

Bdote Board of Directors

Board Meeting

Date and Time

Monday March 23, 2015 at 4:00 PM

Location

Bdote Learning Center

Agenda

	Purpose	Presenter	Duration
I. Opening Items			
A. Record Attendance and Guests		Elaine Salinas	
B. Call the Meeting to Order		Elaine Salinas	
C. Approve Agenda	Vote	Elaine Salinas	5
D. Approve Minutes	Approve Minutes	Louise Matson	5
II. Reports			
A. Finance Committee/Treasurer's Report	FYI	Graham Hartley	15
B. Director	FYI	Mike Huerth	15
III. New Business			
A. Attendance Policy	FYI	Elaine Salinas	5
B. Board & Staff Retreat	FYI	Elaine Salinas	5
C. Update Spring Intercession	FYI	Elaine Salinas	5
D. Discuss Summer Intercession	FYI	Elaine Salinas	5
IV. Old Business			
A. Interim Report on Bdote Documentation	FYI	Ruth Ann Olson	15
V. Public Comment			
VI. Closed Session			
A. Performance Review	FYI	Elaine Salinas	20
VII. Closing Items			
A. Adjourn Meeting	Vote		

Agenda Cover Sheets

Section: **II. Reports**
Item: A. Finance Committee/Treasurer's Report
Purpose: FYI
Goal:
Submitted by:
Related Material: Bdote Financial Statements - February 2015.pdf
2015 MMKR Proposal for Audit of Bdote Learning Center.pdf
KDV Proposal for Bdote Learning Center.pdf
ABDO - Bdote Learning Center - Charter School No 4226.pdf

BACKGROUND:

Attached are the February Financials and the proposals for our Audit for this year.

Bdote Board of Directors

Minutes

Board Meeting

Date and Time

Monday February 23, 2015 at 4:00 PM

Location

Board Members Present

C. Ward-Thompson, E. Salinas, G. Hartley, H. Reynolds, J. Eagle Man, J. Rice, L. Matson, L. Waterman Wittstock, R. Gould, T. Scallon

Board Members Absent

B. Beane, S. Wolfchild

Guests Present

Alicia Wakau, Beth Brown, David Butler, I. Bunker

I. Opening Items

A.Record Attendance and Guests

B.Call the Meeting to Order

E. Salinas called a meeting of the board of directors of Bdote Board of Directors to order on Monday Feb 23, 2015 @ 4:00 PM.

C.Approve Agenda

D.Approve Minutes

E. Salinas made a motion to approve minutes from the Board Meeting on 01-26-15.

C. Ward-Thompson seconded the motion.

The board **VOTED** to approve the motion. Correct 01-26-15 minutes to include Public Comment.

II. Reports

A.Finance Committee/Treasurer's Report

Financial Report was Approved, Presented and filed.

B.Director

Verbal report given; Lauri Pederson to work with 2/3rd Grade Ojibwe & Gaylyn Bicking, Biiwabik to continue with the Language in with the 2/3rd grade Ojibwe

class. Charter School Partners, CSP, Report also given. Mike also introduced Allicia Waukau, Parent/School Liaison and her duties with Bdote.

III. Other Business

A.Suspension Policy

C. Ward-Thompson made a motion to Accept Suspension Policy.

R. Gould seconded the motion.

The board **VOTED** to approve the motion. T. Scallon abstained.

IV. Public Comment

A.Suspension Policy

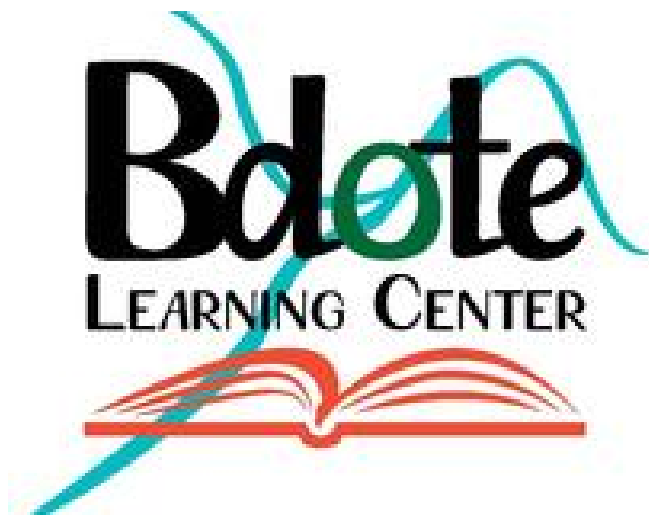
Bezh Butler had concerns about the suspension policy being vague, re-entry to school needs to be specific.

V. Closing Items

A.Adjourn Meeting

There being no further business to be transacted, and upon motion duly made, seconded and approved, the meeting was adjourned at 6:03 PM.

Respectfully Submitted,
I. Bunker



-February 2015-
Financial Statements

Prepared By:
Nichole Schmidt



Bdote Learning Center Executive Summary

To accompany the February 2015 financial statements, as presented to the School Board

Enrollment:

- Current Approved Budget – 59 ADM, 59 Pupil Units
- Current Enrollment from the School – 60 ADM

** As of month-end, 67% of the year was complete.

Balance Sheet:

- The School's cash balance as of February 28th, 2015 was \$75,378.
- The current year *estimated* state holdback was \$92,900 at month end.
- The current year estimated state receivable relating to state issued grants was \$18,816 at month end.
- The current year estimated federal receivable relating to federal issued grants was \$26,169 at month end.
- Accounts Payable balance includes payables not paid by month end relating to the prior month.
- Deferred Revenue is recognizing unexpended Walton Grant Foundation Revenue.

Year to Date Financials:

➤ **Revenues:**

Total Revenues – All Funds – are 63% of budget through month end

- Federal Title: Receivable is being recognized for expended amount through month end - \$833
- Federal Special Ed: Receivable is being recognized for expended amount through month end - \$13,850 (This money just became available 3/10/15 on SERVS)
- Federal CSP Grant: Receivable is being recognized for expended amount through month end - \$1,760
- ANA Grant: Receivable is being recognized for expended amount through month end - \$9,725
- MIAC Grant: Receivable is being recognized for expended amount through month end - \$18,816

➤ **Expenses:**

Total Expenses – All Funds – are 64% of budget through month end

- Overall, expenses are all right in line with where they should be through February.
- All of the grants have now been reconciled – and expenses align with the correct grant they should have been coded to prior. Due to this, there are some negative adjustments for the monthly activity on some line items.

New for February:

Nothing to note at this time.

Attachments: Financial Dashboard, Financial Statements, Check Register, Cash Receipts/Deposits

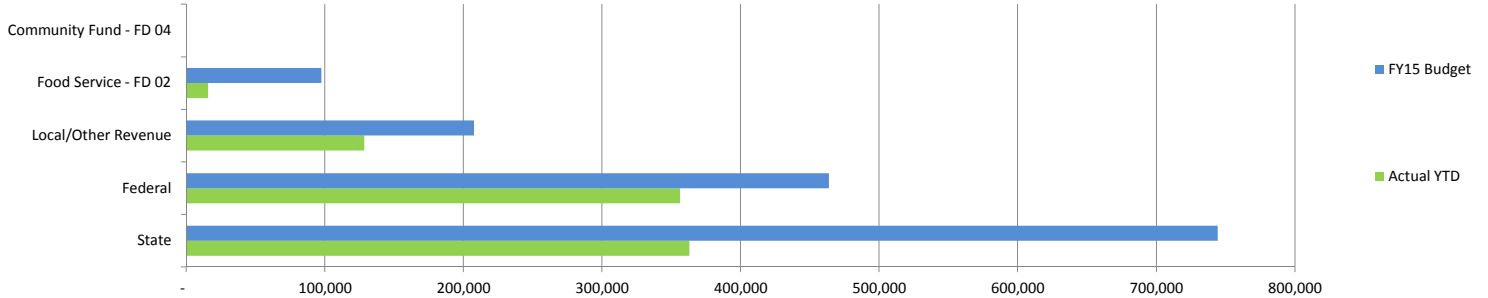
Bdote Learning Center Financial Dashboard

February 2015 - 67% of School Year Complete

REVENUE

<u>Total Revenue this Month</u> \$223,385	<u>Total Revenue YTD</u> \$956,372	<u>Budgeted Revenue FY15</u> \$1,513,174	<u>% of Revenue Budget</u> 63%
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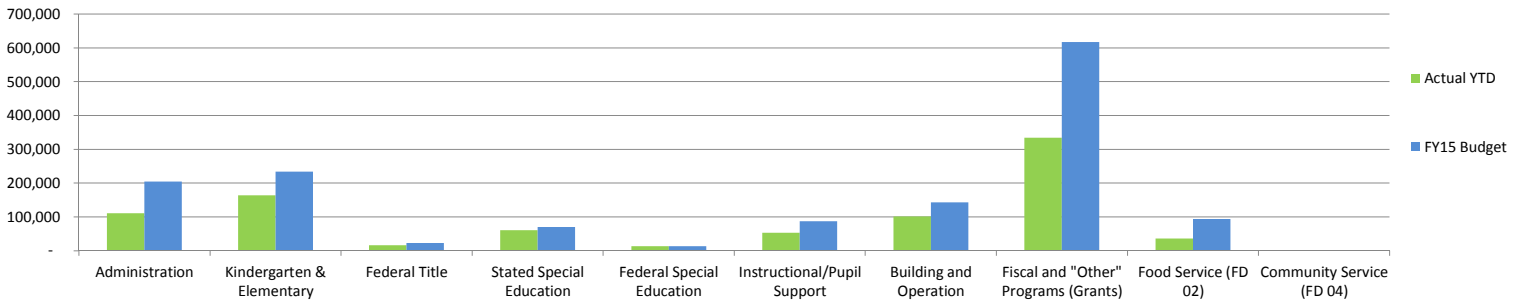
Actual vs. Budget - Revenue by Category



EXPENSE

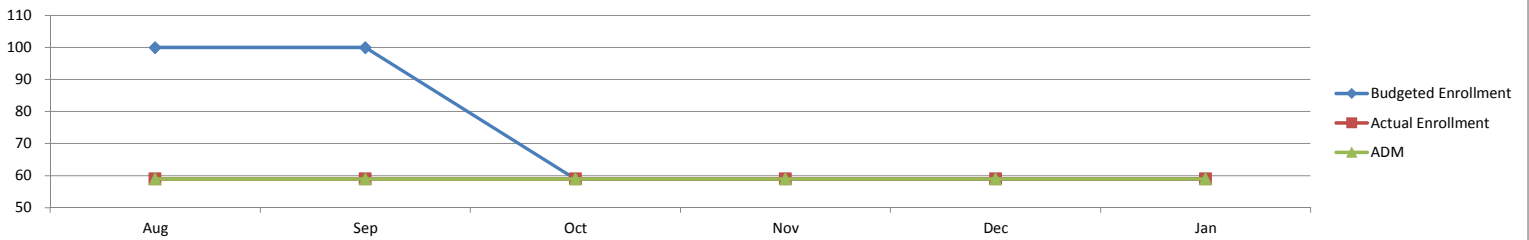
<u>Total Expense this Month</u> \$64,105	<u>Total Expense YTD</u> \$956,141	<u>Budgeted Expense FY15</u> \$1,486,839	<u>% of Expense Budget</u> 64%
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Actual vs. Budget - Expense by Program



<u>Actual Enrollment at Month End</u> 59	<u>Budgeted Enrollment</u> 59	<u>Actual ADM - YTD</u> 59	<u>Actual vs. Budgeted Enrollment Variance</u> 0
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Monthly Enrollment



Bdote Learning Center
Financial Snapshot
February 2015

	FY 2014 Audited Totals	FY 2015 Original Budget	FY 2015 Revised Budget	FY 2015 Year to Date Activity	Percent of Revised Budget
General Fund - 01					
<i>Beginning Fund Balance</i>	0	115	115	115	
Revenues	235,631	1,658,580	1,415,659	940,715	66.45%
Expenditures	(235,515)	(1,647,705)	(1,392,842)	(919,879)	66.04%
Transfers to Other Funds	0	0	0	0	
Ending Fund Balance	<u>115</u>	<u>10,990</u>	<u>22,932</u>	<u>20,951</u>	
Food Services Fund - 02					
<i>Beginning Fund Balance</i>	0	0	0	0	
Revenues	0	97,515	97,515	15,657	16.06%
Expenditures	0	(97,515)	(93,997)	(36,262)	38.58%
Transfer from General Fund	0	0	0	0	
Ending Fund Balance	<u>0</u>	<u>0</u>	<u>3,518</u>	<u>(20,606)</u>	
Community Services Fund - 04					
<i>Beginning Fund Balance</i>	0	0	0	0	
Revenues	0	0	0	0	
Expenditures	0	0	0	0	
Transfer from General Fund	0	0	0	0	
Ending Fund Balance	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Total - All Funds					
<i>Beginning Fund Balance</i>	0	115	115	115	
Revenues	235,631	1,756,095	1,513,174	956,372	63.20%
Expenditures	(235,515)	(1,745,220)	(1,486,839)	(956,141)	64.31%
Ending Fund Balance	<u>115</u>	<u>10,990</u>	<u>26,450</u>	<u>346</u>	

Fund Balance as a Percent of Expenses

0%

1%

2%

0%

Bdote Learning Center

Balance Sheet - February 2015

	ALL FUNDS 6/30/2014	ALL FUNDS 2/28/2015	General Fund	Food Service	Community Fund
	Total	Total	FD 01	FD 02	FD 04
ASSETS:					
Current Assets:					
Cash	14,513	75,378	95,924	(20,546)	-
Accounts Receivable	1,973	107	107	-	-
Due from MDE	0	-	-	-	-
<i>Estimated State Aid Receivable</i>	0	92,900	92,900	-	-
Due from Federal	39,744	26,169	26,169	-	-
Due from State Issued Grants	-	18,816	18,816	-	-
Prepays	15,599	11,491	11,491	-	-
Total Current Assets	71,829	224,861	245,407	(20,546)	-
TOTAL ASSETS	71,829	224,861	245,407	(20,546)	-
LIABILITIES:					
Current Liabilities:					
Salaries and Wages Payable	-	-	-	-	-
Accounts Payable	33,951	27,571	27,511	60	-
Payroll Liabilities	1,524	6,896	6,896	-	-
Deferred Revenue	36,239	190,049	190,049	-	-
Line of Credit	-	-	-	-	-
Total Current Liabilities	71,714	224,515	224,456	60	-
FUND BALANCE					
Beginning Fund Balance	0	115	115	-	-
Net Income, FY 2015 to Date	115	231	20,836	(20,606)	-
Ending Fund Balance	115	346	20,951	(20,606)	-
TOTAL LIABILITES AND FUND BALANCE	71,829	224,861	245,407	(20,546)	-

Bdote Learning Center
Income Statement

67% of Fiscal Year 2014-2015 Complete

	Monthly Activity	YTD Actual	YTD Budget	YTD Variance	Total Budget	% of Budget
FUND 01						
DISTRICT REVENUE - GENERAL FUND						
	Local & Other	1,606	82,504	51,495	31,009	77,242 107%
	Walton Foundation Grant	12,684	45,893	86,864	(40,971)	130,296 35%
	State - Gen. Ed. Aid	43,056	322,763	340,485	(17,722)	510,727 63%
	State - Special Education	-	3,648	44,919	(41,271)	67,379 5%
	State - Lease Aid	-	17,777	51,684	(33,907)	77,526 23%
	State - Other (MIAC Grant)	13,772	18,816	59,101	(40,285)	88,652 21%
	<i>Estimated State Holdback Recognized</i>	-	92,900	-	92,900	-
	Federal - Title	15,417	16,250	15,489	761	23,234 70%
	Federal - Special Education	-	13,850	6,667	7,183	10,000 139%
	Federal - CSP (Planning & Implementation)	59,272	158,551	150,000	8,551	225,000 70%
	Federal - ANA Grant	77,579	167,763	137,069	30,694	205,603 82%
	TOTAL DISTRICT REVENUE - GENERAL FUND	223,385	940,715	943,773	(3,057)	1,415,659 66%
DISTRICT EXPENDITURES - GENERAL FUND						
0X0/1XX	Administration/District Support					
	Salary & Benefits	12,377	87,395	91,443	(4,048)	137,164 64%
	Purchased Services	8,592	19,160	36,916	(17,756)	55,374 35%
	Supplies & Equipment	250	2,956	2,000	956	3,000 99%
	Other Fees	533	1,674	6,064	(4,390)	9,097 18%
	Total Administration/District Support Expenditures	21,752	111,185	136,423	(25,238)	204,635 54%
201	Kindergarten Education					
	Salary & Benefits	6,684	46,405	40,970	5,435	61,455 76%
	Purchased Services	-	68	-	68	- 0%
	Supplies & Equipment	4	1,999	833	1,166	1,250 160%
	Other Fees	-	-	-	-	- 0%
	Total Kindergarten Expenditures	6,688	48,472	41,803	6,669	62,705 77%
203	Elementary Education					
	Salary & Benefits	21,467	110,474	111,419	(945)	167,128 66%
	Purchased Services	-	132	-	132	- 0%
	Supplies & Equipment	(2,389)	4,448	2,500	1,948	3,750 119%
	Other Fees	-	-	-	-	- 0%
	Total Elementary Expenditures	19,078	115,053	113,919	1,135	170,878 67%
TAB	Federal Title					
	Salary & Benefits	1,667	16,250	15,489	761	23,234 70%
	Purchased Services	-	-	-	-	- 0%
	Supplies & Equipment	-	-	-	-	- 0%
	Other Fees	-	-	-	-	- 0%
	Total Federal Title Expenditures	1,667	16,250	15,489	761	23,234 70%
TAB	State Special Education					
	Salaries/Wages and Benefits	6,945	42,717	43,554	(837)	65,331 65%
	Purchased Services	780	5,500	3,000	2,500	4,500 122%
	Supplies & Equipment	-	1,402	333	1,069	500 280%
	Transportation	1,680	10,920	-	10,920	- 0%
	Other Fees	-	-	-	-	- 0%
	Total State Special Education Expenditures	9,405	60,539	46,887	13,652	70,331 86%

	Monthly Activity	YTD Actual	YTD Budget	YTD Variance	Total Budget	% of Budget
TAB	Federal Special Education					
	Salaries/Wages and Benefits	-	-	-	-	0%
	Purchased Services	-	13,850	9,233	4,617	13,850 100%
	Supplies & Equipment	-	-	-	-	0%
	Other Fees	-	-	-	-	0%
	Total Federal Special Education Expenditures	-	13,850	9,233	4,617	13,850 100%
6XX/7XX	Instructional/Pupil Support					
	Salary & Benefits	-	-	-	-	0%
	Purchased Services (Includes Transportation)	224	53,252	58,267	(5,014)	87,400 61%
	Supplies & Equipment	-	-	-	-	0%
	Other Fees	-	-	-	-	0%
	Total Instructional Support Expenditures	224	53,252	58,267	(5,014)	87,400 61%
8XX	Building & Operations					
	Salaries/Wages and Benefits	-	-	-	-	0%
	Purchased Services	3,492	18,361	17,467	894	26,200 70%
	Facilities Lease	14,807	69,102	66,667	2,435	100,000 69%
	Supplies & Equipment	338	4,425	4,000	425	6,000 74%
	Other Fees (Building Insurance)	-	9,969	7,137.33	2,832	10,706 93%
	Total Building & Operations Expenditures	18,637	101,856	95,271	6,585	142,906 71%
101	Administration for Native Americans (ANA) YEAR 1 (July 2014)					
	Salaries/Wages and Benefits	-	13,942	-	13,942	- 0%
	Purchased Services	-	42,547	-	42,547	- 0%
	Supplies & Equipment	-	6,186	-	6,186	- 0%
	Other Fees	-	2,545	-	2,545	- 0%
	Total ANA Expenditures YEAR 1	-	65,219	-	65,219	- 0%
101	Administration for Native Americans (ANA) YEAR 2					
	Salaries/Wages and Benefits	9,015	85,185	-	85,185	155,374 55%
	Purchased Services	(1,717)	16,476	23,400	(6,924)	35,100 47%
	Supplies & Equipment	(14,560)	883	2,373	(1,490)	3,560 25%
	Other Fees	-	-	-	-	- 0%
	Total ANA Expenditures YEAR 2	(7,262)	102,544	25,773	76,771	194,034 53%
001/002	Federal Planning & Implementation Grant					
	Salaries/Wages and Benefits	616	26,234	-	26,234	38,727 68%
	Purchased Services	1,230	12,147	14,681	(2,535)	22,022 55%
	Supplies & Equipment	19	120,171	109,543	10,628	164,314 73%
	Other Fees	-	-	-	-	- 0%
	Total CSP Expenditures	1,865	158,551	124,224	34,327	225,063 70%
100	Walton Foundation Grant					
	Salaries/Wages and Benefits	11,933	41,327	-	41,327	87,130 47%
	Purchased Services	752	4,428	10,883	(6,455)	16,325 27%
	Supplies & Equipment	-	139	3,800	(3,661)	5,700 2%
	Other Fees	-	-	-	-	- 0%
	Total Walton Expenditures	12,685	45,893	14,683	31,210	109,155 42%
103	MIAC Grant					
	Salaries/Wages and Benefits	-	-	-	-	- 0%
	Purchased Services	3,503	7,878	40,501	(32,623)	60,752 13%
	Supplies & Equipment	10,269	10,938	18,600	(7,662)	27,900 39%
	Other Fees	-	-	-	-	- 0%
	Total MIAC Expenditures	13,772	18,816	59,101	(40,285)	88,652 21%
102	Grotto Grant					
	Salaries/Wages and Benefits	-	-	-	-	- 0%
	Purchased Services	-	7,163	-	7,163	- 0%
	Supplies & Equipment	-	1,234	-	1,234	- 0%
	Other Fees	-	-	-	-	- 0%
	Total Grotto Expenditures	-	8,397	-	8,397	- 0%
9XX	Fiscal and Other Fixed Cost Programs					
	Purchased Services	-	-	-	-	- 0%
	Other Fees	-	-	-	-	- 0%
	Transfers to Other Funds	-	-	-	-	- 0%
	Total Fiscal and Other Fixed Cost Programs Expend.	-	-	-	-	- 0%
TOTAL DISTRICT EXPENDITURES - GENERAL FUND		58,373	919,879	403,374	516,505	1,392,842 66%
GENERAL FUND (01) - NET INCOME		165,012	20,836	540,399	(519,563)	22,817

