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**SECRETARY OF THE
MINNESOTA SENATE**

**Proposal for
Professional Auditing Services
for**

Minnesota State Senate

**Years Ending
June 30, 2004 through 2006**



**Virchow Krause
& company**

7900 Xerxes Avenue South, Suite 2400
Minneapolis, MN 55431-1115
Phone 952.835.1344
Fax 952.835.5845
www.virchowkrause.com

Daryl DeKam, CPA, Partner

February 21, 2005

MINNESOTA STATE SENATE

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Virchow Krause & company

February 21, 2005

Mr. Patrick E. Flahaven
Secretary of the Senate
Minnesota State Senate
231 State Capitol
St. Paul, MN 55155

Dear Mr. Flahaven:

Virchow, Krause & Company, LLP is pleased to submit a proposal to provide audit services for the Minnesota State Senate. Selecting an audit firm that provides quality service and understands the public sector is important to the future success of your organization. We not only provide auditing services, but will serve as a resource to assist you in the financial management of your operation. Our proposal is based on the Request for Proposal, our discussion with you, and our prior experience with Minnesota Legislative Coordinating Commission and hundreds of other government entities in the Midwest.

Understanding Your Needs

Based on the request for proposal, we understand that the Minnesota State Senate would like us to perform audit services that determine whether:

- The financial statements of the Minnesota State Senate for the fiscal years ended June 30, 2004, 2005 and 2006, respectively, present fairly the financial position and the results of operations in accordance with generally accepted accounting principals and government auditing standards.
- Expenditures by the Senate are in accordance with the appropriation laws and with the financial operating rules, resolutions, motions, and orders of the Senate that may have a material effect upon the financial statements.
- An adequate control structure exists over the Senate's financial operations to the extent required by generally accepted government auditing standards. The purpose of the evaluation is to gain a sufficient understanding of the internal control structure to plan the audit and determine the nature, timing and extent of tests to be performed.

As you evaluate our proposal, there are several important factors to consider which distinguish Virchow, Krause & Company, LLP from other firms:

Commitment

Virchow, Krause & Company, LLP has a long standing tradition and solid reputation for providing high quality auditing, accounting, and consulting services to governmental entities. To illustrate that commitment, we have established a separate practice group devoted entirely to serving more than 200 municipalities, 260 municipal utilities, 70 school districts and 20 counties in the Midwest.

Experience

We understand the needs and pressures facing the public sector. Our continuing relationship with hundreds of public sector clients provides a strong foundation to meet the Senate's needs. Our staff comes ready with the experience and creativity to find practical solutions. We have previously worked with the Minnesota Legislative Coordinating Commission and are well versed in the MAPS and SEMA4 systems through our audit work with other state entities (including MnSCU).

Independence

We believe the audited financial statements and the audit process provide valuable information for you to use when managing your organization's financial operations. As a CPA firm, we are required to maintain complete independence. We will recommend solutions that are in the best interest of your organization.

Depth of Resources

The members of the project team have extensive prior public sector experience. Your staff will not need to spend time explaining governmental accounting to us. All of our project team members, including the partners, are available at anytime for consultation. As a team, we believe we can help you meet your financial goals.

Efficiency

We are sensitive to the financial constraints of our clients. Our policy is to provide top quality people and service at competitive prices. We strive to complete fieldwork efficiently and effectively.

Complete and Timely Services

We pride ourselves in being on time, or early, with the delivery of reports. This stems from careful engagement planning and control in addition to a strong commitment to client service. Based on the timetable specified in the request for bids, we are committed to meeting the established completion date.

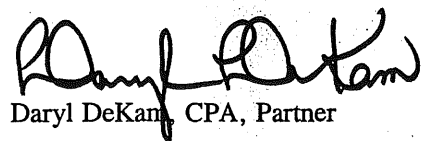
We believe that the selection of our firm will provide the Minnesota State Senate with the best possible team to serve you. Our firm is large enough to assure you of top quality professional service, yet still offer personalized service responsive to your unique needs.

VK's philosophy and desire is to build long-term relationships with our clients. By taking the time to learn and understand your organization and its needs, our goal is to provide valuable service and contribute to your success *by serving as your most valued advisor*. We hope that our client service philosophy, expertise, and reputation for quality will be major factors you consider when evaluating our firm.

We appreciate the opportunity to submit this proposal and welcome the opportunity to discuss any specific aspects. If you have any questions, or need additional information, please contact me at 952.351.4714 or by email at ddekam@virchowkrause.com. We look forward to working with you on this engagement.

Sincerely,

VIRCHOW, KRAUSE & COMPANY, LLP



Daryl DeKam, CPA, Partner

Form of Proposal for Contract Work

Gentlemen:

1. The Undersigned, being familiar with the local conditions affecting the cost of the work and with the specifications and general conditions, hereby propose and agree, if this proposal is accepted, to furnish services to the Minnesota State Senate promptly, correctly, and in the most professional manner, in accordance with the provisions of the specifications attached to this proposal, for the prices set forth in the attached Contractor's Statement of Qualifications, subject to a maximum price (Total Cost), including travel and out-of-pocket costs, of:
\$16,580.00 for fiscal year 2004 and:
\$16,600.00 for fiscal year 2005 and:
\$17,100.00 for fiscal year 2006.
2. In submitting this bid it is understood that the right is reserved by the Minnesota State Senate to reject any and all bids and it is agreed that this bid may not be withdrawn for a period of 30 days after the date of filing it.
3. If a Corporation, what is the State of Incorporation:
N/A
4. If a Partnership, state full name of the managing partner:
Timothy L. Christen
5. Conditional Proposals will not be accepted, and no changes of these forms are permitted.

Firm Name and Address:

Virchow Krause & Company LLP
7900 Xerxes Avenue South, Suite 2400
Minneapolis, MN 55431

By Daryl DeKam
Daryl DeKam
Title Partner
Partner

Bidder's Statement of Qualifications

MANAGEMENT SUMMARY

Virchow, Krause & Company, LLP is a regional firm conveniently located in Bloomington, Minnesota with headquarters in Madison, Wisconsin. Virchow, Krause & Company, LLP originated in 1931 with a commitment to deliver innovative financial solutions and solid business strategies to our clients. Virchow, Krause & Company, LLP has over 1,000 employees in 14 offices throughout Minnesota, Wisconsin, Illinois and Michigan. The Bloomington office has approximately 200 employees.

See attached Firm Profile and Qualifications.

The reports to be delivered are those described in the Request for Proposal. Our proposed effort is described below in our work plan.

WORK PLAN

We will perform the financial and compliance audit in accordance with generally accepted auditing standards and government auditing standards issued by the Comptroller of the United States. We will also determine whether expenditures by the Senate are in accordance with the appropriation laws and with the financial operating rules, resolutions, motions, and orders of the Commission. As part of the audit, we will evaluate the Senate's internal control structure as required by generally accepted auditing standards.

Our work plan includes the following identifiable phases: planning, interim audit work, year-end audit work and reporting. When practicable, interim and year-end audit work phases are combined as an integrated unit.

PLANNING

During this phase, we will establish a proper basis for the audit to maximize audit effectiveness and minimize audit costs. The phase will commence with discussions between Virchow, Krause & Company, LLP and the Senate. This meeting is important to ensure a coordinated audit and will cover these matters:

- ◆ Initial audit concerns
- ◆ Our preliminary plan for conducting the audit to meet the Senate's timing requirements
- ◆ Management suggestions for areas requiring special attention or emphasis
- ◆ Reporting issues

Analytical review procedures to be performed during planning include examination of ratios, trends, budget comparisons and other available data. These focus subsequent audit procedures on critical areas. We expect to perform the following tests:

- ◆ Comparing financial statement amounts for the current year with those of the previous year
- ◆ Comparing current year actual amounts with budgeted amounts

Planning will also include review, evaluation, and documentation of the Commission's internal control structure, which will include a review of the general and specific controls within the data processing function. The final step of the planning phase will be development of a tailored audit program to fit your organization.

YEAR-END AUDIT WORK

This phase will commence when the Senate has prepared a trial balance of its year-end general ledger accounts of the various funds and completed the workpapers agreed upon during planning. This phase will primarily involve testing of the Senate's internal control and compliance with laws and regulations and the performance of substantive procedures. The purpose of substantive tests will be to provide reasonable assurance of the validity of account balances as produced by the accounting system. These tests involve obtaining or examining evidence to verify the propriety of such balances.

REPORTING

The final phase involves review of the financial statements and supplementary data Senate staff have prepared for inclusion in the audit report and a report on compliance and on internal control over financial reporting. Our report will state that our audit was made in accordance with generally accepted auditing standards and government auditing standards. We will also provide letters to the Senate covering reportable conditions relating to the internal control structure, if any, and other matters as appropriate.

PRIOR EXPERIENCE

Virchow, Krause & Company, LLP performs audits of numerous governmental entities (e.g., approximately 200 municipalities, 260 municipal utilities, 70 school districts and 20 counties). Examples of existing clients include Minnesota Legislative Coordinating Commission, City of Rosemount, MN, City of Jackson, MN, City of New Richmond, WI, Shakopee Public Schools, Minnesota River Valley Special Education Cooperative, St. Louis Park Public Schools and several of the MnSCU Colleges. The Firm's Public Sector Group has over 140 employees including approximately 20 in Bloomington.

References are attached.

PERSONNEL

The Firm expects that a minimum of five professionals will be involved in the engagement including myself as the engagement partner, a manager, two senior/staff accountants, and a cold reviewer. All personnel tentatively scheduled to work on the engagement are members of our public sector group and specialize in providing not-for-profit organizations and governmental units with audit, tax, and consulting services.

We are proud to say that we have an experienced staff available to serve you. A significant reason why many of our clients stay with us for many years comes down to our people.

We care about our clients' business, and it shows in our people. In order to insure that our staff meet your expectations, our firm requires all professional staff to obtain a minimum of 120 continuing professional education credits (CPE) every three years with no less than 20 credits in any given year. All public sector staff attend courses in the accounting and auditing areas dealing with governmental topics, including the single audit area.

You should be aware that all governmental auditors are required to meet the continuing professional education requirements of *Government Auditing Standards* which require 24 governmental CPE credits every two years. We are meeting those requirements.

Resumes are attached.

Firm Profile and Qualifications

At Virchow, Krause & Company, LLP, our goal is to help clients succeed both today and in the future. As a full service accounting and consulting firm, we have a long history of commitment to our clients and strive to ensure your complete satisfaction. Our staff responds to your needs by carefully listening and evaluating your particular situation. We go beyond the services of a traditional CPA firm to find innovative solutions and offer useful suggestions to strengthen your organization. Truly, our mission is to serve as ***your most valued advisor.***

Virchow, Krause & Company, LLP is one of the Midwest's oldest and largest certified public accounting and consulting firms. Founded in 1931 by Mr. Ed Virchow, our firm now includes approximately 139 partners among approximately 1,000 total associates in 14 offices throughout Wisconsin, Minnesota, Illinois and Michigan. We are ranked as the 13th largest CPA firm in the United States.

We are one of the few CPA firms with a public sector services department, consisting of over 100 professionals, *dedicated entirely to serving public sector clients.* Because of this specialized focus, our staff understands the issues the public sector faces and have the experience to find effective solutions. Our Public Sector Services Department was created in 1969 and today provides services to more than 200 municipalities, 260 municipal utilities, 70 school districts, and 20 counties.

Services provided to our clients include accounting and auditing, operational analysis, human resources consulting, information systems analysis, and utility consulting among others. In all engagements, our clients are welcome to consult with all levels of staff, as well as partners.

