

**DEADWOOD HISTORIC PRESERVATION COMMISSION**

**Wednesday, July 9, 2014 ~ 5:00 p.m.**

City Hall, 108 Sherman Street, Deadwood, South Dakota

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1. Call meeting to Order
2. Approval of Minutes
  - a. Approval of Minutes from June 25, 2014
3. Voucher Approval
4. Old or General Business
  - a. Agreed Upon Procedures - Ketel Thorstenson
5. New Matters before the Deadwood Historic District Commission
  - a. Case # 14043 – 11 Charles St – Add door/change roof pitch – Mike Percevich
6. New Matters before the Deadwood Historic Preservation Commission
  - a. Case # 14042 – 66 Lincoln Ave – Replacing Front Steps – Tom Griffith
7. Revolving Loan Fund/Retaining Wall Program Update
  - a. Retaining Wall Applications
  - b. Revolving loan Program/Disbursements
    - i. Patricia Sherman – 5 Harrison
    - ii. Randy & Terri Adler – 17 Selbie
  - c. Retaining Wall Program / Disbursements
8. Items from Citizens not on agenda (*Items considered but no action will be taken at this time.*)
9. Staff Report (*Items considered but no action will be taken at this time.*)
10. Committee Reports (*Items will be considered but no action will be taken at this time.*)
11. Other Business
12. Adjournment

*\*All Applications **MUST** arrive at the City of Deadwood Historic Preservation Office by 5:00 p.m. MST on the 1<sup>st</sup> or 3<sup>rd</sup> Wednesday of every month in order to be considered at the next Historic Preservation Commission Meeting.*

**CITY OF DEADWOOD**  
**HISTORIC PRESERVATION COMMISSION**  
**Wednesday, July 9, 2014**

**Present Historic Preservation Commission:** Chair Laura Floyd, Michael Johnson, Lynn Namminga, Chuck Williams, Thomas Blair, Darin Derosier and Lyman Toews were present.

**Absent:** None

Kevin Kuchenbecker, Historic Preservation Officer; Ms. Terri Williams, City Attorney; and Mr. Mike Walker, Lending Director of NeighborWorks-Dakota Home Services were all present.

**Present City Commission members:** Georgeann Silvernail, Dave Ruth Jr. and Jim Van Den Eykel were present.

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**All motions passed unanimously unless otherwise stated.**

A quorum present, Chair Floyd called the Deadwood Historic Preservation Commission meeting to order Wednesday, July 9, 2014 at 5:00 PM in Deadwood City Hall located at 102 Sherman Street in Deadwood, SD.

**Approval of June 25, 2014 HPC Minutes:**

*It was moved by Mr. Blair and seconded by Mr. Williams to approve the minutes of Wednesday, July 9, 2014 as presented. Aye – All. Motion carried.*

**Voucher Approval:**

Operating Account

*It was moved by Mr. Johnson and seconded by Mr. Namminga to approve the HP Operating Account in the amount of \$132,480.93. Aye – All. Motion carried.*

*It was moved by Mr. Johnson and seconded by Mr. Namminga to approve the Bonded Account in the amount of \$80,608.80. Aye – All. Motion carried.*

**Old or General Business:**

Agreed Upon Procedures – Ketel Thorstenson

Two Ketel Thorstenson representatives, Ms. Rebekah Wolkenhauer, Senior Manager, and Ms. Kristen Reed, Auditor, attended the commission meeting to discuss the Independent Accountant's Report and findings relating to the Historic Preservation funds held and administered through Neighborhood Housing Services (NHS) of the Black Hills, Inc.

Ms. Wolkenhauer briefed the Commission of their engagement to apply agreed-upon procedures as performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. She addressed a list of seven procedures applied to specific elements of the financial statements on an accrual basis and explained the Findings related to the following procedures: #1. Internal Controls; #2. Interest Charges; #3. Principal and Interest Allocations; #4. Subsidiary Listing; #5. Confirmations; #6. Delinquency Aging; and #7. Loan File Review.

Ms. Wolkenhauer informed the Commission their Auditor reviewed and discussed Internal Controls (Procedure #1) regarding to the revolving loan fund, with emphasis on the segregation of duties. She noted documentation of the Historic Preservation Commission's approval of an application into a grant program was not always found within the loan file. She also noted the initial determination of construction costs, or investigations of property, were verified orally leaving the Auditors unable to verify the property's qualifications based on the documentation in the loan file. Ms. Wolkenhauer recommended placing a copy of the Commission Minutes into loan file for documented proof of approval.

Ms. Wolkenhauer stated the auditor randomly selected 25 loans for the year ended December 31, 2013 and recalculated interest charges (Procedure #2); Ketel Thorstenson agreed recalculation of interest income related to these loans in 2013.