	Monthly Activity	YTD Actual	YTD Budget	YTD Variance	Total Budget	% of Budget
FUND 02						
DISTRICT REVENUE - FOOD SERVICE FUND						
Local & Other	-	-	1,204	(1,204)	1,806	0%
State	-	1,423	1,605	(182)	2,408	59%
Federal	-	14,234	62,201	(47,967)	93,301	15%
<i>Transfer from General Fund</i>	-	-	-	-	-	-
TOTAL DISTRICT REVENUE - FOOD SERVICE FUND	-	15,657	65,010	(49,353)	97,515	16%
DISTRICT EXPENDITURES - FOOD SERVICE FUND						
Salaries/Wages and Benefits	-	-	-	-	-	0%
Purchased Services	-	-	-	-	-	0%
Supplies & Equipment	5,732	36,262	-	36,262	93,997	39%
TOTAL DISTRICT EXPENDITURES - FOOD SERVICE FUND	5,732	36,262	-	36,262	93,997	39%
FOOD SERVICE FUND (02) - NET INCOME	(5,732)	(20,606)	1,173	(21,778)	3,518	
FUND 04						
DISTRICT REVENUE - COMMUNITY SERVICE FUND						
Local & Other	-	-	-	-	-	0%
State	-	-	-	-	-	0%
Federal	-	-	-	-	-	0%
TOTAL DISTRICT REVENUE - COMMUNITY SERVICE FUND	-	-	-	-	-	0%
DISTRICT EXPENDITURES - COMMUNITY SERVICE FUND						
Salaries/Wages and Benefits	-	-	-	-	-	0%
Purchased Services	-	-	-	-	-	0%
Supplies & Equipment	-	-	-	-	-	0%
TOTAL EXPENDITURES - COMMUNITY SERVICE FUND	-	-	-	-	-	0%
COMMUNITY SERVICE FUND (04) - NET INCOME	-	-	-	-	-	
TOTAL REVENUES - ALL FUNDS	223,385	956,372	1,008,783	(52,411)	1,513,174	63%
TOTAL EXPENDITURES - ALL FUNDS	64,105	956,141	403,374	552,767	1,486,839	64%
NET INCOME (LOSS) - ALL FUNDS	159,280	231	605,409	(605,178)	26,335	
<i>Beginning Fund Balance 7/1/2014</i>		<i>115</i>	<i>115</i>		<i>115</i>	
Ending Fund Balance		346	605,524	(605,178)	26,450	

Bdote Learning Center
Income Statement - Summary

67% of Fiscal Year 2014-2015 Complete

	YTD Actual	Total Budget	% of Budget
Revenues			
Local & Other	128,397	207,538	62%
State	363,004	744,284	49%
Federal	356,414	463,837	77%
Food Service - FD 02	15,657	97,515	16%
Community Service - FD 04	-	-	0%
Estimated State Aid Receivable	92,900	-	N/A
Transfers to Other Funds	-	-	N/A
Total District Revenue	956,372	1,513,174	63%
Expenditures - by Program			
Administration	111,185	204,635	54%
Kindergarten & Elementary Instruction	163,525	233,583	70%
Federal Title	16,250	23,234	70%
State Special Education	60,539	70,331	86%
Federal Special Education	13,850	13,850	100%
Instructional/Pupil Support	53,252	87,400	61%
Building & Operations	101,856	142,906	71%
ANA Grant	167,763	194,034	86%
Federal CSP Grant (Planning & Implementation)	158,551	225,063	70%
Walton Foundation Grant	45,893	109,155	42%
MIAC Grant	18,816	88,652	21%
Grotto Grant	8,397	-	0%
Food Service - Fund 02	36,262	93,997	39%
Total District Expenditures (PRO)	956,141	1,486,839	64%
Expenditures - by Object			
Salaries and Wages	373,119	556,911	67%
Benefits	98,281	182,149	54%
Contracted Services	128,802	177,546	73%
Communication	3,822	6,500	59%
Postage	1,050	1,200	87%
Utilities	7,180	15,000	48%
Insurance	9,969	10,706	93%
Repairs and Maintenance	7,629	11,200	68%
Transportation	60,611	90,000	67%
Travel and Conferences	1,185	9,235	13%
Leases	2,061	3,600	57%
Facilities Lease	69,102	100,000	69%
Field Trips	-	3,725	0%
General Supplies	23,521	41,400	57%
Instructional Supplies	7,322	11,300	65%
Textbooks and Workbooks	22,806	40,000	57%
Standardized Testing	-	5,000	0%
General Food	3,832	2,360	162%
Equipment	22,509	32,110	70%
Technology Equipment	72,337	83,804	86%
Interest	-	-	0%
Dues and Memberships	4,743	9,096	52%
Transfers to Other Funds	-	-	N/A
Food Service - FD 02	36,262	93,997	39%
Community Service - FD 04	-	-	100%
Total District Expenditures (OBJ)	956,141	1,486,839	64%
TOTAL REVENUES - ALL FUNDS	956,372	1,513,174	63%
TOTAL EXPENDITURES - ALL FUNDS	956,141	1,486,839	64%
NET INCOME (LOSS) - ALL FUNDS	231	26,335	
Beginning Fund Balance 7/1/2014	115	115	
Ending Fund Balance	346	26,450	

BDOTE LEARNING CENTER

Detail Payment Register By Check No.

Co	Bank	Check No	Code	Rcd	Vendor	Pmt/Void Date	Pmt Type		
4226	WNB	7225	1241		CIC Wright Specialty		Check		
				B 01	131 001	CIC for Jan 2015		\$1,147.07	
				B 01	131 001	CIC for Feb 2015		\$1,147.07	
		Voucher #:	1582	Invoice	Invoice No: CIC for Jan/ Feb 15	2/9/2015		Paid Amt:	\$2,294.14
								Check Amount:	\$2,294.14
4226	WNB	7229	4454		Bertelson One Source		Check		
				E 01	010 203 000 000 401	classroom supplies art		\$183.19	
		Voucher #:	1546	Invoice	Invoice No: WO-991418-1	2/18/2015		Paid Amt:	\$183.19
				E 01	005 105 000 000 401	office supplies		\$64.37	
		Voucher #:	1553	Invoice	Invoice No: WO-989413-1	2/18/2015		Paid Amt:	\$64.37
				E 01	005 105 000 000 401	office supplies		\$153.85	
				E 01	005 105 000 000 401	K supplies		\$7.56	
		Voucher #:	1554	Invoice	Invoice No: WO-988909-1	2/18/2015		Paid Amt:	\$161.41
				E 01	005 810 000 000 401	supplies for janitorial / bldg		\$292.36	
		Voucher #:	1558	Invoice	Invoice No: W0-988482-1	2/18/2015		Paid Amt:	\$292.36
				E 01	005 810 000 000 401	Supplies for office		\$215.98	
				E 01	010 203 000 000 401	Supplies for 1 st grade		\$114.99	
				E 01	010 201 000 000 401	Supplies for Kinder		\$114.99	
		Voucher #:	1559	Invoice	Invoice No: WO-987670-1	2/18/2015		Paid Amt:	\$445.96
				E 01	005 810 000 000 401	new mats for front door entrance		\$705.51	
		Voucher #:	1563	Invoice	Invoice No: OE-380043-1	2/18/2015		Paid Amt:	\$705.51
								Check Amount:	\$1,852.80
4226	WNB	7230	1237		By Word of Mouth, Ltd		Check		
				E 01	010 401 000 740 394	Speech / Language Service for SH, SG 1/22/1:		\$140.00	
		Voucher #:	1555	Invoice	Invoice No: 6818	2/18/2015		Paid Amt:	\$140.00
				E 01	010 401 000 740 394	speech and language service - 1/13 and 1/15		\$240.00	
		Voucher #:	1573	Invoice	Invoice No: 6791	2/18/2015		Paid Amt:	\$240.00
								Check Amount:	\$380.00
4226	WNB	7231	1251		Cab Service Inc		Check		
				E 01	005 760 000 728 360	cab services 1/13 - 1/16/2015		\$250.00	
		Voucher #:	1547	Invoice	Invoice No: 125887	2/18/2015		Paid Amt:	\$250.00
								Check Amount:	\$250.00
4226	WNB	7232	1068		Church of St Albert the Great		Check		
				E 01	005 810 000 000 330	Rent for 12/15/14 - 12/31/2014		\$4,935.83	
				B 01	131 001	Rent for 1/1/15 - 1/14/2015		\$4,935.83	
		Voucher #:	1545	Invoice	Invoice No: 12302014	2/18/2015		Paid Amt:	\$9,871.66

BDOLE LEARNING CENTER

Detail Payment Register By Check No.

Co	Bank	Check No	Code	Rcd	Vendor	Pmt/Void Date	Pmt Type		
4226	WNB	7232	1068		Church of St Albert the Great		Check		
				E 01	005 810 000 000 350	utilities for November 2014		\$1,150.65	
		Voucher #:	1574	Invoice	Invoice No:	01052015		2/18/2015	
							Paid Amt:	\$1,150.65	
							Check Amount:	\$11,022.31	
4226	WNB	7233	2232		CliftonLarsenAllen		Check		
				E 01	005 105 000 000 305	Professional Services for October 2014		\$3,075.00	
		Voucher #:	1584	Invoice	Invoice No:	11052014		2/18/2015	
				E 01	005 105 000 000 305	Accounting Professional Services for Sept 201		\$3,075.00	
		Voucher #:	1585	Invoice	Invoice No:	10062014		2/18/2015	
							Paid Amt:	\$3,075.00	
							Check Amount:	\$6,150.00	
4226	WNB	7234	1235		DC/Nanosystems		Check		
				E 01	005 110 000 859 303	IT Services for January 2015		\$1,216.68	
		Voucher #:	1562	Invoice	Invoice No:	1236202267		2/18/2015	
							Paid Amt:	\$1,216.68	
							Check Amount:	\$1,216.68	
4226	WNB	7236	1236		Done Right Food		Check		
				E 02	005 770 000 705 490	Breakfast NO Milk - K		\$340.00	
				E 02	005 770 000 705 490	Breakfast NO Milk - gr 1-3		\$661.00	
				E 02	005 770 000 705 490	Breakfast W/ Milk - K		\$67.00	
				E 02	005 770 000 705 490	Breakfast W/ Milk - 1-3		\$131.00	
				E 02	005 770 000 701 490	Lunch NO Milk - K		\$971.00	
				E 02	005 770 000 701 490	Lunch NO Milk - 1-3		\$1,885.00	
				E 02	005 770 000 701 490	Lunch with Milk - K		\$137.00	
				E 02	005 770 000 701 490	Lunch with Milk - 1-3		\$265.00	
				E 02	005 770 000 701 401	Bulk food orders - K		\$393.00	
				E 02	005 770 000 701 401	Bulk food orders - 1-3		\$762.82	
				E 02	005 770 000 701 401	Bulk Supplies - K		\$20.25	
				E 02	005 770 000 701 401	Bulk Supplies - 1-3		\$39.30	
		Voucher #:	1586	Invoice	Invoice No:	2492		2/18/2015	
							Paid Amt:	\$5,672.37	
							Check Amount:	\$5,672.37	
4226	WNB	7237	4442		Edif Youth, LLC		Check		
				E 01	005 105 100 000 305	Social Work Services for Nov and Dec 2014		\$1,168.75	
		Voucher #:	1556	Invoice	Invoice No:	1.11.15		2/18/2015	
							Paid Amt:	\$1,168.75	
							Check Amount:	\$1,168.75	
4226	WNB	7238	1084		Global Equipment Company		Check		
				E 01	010 201 000 000 401	markerboard for K classroom		\$175.95	
		Voucher #:	1572	Invoice	Invoice No:	107671771		2/18/2015	
							Paid Amt:	\$175.95	
							Check Amount:	\$175.95	

BDOTE LEARNING CENTER Detail Payment Register By Check No.

Co	Bank	Check No	Code	Rcd	Vendor	Pmt/Void Date	Pmt Type		
4226	WNB	7239	1254		Intellicorp		Check		
				E 01	005 105 101 000 401	background checks		\$108.75	
		Voucher #:	1587	Invoice	Invoice No: 688211	2/18/2015	Paid Amt:		\$108.75
							Check Amount:		\$108.75
4226	WNB	7240	2231		J Billet -		Check		
				E 01	005 810 000 000 350	janitorial services jan 2015		\$925.00	
		Voucher #:	1548	Invoice	Invoice No: 01312015	2/18/2015	Paid Amt:		\$925.00
							Check Amount:		\$925.00
4226	WNB	7241	2234		Loffler		Check		
				E 01	005 105 000 000 370	Contract overage charge for 11/21/14 - 12/20/14		\$85.76	
		Voucher #:	1561	Invoice	Invoice No: 1892220	2/18/2015	Paid Amt:		\$85.76
				E 01	005 105 000 000 370	Copier rental for 12/20/14 - 1/20/15		\$251.42	
		Voucher #:	1588	Invoice	Invoice No: 1913509	2/18/2015	Paid Amt:		\$251.42
							Check Amount:		\$337.18
4226	WNB	7242	1238		Minnehaha Transportation		Check		
				E 01	005 760 000 723 360	Transportation for Jnauary 2015 - van for spec		\$1,680.00	
		Voucher #:	1549	Invoice	Invoice No: BD019915S	2/18/2015	Paid Amt:		\$1,680.00
				E 01	005 760 000 733 360	Transportation for intersession for dec and Jan		\$1,246.00	
		Voucher #:	1550	Invoice	Invoice No: BD0191Si	2/18/2015	Paid Amt:		\$1,246.00
				E 01	005 760 000 720 360	Transportation for January 2015		\$6,664.00	
		Voucher #:	1551	Invoice	Invoice No: BD011515	2/18/2015	Paid Amt:		\$6,664.00
				E 01	005 760 000 720 360	transportation for intersession Dec 29-31, Jan		\$1,424.00	
		Voucher #:	1575	Invoice	Invoice No: BD1915i	2/18/2015	Paid Amt:		\$1,424.00
							Check Amount:		\$11,014.00
4226	WNB	7243	1038		MVNA		Check		
				E 01	010 720 000 000 375	Nurse Visit		\$300.00	
		Voucher #:	1354	Invoice	Invoice No: 10282014	2/18/2015	Paid Amt:		\$300.00
				E 01	010 720 000 000 375	Nurse Visit		\$300.00	
		Voucher #:	1358	Invoice	Invoice No: 10212014	2/18/2015	Paid Amt:		\$300.00
				E 01	010 720 000 000 375	3 hour visit on 09/04/2014		\$300.00	
		Voucher #:	1374	Invoice	Invoice No: 09042014	2/18/2015	Paid Amt:		\$300.00
				E 01	010 720 000 000 375	nursing services on 10/10/2014		\$144.00	
		Voucher #:	1540	Invoice	Invoice No: 10102014	2/18/2015	Paid Amt:		\$144.00
				E 01	010 720 000 000 375	nursing servcies 10/28/2014 remainder of bala		\$25.00	
		Voucher #:	1541	Invoice	Invoice No: 10282014	2/18/2015	Paid Amt:		\$25.00
				E 01	010 720 000 000 375	nursing services 11/11/2014		\$325.00	
		Voucher #:	1543	Invoice	Invoice No: 11/11/2014	2/18/2015	Paid Amt:		\$325.00
				E 01	010 720 000 000 375	nursing services 9/4/2014		\$100.00	
		Voucher #:	1564	Invoice	Invoice No: 09042014	2/18/2015	Paid Amt:		\$100.00

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Detail Payment Register By Check No.

Co	Bank	Check No	Code	Rcd	Vendor	Pmt/Void Date	Pmt Type
4226	WNB	7243	1038		MVNA		Check
				E 01	010 720 000 000 375	nursing services	\$52.00
	Voucher #:	1565	Invoice		Invoice No: 10072014	2/18/2015	Paid Amt: \$52.00
				E 01	010 720 000 000 375	nursing services 10/10/2014	\$300.00
	Voucher #:	1566	Invoice		Invoice No: 10/01/2014	2/18/2015	Paid Amt: \$300.00
				E 01	010 720 000 000 375	nursing services 11/4/2014	\$260.00
	Voucher #:	1567	Invoice		Invoice No: 11042014	2/18/2015	Paid Amt: \$260.00
				E 01	010 720 000 000 375	nursing services 11/18/2014	\$208.00
	Voucher #:	1568	Invoice		Invoice No: 11182014	2/18/2015	Paid Amt: \$208.00
				E 01	010 720 000 000 375	nursing services 12/2/2014	\$300.00
	Voucher #:	1569	Invoice		Invoice No: 12022014	2/18/2015	Paid Amt: \$300.00
				E 01	010 720 000 000 375	nursing services 12/09/2014	\$208.00
	Voucher #:	1570	Invoice		Invoice No: 12092014	2/18/2015	Paid Amt: \$208.00
				E 01	010 720 000 000 375	nursing services 9/9/2014	\$300.00
	Voucher #:	1571	Invoice		Invoice No: 09092014	2/18/2015	Paid Amt: \$300.00
							Check Amount: \$3,122.00
4226	WNB	7244	1071		Security Life Insurance Company of America		Check
				B 01	131 001	Life, LTD/ STD for February 2015	\$634.92
	Voucher #:	1557	Invoice		Invoice No: 41338/0001 Feb 15	2/18/2015	Paid Amt: \$634.92
							Check Amount: \$634.92
4226	WNB	7245	1243		Twin City Janitor Supply Inc		Check
				E 01	005 810 000 000 401	trash can liners	\$29.00
	Voucher #:	1576	Invoice		Invoice No: 153426	2/18/2015	Paid Amt: \$29.00
							Check Amount: \$29.00
4226	WNB	7246	1060		Adrian Liberty		Check
				E 01	010 640 103 000 305	Language Advisor under MIAC grant	\$1,475.00
	Voucher #:	1591	Invoice		Invoice No: 02092015	2/19/2015	Paid Amt: \$1,475.00
							Check Amount: \$1,475.00
4226	WNB	7247	1060		Adrian Liberty		Check
				E 01	010 640 103 000 305	curriculum writer	\$1,000.00
	Voucher #:	1592	Invoice		Invoice No: 02092015	2/19/2015	Paid Amt: \$1,000.00
							Check Amount: \$1,000.00
4226	WNB	7248	1002		Angela Christian		Check
				E 01	005 105 000 000 329	Stamps	\$98.00
				E 01	010 201 000 000 401	water for snack K	\$3.70
				E 01	010 203 000 000 401	water for snack Gr 1-3	\$7.10
				E 01	005 105 000 000 401	office suplies - power strips	\$18.48

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Detail Payment Register By Check No.

Co	Bank	Check No	Code	Rcd	Vendor	Pmt/Void Date	Pmt Type		
4226	WNB	7248	1002		Angela Christian		Check		
				E 01	005 105 000 000 401	office supplies - cabinet keys		\$41.70	
		Voucher #:	1583	Invoice	Invoice No: 02092015	2/19/2015	Paid Amt:		\$168.98
							Check Amount:		\$168.98
4226	WNB	7249	1011		Deidre WhiteMan		Check		
				E 01	010 640 101 000 368	reimbursement of expenses- Shuttle for ANA tr		\$63.00	
				E 01	005 610 103 000 401	poster frames for Curriculum		\$32.15	
		Voucher #:	1590	Invoice	Invoice No: 02092015	2/19/2015	Paid Amt:		\$95.15
							Check Amount:		\$95.15
4226	WNB	7250	4454		Bertelson One Source		Check		
				E 02	005 770 000 701 490	grain crisps for snack		\$11.18	
		Voucher #:	1594	Invoice	Invoice No: WO-993574-1	2/27/2015	Paid Amt:		\$11.18
				E 01	010 201 002 859 430	supplies for K		\$18.99	
				E 02	005 770 000 701 401	supplies for lunchroom.		\$48.77	
		Voucher #:	1606	Invoice	Invoice No: WO-990938-1	2/27/2015	Paid Amt:		\$67.76
							Check Amount:		\$78.94
4226	WNB	7251	1237		By Word of Mouth, Ltd		Check		
				E 01	010 401 000 740 394	Speech and Language services for SP ED pup		\$560.00	
		Voucher #:	1595	Invoice	Invoice No: 6869	2/27/2015	Paid Amt:		\$560.00
				E 01	010 401 000 740 394	Speech and Language services for SP ED pup		\$220.00	
		Voucher #:	1596	Invoice	Invoice No: 6917	2/27/2015	Paid Amt:		\$220.00
				E 01	010 401 000 740 393	Speech/Lang Service		\$100.00	
				E 01	010 401 000 740 394	Consultant Services		\$40.00	
		Voucher #:	1611	Invoice	Invoice No: 6920	2/27/2015	Paid Amt:		\$140.00
							Check Amount:		\$920.00
4226	WNB	7252	1251		Cab Service Inc		Check		
				E 01	005 760 000 728 360	cab service to transport pupils to/from school/h		\$213.00	
		Voucher #:	1612	Invoice	Invoice No: 125915	2/27/2015	Paid Amt:		\$213.00
							Check Amount:		\$213.00
4226	WNB	7253	1250		Century Link		Check		
				E 01	005 810 000 000 320	phone service 6127299266 1/18-2/27/15		\$626.53	
		Voucher #:	1597	Invoice	Invoice No: 6127299266 1/18-2/27	2/27/2015	Paid Amt:		\$626.53
							Check Amount:		\$626.53
4226	WNB	7254	1068		Church of St Albert the Great		Check		
				E 01	005 850 000 348 370	Rent for 2/15/15 - 3/14/15		\$9,871.66	
		Voucher #:	1598	Invoice	Invoice No: 02162015	2/27/2015	Paid Amt:		\$9,871.66

BDOLE LEARNING CENTER Detail Payment Register By Check No.