Our devotion to the public sector is illustrated by our commitment to inform and instruct our clients about important public sector issues. Annually, we speak at accounting, financial, and management seminars and workshops. In addition, we author two newsletters, *Municipal Lines* and *Utility Lines*, which provide clients timely information on relevant topics.

As a certified public accounting firm, we are required to maintain complete independence. This assures our evaluation will be fair, objective, and intended to serve the best interest of your organization and its taxpayers. As a member of the Securities Exchange Commission (SEC) Practice Section of the American Institute of Certified Public Accountants, we have successfully passed all peer reviews. In every case, we have received a "clean" opinion, the highest level of assurance obtainable with respect to our audit practice. Our ongoing internal quality control program is a critical component associated with our ability to continue to provide the highest quality services to our clients. You can be confident that our methods and practices uphold the highest ethical standards and ensure complete independence.

In the final analysis, our philosophy and reputation of providing exceptional service should be a major contributing factor in your evaluation of our proposal. Virchow, Krause & Company, LLP is large enough to provide you with continuity of service and depth of experience, yet still offer personal service responsive to your unique needs.

REFERENCES

Mr. Chad Thuet, Assistant Director
Minnesota Legislative Coordinating Commission
St. Paul, MN
Phone: 651.296.1121

Mr. Jeffrey A. May, Finance Director
City of Rosemount, MN
Phone: 651.423.4411

Mr. Dean Albrecht, City Administrator
City of Jackson, MN
Phone: 507.847.4410

Mr. Jon McBroom, Superintendent
Shakopee Public Schools
Shakopee, Minnesota
Phone: 952.496.5011

Mr. Jeff Priess, Finance Director
St. Louis Park Public Schools
St. Louis Park, Minnesota
Phone: 952.928.6000

Resumes

Professional Resume

DARYL D. DEKAM

Daryl DeKam has been in the accounting industry since 1972. A Partner in the Public Sector Practice Group of Virchow, Krause & Company, LLP, he specializes in serving not-for-profit organizations, colleges/universities, and public sector entities. He has extensive experience in financial auditing and accounting as well as providing a variety of financial consulting services.



Daryl D. DeKam, CPA
Partner

952.351.4714
ddekam@virchowkrause.com

SPECIFIC EXPERIENCE

- Partner-in-charge of accounting and financial auditing engagements for not-for-profit organizations as well as governmental entities and educational institutions.
- Provides single audit services to various entities as required by various governmental audit standards.
- Consults with various entities on OMB A-133, FASB, and GASB technical issues.
- Helps clients implement new accounting standards including Governmental Accounting Standards Board No. 34 (GASB No. 34).
- Provides consulting services to commercial and non-for-profit businesses regarding merger/acquisition and planning/strategy issues.
- Assists with bond and/or stock offering financing arrangements.

INDUSTRY INVOLVEMENT

- AICPA - American Institute of Certified Public Accountants
- MNCPA - Minnesota Society of Certified Public Accountants
- MASBO - Minnesota Association of School Business Officials
- GFOA - Government Finance Officers Association
- NACUBO - National Association of College and University Business Officials
- Former member of the AICPA - SECPS Peer Review Committee; the AICPA oversight board for the peer review engagements of all SEC firms throughout the United States.
- Speaks to various organizations on fund accounting related issues and has presented seminars on internal controls and the "Yellow Book" for the U.S. Department of Agriculture.
- Member of the firm's Public Sector Accounting and Auditing Committee.
- Member of the firm's Quality Control Committee.

EDUCATION

Dordt College
Bachelor of Arts in Business Administration

RELEVANT CONTINUING EDUCATION

- Numerous GASB No. 34 Training Sessions
- Not-for-Profits Conference
- Virchow Krause Governmental Auditing Update
- Virchow Krause College Update
- MNCPA School District Audits
- GFOA Governmental Accounting Update
- MNCPA Local Government Audit Conference
- Minnesota Local Government Auditing & Accounting Update
- MNCPA Not-for-Profit Audit Conference



Virchow Krause
& company

Professional Resume

JAMES R. MURRAY

James Murray, Partner in the Public Sector Practice Group, has been with Virchow, Krause & Company, LLP since 1983. He specializes in providing financial auditing, accounting, and consulting services to public sector entities. Jim has extensive experience in providing financial audits of municipalities, counties, utilities, and educational institutions.



James R. Murray, CPA
Partner

715.833.1717 ext. 15
jmurray@virchowkrause.com

SPECIFIC EXPERIENCE

- Manages financial auditing and consulting services for municipalities, water, wastewater, electric utilities, school districts, and colleges.
- Develops rate studies for electric, water, and wastewater utilities.
- Assists communities with developing formal budget procedures, preparing annual budgets, and designing and implementing financial systems.
- Provides financial auditing services to school districts and colleges and universities.
- Works with tax incremental financing (TIF) districts providing accounting system development, projections, and compliance services.
- Helps clients implement new accounting standards including Governmental Accounting Standards Board No. 34 (GASB No. 34).
- Provides A-133 compliance audits of federally funded programs for municipalities, counties, and school districts.
- Provides federal and state aid program audits.
- Reviews and prepares Comprehensive Annual Financial Reports which have been awarded a Certificate of Achievement for Excellence in Financial Reporting.

INDUSTRY INVOLVEMENT

- AICPA - American Institute of Certified Public Accountants
- Member of various state institutes of certified public accountants.
- GFOA - Government Finance Officers Association
- Reviewer for the GFOA Certificate of Achievement for excellence in Financial Reporting Program.
- Instructs and speaks at industry conferences as well as at Virchow Krause sponsored seminars.

EDUCATION

University of Wisconsin - Eau Claire
Bachelor of Business Administration in Accounting

RELEVANT CONTINUING EDUCATION

- Numerous Single Audit Training Sessions
- Virchow Krause Essentials of Utility Financial Management
- Higher Education Accounting Workshop
- WICPA School District Auditor Workshop
- GRATE Advanced Governmental Accounting Seminar
- Virchow Krause Governmental Auditing Update
- Minnesota Local Government Auditing and Accounting Update
- GFOA Annual Update
- Numerous GASB No. 34 Training Sessions



Virchow Krause
& company

SUSAN B. HOOPER

Susan Hooper, Manager in the Public Sector Practice Group of Virchow, Krause & Company, LLP, has been with the firm since 2002. She specializes in serving not-for-profit, educational, and governmental organizations. She has extensive experience in performing financial and compliance audits.



**Susan B. Hooper, CPA
Manager**

952.351.4711
shooper@virchowkrause.com

SPECIFIC EXPERIENCE

- Manages financial audits and reviews for numerous private colleges, universities, and other not-for-profit organizations.
- Performs single audits in accordance with OMB Circular A-133 and State Single Audit Guidelines.
- Performs financial audits of school districts.
- Provides accounting assistance.
- Helps governmental clients interpret and implement Governmental Accounting Standards including GASB No. 34.
- Prepares federal tax forms 990 and 990-T for private colleges, universities, and other not-for-profit organizations.
- Performs financial audits of pension plans.

INDUSTRY INVOLVEMENT

- AICPA - American Institute of Certified Public Accountants
- MNCPA - Minnesota Society of Certified Public Accountants
- MACPA - Michigan Association of Certified Public Accountants
- IMA - Institute of Management Accountants

EDUCATION

Northern Michigan University
Bachelor of Science in Accounting

RELEVANT CONTINUING EDUCATION

- Higher Education Accounting Workshop
- Virchow Krause College Update Video Teleconference
- Virchow Krause GAO Independence Rules
- MNCPA Local Government Audits Conference (annually)
- MNCPA Not-for-Profit Conference (annually)
- Virchow Krause IRS Audits: Interest Rate Swaps
- MNCPA Fraud & Financial Statement Audit Session
- MNCPA A&A Update & Ethics



**VirchowKrause
& company**

Professional Resume

BRANDI M. SUDA

Brandi Suda, Senior Accountant in the Public Sector Practice Group, has been with Virchow, Krause & Company, LLP since 2001. She is involved in providing financial audits of municipalities, utilities, counties, not-for-profit organizations, and educational institutions.



Brandi M. Suda, CPA
Senior Accountant

715.833.1717 ext. 25
bsuda@virchowkrause.com

SPECIFIC EXPERIENCE

- Assists with audits of governmental units including counties, cities, towns, and villages.
- Performs financial and single audits of school districts.
- Prepares A-133 single audits of counties and cities.
- Assists with financial audits and A-133 single audits of private colleges and other not-for-profit organizations.
- Helps clients implement new accounting standards including Governmental Accounting Standards Board No. 34 (GASB No. 34).
- Prepares financial reports.

INDUSTRY INVOLVEMENT

- WICPA - Wisconsin Institute of Certified Public Accountants
- AICPA - American Institute of Certified Public Accountants

EDUCATION

University of Wisconsin - Green Bay
Bachelor of Science in Accounting and Finance

RELEVANT CONTINUING EDUCATION

- Numerous GASB No. 34 Training Sessions
- Virchow Krause Utility Staff Training
- GAO Governmental Auditor Independence Teleconference
- Higher Education Accounting Workshop
- WICPA School District Auditors Workshop
- Student Financial Aid Audit Seminar
- GRATE Advanced Governmental Accounting Update
- GFOA Annual Update



Virchow Krause
& company

Professional Resume

RYAN L. ENGELSTAD

Ryan Engelstad, Accountant in the Public Sector Practice Group, has been with Virchow, Krause & Company, LLP since 2003. He specializes in performing financial audits for not-for-profit organizations including private colleges and universities and school districts.



Ryan L. Engelstad
Accountant

952.351.4613
rengelstad@virchowkrause.com

SPECIFIC EXPERIENCE

- Assists with financial audits of not-for-profit organizations including private colleges and universities and school districts.
- Helps clients implement new accounting standards including Governmental Accounting Standards Board No. 34 (GASB No. 34).
- Assists with financial statement preparation.

