engineer	**Title:**	
Date:	2/26/26	**Date:**	
Approved by Funding Agency			
By:		**By:**	
Title:		**Title:**	
Date:		**Date:**	

Progress Estimate - Unit Price Work

Contractor's Application for Payment

Owner: City of Castlewood, SD
Engineer: Banner Associates, Inc.
Contractor: Hydro-Klean LLC
Project: Castlewood Sanitary Sewer System Cleaning and Televising
Contract:

Owner's Project No.:
Engineer's Project No.: 24504.00
Contractor's Project No.: PJ117541

Application No.: 1 Application Period: From 01/21/26 to 02/18/26 Application Date: 02/24/26

A	B	C	D	E	F	G	H	I	J	K	L
		Contract Information				Work Completed					
Bid Item No.	Description	Item Quantity	Units	Unit Price ($)	Value of Bid Item (C X E) ($)	Estimated Quantity Incorporated in the Work	Value of Work Completed to Date (E X G) ($)	Materials Currently Stored (not in G) ($)	Work Completed and Materials Stored to Date (H + I) ($)	% of Value of Item (J / F) (%)	Balance to Finish (F - J) ($)
Original Contract											
1	Mobilization	1.00	LS	4,500.00	4,500.00	1.00	4,500.00		4,500.00	100%	-
2	Traffic Control	1.00	LS	1,000.00	1,000.00	0.50	500.00		500.00	50%	500.00
2	Heavy Cleaning	40.00	HOUR	300.00	12,000.00	1.00	300.00		300.00	3%	11,700.00
3	Tap Removals	10.00	EACH	150.00	1,500.00		-		-	0%	1,500.00
4	Cleaning and Televising 8"-12"	26,500.00	FT	1.97	52,205.00	22,839.00	44,992.83		44,992.83	86%	7,212.17
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				Original Contract Totals	$ 71,205.00		$ 50,292.83	$ -	$ 50,292.83	71%	$ 20,912.17

Progress Estimate - Unit Price Work

Contractor's Application for Payment

Owner:	City of Castlewood, SD	**Owner's Project No.:**	
Engineer:	Banner Associates, Inc.	**Engineer's Project No.:**	24504.00
Contractor:	Hydro-Klean LLC	**Contractor's Project No.:**	PJ117541
Project:	Castlewood Sanitary Sewer System Cleaning and Televising		
Contract:			

Application No.: 1 **Application Period:** From 01/21/26 to 02/18/26 **Application Date:** 02/24/26

A	B	C	D	E	F	G	H	I	J	K	L
		Contract Information				Work Completed					
Bid Item No.	Description	Item Quantity	Units	Unit Price ($)	Value of Bid Item (C X E) ($)	Estimated Quantity Incorporated in the Work	Value of Work Completed to Date (E X G) ($)	Materials Currently Stored (not in G) ($)	Work Completed and Materials Stored to Date (H + I) ($)	% of Value of Item (J / F) (%)	Balance to Finish (F - J) ($)
					Change Orders						
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				Change Order Totals	$ -		$ -	$ -	$ -		$ -
					Original Contract and Change Orders						
				Project Totals	$ 71,205.00		$ 50,292.83	$ -	$ 50,292.83	71%	$ 20,912.17

BRIDGE REINSPECTION
PROGRAM RESOLUTION
FOR USE WITH SDDOT RETAINER CONTRACTS

WHEREAS, 23 CFR 650, Subpart C, requires initial inspection of all bridges and reinspection at intervals not to exceed two years with the exception of reinforced concrete box culverts that meet specific criteria. These culverts are reinspected at intervals not to exceed four years.

THEREFORE, the City of ________________________ is desirous of participating in the Bridge Inspection Program using Bridge Replacement funds.

The City requests SDDOT to hire __________________________ (Consulting Engineers) for the inspection work. SDDOT will secure Federal approvals, make payments to the Consulting Engineer for inspection services rendered, and bill the City for 20% of the cost. The City will be responsible for the required 20% matching funds.

Dated this ______ day of ____________, 2026, at _______________________, South Dakota.
(city)

____
Mayor

ATTEST:

____
City Auditor/Clerk