Co	Bank	Check No	Code	Rcd	Vendor	Pmt/Void Date	Pmt Type		
4226	WNB	7254	1068		Church of St Albert the Great		Check		
				E 01	005 810 000 000 330	utilities for January 2015		\$2,814.12	
	Voucher #:	1599	Invoice		Invoice No: 02162015	2/27/2015		Paid Amt:	\$2,814.12
								Check Amount:	\$12,685.78
4226	WNB	7255	2232		CliftonLarsenAllen		Check		
				E 01	005 105 002 859 303	Accounting Services for January 2015		\$307.50	
				E 01	005 105 000 000 305	Accounting Services for January 2015		\$2,767.50	
	Voucher #:	1600	Invoice		Invoice No: 972006	2/27/2015		Paid Amt:	\$3,075.00
								Check Amount:	\$3,075.00
4226	WNB	7256	1070		Dental Select		Check		
				B 01	215 010	Dental insurance premium for Feb		\$668.12	
				B 01	215 010	Dental insurance premium for March		\$698.82	
	Voucher #:	1601	Invoice		Invoice No: 3015965	2/27/2015		Paid Amt:	\$1,366.94
								Check Amount:	\$1,366.94
4226	WNB	7257	1069		HealthPartners		Check		
				B 01	215 009	health insurance premium for march 2015		\$8,344.58	
	Voucher #:	1602	Invoice		Invoice No: 56155321	2/27/2015		Paid Amt:	\$8,344.58
								Check Amount:	\$8,344.58
4226	WNB	7258	2234		Loffler		Check		
				E 01	005 105 000 000 350	telephone labor charge for repair		\$271.25	
	Voucher #:	1603	Invoice		Invoice No: cw40019	2/27/2015		Paid Amt:	\$271.25
								Check Amount:	\$271.25
4226	WNB	7259	1256		Minneapolis Finance Department		Check		
				E 01	005 105 000 000 305	Food service License renewal		\$121.00	
	Voucher #:	1613	Invoice		Invoice No: 02252015	2/27/2015		Paid Amt:	\$121.00
								Check Amount:	\$121.00
4226	WNB	7260	1238		Minnehaha Transportation		Check		
				E 01	005 760 000 720 360	Transportation for February		\$7,620.00	
	Voucher #:	1614	Invoice		Invoice No: BD22615	2/27/2015		Paid Amt:	\$7,620.00
								Check Amount:	\$7,620.00
4226	WNB	7261	1017		Quill Corporation		Check		
				E 01	005 105 000 000 401	office supplies		\$7.57	
	Voucher #:	1604	Invoice		Invoice No: 1189412	2/27/2015		Paid Amt:	\$7.57
				E 02	005 770 000 701 490	popcorn for snack		\$67.98	
	Voucher #:	1616	Invoice		Invoice No: 1439719	2/27/2015		Paid Amt:	\$67.98
								Check Amount:	\$75.55

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Detail Payment Register By Check No.

Co	Bank	Check No	Code	Rcd	Vendor	Pmt/Void Date	Pmt Type		
4226	WNB	7262	1071		Security Life Insurance Company of America		Check		
				B 01	131 001	Life / LTD/ STD for February 2015		\$680.61	
		Voucher #:	1617	Invoice	Invoice No:	41338/0001 Mar 15	2/27/2015		
								Paid Amt:	\$680.61
								Check Amount:	\$680.61
4226	WNB	7263	1085		Signminds Inc.		Check		
				E 01	005 107 101 000 401	Alum pan face sign painted		\$1,559.00	
		Voucher #:	1618	Invoice	Invoice No:	est 1468 dated 02/27	2/27/2015		
								Paid Amt:	\$1,559.00
								Check Amount:	\$1,559.00
4226	WNB	7264	1255		Sprint		Check		
				E 01	005 810 000 000 320	cell phone service Jan 2015		\$51.09	
		Voucher #:	1605	Invoice	Invoice No:	389431951-001	2/27/2015		
								Paid Amt:	\$51.09
								Check Amount:	\$51.09
								Report Total:	\$86,782.25

BDOTE LEARNING CENTER

Receipt Listing Report with Detail by Deposit

Deposit Co	Bank	Batch	Rct No	Receipt Type	Receipt St	Receipt Date	Check No	Pmt Type	Grp Code	Customer	Inv No	Inv Date	Inv Type	Invoice Amount	Applied Amount	Unapplied Amount
1075	4226	WNB	CR0215													
02.15.15 IDEAS Payment				1076	Credit	A	02/15/15	Wire	1	1006	MDE					
							4226 R 01 005 000 000 000 211			FY 14-15 General Education					21,527.87	0.00
														Receipt Total:	\$21,527.87	\$0.00
														Deposit Total:	\$21,527.87	\$0.00
1076	4226	WNB	CR0215													
02.13.15 ANA Grant				1077	Credit	A	02/13/15	Wire	1	M	Miscellaneous Customer					
							4226 R 01 005 000 101 000 400			2.13.15 ANA Grant					77,579.08	0.00
														Receipt Total:	\$77,579.08	\$0.00
														Deposit Total:	\$77,579.08	\$0.00
1077	4226	WNB	CR0215													
Return of Security Deposit				1078	Credit	A	02/19/15	Check	1	1011	The Cathedral of St Marks					
							4226 B 01 115 000			Accounts Receivable					7,500.00	0.00
														Receipt Total:	\$7,500.00	\$0.00
														Deposit Total:	\$7,500.00	\$0.00
1078	4226	WNB	CR0215													
Give MN.Org Donations				1079	Credit	A	02/19/15	Check	1	1012	GiveMN					
							4226 R 01 005 000 000 000 096			Gifts And Bequests					1,179.21	0.00
														Receipt Total:	\$1,179.21	\$0.00
														Deposit Total:	\$1,179.21	\$0.00
1079	4226	WNB	CR0215													
Revenue from room rentals				1080	Credit	A	02/19/15	Check	1	M	Miscellaneous Customer					
							4226 R 01 005 000 000 000 093			Rent					1,600.00	0.00
														Receipt Total:	\$1,600.00	\$0.00
														Deposit Total:	\$1,600.00	\$0.00
1080	4226	WNB	CR0215													
Minnehaha Trans reimbursement				1081	Credit	A	02/25/15	Check	1	M	Miscellaneous Customer					
							4226 E 01 005 760 000 733 360			Tran-ContractPub					185.00	0.00
														Receipt Total:	\$185.00	\$0.00
														Deposit Total:	\$185.00	\$0.00

BDOLE LEARNING CENTER

Receipt Listing Report with Detail by Deposit

Deposit Co	Bank	Batch	Rct No	Receipt Type	Receipt St	Receipt Date	Check No	Pmt Type	Grp Code	Customer	Inv No	Inv Date	Inv Type	Invoice Amount	Applied Amount	Unapplied Amount
1081	4226	WNB	1017													
CSP Grant Deposit																
			1082	Credit	A	02/25/15		Wire	1	1006	MDE					
						4226	R 01 005 000	002 859	400	Federal Aids & Grant					59,271.60	0.00
														Receipt Total:	\$59,271.60	\$0.00
														Deposit Total:	\$59,271.60	\$0.00
1082	4226	WNB	CR0215													
Interest for Feb 2015																
			1083	Credit	A	02/17/15		Wire	1	1002	Woodlands National Bank					
						4226	R 01 005 000	000 000	092	Interest Earnings					6.08	0.00
														Receipt Total:	\$6.08	\$0.00
														Deposit Total:	\$6.08	\$0.00
1083	4226	WNB	CR0215													
Title I SERVS Draw																
			1084	Credit	A	02/26/15		Wire	1	1006	MDE					
						4226	R 01 005 000	000 401	400	Federal Aids & Grant					15,416.70	0.00
														Receipt Total:	\$15,416.70	\$0.00
														Deposit Total:	\$15,416.70	\$0.00
1084	4226	WNB	CR0215													
2.28.15 IDEAS Payment																
			1085	Credit	A	02/27/15		Wire	1	1006	MDE					
						4226	R 01 005 000	000 000	211	General Education Aid					21,527.86	0.00
														Receipt Total:	\$21,527.86	\$0.00
														Deposit Total:	\$21,527.86	\$0.00
1085	4226	WNB	CR0215													
Paychex refund error																
			1086	Credit	A	02/27/15		Wire	1	M	Miscellaneous Customer					
						4226	E 01 005 105	000 000	305	Consult/Fees For Svc					153.97	0.00
														Receipt Total:	\$153.97	\$0.00
														Deposit Total:	\$153.97	\$0.00
														Report Total:	\$205,947.37	\$0.00

MASTER COPY

Technical Proposal for Audit
of
Bdote Learning Center

For Fiscal Year Ending
June 30, 2015

By
Malloy, Montague, Karnowski, Radosevich & Co., P.A.
5353 Wayzata Boulevard
Suite 410
Minneapolis, MN 55416
James H. Eichten, Principal
(952) 545-0424
E-mail: jeichten@mmkr.com
Due Date: March 13, 2015

Bdote Learning Center
For Fiscal Year Ending
June 30, 2015

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For Fiscal Year Ending
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March 13, 2015

Ms. Nichole E. Schmidt, Controller
CliftonLarsonAllen
220 South Sixth Street, Suite 300
Minneapolis, MN 55402

Dear Ms. Schmidt:

We are pleased to submit this proposal to provide auditing services for Bdote Learning Center (the Center).

Our audits will be conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial and compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act; the provisions of the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the provisions of the *Legal Compliance Audit Guide*, promulgated by the Office of the State Auditor pursuant to Minnesota Statute § 6.65, and any other applicable state or federal audit guide. We will review the Center's internal control and test accordingly.

We believe we are best qualified to perform the engagement for the following reasons:

- Our experience providing auditing, accounting, and consulting services to Minnesota charter schools, school districts, cities, and affiliated organizations.
- Our knowledge of the complexities of public education funding in the state of Minnesota.
- Our expertise in financial reporting for charter schools and governmental entities.
- Our thorough and efficient audit process, during which we emphasize effective client communications and limited disruptions to client operations.

We anticipate issuing the following report letters in relation to the Center's audit:

1. An opinion on the fair presentation of the Center's basic financial statements in conformity with accounting principles generally accepted in the United States of America, with an "in relation to" opinion on the combining and individual fund financial statements and supporting schedules.
2. A report on compliance and internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
3. A report on compliance with Minnesota State Laws and Regulations.

We will also prepare federal tax Form 990 for the Center.

We understand that the Center does not expect to earn more than \$500,000 in federal funding during the year ending June 30, 2015 and does not expect to need a Single Audit of its Federal Awards Programs.

We will also provide a management report to communicate comments and recommendations as a result of the audit. This management report will include a discussion of all financial reporting and internal control-related findings, including Minnesota Legal Compliance findings. This report also includes an analysis of the Center's financial condition, discussion of the Center's fiscal performance compared to prior years and other schools, recommendations to management on improving its accounting system and financial reports, and an update on prior year audit issues.

If our audit procedures indicate that material errors, illegal acts, or other irregularities might exist, we will make an immediate, written report to the Director of the Center and/or other school officials as appropriate.

Our management report will include the formal communications to the Center's audit/finance committee or its equivalent as required by Statement on Auditing Standards No. 114, *The Auditor's Communication With Those Charged With Governance*, including:

- The auditor's responsibility under auditing standards generally accepted in the United States of America,
- Significant accounting policies,
- Management judgments and accounting estimates,
- Significant audit adjustments,
- Other information in documents containing audited financial statements,
- Disagreements with management,
- Management consultation with other accountants,
- Major issues discussed with management prior to retention, and
- Difficulties encountered in performing the audit.

We understand that you will provide us with the basic information required for our audit and that you are responsible for the accuracy and completeness of that information. We will advise you about appropriate accounting principles and their application and will assist in the preparation of your financial statements, but the responsibility for the financial statements remains with you. This responsibility includes the maintenance of adequate records and related internal control policies, the selection and application of accounting principles, and the safeguarding of assets.

The assistance to be supplied by your personnel, including the preparation of schedules and analysis of accounts, typing all cash or other confirmations we request, and locating any invoices selected by us for testing, will be discussed and coordinated with you.

We understand that we will be responsible for preparing the initial draft of the financial statements, notes, and supporting schedules. We will also be responsible for typing and reproducing the financial statements. Prior to issuance of the final audit report, we shall review the report draft, management report, internal control letters, and any other required state or federal compliance reports with the Center's management.

This proposal presents our qualifications, but we ask that you contact any one of our references herein to provide you with the most convincing evidence. It is our belief that every addition to our client group is a result of existing clientele who are more than satisfied with our services.

To help with your evaluation, the following is a "Summary of Key Qualifications" for quick reference. Please refer to other sections of our proposal for more detailed information.

SUMMARY OF KEY QUALIFICATIONS

A. Quality

- Our firm emphasizes quality service, accomplished by recruiting and developing high quality personnel.
- We are a member of the Governmental Audit Quality Center of the American Institute of Certified Public Accountants. The center maintains standards for quality control in governmental audits for CPA firms nation-wide.

B. Experience and Expertise:

- Our firm has specialized in providing audit services to charter schools and governmental entities for over 50 years. Last year we audited approximately 30 school districts, 30 charter schools, 25 municipalities, and numerous other governmental and related organizations.
- Malloy, Montague, Karnowski, Radosevich & Co., P.A. (MMKR) is an industry leader in providing guidance to Minnesota charter schools and local governments on the accounting and reporting standards established in Governmental Accounting Standards Board (GASB) Statements. Over the last several years, we have assisted our charter schools and local government clients with implementing many new standards, such as GASB Statement Nos. 34, 45, and 54. This process has provided us with a practical understanding of these new standards that can only be gained by firsthand experience.
- Our firm performs dozens of Single Audits of Federal Awards expenditures each year.
- In addition to audits, we provide our clients with a wide range of consulting services, including management and operational reviews, budget development and monitoring, cash flow projections, human resources consulting, and payroll tax and employee benefit-related matters.
- As a result of our large charter school and governmental audit practice, we have a large pool of knowledgeable and experienced auditors. Our professionals receive extensive continuing education with internal and external seminars specifically for charter school and governmental audits.
- MMKR professionals are active members of many professional organizations and committees, including the Minnesota Government Finance Officers Association (MnGFOA) and the Minnesota Society of Certified Public Accountants (MNCPA). Our professionals have held various leadership positions on the MNCPA Board of Directors. We are also active in various MNCPA committees, which include planning, moderating, and presenting at the annual charter school, city, and school district audit workshops, committee work on Single Audit implementation, and quality reviews.

- On our staff we have reviewers for both the National Government Finance Officers Association (GFOA) and the Association of School Business Officials (ASBO) Certificate of Excellence in Financial Reporting Programs. We have assisted numerous clients with obtaining certificates on first-time submissions and with retaining certificates in subsequent years.
- MMKR professionals are also active members of the American Institute of Certified Public Accountants (AICPA). This active role includes being a member of the AICPA Council; a 400-member group representing members from around the country that provides strategic planning and direction to the AICPA Board of Directors.
- Over the years, we have developed many customized audit tools, techniques, and paperless workpaper and report formats which allow us to perform our audits efficiently and with minimal disruption to our clients' operations.

C. Service:

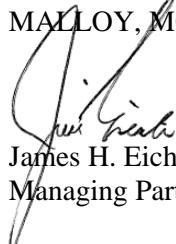
- Excellent client satisfaction supported by a very high client retention record.
- Our client references are our best proof of service commitment; please feel free to call them.
- We are much more than an audit firm—our clients receive many additional benefits and services.

We hope you will give our firm and proposal due consideration. We will provide the administration and Board the kind of quality and timely service you expect and demand from your auditors. If you have any questions, please contact James H. Eichten, Managing Partner. This proposal is a firm and irrevocable offer for ninety (90) days.

I certify that I am entitled to represent the firm, empowered to submit this proposal, and authorized to sign a contract with the Center.

Sincerely,

MALLOY, MONTAGUE, KARNOWSKI, RADOSEVICH & CO., P.A.



James H. Eichten, CPA
Managing Partner

JHE:hls

Technical Proposal for Audit
of
Bdote Learning Center
For Fiscal Year Ending
June 30, 2015

By
Malloy, Montague, Karnowski, Radosevich & Co., P.A.

I. INDEPENDENCE

Malloy, Montague, Karnowski, Radosevich & Co., P.A. (MMKR) is independent with respect to Bdote Learning Center (the Center) as defined by auditing standards generally accepted in the United States of America and the U.S. General Accounting Office's *Government Auditing Standards*.

MMKR has had no professional relationships involving the Center for each of the past five years.

II. LICENSE TO PRACTICE IN MINNESOTA

MMKR and all assigned key professional staff are properly licensed to practice in Minnesota and shall remain so for the length of this engagement.

**III. MALLOY, MONTAGUE, KARNOWSKI, RADOSEVICH & CO., P.A.
QUALIFICATIONS AND EXPERIENCE**

A. Organization and Goals

MMKR is a local CPA firm and a member of the Governmental Audit Quality Center (GAQC) of the American Institute of Certified Public Accountants (AICPA). MMKR has been a member of the GAQC since its inception.

The principals and professionals of MMKR perceive their firm as unique in its organizational structure and in the client-oriented approach taken to the management of its practice. Personalized principal attention is built into our services. Principal attention to client operations is typically a key to the reappointment of MMKR and the continuity of quality service for clients. This, in turn, symbolizes both the caliber of services we render and also the attention we as a firm devote to staff development.

We have established an enviable reputation as a high-quality firm that gives total commitment to its clients. That reputation is built on the thoroughness and integrity of our audit practice and full range of tax, data processing, and other advisory services.

In the current litigious environment, which is bringing into question the effectiveness of the audit process, we believe that no other firm's reputation for quality surpasses our own. MMKR has never been claimed as a defendant in any lawsuit or other legal action.

B. Location and Size of Malloy, Montague, Karnowski, Radosevich & Co., P.A.

Our office, which is located on the west side of Minneapolis in the City of St. Louis Park at the intersection of Highways 394 and 100, is staffed by approximately 30 individuals.

C. Personnel Experienced in School Districts and Charter Schools

The following lists those professionals by classification and years of experience who have substantial charter school experience:

<u>Classification</u>	<u>Number</u>	<u>Experience</u>
Principals	5	Up to 27 years
Senior Managers	2	Up to 10 years
Managers and Senior Consultants	2	Up to 9 years
Senior Associates	2	Up to 9 years
Associates and Staff Accountants	10	Up to 2 years

One principal and one senior associate will be used on this engagement on a full-time basis. Additional professional staff will be used on an as-needed basis.

D. Memberships in Professional/Civic Organizations

MMKR, the principals, and all professional staff with CPA certificates belong to the following accounting organizations, as applicable:

AICPA – American Institute of Certified Public Accountants
MNCPA – Minnesota Society of Certified Public Accountants

Membership in governmental-oriented professional organizations includes the following:

ASBO (National) – Association of School Business Officials
MASBO (State) – Minnesota Association of School Business Officials
GFOA (National) – Government Finance Officers Association
MnGFOA (State) – Minnesota Government Finance Officers Association
MNCPA – Minnesota Society of Certified Public Accountants
MACS (State) – Minnesota Association of Charter Schools

Other professional organizations include:

AGC – Association of General Contractors
Chamber of Commerce of the United States
Minnesota Association of Commerce and Industry
Twin West Chamber of Commerce
Minnesota Office Systems Association
Minnesota Council of Nonprofits

The principals and staff are also heavily involved in civic and community activities. Memberships in all of these organizations are not passive. They are active memberships, particularly in professional accounting and trade/industry organizations.

Principals and managers participate heavily in trade/industry associations (i.e. GFOA, MASBO, MnGFOA, etc.). That participation involves making presentations, serving on planning committees, and serving as panel members and/or moderators. MASBO and MnGFOA presentations have included such topics as: Implementation Issues of Governmental Accounting Standards Board (GASB) Statement Nos. 34, 43, 45, 54, 63, and 65; GFOA Certificate of Achievement for Excellence in Financial Reporting; GASB Updates; and Budget Projections.

For many years various principals and staff have actively participated in the activities of the Governmental Accounting and Auditing Committees of the MNCPA. Principal and staff involvement with the work of the committee, often in the position of committee and subcommittee chair, includes quality review of annual governmental audit reports, technical developments, and annual city and school district workshops. We are frequent speakers at these workshops covering such topics as: Preparation of Comprehensive Annual Financial Reports; Arbitrage; Review of Governmental Annual Audit Reports; the New Quality Review Program Mandated by the Revised GAO *Government Auditing Standards*; and Financial and Compliance Auditing Under the New Statements on Auditing Standards.

E. Continuing Professional Education (CPE)

The primary goal of MMKR's professional education is to enable principals and professionals to provide unparalleled services to the firm's clients. We achieve this by a continuing process of setting and maintaining the highest standards of competence for our principals and professionals.

To meet this primary goal, we believe that all training must be responsive to two needs: 1) the firm's standards of performance, and 2) the growth and development of the firm's personnel. Generally, in the early years of a professional's career, the firm assumes much of the responsibility for planning and providing the necessary training. With more experience, the individual assumes more of the initiative in determining his or her own training needs and objectives. The responsibility for education in public accounting, therefore, is shared.

The firm's continuing education approach combines on-the-job and varied formal training. The formal programs are supplemented by a wide range of specialized publications on technical topics which individuals in the firm use to expand their professional development.

Professional regulations require a 40-hour average annual CPE minimum requirement for each principal and professional. Past years' experience has shown that the 40-hour average is not sufficient to meet today's fast-changing educational demands. Accordingly, most MMKR professionals routinely exceed this requirement. We believe this demonstrates our dedication to the necessity for ongoing education.

A significant portion of the CPE of the individuals assigned to your audit centers around various aspects of charter school and governmental accounting and auditing. Many of these individuals have also served as instructors for both internal and external seminars. These seminars include those sponsored by the MNCPA, MASBO, GFOA, internally produced, and others.

F. Malloy, Montague, Karnowski, Radosevich & Co., P.A. Quality Control

MMKR is a member of the GAQC of the AICPA and as such is subjected to a peer review in accordance with the membership requirements of the center.

MMKR is committed to providing our clients with professional services of the highest quality. In order to satisfy this commitment, we have developed a quality control program which we believe is unsurpassed in our profession.