EDUCATION

University of Minnesota - Twin Cities
Bachelor of Science in Accounting

RELEVANT CONTINUING EDUCATION

- Virchow Krause Governmental Auditing Update



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MINNESOTA STATE SENATE

COST AND PRICE ANALYSIS

A. Personnel Costs:

	<u>Partner</u>	<u>Manager</u>	<u>Senior/Staff</u>	<u>Total</u>
Estimated hours	16.00	16.00	88.00	<u>120.00</u>
Rate per hour	<u>\$ 225.00</u>	<u>\$ 180.00</u>	<u>\$ 125.00</u>	
Total Personnel Cost	<u>\$ 3,600.00</u>	<u>\$ 2,880.00</u>	<u>\$ 11,000.00</u>	\$ 17,480.00

B. Cost of supplies and materials:
Report production

500.00

C. Indirect costs:
None

D. Travel and subsistence costs:
Travel

100.00

Less courtesy discount

(1,500.00)

E. Total cost for 2004 audit

\$ 16,580.00

Estimated fees for the 2005 and 2006 audits are based on the above hours plus an increase in fee amounts for inflation:

2005	<u>\$ 16,600.00</u>
2006	<u>\$ 17,100.00</u>



**Virchow Krause
& company**

Virchow, Krause & Company, LLP
7900 Xerxes Avenue South, Suite 2400
Bloomington, MN 55431-1115
952.835.1344

Email: ddekam@virchowkrause.com
Internet: www.virchowkrause.com

Daryl DeKam, CPA, Partner

February 21, 2005

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SECRETARY OF THE
MINNESOTA SENATE

**PROPOSAL FOR AUDIT SERVICES
MINNESOTA STATE SENATE
ST. PAUL, MINNESOTA

FOR THE YEARS ENDED
JUNE 30, 2004, 2005 AND 2006**

**SUBMITTED
February 21, 2005**

**ABDO, EICK & MEYERS, LLP
CERTIFIED PUBLIC ACCOUNTANTS
GRANDVIEW SQUARE
5201 EDEN AVENUE, SUITE 370
EDINA, MINNESOTA 55436
(952) 835-9090**

**CONTACT PERSON
STEVEN R. MCDONALD, CPA
(952) 835-9090
smcdonald@aemepas.com**

PROPOSAL FOR AUDIT SERVICES
MINNESOTA STATE SENATE
ST. PAUL, MINNESOTA
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February 21, 2005

Grandview Square
5201 Eden Avenue
Suite 370
Edina, MN 55436

Mr. Patrick E. Flahaven
Minnesota State Senate
231 State Capitol
St. Paul, Minnesota 55155

Dear Mr. Flahaven:

Thank you for the opportunity to submit this proposal to the Minnesota State Senate (the Senate). Abdo, Eick & Meyers, LLP (the Firm) has performed audits of other components of the State of Minnesota including the Minnesota House of Representatives, the Legislative Auditor and Legislative Coordinating Commission. Our prior experience with the Legislative Coordinating Commission, the House of Representatives and the Legislative Auditor gives us a great advantage in understanding how your agency works and how information flows through your system.

The Firm has been providing audit services to local governments for over 40 years. Our client retention has been excellent because we have delivered quality timely audit and consulting services. Our success has also been driven by utilizing staff that is experienced and well trained in governmental operations. This experience provides a solid base of knowledge, insight and governmental accounting expertise for your staff and Audit Subcommittee of the Committee on Rules and Administration (Audit Subcommittee) to draw upon. In addition to the audit, our partners, managers and staff can provide assistance in many areas of your accounting process and help make improvements in your procedures.

The Firm recognizes that its most important product is prompt and effective service of the highest quality. The quality of our service allows us an opportunity to be an integral part of your finance team. We feel that communication, expertise, education and audit approach are important factors in the Senate's relationship with an audit firm. We have addressed each factor as follows:

- Communication - A component of our mission statement is a philosophy that we will assist clients in reaching their maximum potential by open communications and teamwork. We achieve that objective by developing a clearly written audit plan that is intended to address questions before they need to be asked. We communicate this plan prior to beginning the audit with a meeting between Senate finance staff and the partners and managers assigned to the job. In addition, we address any issues resulting from the audit fieldwork by developing an agenda for an exit conference. We intend to document what we need and take any surprises out the audit process for Audit Subcommittee and staff.
- Expertise and experience - We audit more Minnesota cities than any firm in the State and have been providing services to governments since we began doing business in 1963. Over half of the Firm's staff work in the governmental division and use over 90 percent of their time to serve local governmental clients. By serving clients of all sizes we have gained considerable experience in understanding how cities work. This experience is shared among all staff members from junior staff to partner level. We have helped cities analyze, develop and maintain facets of their operations that will give us a unique insight into how your Senate and Finance Department operate.



- Education and Resources - The Firm is committed to providing a team environment that fosters growth and development through a training and learning environment. The Firm has been actively involved developing training for professional organizations that serve municipal clients. In the past few years we have developed curriculum and provided training for our clients, the Minnesota Government Finance Officer's Association, the Minnesota Municipal Clerks and Finance Officer's Association and the League of Minnesota Cities. We also follow the activities of the Governmental Accounting Standards Board and comment on any relevant exposure drafts. These activities directly benefit the Senate because it builds our base of expertise in municipal operations and we communicate this information to the Senate.
- Audit approach - Our approach to an audit is heavily dependent on technology. We implemented a paperless audit process in 2003 and have now converted 100 percent of our clients to this process. Our paperless auditing has allowed for greater communication with our clients and our staff, has made all of our staff more productive, improved the quality of the audits and has shortened the turnaround time for our audits. We have developed our process with consideration of how your finance department does its job. This ensures that you will save time in accumulating information for the audit.

We look forward to meeting with you to discuss our proposal, and appreciate this opportunity to present our Firm for your consideration. This information is an irrevocable offer to perform audit services for 90 days.

Sincerely,

ABDO, EICK & MEYERS, LLP
Certified Public Accountants

Steven R. McDonald, CPA

1. **FIRM PROFILE**

Abdo, Eick & Meyers, LLP (the Firm) has a professional staff of 30 accountants in its Edina and Mankato offices. The two offices serve clients of all sizes and industries. Our services include audits, reviews and compilations, monthly accounting, tax planning and preparation, management advisory services and computer utilization. The following summarizes the type of government services we provide:

Governmental Client Base

- Audit services for ten school districts.
- Audit services for approximately 80 cities.
 - Eight municipal clients receive the GFOA's Certificate of Achievement for Excellence in Financial Reporting.
- Audit services for approximately 40 fire relief organizations.
- Audit services for the State of Minnesota Office of the Legislative Auditor and the Minnesota House of Representatives.
- Audit services for EDAs and HRAs.

The audit will be performed by our Edina office, including field supervision and review.

Personnel

Firm wide we have the following staffing for our governmental services. It is important to note that half of our staff is at the senior level or higher.

<u>Position</u>	<u>Number</u>
Partners	2
Audit Managers	2
Audit Seniors	4
Audit Juniors/Interns	6
Support Staff	<u>3</u>
Total	<u>17</u>

The Firm is committed to a continuing professional education program, which emphasizes the areas of expertise of each member of our professional staff. The Firm is required to comply with the *Government Auditing Standards* for each professional practicing in the area of governmental accounting and auditing. We are committed to follow those standards, which result in quality audit services, including continuing education of forty hours each year for all staff. As required by *Government Auditing Standards*, all governmental audit staff receives the required continuing education in the area of governmental auditing and accounting. These policies are certified periodically by independent Peer Review.

Library facilities are maintained that include current professional literature and specific information for the industries that we serve. The Firm library is also reviewed as part of the external quality review program. The Firm has in-house training programs specific to our governmental clients. We also perform auditing and accounting updates for our clients that are organized by our staff. These practices ensure the quality of our staff over the term of engagement.

I. FIRM PROFILE - CONTINUED

Partner, Supervisory and Staff Qualifications and Experience

The following staff members would be scheduled for the upcoming audits. We have fourteen staff members, Firm wide, that have considerable government experience. This gives us a large pool to draw on in addition the group listed.

Steven R. McDonald, CPA
Partner

Mr. McDonald joined the Firm in 1991 after graduating from Minot State University and is registered and licensed to practice as a CPA in Minnesota. He oversees all of the Edina office's governmental audits, and many *OMB Circular A-133* audits. Mr. McDonald also has the following qualifications:

- 13 years of experience auditing local governments in Minnesota.
- Over 90 percent of billable time relates to governmental clients.
- Member of the Minnesota Government Finance Officers Association.
- Member of the Minnesota Society of Certified Public Accountants (MNCPA).
- Member of the American Institute of Certified Public Accountants (AICPA).
- Member of the Minnesota Association of School Business Officials (MASBO).
- Member of the MNCPA Leadership Cabinet.
- Past chairman of the MNCPA City Report Review Committee.
- Past chairman of the MNCPA School District Report Review Committee.
- Participates in the MNCPA Government Accounting and Auditing Committee.
- Participates on the Special Review Committee for the Government Finance Officers Association. This committee reviews reports for acceptance into the Certificate of Achievement for Excellence in Financial Reporting program.
- Completed the AICPA Certificate of Educational Achievement (CEA) Program for Governmental Accounting and Auditing.
- Serves on Minnesota Office of the State Auditor's TIF Task Force.
- Provided testimony to a Minnesota House of Representatives sub-committee for charter school issues.
- Presents seminars on preparing for an audit and implementing GASB Statement No. 34.
- Received GAO required levels of training specific to governments each year over the past three years.

Andrew K. Berg, CPA
Audit Manager

Mr. Berg joined the Firm in 1994 after graduating Cum Laude from Gustavus Adolphus College and is registered and licensed to practice as a CPA in Minnesota. His work includes supervising several municipal, school district and *OMB Circular A-133* audits. Mr. Berg also has the following qualifications:

- 10 years of experience auditing local governments in Minnesota.
- Over 90 percent of billable time relates to governmental clients.
- Member of the Minnesota Association of School Business Officials (MASBO).
- Member of the Minnesota Government Finance Officers Association.
- Member of the Minnesota Society of Certified Public Accountants (MNCPA).
- Member of the American Institute of Certified Public Accountants (AICPA).
- Member of the MNCPA City Report Review Committee.
- Received GAO required levels of training specific to governments each year over the past three years.

I. FIRM PROFILE - CONTINUED

Partner, Supervisory and Staff Qualifications and Experience - Continued

Brad J. Falteysek, CPA
Audit Senior

Mr. Falteysek joined the Firm in 1998. He graduated from Winona State University and is registered and licensed to practice as a CPA in Minnesota. His work includes audit and accounting for many of the Firm's governmental clients including *OMB Circular A-133* audits. He was also employed by the Office of the Legislative Auditor for nearly two years before starting at our Firm. Mr. Falteysek also has the following qualifications:

- 6 years of experience auditing state and local governments in Minnesota.
- Over 90 percent of billable time relates to governmental clients.
- Member of the Minnesota Association of School Business Officials (MASBO).
- Member of the Minnesota Government Finance Officers Association.
- Member of the Minnesota Society of Certified Public Accountants (MNCPA).
- Member of the American Institute of Certified Public Accountants (AICPA).
- Received GAO required levels of training specific to governments each year over the past three years.

Kristi Brutlag
Staff Accountant

Ms. Brutlag joined the Firm in 1997. She graduated from Moorhead State University. Her work includes audit and accounting services for the Firm's governmental clients. She has hands-on experience in processing information through many governmental finance packages. Ms. Brutlag also has the following qualifications:

- 7 years of experience in providing accounting and auditing services for local governments in Minnesota
- Processing experience with Banyon, Springbrook, Civic Finance systems and QuickBooks
- 13 years experience in private accounting for a variety of industries
- Received GAO required levels of training specific to governments each year over the past three years

Joan Carlson, CPA
Staff Accountant

Ms. Carlson joined the Firm in 2001. She graduated from Texas State University and is licensed to practice as a CPA in Minnesota. She has over 5 years experience as a municipal accountant for the City of Long Lake. Her primary responsibilities have been audits and accounting for local governments. Ms. Carlson also has the following qualifications:

- 3 years of experience auditing local governments in Minnesota.
- 5 years experience as lead accountant for the City of Long Lake.
- 12 years experience in a variety of private industry accounting positions.
- Processing experience with Banyon, Civic Finance systems and QuickBooks.