Ms. Wolkenhauer noted Ketel Thorstenson selected a payment made in 2013 from the 25 loans selected above and recalculated the allocation of principal and interest (Procedure #3); Ketel Thorstenson agreed recalculation to borrower's ledger card was calculated correctly.

Ms. Wolkenhauer stated the auditor obtained the NHS's loan trial balance and agreed it to the City's general ledger balance as of December 31, 2013 (Procedure #4).

Ms. Wolkenhauer informed the Commission that Ketel Thorstenson sent out a total of seventy-six confirmations (Procedure #5), sixteen Positive and sixty Negative, listing the original loan balance, outstanding principal balance as of December 31, 2013, interest rate, security, payment terms, and maturity date; these confirmations were selected based on a standard audit sample size calculation. Twelve positive confirmations were returned with no exceptions and four were not returned. Two negative confirms returned as undeliverable. Ms. Wolkenhauer recommended following up with any borrowers who did not return confirmation to gain comfort over the existence of the loan.

Ms. Wolkenhauer noted the auditor recalculated the aging on the 25 loans and obtained the delinquency listing (Procedure #6) as of December 31, 2013. Five loans were selected to determine delinquency and confirmed each were calculated correctly.

Ms. Wolkenhauer stated the auditor reviewed in detail 25 loans with a variety of origination dates in 2013 to verify internal loan policies were followed with all applicable and documentation included in the loan file (Procedure #7). She noted their review found documents missing and a copy of applicable requirements at time of loan was granted was not always included in file causing auditor the inability to verify adequacy of underwriting on these loans. Ms. Wolkenhauer noted because of the inability to verify adequacy of underwriting, auditor tested these loans for other procedure, but reselected a sample of 25 loans originated in 2013 to test current underwriting procedures and perform a more detailed review. Ms. Wolkenhauer recommended all applicable documentation, including current application requirements at the time of origination, should be maintained in the file for the duration of the loan.

Ms. Wolkenhauer covered the findings of the audit taken of the selected 25 loans originated in 2013; the findings are as follows:

- One mortgage security was for \$5000 less than the final promissory note; the loan was not fully secured in the event of default;
- On three loans adequate and current insurance coverage was unable to be verified;
- Income verification was not properly documented for one loan;
- A completed, signed and dated application detailing applicable program requirements at the time was not included in the loan file for five loans (this finding is also in conjunction with Internal Control's Finding (Procedure #1));
- The interest rate for one loan was not properly recorded in the loan subsidiary software.

Ms. Wolkenhauer informed Commission of NHS's response to findings and prepared the following recommendations:

- An additional mortgage of \$5000 was prepared to secure the remaining collateral subsequent to fieldwork; Auditor suggested NHS implement a review process to ensure all loans are adequately secured;
- NHS implemented internal procedures subsequent to fieldwork to better manage insurance policies; this includes maintaining a copy of all policies listing Historic Preservation as a loss payee, obtaining proof of insurance prior to entering loan into the loan servicing software, a review of insurance policy by managing supervisor for accuracy, and scheduling calendar reminders to obtain future renewals;
- Applicant provided financial statements to verify ability to repay loan. The Retaining Wall program requires multiple forms of income verifications are obtained, such as tax returns or bank statements. While applicant had sufficient ability to repay, auditor recommended income verification procedures are followed consistently and any exceptions to this policy be approved by Historic Preservation;
- All applicable documentation, including current application requirements at the time of origination, should be maintained in the file for the duration of the loan. All program requirements at the time of origination should be followed and maintained as documentation;
- The interest rate error did not have an effect on the borrower or the lender, and was corrected subsequent to fieldwork; auditor suggested NHS implement a review process to catch any manual errors when creating loan documents or entering loan information into the loan subsidiary software.

(The Ketel Thorstenson Agreed-Upon Procedures & Findings is attached hereto on Exhibit A and incorporated herein by this reference.)

**New Matters before the Deadwood Historic District Commission:**

**Case # 14043 – 11 Charles Street – Add door/change roof pitch – Mike Perceovich**

Mr. Kuchenbecker informed the Commission the applicant requests approval add new door and proposed changing roof design from a flat to a peak at 11 Charles Street as submitted. (The application is attached hereto on Exhibit B and incorporated herein by this reference.) *Based upon the guidance found in DCO 17.68.050, it was moved*

***by Mr. Derosier and seconded by Mr. Johnson that this project is congruous with the historical, architectural, archaeological or cultural aspects of the district and MOVE to grant Certification of Appropriateness as submitted for 669 Main Street. Aye - All. Motion carried.***

**New Matters before the Deadwood Historic Preservation Commission:**

**Case # 14042 – 66 Lincoln Avenue – Replacing Front Steps – Tom Griffith**

Prior to discussing Project Approval, Chair Floyd disclosed her possible conflict of interest due to Mr. Griffith being her Father-in-law. Ms. Williams advised there was no conflict of interest present as Chair Floyd has no direct pecuniary interest or gain in the matter nor was a vote action requested by the Commission regarding any concern for a conflict of interest. The balance of the commission concurred.