Our program is based on two fundamental principles adopted by our firm. First, in order to provide quality service, a firm must attract, retain, and develop highly competent staff members. Second, it must have an organizational structure and operating policies that will facilitate the execution of an effective quality control program. We believe the information that follows demonstrates our commitment to these principles.

An effective quality control program begins with quality personnel and we believe that our staff recruitment and professional development programs are among the finest in the country. This is evidenced by the fact that:

- We annually recruit new staff members from the top colleges and universities in the upper Midwest.
- All of our professional staff members are college graduates.
- It is our firm policy that all audit staff members at the manager level or above must be licensed certified public accountants.
- Our professional principals and staff members are required to participate in an average of 40 or more hours of formal instruction each year.
- Our firm strongly supports and encourages the participation by staff members in professional and civic organizations in their communities. We believe that such participation enhances our staff members' professional growth and sense of public responsibility.
- Our formal professional development program includes a review of staff members' performance on each engagement of more than one week's duration and formal career counseling.

Additionally, our firm is structured and our operating policies designed to ensure the highest possible standards of practice. This is evidenced by the fact that our firm policies require the following review procedures be employed for every engagement:

- An audit plan must be prepared prior to the start of every audit. The plan must address such topics as audit scope, staffing potential, audit issues, audit timing, and significant economic or other external factors that may affect the client's operations. The audit plan must be reviewed and approved by the audit engagement principal during the initial stages of the audit.
- All audit programs and time budgets must be approved, in writing, by the audit engagement principal prior to the start of the fieldwork.
- Each working paper must be signed and dated by the preparer.
- Every working paper must be reviewed and approved by a manager or senior associate.
- The working papers for all significant audit areas must be reviewed by the audit principal.
- An independent review of all draft reports and specified supporting documentation must be made by a principal or manager not otherwise associated with the engagement.
- Specialized audit programs are used for specific industries, including charter schools, governments, and school districts. Such programs are updated annually to reflect changes in audit and accounting standards.

G. Peer Review

MMKR has successfully completed all required peer reviews. Copies of the reports from our last two peer reviews, which included a review of specific charter school and government engagements, are included in Appendix A.

H. No Regulatory or Disciplinary Action

In September 2011, MMKR had a file routinely selected by the U.S. Department of Education, Office of the Inspector General for a Federal Quality Control Review of one of our Federal Single Audits. We received notification in December 2011, based on their review, that no departures from U.S. Generally Accepted Auditing Standards, *Government Auditing Standards*, or the U.S. Office of Management and Budget (OMB) Circular A-133 were identified.

MMKR has not had any other federal or state desk reviews or field reviews of its audits for the past three years. In addition, no disciplinary action has been taken or is pending against MMKR during the past three years with Minnesota state regulatory bodies or professional organizations. No regulatory action has been taken against any MMKR staff person.

IV. PRINCIPAL, SUPERVISORY, AND STAFF QUALIFICATIONS AND EXPERIENCE

A. Assignment Policy

MMKR has a governmental auditing and accounting department. Professionals of this department have extensive experience in governmental (fund) accounting, and particularly in school auditing and special services. The reason is that the firm is involved in extensive governmental work (schools, state agencies, consortiums, federal grants, cities, special management services, etc.).

Governmental services represented approximately 60 percent of MMKR's total billings. Most importantly to you, of course, is our experience with schools. We annually serve approximately 30 charter schools and 30 school districts of varying size. Accordingly, our professional staff members work on several charter schools every year, thus accumulating a significant amount of experience in a few years in a very complex field. You, as a client, get the benefit of that acquired experience and knowledge.

The firm's policy for charter school assignments typically requires a principal, a senior associate, and additional associates of varying qualifications as deemed necessary in the circumstances.

The same principal and senior associate are assigned in subsequent years, but associates may vary to some extent. After several years the situation is reviewed. If it is in the best interest of the client and/or the firm to change staff members (to maintain independence, etc.) such a change is made.

B. Personnel Assigned, Classification, and Experience

We presently have a number of professionals with specific charter school auditing/special services experience. Each one works on approximately a dozen schools, which adds significantly to their overall knowledge and capabilities. This, of course, enhances MMKR's qualifications.

We contemplate the following assignments:

<u>Classification</u>	<u>Name</u>	<u>Experience</u>
Principal	James H. Eichten, CPA	28 years
Senior Associate	Travis J. Byrne	3 years

MMKR assures the Center that the quality of the staffing, similar to what is listed above, will be maintained over the term of the agreement. Because MMKR performs more than 85 governmental audits, it is only natural that MMKR has a large pool of qualified and experienced charter school and governmental auditors.

No complaints against any of our staff have been leveled by the State Board of Accountancy or other regulatory authority.

Individuals who work on audits and attestation engagements subject to *Government Auditing Standards*, including planning, directing, performing fieldwork, or reporting, complete at least 24 hours of CPE every 2 years that directly relates to government auditing, the government environment, or the specific or unique environment in which the audited entity operates. In addition, auditors who do any amount of planning, directing, or reporting on Yellow Book assignments and auditors who are not involved in those activities but charge at least 20 percent of their time annually to Yellow Book assignments are required to also obtain at least another 56 hours (for a total of 80 hours) of CPE that enhances their professional proficiency to perform audits or accounting engagements.

Memberships in professional organizations are summarized on the résumés of the above individuals. The résumés are included in Appendix B.

V. SIMILAR ENGAGEMENTS WITH OTHER GOVERNMENT ENTITIES

A. Complete Listing of Significant Governmental Audit Clients

The following is a more complete list of the major governmental entities for which we have performed/are performing audit and accounting services and, where applicable, Single Audits of federal assistance programs. In addition, for all public school districts listed, our services included financial and compliance audits of student activities, as applicable. The size of these organizations range from smaller entities to those exceeding \$525 million in assets and over \$470 million in revenues. Audit clients that have applied for or been awarded the ASBO or GFOA Certificate of Excellence in Financial Reporting are identified with an “*”.

Achieve Language Academy	* ISD No. 11, Anoka-Hennepin	* City of Apple Valley
ARCH Academy	ISD No. 12, Centennial	* City of Arden Hills
Athlos Leadership Academy	ISD No. 15, St. Francis	* City of Brooklyn Center
Aurora Charter School	* ISD No. 16, Spring Lake Park	* City of Burnsville
BlueSky Charter School, Inc.	ISD No. 139, Rush City	* City of Chaska
City Academy	ISD No. 194, Lakeville	City of Circle Pines
Cyber Village Academy	* ISD No. 196, Rosemount –	* City of Coon Rapids
DaVinci Academy of Arts and Science	Apple Valley – Eagan ISD No. 197, West St. Paul	* City of Edina
East Central Minnesota Educational Cable Cooperative	* ISD No. 199, Inver Grove Heights ISD No. 200, Hastings	* City of Golden Valley * City of Lakeville
East Metro Integration District No. 6067	ISD No. 273, Edina ISD No. 278, Orono	* City of Monticello * City of Mounds View City of New Hope
East Range Academy of Technology and Science	* ISD No. 279, Osseo – Maple Grove ISD No. 280, Richfield	* City of Newport * City of North St. Paul
El Colegio Charter School	* ISD No. 281, Robbinsdale Area Schools	* City of Plymouth City of Prior Lake
Higher Ground Academy	ISD No. 286, Brooklyn Center	* City of Ramsey
International Spanish Language Academy	ISD No. 578, Pine City	* City of Robbinsdale
Laura Jeffrey Academy	* ISD No. 621, Mounds View ISD No. 622, North St. Paul	* City of Saint Peter City of Shoreview
Lionsgate Academy	* ISD No. 624, White Bear Lake	City of South St. Paul
Main Street School of Performing Arts	ISD No. 625, Saint Paul Public Schools	* City of Spring Park City of St. Michael
Metro Deaf School, Inc.	* ISD No. 728, Elk River ISD No. 831, Forest Lake	City of Wayzata Metropolitan Library Service Agency
New City School	ISD No. 832, Mahtomedi	Minnesota State Fair
New Heights Schools, Inc.	* ISD No. 833, South Washington County Schools	
Oak Land Cooperative Center	* ISD No. 834, Stillwater	
Prairie Seeds Academy	ISD No. 911, Cambridge Intermediate District No. 287	
Rum River Special Education Cooperative	Intermediate School District No. 917 Northeast Metropolitan Intermediate School District No. 916	
Seven Hills Classical Academy	SSD No. 6, South St. Paul	
Twin Cities Academy		
Twin Cities Academy High School		
West Metro Education Program		
West Side Summit		

B. Other Services

In addition to audit services, there are a number of other special services and benefits MMKR offers its clients. Some of them are as follows:

- Assistance in audit workpaper preparation and year-end close process.
- Assistance with revenue projection reviews, with a special emphasis on state aids, including special education.
- Operational or management audits to assist schools in achieving the highest standards of operation and long-range planning.

Some of the areas which we have reviewed during an operational audit are:

- Organizational structure
 - Food service operations
 - Facilities
 - Financial planning, control, and reporting
 - Meetings/minutes format and structure
 - Personnel policies and procedures
 - Budget process and procedures
 - Community service operations
-
- Assistance with information systems issues based on our extensive experience with the various financial systems used by Minnesota schools.
 - Assistance with financial projections, budget development, and other financial matters.
 - Semimonthly cash flow projections, numerically and graphically.
 - Assistance with special education EDRS and tuition billing projects.
 - Assistance in obtaining Certificate of Achievement for Excellence in Financial Reporting Award.
 - Tax consultation availability for income, payroll, and employee benefit-related matters.
 - Assistance with salary negotiation costing.
 - Extensive involvement and participation in school-related organizations, meetings, seminars, and hearings (ASBO, MASBO, UFARS, MNCAs School Districts and Local Government Audit Conferences, etc.) to ensure that we are our clients' best resource for current developments.
 - Special services, such as developing and customizing Student Activity Accounting and Legal Compliance Manuals; preparation of general fixed asset records; forms and procedures for legal compliance in handling gifts, record retention, etc.; irregularities investigations; development of an accounting system for a special education program; establishing a recording system for contracts for new building company construction; and many other special services too numerous to mention.
 - Assistance in evaluation of finalists selected for key fiscal management positions of the Center; summarization of qualifications and recommendations.
 - The benefits (experience, quality, stability, etc.) are inherent in our exemplary retention record. We have served several clients over 25 years. We rarely lose clients once we have served them.
 - Monthly and annual newsletter mailings which keep our clients informed of federal and state taxation issues.

- Close monitoring of the ongoing activity of the Minnesota Legislature to keep abreast of the latest legislative intents and proposals in order to be a resource to our clients when they are evaluating the impacts of pending legislation.
- Frequent communications with key finance staff members of the Minnesota Department of Education (MDE), including inquiries on behalf of our clients.

These are only a few examples of the many other services we can provide. We would be glad to provide you with specific referrals relating to the above services upon request. We often respond to client inquiries on a no-cost basis, believing that such assistance should be provided to our clients as part of good client service. Examples of such no-cost inquiries depend on the individual matter but would typically include payroll-related tax inquiries, technical inquiries relating to proper accounting or auditing procedures, or other inquiries related to best business practices or internal control matters in general.

VI. FINANCIAL REPORTING REQUIREMENTS OF THE GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB)

The GASB has recently issued some of the most significant new technical pronouncements for governmental accounting and reporting in recent history. These statements include GASB Statement No. 34, *Financial Reporting Model*; GASB Statement No. 40, *Deposits and Investments*; GASB Statement Nos. 43 and 45, *Other Post-Employment Benefits*; GASB Statement No. 44, *Statistical Section*; GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*; GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*; and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. These statements prescribe significant changes to governmental financial reports that must be used by virtually every governmental organization that issues financial statements in conformity with accounting principles generally accepted in the United States of America. These represent dramatic changes in the way local government entities must report and present financial information.

A. Malloy, Montague, Karnowski, Radosevich & Co., P.A.'s Experience With GASB Statements

MMKR is dedicated to educating ourselves and our clients in the intricacies of the new pronouncements. Through a combination of professional education and an abundance of hands-on experience, our governmental audit team has acquired the knowledge and expertise necessary to guide our clients through the implementation of these complex pronouncements.

Our experience in assisting Minnesota governmental entities with the implementation of GASB Statements is second to none. MMKR has taken a proactive approach in assuring that our clients are prepared to meet the challenge of implementing new GASB standards.

Through our management reports and annual audit presentations, we have communicated to our clients' governing bodies and constituents the impact any change will have on both their annual financial reports and the resources of their finance departments. We have also worked closely with our clients' management and staff to devise implementation plans and provide assistance with a myriad of related technical issues.

Beyond this, our firm has played an active leadership role as a resource on this issue amongst the Minnesota school district community and our peers. MMKR professionals have been called on to give numerous presentations at a variety of industry seminars on different aspects of GASB Statements. We have also been active participants on several committees formed to address the impact of these pronouncements on local governmental units, including the Accounting Guidelines Committee of the MDE.

B. Assistance With Standards of GASB Statements

The services that MMKR provides to districts implementing and complying with GASB Statements vary greatly according to their needs. However, the following are some of the areas where we have typically provided assistance.

We have provided assistance in this area in a number of ways, including taking part in planning meetings, helping to develop compliance plans, and providing MMKR-developed checklists and other tools. We help our clients set timelines and assign tasks, identify areas where MMKR or other outside consultants will be used, identify and resolve the numerous report presentation issues inherent in these standards, and identify steps that are best completed prior to the year-end audit.

Another critical, and often overlooked, factor of a successful financial report under the new reporting guidelines is communication. As previously mentioned, MMKR has been proactive in preparing our clients' school boards and citizens for change. We also use opportunities such as school board presentations and workshops to help the financial statement users understand these new statement standards. In addition, MMKR has been involved in helping finance departments to communicate with school boards, outside consultants, and other departments within schools to help coordinate the resources necessary to comply with these standards.

MMKR also works closely with all of our clients in preparing for the audit, helping them identify the areas where additional schedules or audit procedures will be required due to new GASB Statements. We offer our clients internally-developed checklists and electronic workpaper templates to make their audit preparations as efficient as possible, although we are always willing to work with client-prepared schedules in whatever formats they prefer. We also help our clients interpret the technical aspects of GASB Statements and the related pronouncements. All through the audit process, from planning through report preparation, we work closely with our clients to assure these new standards are properly applied.

Finally, the area where we typically provide the most assistance is financial statement preparation. MMKR takes great pride in the quality of our clients' financial statements, whether we are reviewing a client-prepared report, or drafting the statement for them. We offer our clients the use of MMKR-developed financial statement templates and example note disclosures. Also, every report that bears our opinion goes through an extensive review process to help ensure accuracy and compliance with governmental reporting standards.

VII. SPECIFIC AUDIT APPROACH

MMKR uses a two-step approach to auditing charter schools. First, we review, document, and test the Center's internal control to meet audit requirements, including the Committee on Sponsoring Organizations (COSO) model of Statement on Auditing Standards (SAS) Suite requirements relating to both the basic financial statements and federal financial assistance programs. Second, we perform substantive tests of account balances, which include analytical review procedures and tests of compliance with laws and regulations. Our audit approach satisfies the requirements of auditing standards generally accepted in the United States of America; the standards for financial compliance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act; and the provisions of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. This audit approach uses a combination of audit programs, including those that are firm-generated and those that are developed specifically for governmental audits by Practitioners Publishing Company.

A. Proposed Segmentation of the Engagement (see schedule on following page)

B. Level of Staff and Number of Hours to be Assigned to Each Proposed Segment of the Engagement (see schedule on following page)

Segmentation of Audit for the 2015 Fiscal Year –
Bdote Learning Center

Entrance conferences (June/July 2015)

Introduction, planning, and organization meeting with center management, to include principal and supervisory staff in charge of audit. A list of all schedules to be prepared by the Center will be provided to your staff.

Principals	1	Senior Associates	1	Associates	–	Clerical	–	Total	2
	–		4		4		1		9

Preliminary fieldwork (June/July 2015)

Final fieldwork (August 2015)

At this time we would complete all phases of audit testing and conduct our review of the financial statements. This portion comprises the majority of the total audit work.

Principals	10	Senior Associates	29	Associates	36	Clerical	7	Total	82
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Exit conference (approximately one month after final fieldwork)

Summarizes results of fieldwork and reviews significant findings. MMKR will deliver initial report drafts.

Principals	–	Senior Associates	1	Associates	–	Clerical	–	Total	1
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Delivery of final reports (October/November 2015)

Presentation at Board meeting

Principals	1	Senior Associates	–	Associates	–	Clerical	–	Total	1
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Total hours

Principals	12	Senior Associates	35	Associates	40	Clerical	8	Total	95
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C. Sample Sizes and the Extent to Which Sampling is to be Used in the Engagement

MMKR uses audit sampling techniques for both substantive and compliance testing. The sample size selected depends on the nature of the item to be tested, audit and sampling risk factors, and the amount of tolerable error. Once the sample size has been determined, the sample items are typically selected using a haphazard, random, or systematic method depending on the item tested or risk identified.

The following summarizes anticipated sample sizes in the primary audit areas:

Overall disbursement testing –

General disbursements	25–40 items
Payroll disbursements	25–40 items

Revenue testing –

Revenues from customers and state aids	Items as needed
--	-----------------

All balance sheet accounts are tested using various sample sizes depending on the dollar amount in the account balance and audit risk. Balance sheet accounts tested include cash, investments, receivables, inventory, prepaid items, property and equipment, other post-employment benefit obligations, accounts payable, salaries and compensated absences payable, bonds and other long-term debt, deferred revenue, and fund balances.

Minnesota legal compliance sample sizes depend on the applicable requirement being tested.

D. Extent of Use of Technology in the Engagement

At MMKR, we audit clients with a wide variety of computer systems. Due to the size of our governmental audit practice, we are familiar with most financial software packages used by Minnesota charter schools. This experience gives us the ability to extract reports and other critical data needed from our clients' systems efficiently.

We were one of the first CPA firms in the state to use computers in the field for auditing charter schools. Over the years, because of the number of charter schools we work with, we have dedicated significant resources to continually upgrading both the hardware and customized software used for these audits. We utilize a “paperless” audit process. Our audit teams utilize networked notebook computers in the field for the efficient sharing of data between audit team members and our clients. During our audit, we utilize client-prepared workpapers in electronic format, data extracted from our clients' computer systems, and direct “read only” access to client data, when available, to facilitate our audit testing and financial statement analysis.

MMKR's goal is to make optimum use of available technology in order to enhance both the quality and efficiency of our audit process. We believe that by maximizing the sharing of information between MMKR and our clients, we are able to minimize the disruption caused by the audit.

E. Type and Extent of Analytical Procedures to be Used in the Engagement

MMKR uses analytical procedures in all phases of the audit. Analytical procedures are incorporated as a planning tool, as part of substantive testing, in the final review stages of the audit, and in reporting.

In the planning stage, analytical procedures are used to indicate areas of potential audit risk, and to determine the nature, timing, and extent of planned substantive testing. Material revenues, expenditures, and balance sheet accounts are compared to the current year's budget and/or prior year actual amounts to identify accounts that vary significantly from expectations. In this phase of the audit, analytical review is typically done at an aggregated level, unless specific variances are considered to warrant further investigation.

Analytical procedures are a key tool used in the substantive testing phase of all significant audit areas. In this phase of the audit, analytical procedures are applied to individually significant accounts. Some of the most common types of analytical tests employed include: comparison to current year budget and/or prior year actual amounts; analysis of significant ratios; comparison to available industry-wide data; and reasonableness tests where actual results are compared to expected results that are based on other known financial or nonfinancial variables related to the account being analyzed.

In the final review state of the audit, these same types of analytical procedures are applied to the final trial balance and the draft financial statements. The purpose of applying analytical procedures at this stage is to assist in assessing the conclusions reached during the audit and the adequacy of the audit evidence gathered. They are also used to evaluate the overall financial statement presentation.

At MMKR, we also incorporate analytical comparisons in our management report. We believe that providing historical trend data and comparisons to state-wide averages enhances the perspective of the reader for interpreting their own financial results.

F. Approach to be Taken to Gain and Document an Understanding of the Center's Internal Control

MMKR first gains an understanding of the internal control through interviews with the specific employees of the Center that work in each function, including a review and analysis of written accounting policies and procedures of the Center. The understanding for each function is documented through the use of question and answer checklists and in written narrative form. This understanding is then confirmed through transaction testing, walkthrough observations, inquiry, observation, or other audit procedures.

G. Approach to be Taken in Determining Laws and Regulations That Will be Subject to Audit Test Work

All federal programs used in the Center will be identified through inquiries of center program and finance personnel and reviewing the state aid confirmation (for federal programs for which the state of Minnesota serves as a pass-through agency). Federal program *Compliance Supplement* requirements will be identified as necessary.

The Minnesota Legal Compliance Audit Manual will also be used to determine laws and regulations that will be subject to audit test work. Beyond that, MMKR utilizes numerous other resources such as regular communication with applicable federal and state oversight agencies and regulatory bodies, professional education, active participation in relevant professional organizations, an extensive and up-to-date library, and our experience in working with Minnesota schools to ensure that all applicable laws and regulations are addressed by our audit procedures.

MMKR then determines appropriate substantive audit testing methods and sample sizes to test compliance in these areas. Whenever possible, compliance testing is done as part of a dual or multi-purpose test that also provides substantive audit evidence.

H. Approach to be Taken in Drawing Audit Samples for Purposes of Tests of Compliance

MMKR uses a software program to generate the selection of sample items for purposes of its tests of compliance. This process is also incorporated into the required tests of controls as required by Statement on Auditing Standards Nos. 104–111 (SAS Suite).

VIII. IDENTIFICATION OF ANTICIPATED POTENTIAL AUDIT PROBLEMS

No potential audit problems are anticipated. If problems are identified during the audit procedures, the audit principal is required to be notified by the audit team. Once a problem is understood by the engagement principal, the problem is communicated both verbally and in written form to center management. If any special assistance is required by the Center, it will also be communicated to you at that time.

IX. WORKPAPER LISTING AND TEMPLATES

In order to facilitate an efficient audit we have developed a comprehensive checklist which we provide to our audit clients as a preparation tool for the annual audit. Because we work with a number of schools similar to the Center, we have also developed workpaper templates for each individual audit section. These workpapers are created in Microsoft Word or Excel and allow data to flow easily between finance reports into the audited financial statement presentation. We will work with your staff to provide any templates desired by the Center during interim audit work or earlier if preferred.