I. FIRM PROFILE - CONTINUED

Partner, Supervisory and Staff Qualifications and Experience - Continued

Our pool of additional staff members who mainly serve governments are listed below along with their years of experience:

<u>Staff Member</u>	<u>Position</u>	<u>Years of Experience</u>
Kyle Meyers	Audit Partner	22
Tom Olinger	Audit Manager	9
Morey Schafer	Senior	6
Jason Etter	Senior	4
Dee Sasse	Senior	3
Kylie Zoellmer	Junior	2
Stephanie Guyer	Junior	2
Nathan Reinhardt	Junior	1
Kelly Begalka	Junior	1
Matthew Vos	Junior	Hired August 2004

Our staff participates in activities relating to government accounting and reporting issues through our membership and involvement with the following organizations:

- a) Minnesota Society of CPA's Governmental Accounting and Auditing Committee
- b) Minnesota Government Finance Officers Association
- c) Minnesota Association of Small Cities
- d) Minnesota Municipal Clerks and Finance Officers Association
- e) Government Finance Officers Association
- f) Government Accounting Standards Board (GASB)
- g) League of Minnesota Cities
- h) Minnesota Association of School Business Officials

Through our participation in these organizations and continuing education provided by them, our Firm continues to stay abreast of all current governmental accounting and reporting issues.

Independence

Our standards require that we be without bias with respect to your operations. The Firm is independent of the Minnesota State Senate, St. Paul, Minnesota, as defined by auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

I. FIRM PROFILE - CONTINUED

Licensed to Practice in Minnesota

The Firm and its entire CPA staff hold licenses to practice in the State of Minnesota. All licenses are in good standing. The Firm and several of its owners are licensed in other states and also are in good standing. The Firm's CPAs are all members in good standing with the Minnesota Society of CPAs and the AICPA.

Quality Control

The Firm is a member of the American Institute of Certified Public Accountants Division of Firms and has received an unmodified opinion on its Peer Review, a copy of which is attached. Our Peer Review, which included governmental audits, was completed in 2002.

The Firm has not had any Federal or State desk reviews or field reviews of its audits in the last three years. We also have had no disciplinary or legal action taken or pending against the Firm during the past three years with state regulatory bodies, professional organizations or clients.

Minnesota Legal Compliance Manual

All staff members participating in governmental audits receive training on the Minnesota Legal Compliance Manual through the annual Minnesota Society of Certified Public Accountant's (MNCPA) Audit Seminar.

Single Audit Act (OMB Circular A-133)

The Firm has extensive experience with the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement, also referred to as the *Single Audit Act*. In total, the Firm completes over 30 single audits with over 50 different CFDA's each year with expenditures ranging from \$300,000 to \$9,000,000.

Governmental Accounting Standards Board (GASB) Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments

We have extensive experience with GASB Statement No. 34. We have been preparing for its requirements since it was issued and will be fully prepared to serve your ongoing needs. Our Firm's experience with GASB Statement No. 34 is documented below:

- Provided a seminar on implementation issues in 1999 that was attended by over 100 governmental employees.
- Provided training specific to GASB Statement No. 34 implementation at a League of Minnesota Cities annual seminar and at other conferences.
- Completed implementation for fifteen governments.
- Assisted the majority of our cities and schools in developing a capital assets policy.
- Met with the majority of our cities and schools to develop a documented implementation plan prior to the required year of implementation.

We are very familiar with all the requirements and are confident we can provide solutions for any GASB Statement No. 34 issue, whether it is questions on program revenue assignments, work paper setup or any other accounting or reporting issue.

I. FIRM PROFILE - CONTINUED

Paperless Audit Process

In November 2003, the Firm implemented a paperless audit process. Our process is fully integrated from start to finish and is not just a document management tool. Operating in a paperless environment allows us to enhance teamwork by centrally managing the audit. This allows us to build efficiency into all segments of the engagement, which results in savings to the Senate. Through this software, we are able to import your trial balance data and your work paper schedules for use in our work papers. This eliminates redundancy and allows for easier communication between your staff and ours. All staff are equipped with laptop computers that use current operating system upgrades and service packs.

We are able to incorporate all Excel, Word, Adobe or any ASCII file format into our software. In the field, our staff is networked through a portable hub and we connect to the internet through this hub. This allows our staff to send and receive e-mails to your staff, which helps make the transfer of data even more efficient.

II. SIMILAR ENGAGEMENTS WITH OTHER GOVERNMENT ENTITIES

We have long-term relationships with many governmental clients. Some of the relevant clients are listed below.

An understanding of financial and compliance audit at the state level is obtained by our work for the Minnesota House of Representatives and the Office of the Legislative Auditor. We have performed the last two audits for the House and approximately the last eight for the Legislative Auditor. The address and contact person is shown below:

Minnesota Office of the Legislative Auditor
James Nobles, Legislative Auditor
1st Floor, Centennial Building
658 Cedar Street
St. Paul, MN 55155
651-296-4708

Minnesota House of Representatives
Paul Schweizer
198 State Office Building
100 Rev. Dr. Martin Luther King Jr. Blvd.
St. Paul, MN 55155
651-296-3572

Our experience with municipalities involves audit, accounting and management advisory services. A good example of a city audit would be the City of Prior Lake. The address and contact person is shown below:

City of Prior Lake
Ralph Teschner, Finance Director
16200 Eagle Creek Avenue Southeast
Prior Lake, MN 55372
952-447-4230

Evidence of our experience with compliance audit is viewed through our work with the Metropolitan Educational Cooperative Service Unit. This organization receives over \$3,000,000 in federal funds that are audited under the single audit act. This organization receives most of its revenue from federal sources and provides training and assistance to school districts. The address and contact person is shown below:

Metropolitan Educational Cooperative Service Unit
Celine Horn, Accountant
4001 Stinson Boulevard, Suite 210
Minneapolis, MN 55421
612-638-1503

II. SIMILAR ENGAGEMENTS WITH OTHER GOVERNMENT ENTITIES - CONTINUED

We believe that our role extends beyond delivery of an audit report. We have experience in many other non-audit areas that could be useful to you, and that would help to make us a solid reference source. Additional areas where we provide non-audit services are listed below:

- a. Conduct seminars on the implementation of Governmental Accounting Standards Board (GASB) Statement No. 34 for governments.
- b. Organize meetings for staff on specific GASB Statement No. 34 implementation plans.
- c. Develop a complete purchase order system with flowcharts and narratives to explain the entire process from requisition to payment, and the use of budgetary controls.
- d. Provide monthly and quarterly accounting and computer services for general, municipal liquor store, and utility funds.
- e. Develop a chart-of-accounts to meet GASB Statement No. 34 requirements, and establish a computerized accounting system, based on the State Auditor's Chart of Accounts.
- f. Revise client monthly reporting procedures and pool various cash and investment accounts to maximize interest earnings.
- g. Review bond resolutions to determine the method of financing and tax levies required.
- h. Complete municipal utility rate study to determine rates needed to cover operating costs and provide for future expansion.
- i. Evaluate and redesign systems to conform to grant accounting requirements.
- j. Conduct seminars on budget techniques and budget preparation.
- k. Organize a software demonstration day for clients to review various software products.

II. SIMILAR ENGAGEMENTS WITH OTHER GOVERNMENT ENTITIES - CONTINUED

In addition to those cities listed on the preceding page, we work with many more governmental clients. Our client retention history has been excellent and several of the governments have been clients for more than 30 years.

School Districts		
ISD #252, Cannon Falls ISD #282, St. Anthony ISD #391, Cleveland ISD #424, Lester Prairie	ISD #2895, Jackson ISD #2144, Lindstrom Metro ECSU	Minnesota Valley Education District South Central Service Coop Trio Wolf Creek Charter #4095
Cities		
Amboy + Arden Hills Belle Plaine Blooming Prairie Byron Cannon Falls + Carver Centerville Chisago City Claremont + Corcoran Courtland Dayton + Elk River * + # Elysian + Excelsior + Fairmont * # + Gaylord + Good Thunder Granite Falls # Green Isle Grove City Hartland + Henderson + Hilltop Hutchinson * # Independence Isanti # Isle #	Janesville + Jordan Kasson # + Kenyon + # Kilkenny Lake Elmo + Lauderdale LeCenter # LeSueur + Lindstrom + # Long Lake + Lonsdale # Loretto Luverne * # Madison Lake + Mankato * Maple Plain Mapleton + # Mayer Medford + # Melrose + Minnetonka Beach Montgomery + Morristown Mound * # Mountain Lake + Nerstrand New Richland +	New Ulm * + Nicollet + North Mankato * + Norwood Young America North Oaks Olivia + # Otsego Owatonna Pemberton + Pine Island + # Prior Lake + Red Wing Rockford Rogers Shorewood * # Sleepy Eye Springfield + St. Louis Park Vadnais Heights + Vermillion Victoria + Wabasha Waldorf # + Waterville + Wells + # Westbrook Wilder Winnebago + Wyoming +
Other Governmental Units		
Albert Lea HRA Albertville Joint Powers Water Board Anoka/Champlin Fire Relief + Blue Earth County HRA Carver County HRA Delevan FRA East Edina Housing Foundation Easton FRA Elk River Utilities Eureka Township Excelsior Fire District Government Training Service HRA of Stearns County Kenyon Utilities	Lake Minnetonka Conservation District Lake Washington Sanitary District Lakes Area Police Legislative Coordinating Commission Minnesota House of Representatives Minnesota Lake FRA Mound HRA New Prague Utilities Northfield FRA Office of the Legislative Auditor Owatonna HRA Plymouth RFA Ramsey/Washington Cable Comm. Region Nine Development Comm.	Rockford FRA Sherburne/Wright Cable Comm. So. MN Cable Comm. South Bend Township + South Central MN Multi County HRA St. Paul Park Fire Relief St. Peter FRA Traverse des Sioux Library System Truman FRA Vernon Center FRA Waseca FRA West Hennepin Public Safety Dept Westbrook Utilities

* Clients who submit a CAFR, and are holders of the GFOA Certificate of Achievement for Excellence in Financial Reporting.

+ Fire Relief Association included

Liquor store included

III. SPECIFIC AUDIT APPROACH

We will audit the financial statements of the Senate for the year ended June 30 in accordance with the following standards:

- Auditing Standards Generally Accepted in the United States of America
- Standards for financial audits set forth in the U.S. General Accounting Office's Government Auditing Standards (2003 edition)
- U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations (if applicable)

Our audit will be for the purpose of expressing an opinion on these financial statements, and will include such auditing procedures as considered necessary to accomplish this purpose. We will also provide an "in-relation-to" opinion on the combining and individual fund and account group financial statements supplemental information suitable for a comprehensive annual financial report. The statistical section will remain unaudited.

In addition, we will provide the Audit Subcommittee with a management letter that will give written appraisals of its accounting and related systems. This letter will recommend the elimination of weaknesses that we identify, and will suggest methods to improve efficiency and effectiveness. We will schedule an appearance with the Audit Subcommittee that allows an opportunity for us to present the audit and management letter. This is an excellent time for the Audit Subcommittee to resolve any questions they have regarding our audit or management issues. As mentioned earlier, the value in hiring our Firm comes from not only the audit, but from our experience with municipalities, and the education we can provide. We hope that as questions or concerns arise throughout the year, the Audit Subcommittee and staff would feel free to contact us and draw on our knowledge and experience.

Segmentation of Engagement

Preliminary field work

Our goal in preliminary field work is to gain a thorough understanding of your internal controls, processes and procedures. We also aim to accomplish as much interim field work as possible so that our stay during field work is kept to a minimum. An understanding of internal control will be gained by interviews with appropriate staff, review of job descriptions and/or procedure manuals, and will be documented through procedure memorandums, flow charts and use of Practitioners Publishing Company (PPC) forms relating to internal control.

III. SPECIFIC AUDIT APPROACH - CONTINUED

Segmentation of Engagement - Continued

Statement on Auditing Standards (SAS) 99

The Statement on Auditing Standards 99 is effective for periods beginning on or after December 15, 2002. This standard addresses consideration of fraud in a financial statement audit. It also expands the auditors' responsibilities in addressing fraud compared with previous standards. The requirements of the standard have been considered when budgeting the time anticipated for all years within the proposal.