Mr. Kuchenbecker informed the Commission the applicant requests approval to replace rotted front steps and rails with same design/materials and contractor used at 69 Lincoln Ave completed in 2013 (See photos); steps are to be painted white as original steps of house located at 66 Lincoln Avenue as submitted (The application is attached hereto on Exhibit C and incorporated herein by this reference.) ***Based upon all the evidence presented, it was moved by Mr. Derosier and seconded by Mr. Namminga that this project DOES NOT encroach upon, damage or destroy any historic property included in the national register of historic places or the state register of historic places, and therefore grant project approval for 66 Lincoln Avenue. Aye - All. Motion carried.***

**Revolving Loan Fund/Retaining Wall Program Update:**

**Retaining Wall Applications**

No applications were addressed at this meeting.

**Revolving Loan Program/Disbursements**

***It was moved by Mr. Derosier and seconded by Mr. Blair to approve the HP Revolving Loan Fund disbursement in the amount of \$25,160.04, based on information as presented by Mr. Mike Walker, Lending Director of NeighborWorks-Dakota Home Services. Aye - All. Motion carried.***

***It was moved by Mr. Blair and seconded by Mr. Derosier to approve the HP Retaining Wall disbursement in the amount of \$10,197.00, based on information as presented by Mr. Mike Walker, Lending Director of NeighborWorks-Dakota Home Services. Aye - All. Motion carried.*** Delinquency Report was reviewed and updates on projects were given. Overview of the Revolving Loan Fund was presented.

**Patricia Sherman – 5 Harrison**

***It was moved by Mr. Derosier and seconded by Mr. Johnson to forgive the Windows Loan for Patricia Sherman, 45 Harrison, in the amount of \$3,000.00 as it met all criteria for forgiveness as presented. Aye- All. Motion carried.*** (The NeighborWorks packet is attached hereto on exhibit D and incorporated herein by this reference.)

**Randy & Terri Adler – 17 Selbie**

Applicant withdrew application.

**Retaining Wall Program/Disbursements:**

No disbursements were addressed at this meeting.

**Items from Citizens not on Agenda**

**Staff Report:** (items will be considered but no action will be taken at this time.)

Mr. Kuchenbecker reported on the following items:

- This week (July 7-11) four staff members of Roger Brooks International is putting on a Brand Camp; the objective is to help in the development of a step-by-step process over the next 30 to 60 days to continue in the revitalization efforts of Deadwood; on Friday, July 11 from 8:30-10 AM there is a soft rollout of the brand direction open to the public;
- Requests for the HP Budget have been received and is being compiled for the upcoming HP Budget meeting scheduled for Tuesday, July 15 at 8AM; Packets will be sent out by Friday for Commission review prior to meeting;
- The compilation of the City Budget is also underway; next week Capital Improvement Projects (CIP) meetings are scheduled;
- St. Ambrose Cemetery is coming along and Phase 5 will go out to bid this fall;
- Property lines for 91 Forest are being identified for the retaining wall project to allow this project to proceed;
- Construction of the retaining wall at 2 Dudley started this week;

HPC Meeting

Wednesday, July 9, 2014

- Contractor for the Engine House came into the office earlier today to show a sample of the rolled roofing material they wish to use to replace the current asphalt roof; this is the same material commission had approved for the TDG building a year or so ago; Commission agreed with Mr. Kuchenbecker to give approval for material as it would not be adverse to the resource;
- Historic Preservation Commission's next meeting will be July 23, 2014 at 5:00 PM with a special Policy and Procedures meeting to be held prior to meeting at 3:30 PM.

**Other Business:**

- Mr. Johnson complimented Margie and Rich Olesen for their wonderful efforts to bring back 'Old Deadwood' with the restorations being done to the original #10 Saloon location on lower Main Street;
- Mr. Toews expressed is concern with the allocation justification of the Impact Funds; he looks forward to a good presentation as to who approves what and what is required in the Historic Preservation Commissions scope of work verses the City's; Mr. Williams and Chair Floyd concurred with his concerns;
- Chair Floyd reminded Commission the 2015 Budget meeting is scheduled for Tuesday, July 15 at 8AM;
- Chair Floyd also reminded Commission that prior to the next Historic Preservation Commission meeting, a Policies and Procedures meeting is scheduled for July 23, 2014 at 3:30 PM.

**Adjournment:**

There being no other business, the Historic Preservation Commission Meeting of July 9, 2014 adjourned at 5:38 PM.

ATTEST:

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Laura Floyd

Chairman, Historic Preservation Commission

*Kate Storhaug, Historic Preservation Office/ Recording Secretary*