X. REQUIRED DEADLINES

We do not anticipate any problems meeting the required deadlines for submitting audited fund balances and the audit report to the MDE by the required deadlines.

APPENDIX A: PEER REVIEWS

System Review Report

To the Principals of Malloy, Montague, Karnowski, Radosevich and Co., P.A.
and the Peer Review Committee of the Minnesota Society of CPAs

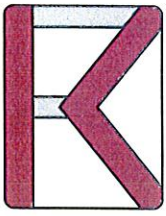
We have reviewed the system of quality control for the accounting and auditing practice of Malloy, Montague, Karnowski, Radosevich and Co., P.A. (the firm) in effect for the year ended May 31, 2013. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards* and an audit of an employee benefit plan.

In our opinion, the system of quality control for the accounting and auditing practice of Malloy, Montague, Karnowski, Radosevich and Co., P.A. in effect for the year ended May 31, 2013, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Malloy, Montague, Karnowski, Radosevich and Co., P.A. has received a peer review rating of *pass*.

KerberRose SC

KerberRose SC
September 19, 2013



KERBER, ROSE & ASSOCIATES, S.C.

Certified Public Accountants

4211 N. Lightning Drive, Suite A • Appleton, WI 54913
(920) 993-0105 • Fax (920) 993-0116
(888) 725-5277

System Review Report

To the Principals of Malloy, Montague, Karnowski, Radosevich and Co., P.A.
and the Peer Review Committee of the Minnesota Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Malloy, Montague, Karnowski, Radosevich and Co., P.A. (the firm) in effect for the year ended May 31, 2010. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

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Kerber, Rose & Associates, S.C.
KERBER, ROSE & ASSOCIATES, S.C.
September 23, 2010

APPENDIX B: RÉSUMÉS

QUALIFICATIONS OF
JAMES H. EICHTEN, CPA
MANAGING PARTNER

PROFESSIONAL HISTORY

Present	Managing Partner – Malloy, Montague, Karnowski, Radosevich & Co., P.A., Minneapolis, Minnesota
Previous	Senior Accountant of Pannell Kerr Forster, Minneapolis office

MAJOR ASSIGNMENTS

Annual audits of Minnesota school districts, municipalities, and various other governmental entities

Audits of federal financial assistance programs of Minnesota school districts, municipalities, and various other governmental entities

Assists city clients to obtain and retain the GFOA Certificate of Achievement for Excellence in Financial Reporting

Assists school district clients to obtain and retain the ASBO Certificate of Excellence in Financial Reporting

Management consulting services, including internal control studies, operational reviews, and cash flow projections

Assistance in the development of audit manuals for cities, school districts, fire reliefs, and federal financial assistance programs

Audits of various nonprofit organizations, including rural electric cooperatives, nursing homes, churches, and educational foundations

Annual audits of commercial entities, including preparation of tax returns and monthly compilations

EDUCATION

College of St. Thomas
Bachelor of Arts in Business Administration with an Emphasis in Accounting

QUALIFICATIONS OF
JAMES H. EICHTEN, CPA

PROFESSIONAL QUALIFICATIONS

Certified Public Accountant in Minnesota

Receives at least 40 hours per year of Continuing Professional Education, of which a portion of those hours are related specifically to governmental issues. This is in compliance with *Government Auditing Standards*

PROFESSIONAL MEMBERSHIPS

American Institute of Certified Public Accountants (AICPA)

Minnesota Society of Certified Public Accountants (MNCPA)

Minnesota Chapter of Government Finance Officers' Association (MnGFOA)

Minnesota and National Chapters of the Association of School Business Officials (MASBO)

PROFESSIONAL ACTIVITIES

Board Member of the MNCPA, including chairperson

Member of the Council of the AICPA

Served in many capacities on the MNCPA's Governmental Accounting and Auditing Committee

Chairperson of the MNCPA's Professional Standard Strategic Council

Served on committees of the Office of the State Auditor (OSA) and the Minnesota Department of Education (MDE), including implementation issues of GASB Statements

Special review committee member for the GFOA Certificate of Achievement for Excellence in Financial Reporting Programs

Has made presentations to organizations such as the MNCPA, AICPA, MnGFOA, MASBO, OSA, and MDE on subjects such as legislative issues, compliance requirements, implementation issues of GASB Statements, technical reviews, quality reviews, and obtaining a Certificate of Achievement for Excellence in Financial Reporting

QUALIFICATIONS OF
TRAVIS J. BYRNE
SENIOR ASSOCIATE

PROFESSIONAL HISTORY

Present

Senior Associate – Malloy, Montague, Karnowski, Radosevich & Co., P.A., Minneapolis, Minnesota

MAJOR ASSIGNMENTS

Annual audits of Minnesota school districts, municipalities, and various other governmental entities

Audits of federal financial assistance programs of Minnesota school districts, municipalities, and various other governmental entities

Assist governmental clients obtain and retain Certificate of Achievement from GFOA program

Assist school district clients obtain and retain ASBO Certificate of Excellence in Financial Reporting

Assistance in the development of audit manuals for cities, school districts, fire reliefs, and federal financial assistance programs

Various commercial and nonprofit audits and tax returns

EDUCATION

University of Minnesota-Duluth
Undergraduate Certificate in Accounting

PROFESSIONAL QUALIFICATIONS

Receives at least 40 hours per year of Continuing Professional Education, of which a portion of those hours are related specifically to governmental issues. This is in compliance with *Government Auditing Standards*

PROFESSIONAL MEMBERSHIPS

American Institute of Certified Public Accountants
(AICPA)

Minnesota Society of Certified Public Accountants
(MNCPA)

**APPENDIX C: SCHEDULE OF PROFESSIONAL
FEES AND EXPENSES**

SCHEDULE OF PROFESSIONAL FEES AND EXPENSES

BDO LEARNING CENTER

FOR PROFESSIONAL AUDITING SERVICES

By

Malloy, Montague, Karnowski, Radosevich & Co., P.A.

I certify that I am entitled to represent Malloy, Montague, Karnowski, Radosevich & Co., P.A., (MMKR) empowered to submit the bid, and authorized to sign a contract with Bdote Learning Center (the Center).

Signed:



James H. Eichten, CPA
Managing Partner

Estimated fees and expenses:

<u>Year Ended June 30,</u>	<u>Estimated Base Audit Fees and Expenses</u>	<u>Single Audit of Federal Awards Expenditures (if Necessary)</u>	<u>Preparation of Federal Form 990 (if Necessary)</u>
2015	<u>\$ 9,795</u>	<u>\$ 3,200</u>	<u>\$ 1,500</u>

Additional services hourly rates:

If it should become necessary for the Center to request the auditor to render any additional service to either supplement the services requested in this proposal or to perform additional work as a result of the specific recommendations included in any report issued on this engagement or as a result of new audit or accounting standards, then such additional work shall be performed only if set forth in an addendum to the contract between the Center and MMKR. Any such additional work agreed to between the Center and MMKR shall be performed at the same rates set forth in the Schedule of Professional Fees and Expenses.

APPENDIX C**SCHEDULE OF PROFESSIONAL FEES AND EXPENSES
FOR THE AUDIT OF THE 2015 FINANCIAL STATEMENTS**

	<u>Hours</u>	<u>Standard Hourly Rates</u>	<u>Quoted Hourly Rates</u>	<u>Total</u>
Base audit fees				
Principal	12	\$ 250	\$ 230	\$ 2,760
Senior Associate	35	100	90	3,150
Associates	40	85	85	3,400
Clerical	<u>8</u>	<u>50</u>	<u>45</u>	<u>360</u>
Subtotal	<u>95</u>			9,670
Out-of-pocket expenses				
Transportation, photocopies, postage, delivery, and supplies				<u>125</u>
Estimated base audit fee				<u>\$ 9,795</u>
Single Audit of Federal Awards Expenditures (if necessary)				<u>\$ 3,200</u>
Preparation of federal Form 990 (if necessary)				<u>\$ 1,500</u>



KDV



Proposal to Provide
Audit Services

Bdote Learning Center

March 6, 2015

Presented By:

KDV
3800 American Blvd W. Suite 1000
Minneapolis, MN 55431

Contact:

Matt Mayer
(mmayer@kdv.com)
952.563.6800

www.kdv.com



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- Appendix A – Proposed Fees
- Appendix B – Peer Review Report
- Appendix C – Sample Communications Letter



PROPOSAL SUMMARY

WHY KDV? – PROPOSAL SUMMARY

Thank you for the opportunity to partner with Bdote Learning Center to deliver audit services. As sought-after experts in the government industry we're confident that, as one of your trusted advisors, KDV will be an integral part of your daily operations.

You would work with a recognized leader in providing auditing and consulting services to Minnesota Charter Schools. Our differentiators that tie to what we understand as important to your School follows:

- **Personable and Personalized Approach:** You want a firm that listens to you, is easy to work with and cares about the success of the Learning Center. At KDV we design each audit specifically to you and never use a “cookie-cutter” approach.
- **Minnesota School Finance Expertise:** Your audit firm needs to understand how Charters operate and the environment in which they function is regulated. KDV audit professionals are dedicated to their industry and never need to be trained by their clients.
- **Value for Fee:** You operate your School efficiently and expect your professional services provider to do the same. An effective, common sense approach to performing the audit should equate to reasonable audit fees. You will never be surprised by our fees. You will never be charged for phone calls or inquiries throughout the year.
- **Respect Your Time:** We have the resources to perform your audit in July or August and meet with your Board very shortly into the school year to ensure you are receiving information in a timely manner. We are clear with you on things we need for the audit including timing and deadlines. In addition, at KDV, we strive for a two week turnaround, from fieldwork to meeting-ready documents. You will have a draft copy of your report and management letter within this timeframe.
- **Effective Communication:** You are looking for professionals who are willing to communicate effectively with professional courtesy and thoughtful direction that follows an efficient audit plan. We will provide practical suggestions for operation and internal control improvement, as needed, and provide effective communication with you and your Board.
- **Become a Trusted Advisor:** We have a goal to become our client's first call when you have a financial challenge. We understand we do not always have the answers, but will connect you with those that do. Your audit firm not only needs to say they are a resource, but help provide you with solutions. We understand that becoming a trusted advisor is an earned right.

You would work with a firm that prides itself on our long-term client relationships. We have heard from clients about our team members' commitment to their organization and how easy we are to do business with. Please feel free to contact us at 952.563.6800 with any questions. We thank you for the opportunity to present this proposal and look forward to learning of your decision.

The attached letter addresses the information you requested in your RFP.

Sincerely,

KERN, DEWENTER, VIERE, LTD.

A handwritten signature in black ink, appearing to read 'Matthew Mayer', with a stylized flourish at the end.

Matthew Mayer, CPA
Partner

TRANSMITTAL LETTER

Ms. Elaine Salinas
Mr. Graham Hartley
Mr. Mike Huerth
Ms. Nichole Schmidt
Bdote Learning Center
3216 East 29th Street
Minneapolis, MN 55406

Minneapolis
3800 American Blvd W.
Suite 1000
Minneapolis, MN 55431
T (952) 563 6800

St. Cloud
220 Park Ave S.
St. Cloud, MN 56301
T (320) 251 7010

Dear Ms. Salinas, Mr. Hartley, Mr. Huerth and Ms. Schmidt:

On behalf of KDV, I am pleased to submit this proposal for audit services for Bdote Learning Center. We appreciate the opportunity to bid these services and your consideration of our firm.

The attached proposal addresses the information you requested, including the unique qualifications of KDV, the depth and breadth of the services we will provide your School and our commitment to providing the highest quality work through a process that is both efficient and effective.

We are especially qualified because of our extensive experience working with charter schools and school districts in Minnesota. What makes us unique is not so much what we do, but how we do it. We believe our technical expertise, combined with our attention to service, will provide you with an audit process that is beneficial to your School.

Our services would include, but not be limited to, the following for years ending 2015 through 2017:

1. Performing an audit of the School in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, the provisions of the Federal Single Audit Act of 1996 and U.S. Office of Management and Budget (OMB) *Circular A-133, Audits of State and Local Governments*, and other federal, state and local requirements, as applicable.
2. Providing an opinion on the School's basic financial statements and an "in-relation to" report on the supporting schedules.
3. Providing separate reports required under *Government Auditing Standards*, the Single Audit Act (as applicable) and the *Minnesota Legal Compliance Guide for Local Governments*.
4. Drafting the School's financial statements and related note disclosures.

5. Reviewing, documenting and providing recommendations on improving the School's internal control and financial operations.
6. Providing verbal and written guidance on new and ongoing Governmental Accounting Standards Board (GASB) Statements.
7. Meeting with School finance personnel and administration to review the financial statements and a draft of our letter of recommendations for improving the internal control and financial operations of the School.
8. Presenting the financial statements and communication letter to the School Board.
9. Providing any necessary "comfort letters" and/or "consent and citation of expertise."
10. Being available during the year to provide a wide range of consulting services and answer your questions as they arise.

We will work with your representatives to schedule specific fieldwork dates to ensure meeting your deadlines. The undersigned is a partner and is authorized to make representations for the firm. This proposal is a firm and irrevocable offer for 60 days.

Sincerely,

KERN, DEWENTER, VIERE, LTD.



Matthew Mayer
Partner



KDV BACKGROUND AND SERVICES

1945 – Our Beginning

KDV's founder, Donald E. Cote was one of Minnesota's first certified public accountants. He was passionate about community service and became known for his active involvement in civic and professional organizations throughout his career. His legacy of service continues today at KDV.

2015 – Who We Are Today

KDV now employs over 130 talented individuals, with offices in Minneapolis and St. Cloud and serves clients in 40 states nation-wide. Our firm employs a total of 57 certified public accountants utilized within various departments. Our government audit team consists of 25 employees located in both Minneapolis and St. Cloud offices. These employees are all dedicated to providing auditing and consulting services to charter schools, school districts, cities and other government organizations. The firm employs over 50 individuals with audit experience.

In response to client requests, we have built a robust suite of operational and financial services to meet their needs, save them time and, ultimately, improve results. In addition to audit and tax planning and compliance services, we also provide expertise in payroll, technology, 401(k), wealth management, life insurance, business valuation, merger and acquisition, fraud and forensic and trust and estate solutions.

Our focus is to advance the success of our clients and employees.

We value unwavering relationships, innovative solutions and value-added expertise.



QUALIFICATIONS, COMPETENCIES AND CAPACITY

KDV has a high client retention record which demonstrates our commitment to **client satisfaction**. Nearly 60% of our governmental clients have worked with KDV for over ten years. We are committed to achieving the highest level of expertise and providing it to our clients when they need it most. Our clients rely on us for our expertise and we work hard to continually earn their trust. We understand that it's not enough to simply know our business inside and out. We know that to perform at the highest level for our clients we must understand the world in which our clients work as well.

Extensive governmental auditing and consulting experience

With over **50 years of experience** serving the government community, we have a great appreciation for the unique issues and complexities that you face. We currently work with over 150 governmental entities, including charter schools, school districts, cities, Minnesota State Colleges and Universities and other governmental entities, providing a wide array of services including accounting, auditing and consulting services.

We are dedicated to **keeping informed** of significant developments in the government community and the impact of those developments on our clients. We accomplish this through formal training, including annual seminars, workshops and profession sponsored classes on governmental accounting, auditing and reporting requirements. We are a member of the Governmental Audit Quality Center of the American Institute of Certified Public Accountants. The Center maintains standards for quality control in governmental audits for CPA firms nationwide.

In addition, many employees of our firm are members and have participated as instructors and speakers at seminars sponsored by the following Organizations:

- Minnesota Association of School Business Officials
- Minnesota Clerks and Finance Officers Association
- League of Minnesota Cities
- Minnesota Government Finance Officers Association
- Minnesota Society of Certified Public Accountants

These presentations have included the following topics:

- GASB Statement Nos. 34, 40, 45, 54, 63 and 65 implementations
- Auditing standards updates, include independence and risk suite
- Levy process and related accounting
- Internal controls, segregation of duties and corrective action plans
- Property taxes and general fund budget
- Budget issues related to the state budget deficit
- Accounting and finance policies and procedures
- Overview of investing and related legal compliance
- Capital assets
- Fraud

QUALIFICATIONS, COMPETENCIES AND CAPACITY (CONTINUED)

Keep us Current

We continue to stay abreast of new GASB regulations and innovatively consider all solutions for our clients. Our involvement in government entities has been recognized in the community as well. The engagement partner assigned to your audit was requested by the Department of Education to serve on a subcommittee that was established to develop uniform criteria for GASB Statement No. 45 reporting for school districts throughout the State of Minnesota. The consulting partner was appointed by the Commissioner of Education to serve as a member of the Minnesota Department of Education Advisory Committee on Financial Management, Accounting and Reporting. Historically, we have viewed time spent to keep our clients current with recent technical changes as part of the audit and not billed separately. We also have the capacity to provide you with additional accounting resources and inform you of any necessary changes or updates that may affect you. You can be confident that we are current and have the capacity to keep you updated.

Knowledgeable in government finance

Several members of our firm are currently or have been members of the School Audit Review Task Force and the School District Conference Planning Task Force of the Minnesota Society of CPAs. We routinely analyze bills passed by the Minnesota Legislature and communicate to our School clients any pitfalls or opportunities that may exist for them.

Assistance with certificate of achievement

We currently assist two of our audit clients (Columbia Heights and Farmington Public Schools) with preparation of their comprehensive annual financial report to meet the criteria for ASBO's Certificate of Achievement for Excellence in Financial Reporting. We assisted with their initial application and both were successful on their initial and all subsequent submissions. In addition, one of our government audit managers is one of only 5 professional reviewers throughout the United States for this program.

Peer Review Results

Our firm is a member of the Private Companies Section of the AICPA Division for CPA Firms. This Division was founded in 1977 by the AICPA to promote CPA excellence and to provide a voluntary, objective means of monitoring adherence to professional standards. Each member firm is required to periodically subject its audit and accounting practice to a comprehensive quality review by specially trained outside CPAs. Our last such review was in August of 2014, at which time we received a clean report on our practices and methods. This peer review included an inspection of eight governmental engagements. A copy of our peer review report is included Appendix B.

QUALIFICATIONS, COMPETENCIES AND CAPACITY (CONTINUED)

Certifications and independence

We recognize when we audit a governmental entity, we are required to be familiar with certain rules, regulations and requirements and also, as a firm we are required to meet certain requirements. In that regard, we make the following affirmations:

- Our firm meets the independence requirements relating to Bdote Learning Center and its component units defined by auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States.
- Our firm and all assigned key professional staff are properly licensed to practice in the State of Minnesota.
- Our firm is a member of the American Institute of Certified Public Accountants and the Minnesota Society of Certified Public Accountants.
- Our firm has never had a report rejected or classified as substandard by any state or federal agency or by the Government Finance Officers Association or Association of School Business Officials.
- Our firm has never had and currently does not have any pending disciplinary actions or investigations for alleged improper, fraudulent, disreputable or unfair activities against our firm with state regulatory bodies or professional organizations.
- We accept the professional obligation concerning the American Institute of Certified Public Accountants Interpretation 501-3 “Failure to Follow Standards and/or Procedures or Other Requirements in Governmental Audits.”
- Our professional personnel have received adequate continuing education to be in compliance with *Government Auditing Standards*, and have received adequate continuing professional education over the past two years.
- Our firm is an equal opportunity employer and does not discriminate in employment of persons upon the basis of race, color, creed, national origin, sex, age or physical handicap and have an affirmative action plan in place.
- We do not expect any potential audit problems and are not aware of any conflicts of interest with regard to any work performed by the firm for the District.
- We acknowledge and have adequate personnel to comply with the audit schedule provided in the request for proposals.



TEAM QUALIFICATIONS

KDV has a personalized team of professionals to meet your unique needs. Your KDV team is familiar with governments and has extensive experience working with similar Schools and related entities. This translates into a greater ability to *understand your unique organization*.

Meet your Team

Your team was selected from both of our offices based on their personality and their proven abilities to be a partner to you and your Organization's stakeholders. Here's an overview of their roles and responsibilities:

- Matthew Mayer** – Engagement Partner
- Nancy Schulzetenberg** – Consulting Partner
- Andy Grice** – Audit Supervisor

An In-charge and a staff auditor will also be assigned to the audit at the time of engagement.

In addition to your audit team, the following additional KDV specialists will be available to the School:

Specialist	Area of Expertise
Steve Leen	Employee Benefit Tax Issues
Jennifer Thienes	Exempt Tax Issues
Earl Edeburn	Information Technology
Joe Rigdon	Government Consulting
Steve Wischmann	Certified Fraud Examiner

Supervision and continuity

We believe that consistent team members are advantageous for both our firm and your Organization to keep continuity and efficiencies high. With our accounting and consulting expertise, you will never have to spend valuable time "training in" our staff. With KDV, you can be assured that your team, once assigned, will remain constant and will continue to remain your team. Our turnover is substantially less than other firms of our size, averaging less than 10% the last three years.

Experience

We have attached resumes for those individuals that we have chosen to be a part of your KDV Team.