At our preliminary field work date, we expect you to have the following available for review:

- Organizational chart
- Job descriptions
- Procedure documentation
- Personnel policies
- Audit year budget
- Audit Subcommittee minutes from January 1st until the last approved set
- Bond books for debt sales in the audit year
- Financial reports for the most recent closed month
- Identification of expenditure of federal awards and any further anticipated federal expenditures

Field work

We obtain evidence to support financial statement amounts and disclosures during field work. Our Firm utilizes a methodology designed for government units. Materiality determines the extent of testing of account balances or classes of transactions. Our tests also determine reliability of the unit's system to report activity and safeguard assets. Our process emphasizes continuous communication with your staff.

The field work conducted in 2005 will consist of the following:

- Partner and manager level staffing throughout field work. Our prior audits have had partner and manager staffing for the majority of the field work.
- An entrance conference to discuss working papers and any issues requiring further discussion from our review of the minutes or questions of finance staff.
- We use PPC audit programs in an electronic format to direct our field work. These programs are modified specifically for your entity, which makes the most efficient use of our time. Our objectives are clearly stated in the program and all financial statement assertions are addressed (examples: existence, completeness, rights and obligations, valuation and presentation and disclosure). We test balances based on our calculation of materiality. At this stage we will incorporate the requested Senate prepared schedules into our testing.
- Our goal at this stage is to obtain sufficient competent evidential matter that will help give us a reasonable basis for our opinion on the financial statements.
- The final step is the exit conference, where we discuss results of audit tests, suggestions for management, any proposed audit adjustments and the reporting formats to be implemented by the Senate.

III. SPECIFIC AUDIT APPROACH - CONTINUED

Segmentation of Engagement - Continued

Preparation of audit report and management letter

After reviewing the financial statements, notes and required supplementary schedules, we will agree the data with our working papers and provide a thorough review of all information by using written Firm standards and checklists. We will also review and incorporate any statistical data. This will verify appropriate presentation and disclosure. We will also at this time prepare our management letter that identifies financial trends and recommendations for improvement, reports required communications to the Audit Subcommittee and discusses changes in the environment in which governments operate. We will provide a draft of the management letter for the Senate's review by June 15. The final report will be presented to the Audit Subcommittee by a representative of the Firm.

Level of Staff and Hours Assigned to Water Commission Audit

Our fees are determined based upon the hourly rates of the individuals to be assigned to complete the audit. Our fees are based on the Senate's staff assisting us whenever possible with audit schedules. We will provide a detailed audit plan and prepare a list of schedules needed upon proposal acceptance. We will schedule the audit for the 2004 financial statements for completion by July 1, 2005 and a delivery of the audit report to the Secretary of the Senate by August 31, 2005. The following table summarizes our proposed segmentation of the engagement:

<u>Date/Segment</u>	<u>2004 Audit Hours</u>				<u>Total</u>
	<u>Partner</u>	<u>Mgr</u>	<u>Senior</u>	<u>Sec.</u>	
May 2005					
Preliminary					
field work	4	-	8	5	17
June 2005					
Field work	4	6	78	10	98
June 2005					
Report preparation and review	4	4	14	9	31
June 2005					
Exit conference					
and draft					
discussion	2	-	-	-	2
August 2005					
Delivery to					
Secretary of the Senate	2	-	-	-	2
	<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2</u>
Total hours	<u>16</u>	<u>10</u>	<u>100</u>	<u>24</u>	<u>150</u>

III. SPECIFIC AUDIT APPROACH - CONTINUED

Level of Staff and Hours Assigned to Segment - Continued

<u>Date/Segment</u>	<u>2005 - 2006 Audit Hours</u>				
	<u>Partner</u>	<u>Mgr</u>	<u>Senior</u>	<u>Sec.</u>	<u>Total</u>
May					
Preliminary field work	4	-	8	5	17
June					
Field work	4	6	78	10	98
June					
Report preparation and review	4	4	14	9	31
June					
Exit conference and draft discussion	2	-	-	-	2
August					
Delivery to Secretary of the Senate	<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2</u>
Total hours	<u>16</u>	<u>10</u>	<u>100</u>	<u>24</u>	<u>150</u>

As mentioned on page 14, the fee estimate is assuming the Senate staff completes our detailed audit plan, which is provided prior to year end.

Sampling

Sampling may be used in the testing of a particular balance or class of transactions. We may use any of the following methods to determine our sample:

- Random number
- Systematic
- Block
- Haphazard
- Stratified

As an example, a test of cash disbursements could be sampled by selecting 25 to 75 transactions using systematic sampling. In all cases, discrepancies are researched and extrapolated to the population.

III. SPECIFIC AUDIT APPROACH - CONTINUED

Analytical Procedures

Analytical procedures are defined in Statement on Auditing Standards No. 56, "Analytical Procedures" as evaluations of financial information made by a study of plausible relationships around both financial and non-financial data. They are required in the planning and final review stage, but our Firm encourages staff to use more substantive testing where possible. Our Firm management directs the use of analytical procedures as follows:

Planning

The objective for analytical procedures at this stage is to direct attention to likely misstatements. We use trend analysis to meet our objective in planning. Examples of trend analysis would be comparison to budget for funds that adopt a budget and/or comparison to prior year. We also may consider comparison among three to five years. Additional testing may result if the expectations established at the start of the trend analysis are not met.

Substantive Testing

The objective of analytical procedures at this stage is to support or refute financial statement account balances. We have found that analytical procedures are more efficient and can be more effective than tests of details. Depending on the make-up of the account, we will use trend analysis, ratio analysis and/or modeling.

Final Review

The objective is to review the reasonableness of financial statement account balances. We use trend analysis to meet our objectives. This trend analysis is completed on final audited amounts.

Approach to be taken in determining laws and regulations subject to audit test work

We are required to obtain an understanding of the possible financial statement effect of laws and regulations that have a direct and material effect on the determination of financial statement amounts. The determination of laws and regulations is addressed in the planning stage through reading available grant documentation, inquiry of the client, a preliminary review of finance system accounts and search of the Audit Subcommittee minutes. We also have working knowledge of the types of laws and regulations Minnesota governments operate under. Further discussion is provided in Section I. We also obtain further information about federal laws and regulations through the Catalog of Federal Domestic Assistance (CFDA) and the OMB Circular A-133 Compliance Supplement.

Approach to be taken in drawing audit samples for purposes of tests of compliance

Since each program or grant agreement is different, we use many different approaches to sampling in our tests of compliance. The size of the sample considers many factors; size of the program, program maturity, complexity, level of oversight and prior audit findings. Ultimately, our professional judgment determines that a representative number of transactions have been selected. You can be confident in our judgment because our senior level (Partner or Manager) staff make decisions on planned compliance testing.

EIKILL & SCHILLING LTD.

CONSULTANTS AND CERTIFIED PUBLIC ACCOUNTANTS

PEER REVIEW REPORT

July 10, 2002

Dean R. Ager, CPA
Thomas L. Sykes, CPA
Michael S. Altman, CPA
William J. Gravelle, CPA
Deborah J. Medlin, CPA
Darla R. Benoit, CPA

To the Partners
Abdo, Eick & Meyers, LLP

We have reviewed the system of quality control for the accounting and auditing practice of Abdo, Eick & Meyers, LLP (the firm) in effect for the year ended May 31, 2002. A system of quality control encompasses the firm's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming with professional standards. The elements of quality control are described in the Statements on Quality Control Standards issued by the American Institute of Certified Public Accountants (AICPA). The design of the system and compliance with it are the responsibility of the firm. Our responsibility is to express an opinion on the design of the system, and the firm's compliance with the system based on our review.

Our review was conducted in accordance with standards established by the Peer Review Board of the AICPA. In performing our review, we obtained an understanding of the system of quality control for the firm's accounting and auditing practice. In addition, we tested compliance with the firm's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the firm's policies and procedures on selected engagements. Because our review was based on selective tests, it would not necessarily disclose all weaknesses in the system of quality control or all instances of lack of compliance with it.

Because there are inherent limitations in the effectiveness of any system of quality control, departures from the system may occur and not be detected. Also, projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the system of quality control for the accounting and auditing practice of Abdo, Eick & Meyers, LLP in effect for the year ended May 31, 2002, has been designed to meet the requirements of the quality control standards for an accounting and auditing practice established by the AICPA and was complied with during the year then ended to provide the firm with reasonable assurance of conforming with professional standards.



APPENDIX A

PROPOSER GUARANTEES AND WARRANTIES

Proposer Guarantees

1. The proposer certifies it can and will provide and make available, as a minimum, all services set forth in the Scope of Audit Required section.

Proposer Warranties

- A. Proposer warrants that it is willing and able to comply with State of Minnesota laws with respect to foreign (non-State of Minnesota) corporations.
- B. Proposer warrants that it is willing and able to obtain an "errors and omissions" insurance policy providing a prudent amount of coverage for the willful or negligent acts, or omissions of any officers, employees or agents thereof.
- C. Proposer warrants that it will not delegate or subcontract its responsibilities under an agreement without the prior written permission of the Minnesota State Senate, St. Paul, Minnesota.
- D. Proposer warrants that all information provided in this proposal is true and accurate.

Signature of Official:

Steven R. McDonald

Name (typed):

Steven R. McDonald, CPA

Title:

Partner

Firm:

ABDO, EICK & MEYERS, LLP

Date:

February 21, 2005

RECEIVED

FEB 22 2005

9:00

SECRETARY OF THE
MINNESOTA SENATE

COST AND PRICE ANALYSIS

MINNESOTA STATE SENATE

LARSON, ALLEN, WEISHAIR & CO., LLP
CPAs, Consultants & Advisors

Minneapolis, St. Cloud, Austin, and Brainerd, MN;
St. Louis, MO; Philadelphia, PA; Charlotte, NC, and
Eau Claire, Wisconsin

Submitted by:

HAROLD G. PARSONS
Principal
Larson, Allen, Weishair & Co., LLP
220 South Sixth Street, Suite 300
Minneapolis, Minnesota 55402-1436
612/397-3058

February 22, 2005

COST AND PRICE ANALYSIS

PROPOSED SEGMENTATION OF THE AUDIT

<u>Segment</u>	<u>Hours</u>	<u>Level</u>
Engagement Planning, including SAS 99	8	all
System Review	4	senior/staff
Internal Control	12	senior/staff
Compliance Testing	16	senior/staff
Minutes of oversight committee	6	senior
Permanent file	8	senior
Funds held at the State Treasurer and appropriations	8	staff
Conversion of accounting records to modified cash basis of accounting (Note E)	8	senior/staff
Substantive testing of expenses	22	staff
Analytical Review	4	senior
Review of Financial Statements	12	manager/senior
Engagement Wrap Up/Miscellaneous	12	manager/senior
Review – Principal	8	principal
Review A & A Dept. (concurring)	6	principal/manager
Client Meetings, including SAS99 discussion	8	principal/manager
Management Letter/Prepare for Meetings	8	principal/manager
Secretarial	8	other
Total	<u>158</u>	

PROPOSED FEES

LarsonAllen's operating philosophy is to provide professional services of the highest quality at a fair fee. We believe that our clients are entitled to and should expect us to perform our engagements in an effective and efficient manner and should expect us to consider the cost of our services in our approach to their engagement. We also believe that mutually satisfactory arrangements, with respect to fees, are in the best interest of our clients as well as ourselves.

The following is a summary of our proposed fees and hourly rates by level for the 2004, 2005, and 2006 audit:

	<u>2004</u>	<u>2005</u>	<u>2006</u>
Financial audit fees	\$ 17,800	\$ 18,200	\$ 18,750

COST AND PRICE ANALYSIS

Estimated hours:	Hours	Standard Rate Per Hour	Discounted Rate Per	Fees
Principal	18	\$220	\$180	\$ 3,240
Manager	32	190	155	4,960
Senior	50	120	95	4,750
Staff	50	110	85	4,250
Secretarial	8	75	65	520
	<u>158</u>			<u>\$17,720</u>

Estimated out-of-pocket expenses

Primarily parking & mileage

80

\$17,800

Our proposed hours and fees reflect an annual inflation adjustment for the fiscal 2005 and 2006 audits. We anticipate some additional "start-up" time which we will absorb in the interest of establishing a long-term relationship with the Senate.

If, before making your decision, fees become a major issue we ask that you contact us. We realize fees are important, however, we do not wish fees to be the determining factor. Instead, our objective is to establish a long-term relationship of trust and service.

OTHER SERVICES

Other services will be considered as a separate engagement with proposed fees to be based on our hourly rates considered in relation to the requirements of each project.

RECEIVED

Form of Proposal for Contract Work

FEB 22 2005 9:00

Gentlemen:

SECRETARY OF THE
MINNESOTA SENATE

1. The Undersigned, being familiar with the local conditions affecting the cost and with the specifications and general conditions, hereby propose and agree, if this proposal is accepted, to furnish services to the Minnesota State Senate promptly, correctly, and in the most professional manner, in accordance with the provisions of the specifications attached to this proposal, for the prices set forth in the attached Contractor's Statement of Qualifications, subject to a maximum price (Total Cost), including travel and out-of-pocket costs, of:

\$17,800 for fiscal year 2004 and:

\$18,200 for fiscal year 2005 and:

\$18,750 for fiscal year 2006.

2. In submitting this bid it is understood that the right is reserved by the Minnesota State Senate to reject any and all bids and it is agreed that this bid may not be withdrawn for a period of 30 days after the date of filing it.

3. If a Corporation, what is the State of Incorporation:

Limited Liability Partnership

4. If a Partnership, state full name of the managing partner:

Gordy Viere, Chief Executive Officer

5. Conditional Proposals will not be accepted, and no changes of these forms are permitted.

Firm Name and Address:

Larson, Allen, Weishair & Co., LLP

220 South Sixth Street, Suite 300

Minneapolis, MN 55402

By: 

Title: Principal

Date: February 22, 2005

By: _____

Title: _____

Date: _____

RECEIVED

FEB 22 2005
9:00

SECRETARY OF THE
MINNESOTA SENATE

PROPOSAL FOR AUDIT SERVICES

MINNESOTA STATE SENATE

LARSON, ALLEN, WEISHAIR & CO., LLP
CPAs, Consultants & Advisors

Minneapolis, St. Cloud, Austin, and Brainerd, MN;
St. Louis, MO; Philadelphia, PA; Charlotte, NC, and
Eau Claire, Wisconsin

Submitted by:

HAROLD G. PARSONS
Principal
Larson, Allen, Weishair & Co., LLP
220 South Sixth Street, Suite 300
Minneapolis, Minnesota 55402-1436
612/397-3058

February 22, 2005

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LarsonAllenSM

CPAs, Consultants & Advisors
www.larsonallen.com

February 22, 2005

Mr. Patrick E. Flahaven
Secretary of the Senate
231 State Capital Building
Saint Paul, Minnesota 55155

Dear Mr. Flahaven:

Enclosed is our response to your request for proposal for services available from independent auditors. Larson, Allen, Weishair & Co., LLP (LarsonAllen) appreciates this opportunity to submit a proposal to *the Minnesota State Senate (Senate)*. We are very excited about this opportunity to share our insights and experience with you.

Our vision is to be a leading contributor to the public sector, providing top quality audit services. We hope you will select LarsonAllen to provide professional auditing services for the following reasons:

- ◆ Larson, Allen, Weishair & Co., LLP was founded in Minneapolis in 1953, and has grown to be the 14th largest CPA firm in the United States and the largest in Minnesota, a firm of more than 900 people, with approximately 400 in the Minneapolis office. We are large enough to offer a full range of technical and specialized services.
- ◆ The principal, manager and senior auditor assigned to your audit have 37 years of combined experience in serving public sector clients, including significant experience with government reporting models. Your audit senior, or "in-charge", Tim Simon, has seven years experience auditing governmental clients including several Minnesota cities, Dakota County, and Washington County. Audit Manager, Craig Popenhagen, has eleven years of experience in serving governmental clients including the cities of Minneapolis (GASB 34 implementation), and audits of Bloomington, Winona, and Minnesota Housing Finance Agency. Audit Principal, Harold Parsons has 25 years experience including 19 years in public accounting serving public service clients. A representative list of government audit clients include Southern Minnesota Municipal Power Agency, Hennepin County, the Cities of Anoka and Mendota Heights, the University of Iowa Hospitals and Clinics, Greater Cleveland Regional Transit Authority, Minnesota Housing Finance Agency, and the Mille Lacs Band of Ojibwe. Harold, Craig, and Tim all reside in the Twin Cities and work out of our Minneapolis office.
- ◆ All of the senior members of the engagement team noted above have extensive experience working with the State's financial accounting system. This provides for a more efficient audit as well as the opportunity for value-added suggestions to improve your operations and efficiencies.
- ◆ We are active members of the State Society of CPA's Government Accounting and Auditing committee.
- ◆ Because several of our clients receive the Governmental Finance Offices Association (GFOA) Certificate each year, we are experienced with the GFOA Certificate program, its requirements, and checklists. We are members of Minnesota GFOA, attending the annual conference in Alexandria, the Certificate Program update and other functions.

Minnesota State Senate

February 22, 2005

Page 2

- ◆ Our firm has a wealth of experience serving governments. Our experience includes auditing more than 150 local government units in Minnesota, including approximately 40 cities, 90 school districts and charter schools, and 6 counties.
- ◆ Minneapolis is our national headquarters and all decisions related to your audit are made locally.
- ◆ Senate would be a significant and welcomed addition to our Minnesota practice and we would allocate our resources and our service priority accordingly.

We look forward to hearing from you after you have had the opportunity to review this proposal. Please do not hesitate to call with any questions or comments. We appreciate the opportunity to provide our proposal for services and hope to work with you. We confirm that the information provided is true, correct and reliable for purposes of evaluation for potential contract award.

Sincerely,

LARSON, ALLEN, WEISHAIR & CO., LLP

CPA'S, Consultants & Advisors



Harold G. Parsons, CPA
Principal, Public Service Group
612/376-4759

OUR FIRM AND AREAS OF EXPERTISE

FIRM BACKGROUND AND COMMITMENT

Larson, Allen, Weishair & Co., LLP was founded in 1953, and is currently comprised of over 900 employees, and an estimated fee volume of nearly \$110,000,000 ranking us in the top 15 firms nationally. We are headquartered in **Minneapolis, Minnesota** with additional Minnesota offices located in **Albert Lea, Austin, Brainerd, Buffalo, Monticello New Ulm, Owatonna, St. Cloud, St. Michael, and Waseca, Minnesota**. We also have major offices in St. Louis, Missouri; Charlotte, North Carolina; Philadelphia, Pennsylvania; and Eau Claire, Wisconsin. We serve clients in a variety of industries with specialized emphasis on governmental, nonprofit, health care, manufacturing, financial institutions, and construction. We operate as one firm, making all of our resources available to each of our clients.

LarsonAllen is a national firm in scope however our leadership remains based in our Minneapolis office. The leadership of both our Public Service Group and our quality technical review team is headquartered in Minneapolis. If you need a question answered, we can respond with our best resources and meet personally with you to discuss the issues. More importantly we can respond quickly, we do not need to defer to personnel in another office whom you can not meet with to get you the answers you need today.

OUR PUBLIC SERVICE GROUP — The LarsonAllen Public Service Group provides consulting, training, audit, and accounting services to nonprofits, low-income housing properties, religious organizations, foundations, educational institutions, and government entities. The LarsonAllen Public Service Group now has 8 principals and approximately 40 professionals who spend between 80 and 100 percent of their time serving these clients. These individuals perform over 600 annual audits. Our firm is an active participant in the Government Finance Officers Association (GFOA) and both Harold and Craig are members of the organization. We are proud of the long list of governmental clients we serve that receive a GFOA Certificate on the audited financial statements. The vision of the LarsonAllen Public Service Group is "to be a leading contributor to the public sector, providing top quality audit, financial and operations services."

Throughout our history, the guiding principles of our firm have been integrity and to provide *total client service*. To us, this means creatively advising and serving the needs of our clients on a timely basis. We are large enough to offer a full range of technical and specialized services, yet small enough to personally identify with each of our clients and provide them with assistance above and beyond our high quality technical services.

This is advantageous to you in several ways:

1. We understand and are concerned about the problems of government organizations and the accounting and compliance issues they face.
2. **You would be a very important client to us**, and we would allocate our resources accordingly. You would receive the individual attention of a "team" of experienced professionals led by an experienced principal.
3. We are easily accessible and able to respond promptly and effectively to your needs. When you need assistance, you are just a phone call or a short trip away from resources that know you and are familiar with your operations.

OUR FIRM AND AREAS OF EXPERTISE

CLIENT EXPERIENCE RELEVANT TO THE SENATE

We recognize that the Senate is a specialized governmental organization with specific accounting and audit requirements. As a result, the Senate needs an audit firm having expertise in a wide variety of government organizations. We believe LarsonAllen is just that firm. We serve governments of all sizes and types through-out our state. We have included a list of our Minnesota government clients in Appendix A.

A summary of our Minnesota practice is as follows:

	<i>Number of Employees</i>	<i>Number Providing 500+ Hours of Governmental Services</i>
<i>Principals</i>	116	12
<i>Managers</i>	115	20
<i>Seniors</i>	89	25
<i>Staff</i>	105	25
<i>Support Staff / Other</i>	141	12
<i>Total</i>	<hr/> 566	<hr/> 94

AUDIT PHILOSOPHY

We perform efficient, effective audits and we use the audit to gain a better understanding of our client's organization. We believe that auditing should be viewed as a contributing factor to better business and administrative practices. Recommendations or suggestions for improvement in systems and procedures, and comments on business problems will be offered to you.

To the maximum extent possible, we will involve your personnel as a means of controlling efficiency and as a basis for broadening the usefulness of information produced. With this involvement, recommendations are more comprehensive, better understood, and more frequently implemented. This approach makes your audit a worthwhile and positive experience.

LarsonAllen uses a risk-based audit approach, similar in design to that used by "big 4" audit firms. This enables us to focus our audit efforts on those areas of the financial statements most likely to result in a material misstatement. We develop our own audit programs to cover individual client risk areas along with audit work programs published by Practitioners Publishing Company (PPC) for more generic audit areas. As part of our audit planning process, each of the work programs is reviewed and customized based on the unique needs of each government entity that we audit.

Our approach is designed to increase audit efficiency by linking financial statement assertions, audit objectives, and procedures that are basic to most government audit engagements.