Matthew Mayer, CPA

Role in Engagement: Engagement Partner specializing in GASB and GAAP

Education: Bachelor of Science Degree in accounting from St. Cloud State University

Experience

- Nineteen years of experience in auditing governmental entities
- Partner for numerous audits for school districts, charter schools and cities
- Speaker at Minnesota Association of School Business Officials, Minnesota Government Finance Officers Association, Minnesota Clerks and Finance Officers Association, Minnesota Society of Certified Public Accountants, Los Angeles Police Department, International Law Enforcement Auditors Association and KDV sponsored seminars
- Attends workshops on school and city accounting and reporting requirements on an annual basis that qualifies as “yellow book” continuing professional education
- Past Member of the Special Review Committee of the Government Finance Officers Association whose purpose is to review Comprehensive Annual Financial Reports to determine eligibility for the Certificate of Achievement for Excellence in Financial Reporting
- Certified Public Accountant, licensed to practice in the State of Minnesota

Professional and Civic Activities

- Minnesota Society of Certified Public Accountants
- American Institute of Certified Public Accountants
- Minnesota Government Finance Officers Association
- Hennepin Elementary Charter School, Board Treasurer
- Minnesota Society of Certified Public Accountants Local Governments Conference Planning Task Force (Past Chair)
- Minnesota Society of Certified Public Accountants City Audit Review Task Force (Past Chair)
- Minnesota Society of Certified Public Accountants School District Conference Planning Task Force (Past Chair)
- Minnesota Society of Certified Public Accountants School District Audit Review Task Force (Past Chair)



Nancy Schulzetenberg, CPA

Role in Engagement: Consulting Partner specializing in School Industry and Single Audit

Education: Bachelor of Science Degree in accounting from Mankato State University, graduating Summa Cum Laude

Experience

- Twenty years of experience in auditing governmental and nonprofit entities
- Chair of the Quality Control Committee for our firm
- Appointed by the Commissioner of Education to serve as a member of the Minnesota Department of Education’s Advisory Committee on Financial Management, Accounting and Reporting
- Member of the Special Review Committee of the Government Finance Officers Association whose purpose is to review Comprehensive Annual Financial Reports to determine eligibility for the Certificate of Achievement for Excellence in Financial Reporting
- Member of Minnesota Society of CPAs School District and Commission Audit Review Task Forces whose purpose is to conduct reviews of financial statements to increase member awareness and understanding of accounting principles by providing specific constructive comments on reviews
- Attendee of workshops on school district, city and nonprofit governmental accounting and reporting requirements on an annual basis that qualifies as “yellow book” continuing professional education
- Presenter at the Minnesota Association of School Business Officials Annual Conference, the Central Minnesota Educational Research & Development Council’s Annual Conference, the MN Government Finance Officer’s Association’s Annual Conference and KDV sponsored seminars
- Instructor at the Minnesota Association of School Business Officials Institute and the Minnesota Association of School Business Officials Certification Program
- Certified Public Accountant, licensed to practice in the State of Minnesota

Professional and Civic Activities

- Minnesota Society of Certified Public Accountants
- American Institute of Certified Public Accountants
- Minnesota Association of School Business Officials
- Government Finance Officers Association
- Treasurer of Home and School Association at Holy Family School, Albany (Past Chair)
- Board of Education at Holy Family School, Albany (Past Chair)
- Member of the Finance Committee at Holy Family School, Albany



Andrew Grice, CPA

Role in Engagement: Audit Supervisor/In-Charge

Education: Bachelor of Science Degree in accounting from St. Cloud State University, graduated Cum Laude

Experience

- Six years of experience in auditing governmental entities
- Perform fieldwork and reporting for governmental entities, focusing on school districts and cities
- Attends continuing education, workshops and conferences on city and school district accounting and reporting requirements that qualify as “yellow book” continuing professional education
- Financial statement and communications letter preparation
- Extensive use of computer and software applications to assist in the preparation and performance of the audit process

Professional and Civic Activities

- Minnesota Society of Certified Public Accountants
- American Institute of Certified Public Accountants



GOVERNMENT AUDIT AND CONSULTING CLIENTS

Recipients of a certificate of Achievement for Excellence in Financial Reporting are marked with an asterisk (*). All school districts we audit have successfully implemented GASB Statement No. 45.

School Districts and Charter Schools

ADMs (0-500)

Cedar Riverside Community School
 Face to Face Academy
 Fraser Academy
 Lighthouse Academy of Nations
 Minneapolis Academy
 Minneapolis College Prep School
 Oakland Vocational
 Pine Point
 Prodeo Academy
 St. Paul City School
 Stride Academy
 Twin Cities German Immersion School
 Upper Mississippi Academy
 West Central Education District
 West Concord Public Charter School
 Willow River
 Wright Technical Center
 Yinghua Academy

ADMs (501-1,000)

Atwater-Cosmos-Grove City
 Belgrade-Brooten-Elrosa
 Deer River
 East Central
 Eagle Ridge Academy
 Eden Valley-Watkins
 Isle
 Kimball
 Moose Lake
 New Millennium Academy
 Onamia
 Pequot Lakes

ADMs (1,001-2,500)

Annandale
 Cass Lake
 Crosby-Ironton
 Foley
 Howard Lake-Waverly-Winsted
 Little Falls
 Long Prairie-Grey Eagle
 Milaca
 Pierz
 Rockville-Cold Spring-Richmond
 Sauk Centre
 Westonka

ADMs (2,501<)

Becker
 Big Lake
 Bloomington
 Buffalo-Hanover-Montrose
 Columbia Heights*
 Delano
 Detroit Lakes
 Farmington*
 Fridley
 Minneapolis
 Princeton
 Sartell-St. Stephen
 Sauk Rapids-Rice
 Shakopee
 St. Cloud Area Schools
 St. Michael-Albertville

Other Government and Related Entities

Benton Stearns Education District
 Central MN Area Learning Center
 CMERDC, Region III
 Clearwater/Clear Lake Sewer Authority
 Dakota County Drug Task Force
 Great River Regional Library
 Itasca ASC
 Midstate Education District

Minnesota Higher Education Facilities Authority
 North Fork Crow River Watershed District
 Northwest Suburban Integration District
 Northwest Metro Drug Task Force
 Resource Training and Solutions
 St. Cloud Area Planning Organization

St. Cloud Metro Transit Commission
 St. Louis Park Housing Authority
 Sauk River Watershed District
 Scott Joint Prosecution Association
 Shakopee Public Utility Commission
 South St. Paul Housing Rehabilitation Authority

Southwest Metro Drug Task Force
 Southwest Transit
 Suburban Transit Association
 West Central Education District
 West Metro Fire Rescue District

Government Audit and Consulting Clients continued on next page

GOVERNMENT AUDIT AND CONSULTING CLIENTS (CONTINUED)

Cities and Townships

Population (0-2,000)	Population (2,001-5,000)	Population (5,001-15,000)	Population (15,001<)
Bock	Cold Spring	Albertville*	Brooklyn Park*
Browns Valley	Deephaven*	Baldwin Township	Cottage Grove
Carlton	Elko New Market	Big Lake	Crystal*
Clear Lake	Greenfield (Consultant)	Corcoran (Consultant)	Eagan*
Clearwater	Hanover	Dayton	Forest Lake*
Cyrus (Consultant)	Haven Township	Falcon Heights*	Maplewood*
Eden Valley	Park Rapids	Fergus Falls*	New Brighton*
Freeport (Consultant)	Princeton	Lake Elmo (Consultant)	Richfield*
Hilltop	Princeton Township	Mendota Heights	Roseville*
Maine Prairie Township	Rockford Township	Oak Grove*	Sartell
Millerville	Rockville	Osseo	Savage*
Osakis	Two Harbors	Otsego	Shakopee*
Richmond		Sauk Rapids	Woodbury*
Royalton		St. Joseph	
Silver Bay			
Watkins			

Fire Relief Associations

Albertville	Eden Prairie	Mendota Heights	St. Joseph
Apple Valley	Falcon Heights	Milaca	Silver Bay
Cold Spring	Fridley	Minnetonka	Spring Lake Park
Columbia Heights	Ham Lake	Oak Grove	Two Harbors
Colvin	Hanover	Princeton	Watkins
Coon Rapids	Inver Grove Heights	Robbinsdale	Waite Park
	Lakeville	St. Augusta	



REFERENCE CLIENTS

We believe our experience with numerous types of governmental entities will provide you with the expertise you need for an effective and efficient audit. We encourage you to speak with our clients and hear the benefit and value they realize as a result of working with KDV.

CLIENT	ENGAGEMENT PARTNER	PRINCIPAL CLIENT CONTACT
Yinghua Academy	Matt Mayer	Susan Berg 612.788.9095
Minneapolis Academy	Matt Mayer	Kathleen Mortensen 612.455.1340
Cedar Riverside Community School	Matt Mayer	Walt Stull 612.339.5767
Eagle Ridge Academy	Matt Mayer	Jason Ulbrich 952.746.7760
Fraser Academy	Matt Mayer	Linda Silrum 612.465.8601

"I've had the pleasure of working with KDV for over a decade. During that time, they have provided invaluable advice, consistent and dependable support and a great deal of integrity. Our school district anticipates a continued, wonderful, long-term relationship and we will not hesitate to refer KDV to friends and other business affiliates."

*– Carol J. Peterson
Retired Director of Business Services
Princeton Public Schools*



AUDIT APPROACH

Our goal for you is to create value and to minimize surprises. We do this through a specific, well planned audit. What makes KDV unique from other firms is that we continually improve our audit process beyond what is expected by our profession. A few of the KDV advantages:

- **Collaborative Audit Process.** We see the audit process as a joint effort with you and KDV. We want to work together to make it as painless as possible.
- **A comprehensive view of the School's financial health.** Through our extensive government experiences, we understand a School's health is not only about the finances. The vision, mission and programming provide the blueprint for the School's direction. We review this information in relation to the financial statements and provide our observations based on a comprehensive view of your health.
- **Technology resource on internal controls.** Technology experts from the KDV Technology Group are able to assist in evaluating your technology controls. Their expert advice has proven to be a valuable resource as they answer technical questions and offer specific recommendations.
- **Review of the work papers during fieldwork.** We complete the majority of our work in the field and provide a comprehensive exit conference. The exit conference includes a review of the draft financial statements, any internal control, compliance and state statute findings.
- **Managers and partners on-site.** The involvement of our managers and partners in the field is essential to being a trusted partner and delivering an exceptional client experience. We believe it is important to be on-site and available to answer questions. This also allows our managers and partners to review documentation throughout the process.
- **Meeting communications.** Our presentations are designed to capture information that is useful and meaningful. Our presentations are focused on audit results, trends and other information relevant to your School and related entities, not details of the financial statement amounts.

Beyond Expectations

KDV takes a four-phased audit approach that gets results by:

- Leveraging what is working well.
- Focusing on pre audit planning, collaboration and communication.
- Staying accountable to a schedule.
- Meeting with you and your team to ensure every detail has been finalized and the audit is complete.
- Exchanging information regarding our performance, opportunities to enhance experiences and future strategic opportunities.

WHAT TO EXPECT - A PHASED APPROACH

Our audits are designed to focus our energy and audit tests on the areas of your operations that contain the most risk. This equates to a better product for you.

To accomplish this, our audit programs are created during our audit planning meeting by the partner, manager, supervisor and senior assigned to your audit. There are no exceptions to this; those with the most expertise are designing the audit tests. We know this is different than other firms, but believe it is the best solution for our clients.

PHASE ONE – Initial Planning and Program Development and Interim Work, if Requested

During this phase, we gather the information we need to create an effective audit program and make preliminary judgments of materiality. Highlights include:

- Reviewing and testing your internal control documents and interviewing your key employees and representatives to gain operational information.
- Creating the audit program and plan by the audit partner, manager, supervisor and senior.
- Obtaining population sizes ranging from 25-60 for certain transaction based finance systems and selecting which transactions we will test for internal control and compliance testing. Selections will be based on our data analysis results, analyzing transactions on a risk based level.
- Obtaining your current financial reports and budgets and perform overall analytical review procedures.
- Obtaining applicable School organizational charts, policies, bond documents, leases and other legal contracts.
- Reviewing with your staff our audit documentation requests. **We audit and request information that is used internally by your staff to manage operations, we do not require specific templates be used.**

KDV's Special Services

KDV's approach in providing auditing services features significant benefits. The more important benefits are:

- **An analysis of your internal accounting systems and practices.** We report to management and the Board our observations, findings and recommendations of specific actions that the School might consider improving and strengthening internal accounting systems and controls. We will also report our observations on what is working well for your School. You get a fresh annual perspective of your processes.
- **An evaluation of your technology controls to identify strengths and weaknesses.** We provide management and the Board with our constructive suggestions for enhancing the effectiveness of these controls.

WHAT TO EXPECT - A PHASED APPROACH

PHASE ONE – Initial Planning and Program Development and Interim Work, If Requested (Continued)

As more knowledge is obtained through analytical review, inquiry and observation, the preliminary judgments will be modified to reflect the additional information.

Your Expected Role: Provide KDV with policies, internal control documents, preliminary trial balance, set up appointments with key employees or council members for pre-fieldwork interviews (either in person or via phone, depending on your preference), review letter from KDV and schedule a follow up meeting with management regarding fieldwork documentation expectations.

PHASE TWO – Program Execution

Program execution is performing the procedures outlined in your audit plan. Highlights include:

- Auditing year-end account balances, testing internal control, assessing compliance to determine if your systems and controls are functioning as designed.
- Discussing potential ideas and best practices with School personnel relating to our recommendations for improving internal control, procedures and processes.
- Using sampling techniques to test areas including transactions, internal controls and legal compliance using the scope mandated by the Office of the State Auditor. Sample sizes range from 25 to 60 based on our risk assessment.

Your Expected Role: Be available to answer questions during scheduled audit fieldwork, provide audit work papers or reconciliations with documentation that is reasonable and reviewed during Phase One.

PHASE THREE – Post-Audit Critique

During this phase, we will review all of the components of the financial statements, and prepare the communications letter and relevant financial trend data for the Board presentation. Finally, opinions on the financial statements, Minnesota Legal Compliance, Government Auditing Standards and OMB-133 Compliance, if required, will be prepared. This Phase allows you time to review the financial statement reporting package prior to the Board and public presentation.

Your Expected Role: KDV will provide a draft of the financial statements for your review. Review drafts of reports and opinions and provide KDV staff with input and feedback.

WHAT TO EXPECT - A PHASED APPROACH

PHASE FOUR – Presentations

The final phase of the audits is the presentation of the reports, first to you, then to the Board. We will meet with management after the report and communications letter are preliminarily done. This allows us to present our message to you and for you to offer feedback. We provide information about the year's financial activity compared to past trends and expected results. We also provide other relevant and interesting facts relating to your financial statistics, that will help provide the Board with a deeper understanding of your operations. We understand all school Schools and related entities have individual needs, and we look forward to getting your feedback on graphs and statistics.

Professional standards require that we provide you with information regarding the auditor's responsibility under generally accepted auditing standards, significant accounting policies, accounting estimates and management judgments, significant audit adjustments, other information in documents containing audited financial statements, disagreements with management, consultation with other accountants, major issues discussed with management prior to retention as auditors and difficulties encountered in performing the audit. We will provide this information in written form via the communications letter and will discuss with administration during the review of the preliminary audit report.

Your Expected Role: Provide KDV with information and feedback for presentation preferences.



Our proposed fee to provide audit services includes the following assumptions:

- KDV will draft financial statements.
- KDV representatives will prepare a communications letter for the School with required communication and financial analysis.
- School personnel will have requested documentation available at audit time.

KDV Billing Philosophy/ Cost Overruns

Our fees for services are based on the assumptions that all necessary audit preparation is completed when audit fieldwork begins. Upon your acceptance as your auditors, we will agree on a time for the written communication to occur. This written communication will include a letter provided by us with the information that is expected to be completed, that is customary in our profession. Our fees for services performed are also based on the assumption that your representatives will be available during fieldwork to answer questions. If at any time during the audit we believe that the information is not appropriately completed or representatives are not available and cause us additional unexpected time, we will discuss this issue with the appropriate School officials. ***At no time will we bill the School for extra time or charges unless we have verbal communication regarding the issues, your options and an agreement for additional fees.***

Billings. Our standard audit billing practice is to submit progress billings based on the hours we have completed. Reasonable custom requests will be honored.

Proposed Fees. The fees to perform the audit services are presented as Appendix A.

APPENDIX A – PROPOSED FEES

QUOTE SHEET

THREE YEAR AUDIT SERVICES

Proposed Audit Engagement Fees:

2014-2015 Audit \$ 9,250 plus \$ 1,600 for each Federal Program tested under the Single Audit

2015-2016 Audit 9,550 plus \$ 1,650 for each Federal Program tested under the Single Audit

2016-2017 Audit 9,900 plus \$ 1,700 for each Federal Program tested under the Single Audit

IRS Form 990 Preparation

2014-2015 \$ 1,800

2015-2016 1,900

2016-2017 2,000

Submitted by: Kern, DeWenter, Viere, LTD

Address: 3800 American Blvd W, Suite 1000
Minneapolis, MN 55431

Phone: 952.563.6873 Date: March 6, 2015

Signature:

A handwritten signature in black ink, appearing to be 'Kern, DeWenter, Viere, LTD'.

APPENDIX B – PEER REVIEW

**Lewis, Kisch &
Associates, Ltd.**
CERTIFIED PUBLIC ACCOUNTANTS

1125 South Frontage Road, Suite 1 • Hastings, MN 55033 • T (651) 437-3356 • F (651) 437-3808

James V. Lewis, CPA Carol J. Sailer, CPA Thomas A. Madsen, CPA Jennifer A. Schutz, CPA

SYSTEM REVIEW REPORT

July 24, 2014

To the Shareholders
Kern, DeWenter, Viere, Ltd.
and the Peer Review Committee of the Minnesota Society of Certified Public Accountants

We have reviewed the system of quality control for the accounting and auditing practice of Kern, DeWenter, Viere, Ltd. (the firm) in effect for the year ended March 31, 2014. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards* and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of Kern, DeWenter, Viere, Ltd. in effect for the year ended March 31, 2014, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)*, or *fail*. Kern, DeWenter, Viere, Ltd. has received a peer review rating of *pass*.

Respectfully submitted,

Lewis, Kisch & Associates, Ltd.



Members
Minnesota Society of Certified Public Accountants
American Institute of Certified Public Accountants
Minnesota Association of Public Accountants

www.lewiskisch.com

APPENDIX C – SAMPLE COMMUNICATIONS LETTER

**INDEPENDENT SCHOOL DISTRICT NO. XXXX
XXXXXXX, Minnesota**

COMMUNICATIONS LETTER

Year Ended June 30, 2013

INDEPENDENT SCHOOL DISTRICT NO. XXXX

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Expert advice. When you need it.SM

**REPORT ON MATTERS IDENTIFIED AS A RESULT OF
THE AUDIT OF THE FINANCIAL STATEMENTS**

To the School Board and Management
Independent School District No. XXXX
XXXXXXXX, Minnesota

In planning and performing our audit of the financial statements of Independent School District No. XXXX, XXXXXXX, Minnesota, as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. The significant deficiency identified is stated within this letter.

The accompanying memorandum also includes financial analysis provided as a basis for discussion. The matters discussed herein were considered by us during our audit and they do not modify the opinion expressed in our Independent Auditor's Report dated September 26, 2013, on such statements.



This communication is intended solely for the information and use of management, the School Board, others within the District and state oversight agencies and is not intended to be and should not be used by anyone other than these specified parties.

KERN, DEWENTER, VIERE, LTD.
St. Cloud/Minneapolis, Minnesota
Month Day, 2013

INDEPENDENT SCHOOL DISTRICT NO. XXXX

SIGNIFICANT DEFICIENCY

June 30, 2013

PREPARATION OF FINANCIAL STATEMENTS AND RELATED NOTE DISCLOSURES

As a function of the audit process, auditors are required to gain an understanding of the District's internal control, including the financial reporting process.

The District does not have an internal control system designed to provide for the preparation of the financial statements and related note disclosures in accordance with accounting principles generally accepted in the United States of America. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual in a District of your size.

This condition increases the risk that errors could occur which would not be prevented, or detected and corrected in a timely manner. Even though all management decisions related to financial reporting are made by the District's management and approval of the financial statements and accompanying note disclosures lies with management, it is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

INDEPENDENT SCHOOL DISTRICT NO. XXXX

REQUIRED COMMUNICATION

June 30, 2013

We have audited the financial statements of the District for the year ended June 30, 2013, and have issued our report thereon dated September 26, 2013. Professional standards require that we provide you with the following information related to our audit.

OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA AND *GOVERNMENT AUDITING STANDARDS AND OMB CIRCULAR A-133*

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts and grant agreements. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with U.S. Office of Management and Budget (OMB) *Circular A-133*.

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with OMB *Circular A-133*, we examined, on a test basis, evidence about the District's compliance with the types of compliance requirements described in the OMB *Circular A-133* Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on the District's compliance with those requirements. While our audit provided a reasonable basis for our opinion, it did not provide a legal determination on the District's compliance with those requirements.

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

INDEPENDENT SCHOOL DISTRICT NO. XXXX

REQUIRED COMMUNICATION

June 30, 2013

PLANNED SCOPE AND TIMING OF THE AUDIT

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit involved judgment about the number of transactions to be examined and the areas to be tested.

Our audit included obtaining an understanding of the District and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the District or to acts by management or employees acting on behalf of the District.

QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2013. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Depreciation – The District is currently depreciating its capital assets over their estimated useful lives, as determined by management, using the straight-line method.

General Education and Special Education Aid – General Education Aid is an estimate until average daily membership (ADM) values are final. Since this is normally not done until after the reporting deadline, this Aid is an estimate. Special Education Aid is also dependent upon ADM value; however, in addition to those, this Aid is dependent on the availability of monies and complex formulas that are finalized after reporting deadlines.

Net Other Post Employment Benefits (OPEB) Obligation and Net Pension Obligation – These liabilities are based on actuarial studies of future obligations of the District for post employment and pension benefits.

The disclosures in the financial statements are neutral, consistent and clear.

INDEPENDENT SCHOOL DISTRICT NO. XXXX

REQUIRED COMMUNICATION

June 30, 2013

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

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

CORRECTED AND UNCORRECTED MISSTATEMENTS

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management.

Management was provided a schedule summarizing the following uncorrected misstatement and has determined its effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

- State Receivables

DISAGREEMENTS WITH MANAGEMENT

For purposes of this letter, a disagreement with management is a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

MANAGEMENT REPRESENTATIONS

We requested certain representations from management which were provided to us in the management representation letter.

MANAGEMENT CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

OTHER AUDIT FINDINGS OR ISSUES

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

INDEPENDENT SCHOOL DISTRICT NO. XXXX

REQUIRED COMMUNICATION

June 30, 2013

OTHER MATTERS

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

INDEPENDENT SCHOOL DISTRICT NO. XXXX

FINANCIAL ANALYSIS

June 30, 2013

The following pages provide graphic representation of select data pertaining to the financial position and operations of the District for the past five years. Our analysis of each graph is presented to provide a basis for discussion of past performance and how implementing certain changes may enhance future performance. We suggest you view each graph and document if our analysis is consistent with yours.