OUR FIRM AND AREAS OF EXPERTISE

STAFF EDUCATION AND DEVELOPMENT

LarsonAllen has established and implemented a program to ensure that its auditors meet the continuing education and training requirements required by the AICPA and *Government Auditing Standards*. This program ensures that our auditors are proficient in the appropriate accounting principles and standards and in nonprofit and government auditing. Additionally, each auditor customizes a training program to be certain that it covers nonprofit and government training courses that specifically relate to the appropriate area of governmental expertise (i.e. nonprofit, school districts, cities, HUD programs, etc.). We maintain documentation of the education and training completed and ensures that we staff our nonprofit and government audits with only those auditors who have met education requirements relating to nonprofit and government audits.

QUALITY CONTROL PROCEDURES

External Quality Control

Larson, Allen, Weishair & Co., LLP is quality conscious, and maintains a high level of quality control throughout the firm. We are a member of both the SEC Practice Section and the Private Companies Practice Section of the Division for Firms of the AICPA; thus, we subject ourselves to the profession's program of self-regulation through peer review (external quality control review). Our peer review, dated October 5, 2001, resulted in an unqualified (i.e. clean) report. This peer review included a review of specific government (Yellow Book) engagements. Please refer to Appendix B for a copy of that report.

Internal Quality Control

Larson, Allen, Weishair & Co., LLP follows a system of internal quality control policies and procedures, including Independence, Integrity, and Objectivity; Personnel Management; Acceptance and Continuance of Clients and Engagements; Engagement Performance; and Monitoring. These five policies ensure the quality of every audit and every report issued.

More specifically, our policies on Engagement Performance and Monitoring directly ensure the quality of each audit and report issued. As such, our firm uses numerous checklists, work programs, report examples and other practice aids to implement its supervision of quality control steps. To monitor compliance with the firm's system of supervision of quality control steps, workpapers from a representative sample of engagements are reviewed each year as part of our annual internal inspection program. Corrective action or modification of our system if necessary is made based on the results of the internal inspection review. All financial statement workpaper files, financial statements, and accountant's and auditor's reports are reviewed by the audit and accounting department prior to the release of each report.

Additionally, our firm and each employee strictly adhere to the AICPA's rules of professional conduct, which specifically include the maintenance of client confidentiality. Privacy and trust are implicit in the accounting profession, and Larson, Allen, Weishair & Co., LLP strives to maintain the utmost level of trust and confidentiality.

AUDIT SCOPE

SCOPE OF SERVICES

The audit will be performed on the general purpose financial statements of the Minnesota State Senate for the years ending June 30, 2004. 2005 and 2006 will be performed in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States of America. The 2004 audit will be completed in May 2005 with report issuance in August 2005. The audit of the 2005 and 2006 financial statements is to be completed in the fall with report issuance by December. It is our understanding that the financial statements will follow the same modified cash basis of accounting basis of accounting as in prior years.

Senate reports to be issued:

1. Our opinions will be expressed on the fair presentation of the above mentioned general purpose financial statements. We will not provide an audit opinion on the comparative schedule of budgetary expenditures.
2. Report on compliance and on internal control over financial reporting based on an audit of general purpose financial statements performed in accordance with *Government Auditing Standards*.
3. Other required communications letter as required by generally accepted auditing standards and *Government Auditing Standards*.
4. Management Report to summarize our comments and suggestions that may arise as a result of our and audit procedures.

UNDERSTANDING OF INTERNAL CONTROL

Statement on Auditing Standards No. 55, as amended No. 78 and 94, requires us to gain an understanding of the control environment and to assess control risk in planning our audit. In order to accomplish this, we will utilize our "Government Organization Planning Form", and by discussion with appropriate Senate staff, we will document significant internal control points related to the Senate's financial transactions.

In addition, we document and discuss internal controls relative to data processing operations as an integral part of our financial audits for our governmental audit clients. Items to be discussed could include the controls over such items as:

- ◆ Physical security of the computer system
- ◆ Protection and back up of critical data files and computer programs
- ◆ Quality of documentation of computer applications
- ◆ Emergency and back-up plans for operation in the event of a disaster
- ◆ Transcription and transmission of data.

APPROACH TO DETERMINING LAWS AND REGULATIONS SUBJECT TO AUDIT TESTS

The primary guidance used to identify appropriate tests of, and document compliance with, laws and regulations will be with the assistance provided by the Senate's legal council. In addition, we will review relevant policies, laws, regulations, and rules that cover financial transactions of the Senate.

YOUR CLIENT SERVICE TEAM

Because of the unique nature of the Senate, we have an audit team of public service professionals. The financial services professionals have experience with mortgage and community banking while the public service professionals have experience with GASB reporting models and A-133 single audits.

Harold Parsons, CPA, Engagement Principal

Harold has over 24 years experience serving the public service industry. He has served on the Minnesota Society of CPA's not-for-profit committee and is a past chairperson of the committee and has been a frequent speaker at their annual not-for-profit conference. Most recently, Harold has spoken at the conference on accounting for split-interest agreements and implementation of the AICPA's Statement on Auditing Standards No. 99 related to fraud. Harold has extensive single audit experience and has served a number of large governments in his career. Prior to joining LarsonAllen, Harold was with KPMG. Representative government clients that Harold has served in the past include; Hennepin County Medical Center, Greater Cleveland Regional Transit Authority, University of Iowa Hospitals and Clinics, Southern Minnesota Municipal Power Agency, and Wisconsin Public Power Inc., In addition, Harold has served SENATE in the past as senior manager at KPMG. Recent single audits have included Scholarship America, Arts Midwest, Greater Cleveland Regional Transit Authority, and the Corporate Commission of the Mille Lacs Band of Ojibwe.

Craig Popenhagen, CPA – Audit Manager

Craig has over 10 years of experience in auditing nonprofit organizations, universities, state agencies, counties, and cities, including extensive experience in audits of federal grant programs under OMB Circular A-133. Craig joined LarsonAllen in August 2004, and during his previous employment with Deloitte & Touche LLP (Deloitte & Touche) served as audit manager for Anoka-Hennepin Schools, Minneapolis Public Schools, the Cities of Bloomington and Winona, and the Minnesota State Senate (SENATE). Craig was also involved in the GASB 34 implementation at the City of Minneapolis and the issuing of comfort letters for SENATE while at Deloitte and Touche. Craig is also an active member of the Government Finance Officers Association. Most of the larger engagements Craig has served on have required single audits.

Tim Simon – Senior Auditor

Tim is a Senior Accountant who started with our firm in March 2004. Tim has over 6 years experience with government audits during his previous employment with the State of Minnesota Office of the State Auditor and another accounting firm. He was the In-charge Auditor for Dakota County, Nicollet County, Ramsey County and Washington County including GASB 34 implementation. Tim serves as senior auditor for the cities of Monticello, Buffalo, and Stillwater.

Tim graduated from the College of St. Scholastica with a Bachelor of Arts degree in accounting. He is currently in the final year of finishing his master's degree at the University of St. Thomas.

YOUR CLIENT SERVICE TEAM

CONTINUITY OF THE AUDIT TEAM

We have been successful in providing continuity of principals and staff to our clients. We believe that continuity of team members is an integral component in providing effective and efficient services to your organization. The attrition rates of our professional staff have historically been very low compared to industry standards. We do not believe in changing audit staff on jobs, thus avoiding our clients having to continually train and update new staff.

We have had favorable growth in our firm over the years. Growth leads to opportunities; opportunities create excitement which, in turn, helps us retain good people. We are proud of the high level of energy among the people at LarsonAllen.

It is our sincere desire to have a good working relationship with our clients and the personnel assigned to the engagement is the key ingredient to the success of that relationship. Over the life of an audit, personnel changes are inevitable. This is due primarily to promotions within the firm but also to people leaving the firm to pursue other opportunities. It has been our practice to keep our clients informed of all potential changes to their team and allow client's the opportunity to interview proposed replacements to team members.

NEW AUDITOR TRANSITION

During any transition to a new service provider, additional time will be incurred to fully understand your operations. Many of our new clients have benefited significantly from our fresh perspective by having us review and give insight on the organization's operations. This is typically when we discover the most value-added suggestions for clients to improve operations and efficiency.

Our process in staffing most new client engagements is to use staff with greater experience to ensure high quality in the first year. Also, all personnel assigned to the engagement will specialize in the area they are to complete and will have experience serving clients with very similar issues. With this planning process and working together, the additional burden on your organization's personnel can be minimized.

OUR TEAM WILL MEET YOUR DEADLINES

We will easily be able to accommodate Senate's schedule for audit fieldwork. The personnel assigned to the audit team are dedicated to our line of business and we have the resources to provide you with unparalleled service.

REFERENCES

REFERENCES

The following are three specific Minnesota governments we audit which we encourage you to contact to learn more about our firm.

CLIENT	CONTACT INFORMATION
Beltrami County	Ms. Kay Mack, Auditor/Treasurer Beltrami County 619 Beltrami Ave NW Suite 310 Bemidji, MN 56601 218-333-8448
Washington County	Mr. Edison Vizuetta, Director Washington County 14949 - 62 nd Street North Stillwater, MN 55082 651-430-6030
Minnesota State Colleges & Universities	Mr. John Asmussen, Executive Director Office of Internal Auditing Minnesota State Colleges & Universities 30 East Seventh St. 500 Wells Fargo Place St. Paul, MN 55101 651-296-2430

APPENDIX A

MINNESOTA GOVERNMENT AUDIT CLIENTS WE SERVE

Minnesota Counties and Related Organizations	Minnesota Cities, Townships & Villages	Fire Relief Associations
Beltrami	Albert Lea*	Albertville
Human Services of Faribault & Martin	Alden	Brooklyn Center
Kanabec	Austin*	Buffalo
Kanabec/Pine Community Health Serv.	Avon	Carver
Rice-Steele Consolidated Dispatch #.	Baxter	Cologne
Rock	Brainerd*	Crosby
Steele	Buffalo	Emily
Todd	Buffalo Township	Glencoe
Washington *	Corinna Township	Hayfield
Minnesota Counties - Compilations	Crosby	Ironton
Benton	Dexter	Isle
Morrison	Elkton	Lester Prairie
Other Local Government Audits	Forest Lake	Montrose
LOGIS	Franklin Township	Plato
Sherburne Soil and Water Conservation Dist.	Garrison	Redwood Falls
Wright Soil and Water Conservation Dist.	Glencoe	Rice Lake Township
Minnesota State Colleges /Universities	Hassan Township	Sanitary Sewer Districts
St. Cloud State University	Hayfield	Garrison, Kathio, West Mille Lacs
Minnesota State University - Mankato	Ironton	Sanitary Sewer Districts
Winona State University	Laketown Township	
Century College	Lino Lakes*	
Municipal Electrical Utilities	Livonia Township	
Austin	Marshall	
Big Lake	Monticello	
Brainerd	Onamia	
Glencoe	Ortonville	
Ortonville	Pequot Lakes #	
Redwood Falls	Ravenna Township	
Other Electric Utilities	Redwood Falls	
20 Rural Electric Cooperatives	Rice Lake Township	
Central Minnesota Municipal Power Agency	Rose Creek	
	Southside Township	
	Stillwater*	
	Vermillion	
	Waseca*	*GFOA Certificate Program CAFR
	White Bear Lake Township*	#Effective for year ended
		December 31, 2004

APPENDIX B

MINNESOTA SCHOOL DISTRICTS AND EDUCATION DISTRICTS WE SERVE

As of June, 2004 for Audit, Consulting and Tax Work Performed for June 30, 2004 unless noted

MINNESOTA SCHOOLS	
ISD #876 Anandale	ISD #857 Lewiston-Altura
ISD #492 Austin	ISD #763 Medford
ISD #756 Blooming Prairie	ISD #276 Minnetonka
ISD #726 Becker – new 2004	ISD #621 Mounds View
ISD #727 Big Lake	ISD #721 New Prague
ISD #181 Brainerd	ISD #507 Nicollet
ISD #877 Buffalo	ISD #138 North Branch
ISD #299 Caledonia	ISD #761 Owatonna
ISD #108 Central Public Schools– new 04	ISD #255 Pine Island – new 2004
ISD #533 Dover/Eyota	ISD #810 Plainview
ISD #272 Eden Prairie	ISD #256 Redwing
ISD #806 Elgin-Millville2	ISD #623 Roseville
ISD #656 Faribault	ISD #239 Rushford-Peterson
ISD #2859 Glencoe-Silver Lake	ISD #500 Southland
ISD #245 Glenville-Emmons	ISD #297 Spring Grove
ISD #253 Goodhue	ISD #856 St. Charles
ISD #495 Grand Meadow	ISD #2125 Triton
ISD #203 Hayfield	ISD #458 Truman
ISD #290 Hopkins	ISD #811 Wabasha
ISD #294 Houston	ISD #110 Waconia
ISD #204 Kasson-Mantorville	ISD #284 Wayzata
ISD #300 LaCrescent	ISD #347 Willmar
ISD #813 Lake City	ISD #861 Winona – new 2004
	ISD #2805 Zumbrota-Mazeppa
#6017 Cedar River Ed District	#6979 Mid State Ed District
#6013 Hiawatha Valley Ed District	#6012 Zumbro Ed District

APPENDIX B

MINNESOTA SCHOOL DISTRICTS AND EDUCATION DISTRICTS WE SERVE (continued)

MINNESOTA CHARTER SCHOOLS	
Academia Cesar Chavez School	MN Institute of Technology (MIT)
Ag & Food Science Academy	MN Tech HS/Jennings Experiential
Avalon Charter School	Nerstrand Elementary Charter School
Bluffview Montessori School *	New Century Charter School
Community of Peace Academy *	New Spirit Schools *
Concordia Early Learning Center	Northfield School of Arts & Technology (Artech)
Coon Rapids Learning Center	North Lakes Academy
Dakota Charter School – <i>new 2004</i>	Odyssey Charter School
El Colegio Charter School *	PACT Charter School *
Excell Academy	Partnership Academy
Family Academy	Prairie Creek Community School
HOPE Community Academy *	Ridgeway Charter School
Hopkins Online Academy	Riverway Learning Community
High School for Recording Arts	Rochester Off-Campus Charter High School
LaCrescent Montessori Academy	SAGE Academy
Lakes Int'l Language Academy – <i>new 2004</i>	Skills for Tomorrow Senior High
Minneapolis Academy – <i>new 2004</i>	Studio Academy
MN Academy of Technology	St. Paul Family Learning Center
MN Business Academy *	Twin Cities International Elementary
MN International Middle School	Ubah Medical Academy - <i>new for 2004</i>
MN Internship Center	Urban Academy
MN Math and Science Academy *	Village School of Northfield *

* - includes a separate non-profit building company that is audited separately and incorporated in the School's financial statements as a blended component unit.

APPENDIX C

PEER REVIEW REPORT



To the Principals

LARSON, ALLEN, WEISHAIR & CO., LLP
and the SEC Practice Section Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of LARSON, ALLEN, WEISHAIR & CO., LLP (the Firm) in effect for the year ended March 31, 2001. A system of quality control encompasses the Firm's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of complying with professional standards. The elements of quality control are described in the Statements on Quality Control Standards issued by the American Institute of Certified Public Accountants (the AICPA). The design of the system, and compliance with it, are the responsibilities of the Firm. In addition, the Firm has agreed to comply with the membership requirements of the SEC Practice Section of the AICPA Division for CPA Firms (the Section). Our responsibility is to express an opinion on the design of the system, and the Firm's compliance with that system and the Section's membership requirements, based on our review.

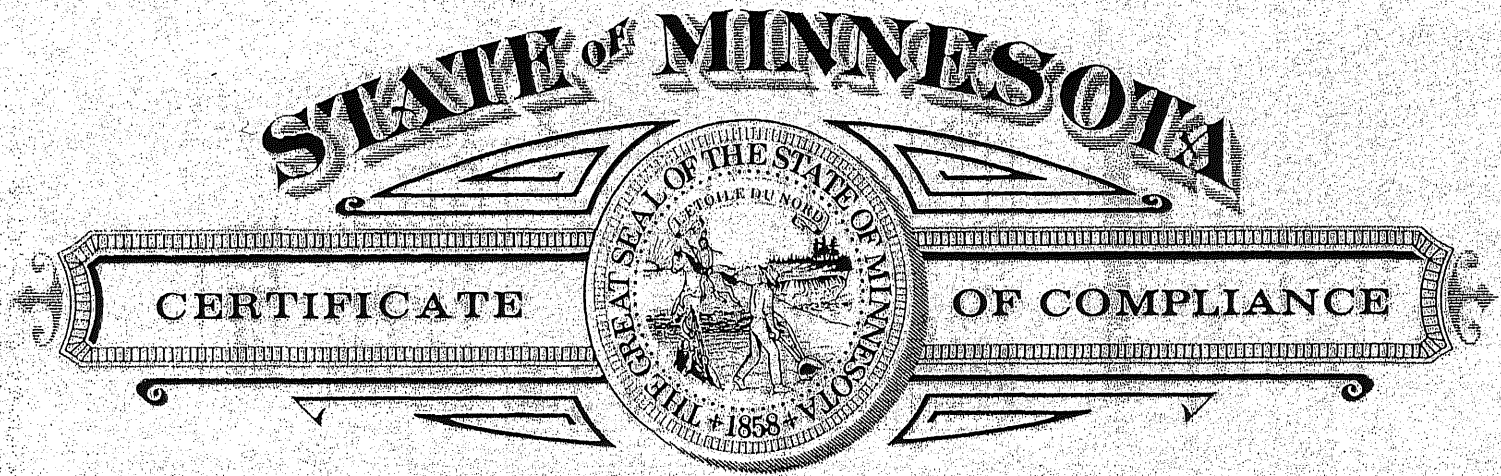
Our review was conducted in accordance with standards established by the Peer Review Committee of the Section and included procedures to plan and perform the review that are summarized in the attached description of the peer review process. Our review would not necessarily disclose all weaknesses in the system of quality control or all instances of lack of compliance with it or with the membership requirements of the Section since it was based on selective tests. Because there are inherent limitations in the effectiveness of any system of quality control, departures from the system may occur and not be detected. Also, projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the system of quality control for the accounting and auditing practice of LARSON, ALLEN, WEISHAIR & CO., LLP in effect for the year ended March 31, 2001, has been designed to meet the requirements of the quality control standards for an accounting and auditing practice established by the AICPA, and was complied with during the year then ended to provide the Firm with reasonable assurance of complying with professional standards. Also, in our opinion, the Firm has complied during that year with the membership requirements of the Section in all material respects.

As is customary in a peer review, we have issued a letter under this date that sets forth comments relating to certain policies and procedures or compliance with them. The matters described in that letter were not considered to be of sufficient significance to affect the opinion expressed in this report.

Crowe, Chizek and Company LLP
Crowe, Chizek and Company LLP

South Bend, Indiana
October 5, 2001



The Larson, Allen, Weishair & Co., LLP is hereby certified by the Department of Human Rights, State of Minnesota, as having an affirmative action plan approved by the Commissioner. This certification shall extend for two years beginning June 21, 2004 and is subject to revocation or suspension by the Commissioner of Human Rights for failure to make a good faith effort to implement the affirmative action plan.

A handwritten signature in cursive script, appearing to read "D. Kahl", is written over a horizontal line.

Commissioner of Human Rights

APPENDIX E

AFFIRMATIVE ACTION CERTIFICATE

ACORD CERTIFICATE OF LIABILITY INSURANCE		DATE (MM/DD/YYYY) 12/13/2004
PRODUCER (952)545-1230 American Agency Inc 5851 Cedar Lake Road P.O. Box 16527 Minneapolis, MN 55416-0527	FAX (952)593-8733	THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.
INSURED Larson Allen Weishair & Co L L P Attn: Linnea Raymond 220 S. 6th Street Ste 300 Minneapolis, MN 55402	INSURERS AFFORDING COVERAGE	NAIC#
	INSURER A: Federal Insurance Company	20281
	INSURER B: Chubb Group	038
	INSURER C:	
	INSURER D:	
	INSURER E:	

COVERAGES

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED, NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN. THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. AGGREGATE LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR ADDL LTR. INSR	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YYYY)	POLICY EXPIRATION DATE (MM/DD/YYYY)	LIMITS
A	GENERAL LIABILITY <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS MADE <input checked="" type="checkbox"/> OCCUR	35829568	12/01/2004	12/01/2005	EACH OCCURRENCE \$ 1,000,000
	DAMAGE TO RENTED PREMISES (EA occurrence) \$ 1,000,000				
					MED EXP (Any one person) \$ 10,000
					PERSONAL & ADV INJURY \$ 1,000,000
					GENERAL AGGREGATE \$ 2,000,000
					PRODUCTS - COMP/OP AGG \$ 2,000,000
B	AUTOMOBILE LIABILITY ANY AUTO ALL OWNED AUTOS SCHEDULED AUTOS <input checked="" type="checkbox"/> Hired AUTOS <input checked="" type="checkbox"/> NON-OWNED AUTOS	74999672	12/01/2004	12/01/2005	COMBINED SINGLE LIMIT (EA accident) \$ 1,000,000
					BODILY INJURY (Per person) \$
					BODILY INJURY (Per accident) \$
					PROPERTY DAMAGE (Per accident) \$
	GARAGE LIABILITY ANY AUTO				AUTO ONLY - EA ACCIDENT \$
					OTHER THAN EA ACC \$
					AGG \$
	EXCESS UMBRELLA LIABILITY <input type="checkbox"/> OCCUR <input type="checkbox"/> CLAIMS MADE				EACH OCCURRENCE \$
					AGGREGATE \$
					\$
					\$
					\$
B	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? If yes, describe under SPECIAL PROVISIONS below	71720059	12/01/2004	12/01/2005	WC STATUTORY LIMITS \$
	OTHER \$				
					E.L. EACH ACCIDENT \$ 500,000
					E.L. DISEASE - EA EMPLOYEE \$ 500,000
					E.L. DISEASE - POLICY LIMIT \$ 500,000

EXAMPLE ONLY - Insurance agreement with the Minnesota State Senate will be obtained upon a signed contract with Larson Allen.

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES / EXCLUSIONS ADDED BY ENDORSEMENT / SPECIAL PROVISIONS
As the policy form is written & per contract [REDACTED] It's subsidiaries, Affiliates, tentants, Officers, directors, trustees agents and employees shall be held harmless from all claims, demands, losses, damages, injuries, liabilities, expenses, judgements, liens, encumbrances, orders and awards (of all which are collectively referred to as "Claims") BBSN Foundation, Inc. is listed as an additional Insured. A Waiver of subrogation applies

CERTIFICATE HOLDER	CANCELLATION
[REDACTED]	SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING INSURER WILL ENDEAVOR TO MAIL 10 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO MAIL SUCH NOTICE SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER, ITS AGENTS OR REPRESENTATIVES.
	AUTHORIZED REPRESENTATIVE Gloria Thompson (E)/JMO <i>Gloria Thompson</i>