Due to its complexity, it would be impossible to fully explain the funding of public education in Minnesota within this letter. The last section of this report, which contains a summary of legislative changes affecting school districts, gives an indication of how complicated the funding system is. The following section provides some state-wide funding and financial trend information.

AVERAGE DAILY MEMBERSHIP AND PUPIL UNITS

The largest single funding source for Minnesota school districts is basic General Education Aid. Each year, the State Legislature sets a basic formula allowance. Total basic general education revenue is calculated by multiplying the formula allowance by the number of pupil units for which a district is entitled to aid. Pupil units are calculated using a legislatively determined weighting system applied to ADM. Over the years, various modifications have been made to this calculation, including changes in weighting and special consideration for declining enrollment districts.

<u>Year</u>	<u>Formula Allowance</u>	
	<u>Amount</u>	<u>Percent Increase</u>
2004	\$ 4,601	0.0%
2005	4,601	0.0%
2006	4,782	4.0%
2007	4,974	4.0%
2008	5,074	2.0%
2009	5,124	1.0%
2010	5,124	0.0%
2011	5,124	0.0%
2012	5,174	1.0%
2013	5,224	1.0%
2014	5,302	1.5%
2015*	5,806	1.5%

* Of the \$ 504 increase over 2014, \$ 80 is for inflation at 1.5%; the remaining \$ 424 is a reshifting (rather than an increase) of revenue to adjust for pupil weight changes, pension adjustments changes and other restructuring.

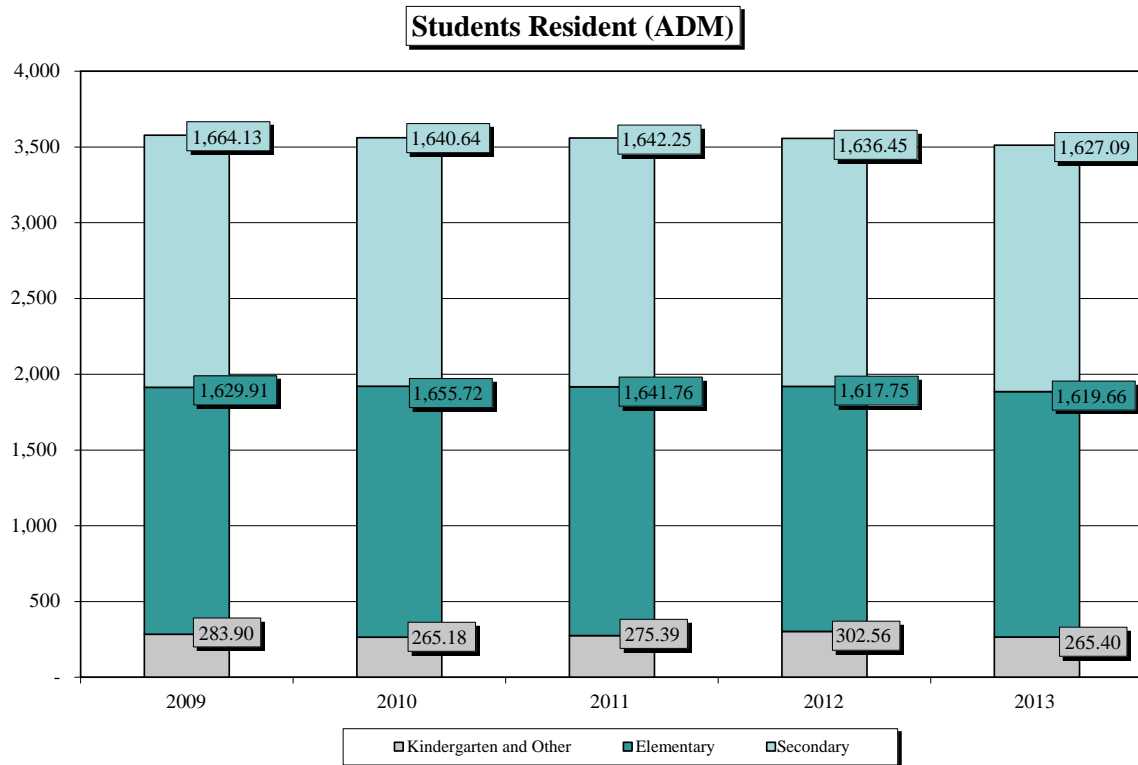
INDEPENDENT SCHOOL DISTRICT NO. XXXX

FINANCIAL ANALYSIS June 30, 2013

RESIDENT AVERAGE DAILY MEMBERSHIP AND WEIGHTED AVERAGE DAILY MEMBERSHIP SERVED

The following summarizes resident ADM of the District over the past five years ended June 30:

ADM	2009	2010	2011	2012	2013
Kindergarten and Other	283.90	265.18	275.39	302.56	265.40
Elementary	1,629.91	1,655.72	1,641.76	1,617.75	1,619.66
Secondary	1,664.13	1,640.64	1,642.25	1,636.45	1,627.09
Total Resident ADM	3,577.94	3,561.54	3,559.40	3,556.76	3,512.15



* Estimate as of September 13, 2013

The chart and graph above illustrate the decrease in resident ADM encountered by the District in the five years presented. Total resident ADM has decreased 1.8% since 2009 and decreased 1.3% from 2013 to 2012.

To calculate a majority of the District's education aids, the ADM amounts are converted into pupil units by weighting, based on the student's grade level. These weighting factors are presented in the table on the following page.

INDEPENDENT SCHOOL DISTRICT NO. XXXX

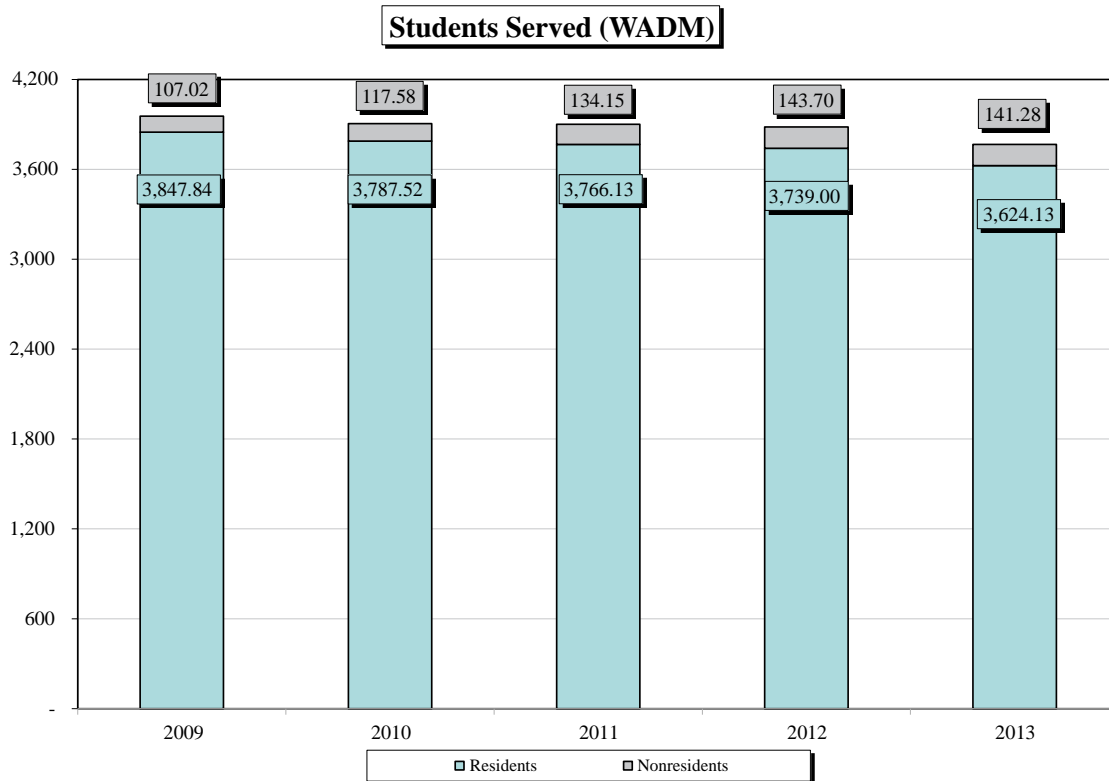
**FINANCIAL ANALYSIS
June 30, 2013**

RESIDENT AVERAGE DAILY MEMBERSHIP AND WEIGHTED AVERAGE DAILY MEMBERSHIP SERVED

Pupil Units Weighting						
	Pre-Kindergarten	Kindergarten Disabled	Kindergarten	Elementary Grades 1-3	Elementary Grades 4-6	Secondary
2009 through 2013	1.25	1.00	0.612	1.115	1.06	1.30

WADM	2009	2010	2011	2012	2013
Residents	4,133.97	4,117.10	4,109.17	4,092.98	4,056.51
Resident WADM Going Elsewhere	(286.13)	(329.58)	(343.04)	(353.98)	(432.38)
Nonresident WADM Coming In	107.02	117.58	134.15	143.70	141.28
Total WADM Served	3,954.86	3,905.10	3,900.28	3,882.70	3,765.41

The District once again experienced a decrease in weighted average daily membership (WADM) served in 2013, due to an increase in net students lost to open enrollment of 80.82 WADM in the past year. Total WADM served from 2012 to 2013 decreased 3.0%, or 117.29 WADM.



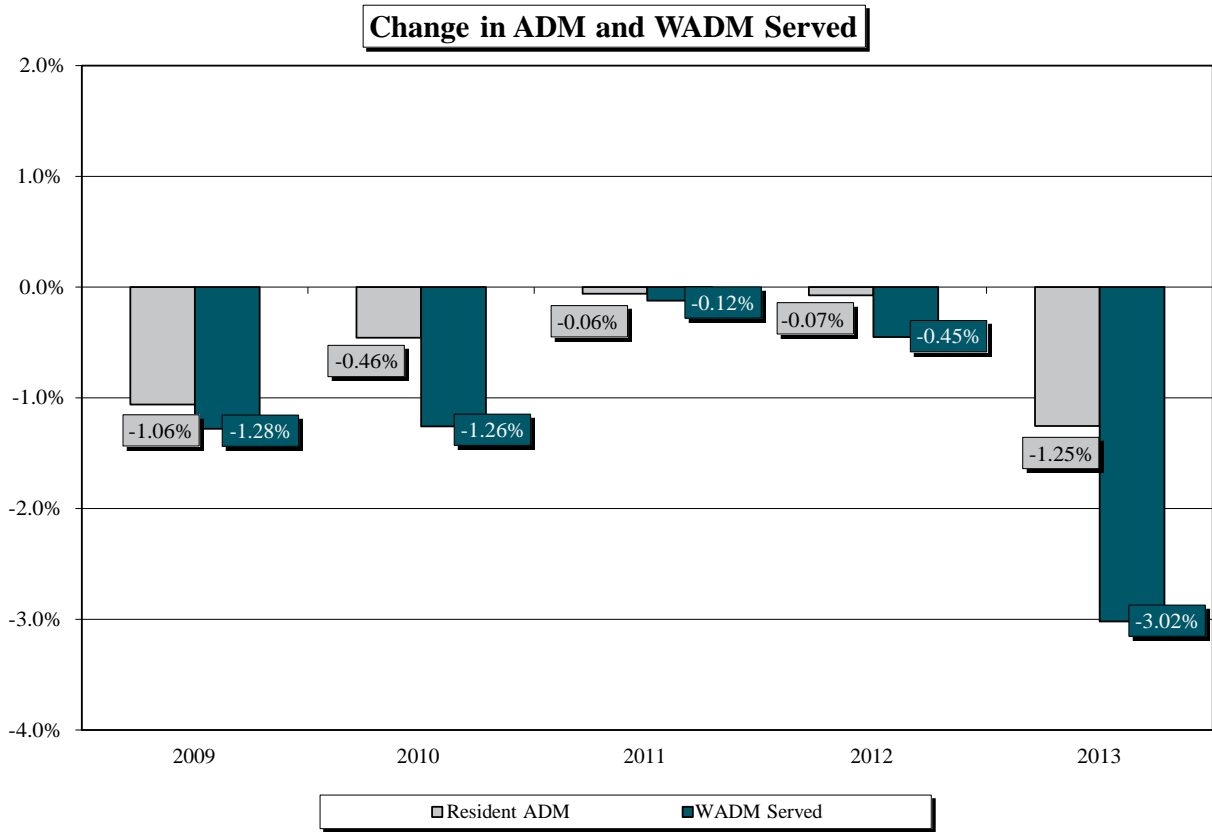
* Estimate as of September 13, 2013

INDEPENDENT SCHOOL DISTRICT NO. XXXX

FINANCIAL ANALYSIS
June 30, 2013

RESIDENT AVERAGE DAILY MEMBERSHIP AND WEIGHTED AVERAGE DAILY MEMBERSHIP SERVED

The following graph illustrates the percent change in ADM and WADM served over the past five years.



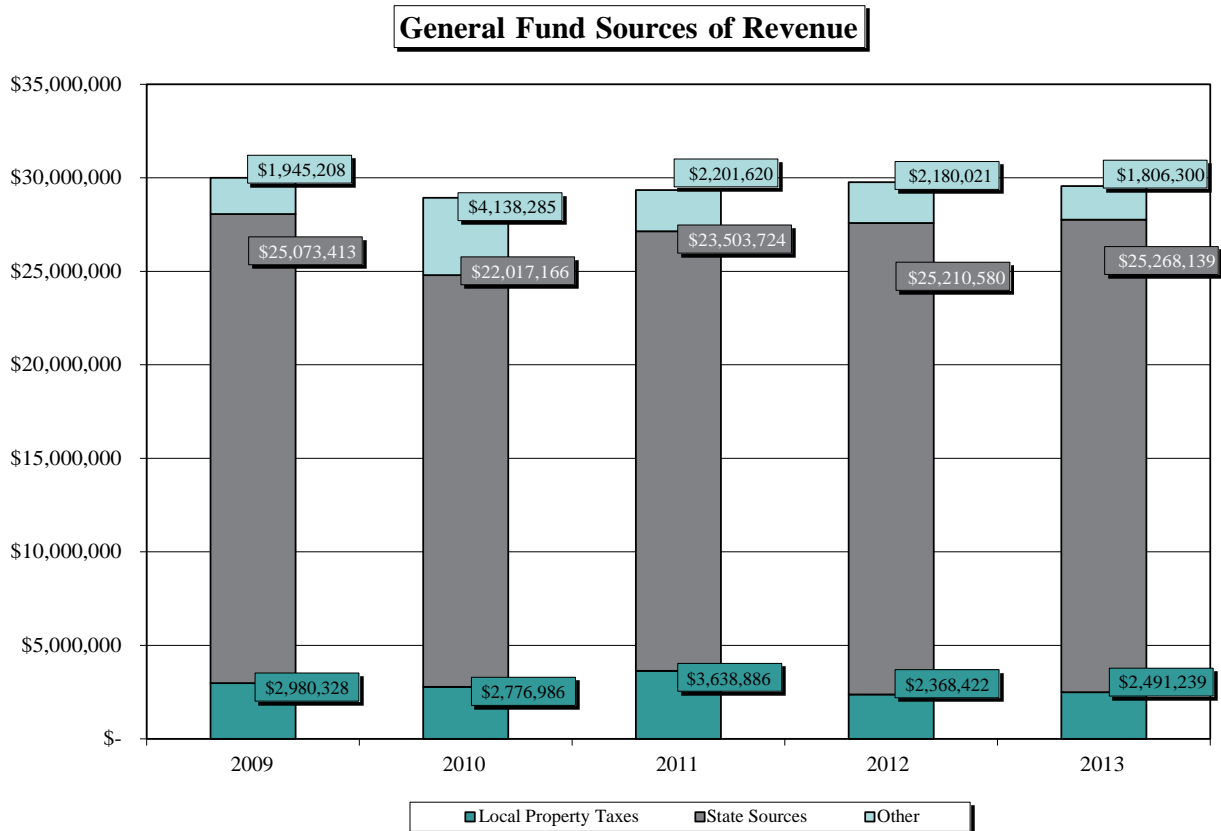
* Estimate as of September 13, 2013

INDEPENDENT SCHOOL DISTRICT NO. XXXX

FINANCIAL ANALYSIS June 30, 2013

GENERAL FUND SOURCES OF REVENUE

Total General Fund revenue decreased \$ 433,271, or 1.4%, over the last five years and decreased \$ 193,345, or .6%, from 2012 to 2013. This decrease can be attributed to several factors. The most significant are outlined below. State revenue sources, which make up approximately 85% of total revenues remained consistent from 2012 to 2013, increasing by only 0.2%. The property tax revenue increased due to an increase in the certified levy. Other sources of revenue, which are made up of other local revenue, federal sources and sales, decreased by \$ 373,721, or 17.1%. Federal revenues decreased \$ 466,537 from 2012 to 2013 which was due to the District spending the majority of the Education Jobs Act entitlement in 2012.

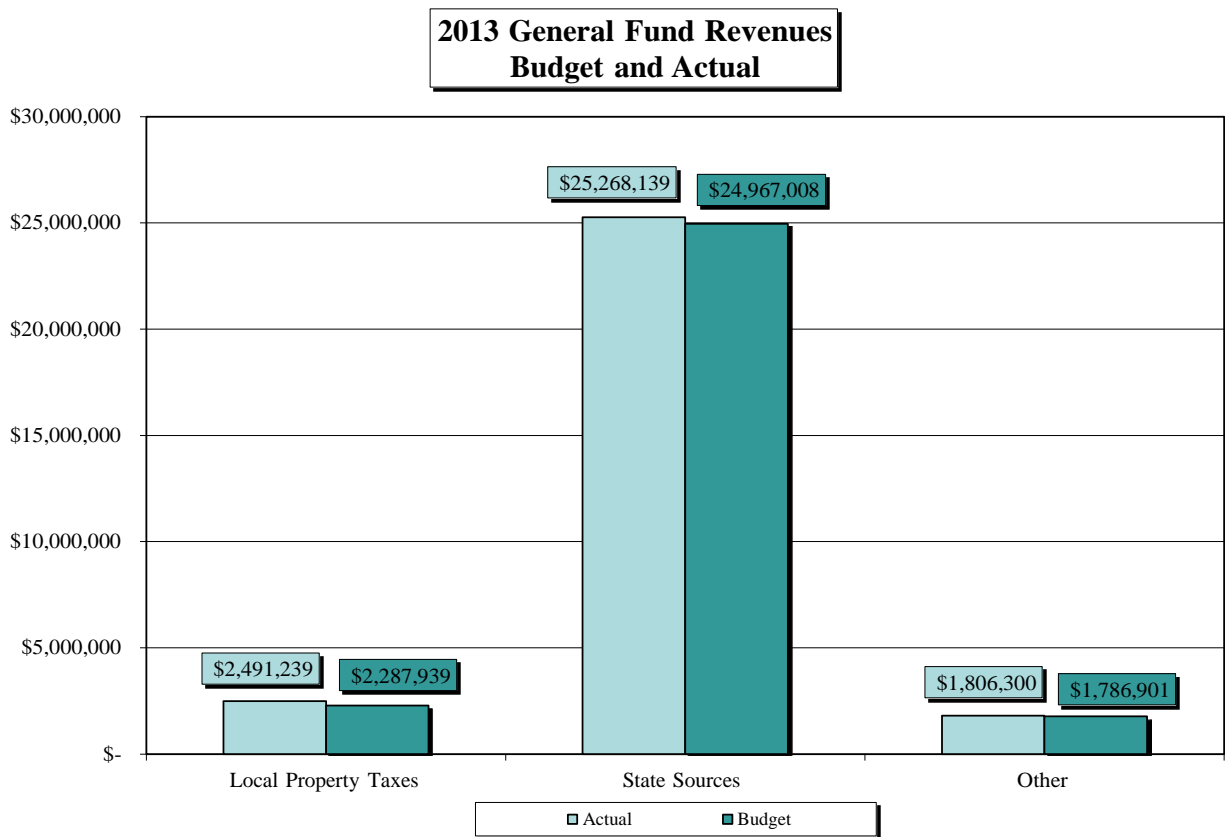


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FINANCIAL ANALYSIS June 30, 2013

GENERAL FUND BUDGET AND ACTUAL

Overall, total revenue was over budget by \$ 523,830, or 1.8%. The majority of this variance occurred in revenues from state sources category, which was primarily due to special education revenues coming in \$ 437,998 over budget due to more students with special needs attending in 2013. This budget variance was slightly offset by general education revenue coming in under budget by \$ 215,193. Revenue from local property taxes also were \$ 203,300 over budgeted amounts. This variance is due to a combination of the District omitting a budget for the tax shift adjustment and the county apportionment and also receiving approximately \$ 53,000 from Benton County in tax forfeited sales.



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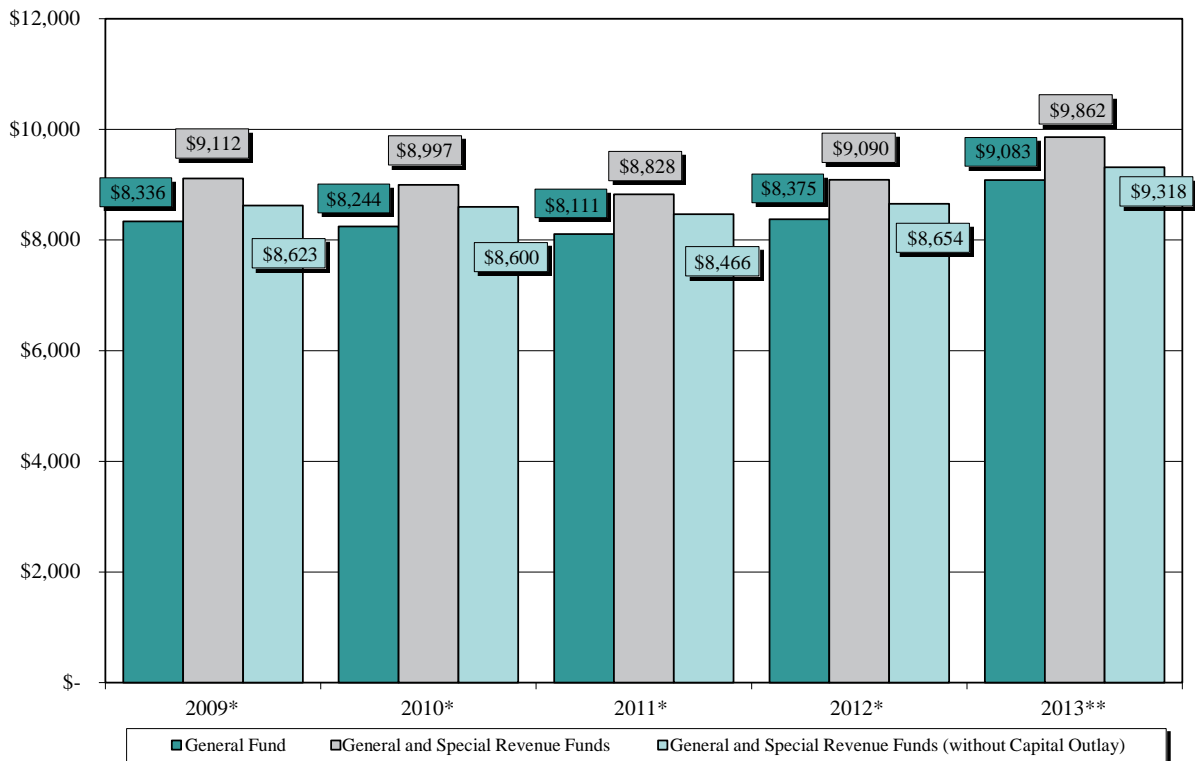
FINANCIAL ANALYSIS June 30, 2013

EXPENDITURES PER STUDENT

Expenditures per student (ADM served) for all programs are summarized as follows:

	2009*	2010*	2011*	2012*	2013**
General Fund	\$ 8,336	\$ 8,244	\$ 8,111	\$ 8,375	\$ 9,083
General and Special Revenue Funds	9,112	8,997	8,828	9,090	9,862
General and Special Revenue Funds (without Capital Outlay)	8,623	8,600	8,466	8,654	9,318

Expenditures Per Student ADM Served



* Source: *School District Profiles*

** Estimate as of September 13, 2013.

The District experienced an increase in expenditures per student ADM from 2012 to 2013, which was the result of an increase in expenditures of \$ 1,459,418 or 5.1% and a 2.1% decline in the students served. The average 2012 expenditure per ADM served for districts in the 2,200-4,449 enrollment category was \$ 9,849 for the General Fund and \$ 10,812 for the General and Special Revenue Funds, so the District has been consistently lower than other districts of comparable size.

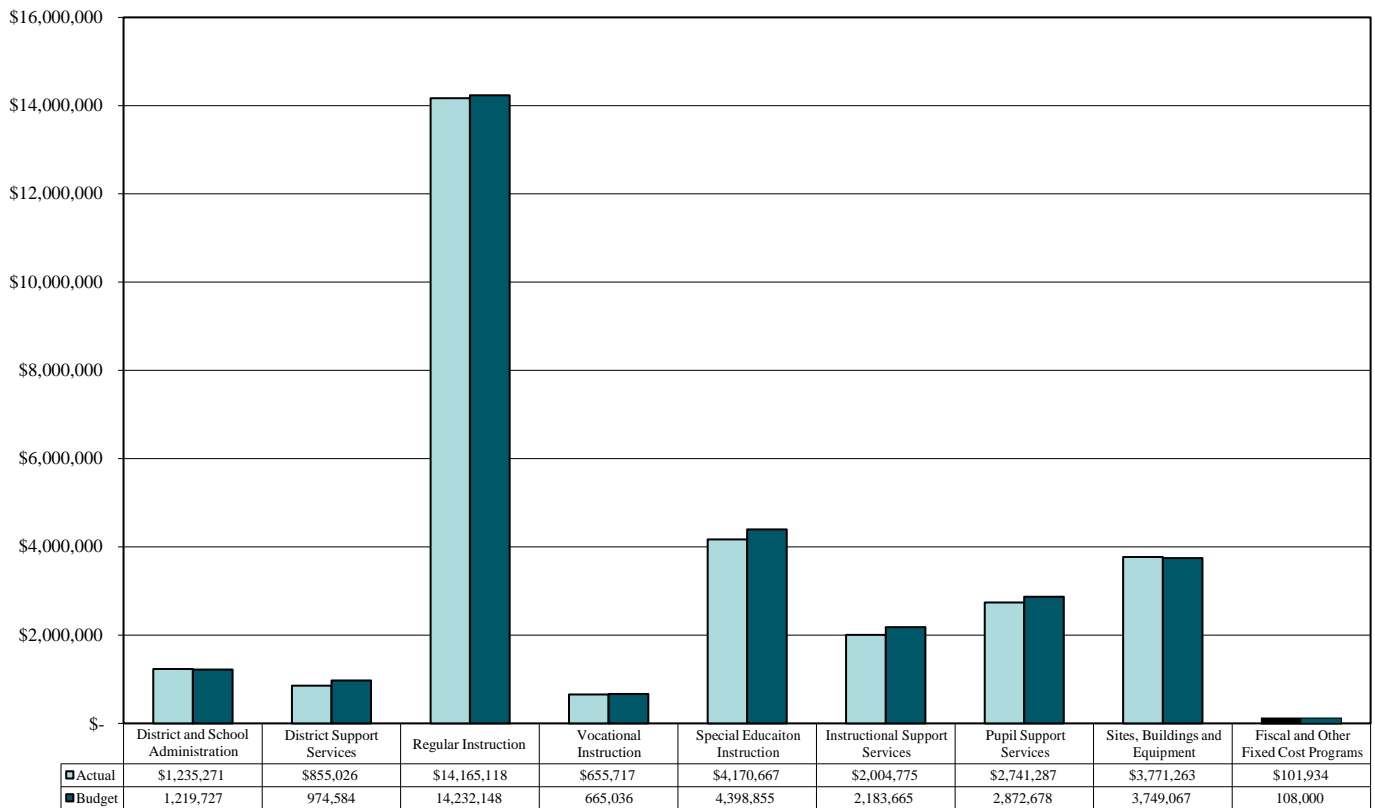
INDEPENDENT SCHOOL DISTRICT NO. XXXX

FINANCIAL ANALYSIS June 30, 2013

GENERAL FUND BUDGET AND ACTUAL

In total, General Fund expenditures were under budget by \$ 702,702. As noted in the graph below, all categories came in under budget, with the exception of Administration and Sites, Buildings and Equipment programs. The largest budget variance can be seen in the Special Education Instruction category, which was \$ 228,188 under budget due to budgeting for the entire federal special education entitlement and not spending it all in the current year as well as the District not working as much with the Rum River Special Education Co-Op in 2013 as anticipated. A variance of \$ 178,890 occurred in the Instructional Support Services category due to the District incurring these costs in the Regular Instruction and District Support Services categories, but including them in the budgeted for Instructional Support Services. The Pupil Services category was also \$ 131,391 under budget, which was largely the result of the District spending less than anticipated on transportation. The Regular Instruction category came in \$ 67,030 under budget as a result of retired group hospitalization coming in at lower than expected.

**2013 General Fund Expenditures
Budget and Actual**

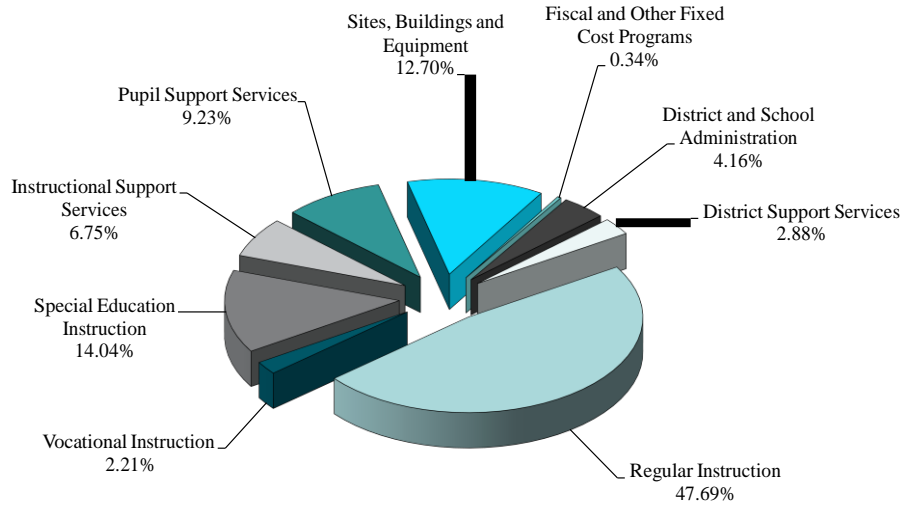


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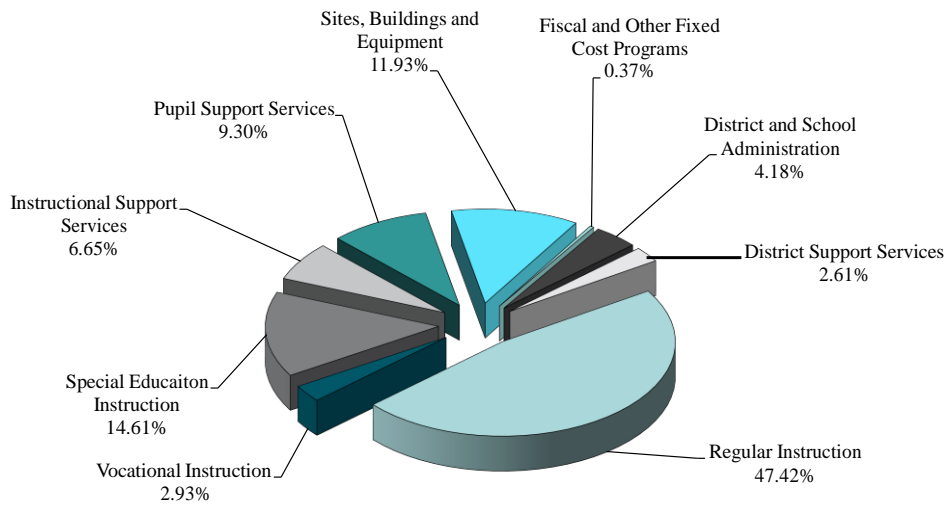
FINANCIAL ANALYSIS June 30, 2013

GENERAL FUND OPERATIONS

2013 General Fund Expenditures



2012 General Fund Expenditures



INDEPENDENT SCHOOL DISTRICT NO. XXXX

**FINANCIAL ANALYSIS
June 30, 2013**

GENERAL FUND OPERATIONS

The following table presents five years of comparative operating results for the District's General Fund:

For Year Ended June 30,	2009	2010	2011	2012	2013
Revenues	\$29,998,949	\$28,932,437	\$ 29,344,230	\$ 29,759,023	\$ 29,565,678
Expenditures	28,615,878	28,148,041	27,449,665	28,241,640	29,701,058
Excess of Revenues Over (Under)					
Expenditures	1,383,071	784,396	1,894,565	1,517,383	(135,380)
Other Financing Sources	-	210,000	-	2,270	140,499
Fund Balance, July 1	7,337,754	8,720,825	9,715,221	11,609,786	13,129,439
Fund Balance, June 30	\$ 8,720,825	\$ 9,715,221	\$ 11,609,786	\$ 13,129,439	\$ 13,134,558

For the Year Ended June 30,	2009	2010	2011	2012	2013
Nonspendable	\$ -	\$ -	\$ 93,620	\$ 57,266	\$ 115,513
Reserved/Restricted for:					
Staff Development	140,585	170,000	39,500	-	-
Operating Capital	2,880,396	3,077,423	3,280,314	3,045,263	2,556,205
Deferred Maintenance	-	-	-	5,746	53,532
Health and Safety	(31,621)	(52,670)	(31,443)	76	(47,281)
Gifted and Talented	33,454	49,490	60,664	57,401	45,509
Committed for:					
Severance Pay	1,035,331	1,266,568	912,844	845,777	728,692
Assigned for:					
Student Activities	112,290	127,946	115,052	128,346	98,397
Staff Development	-	-	-	92,178	91,536
Q-Comp Program	169,840	135,800	123,130	122,783	55,711
Technology	-	-	500,000	700,000	667,930
Building Improvements	-	-	2,000,000	3,800,000	3,600,000
Program Initiatives	-	-	-	-	400,000
ERRP	-	-	-	84,665	38,131
Unassigned	4,380,550	4,940,664	4,516,105	4,189,938	4,730,683
Total	\$ 8,720,825	\$ 9,715,221	\$ 11,609,786	\$ 13,129,439	\$ 13,134,558

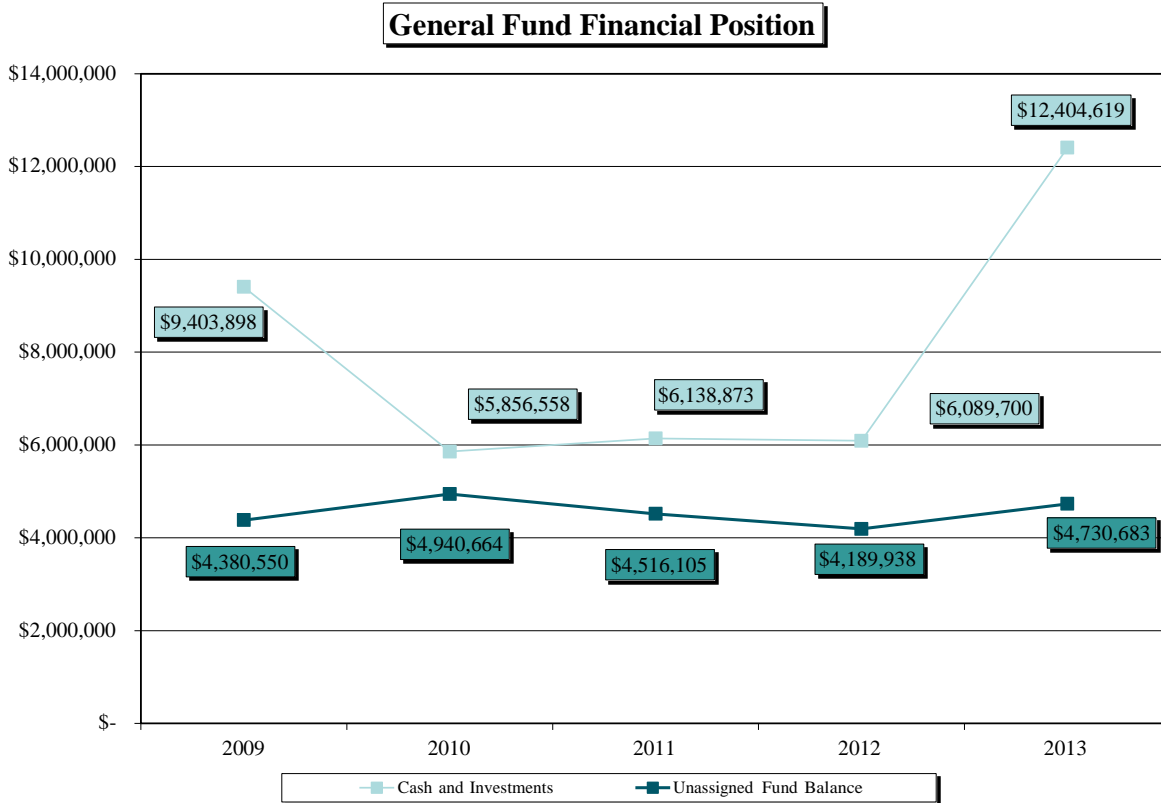
In 2011, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This implementation added the fund balance classification nonspendable, changed the General Fund reserved fund balances to restricted, changed the designated fund balances to committed and assigned and changed the General Fund unreserved fund balance to unassigned.

Between 2013 and 2012 total fund balance stayed consistent, only decreased \$ 5,119, although the unassigned portion increased \$ 540,745. The unassigned balance of \$ 4,730,683 represents slightly less than two months of expenditures (based on year 2013 levels) and 15.6% of the annual budget. The District's fund balance policy requires a minimum General Fund unassigned fund balance of 10.0% of the annual budget.

INDEPENDENT SCHOOL DISTRICT NO. XXXX

FINANCIAL ANALYSIS June 30, 2013

GENERAL FUND OPERATIONS



While the General Fund unassigned fund balance has seen an increase since 2009 of \$ 350,133, the General Fund cash and investment balance has increased \$ 3,000,721 over the same time frame. Part of the reason for the increase in cash and investment balances over this time is due to the State of Minnesota paying approximately 90% of the state aid entitlement by June 2009, 73% was paid by June 30, 2010, 70% by June 30, 2011, 64% by June 30, 2012 and 86% by June 30, 2013.

INDEPENDENT SCHOOL DISTRICT NO. XXXX

FINANCIAL ANALYSIS June 30, 2013

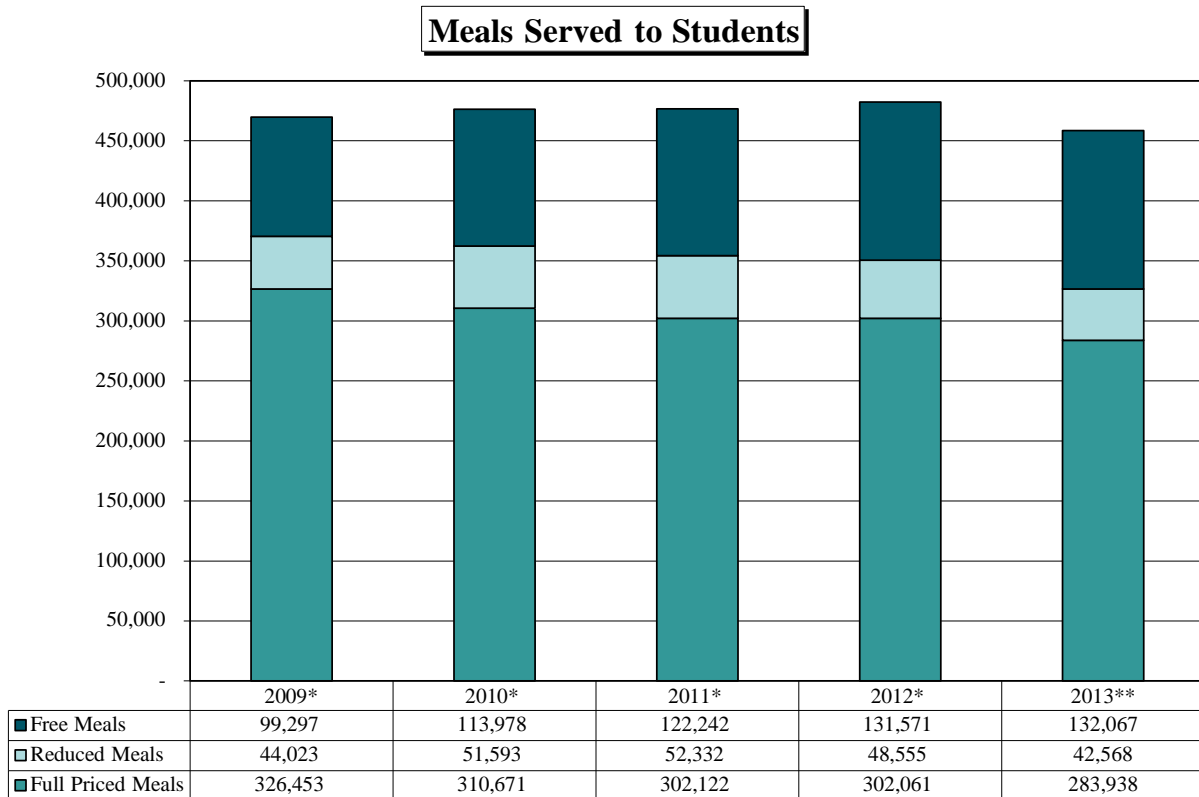
FOOD SERVICE FUND

The following table presents five years of comparative operating results for the District's Food Service Fund.

For the Year Ended June 30,	2009		2010		2011		2012		2013	
Revenues	\$	1,308,377	\$	1,325,818	\$	1,323,992	\$	1,341,331	\$	1,381,076
Expenditures		1,320,344		1,231,719		1,381,806		1,321,449		1,430,246
Excess of Revenues Over (Under) Expenditures		(11,967)		94,099		(57,814)		19,882		(49,170)
Fund Balance, July 1		451,233		439,266		533,365		475,551		495,433
Fund Balance, June 30	\$	439,266	\$	533,365	\$	475,551	\$	495,433	\$	446,263

During the year ending June 30, 2013, revenues increased \$ 39,745 due to increased free and reduced meal reimbursement and using more commodities. Expenditures increased by \$ 108,797 as a result of kitchen repairs made in 2013 and using more commodities. This resulted in the Food Service Fund balance decreasing to \$ 446,263 at the end of the year, which is 31.2% of expenditures. The MDE recommends districts maintain a net cash fund balance not to exceed three months of expenditures based on a nine month operating year.

The following chart reflects the number and type of meals served to students over the five previous years.



* Source: *Food and Nutrition Services: District Financial Report* by the MDE

** Source: SNP claim information submitted to the MDE by the District

INDEPENDENT SCHOOL DISTRICT NO. XXXX

FINANCIAL ANALYSIS June 30, 2013

COMMUNITY SERVICE FUND

The following table presents five years of comparative operating results for the District's Community Service Fund.

For the Year Ended June 30,	2009	2010	2011	2012	2013
Revenues	\$ 1,279,235	\$ 1,146,087	\$ 1,128,676	\$ 1,154,947	\$ 1,131,170
Expenditures	1,343,933	1,321,003	1,045,348	1,089,447	1,114,255
Excess of Revenues Over (Under) Expenditures	(64,698)	(174,916)	83,328	65,500	16,915
Fund Balance, July 1	368,690	303,992	129,076	212,404	277,904
Fund Balance, June 30	\$ 303,992	\$ 129,076	\$ 212,404	\$ 277,904	\$ 294,819

The Community Service Fund revenues once again exceeded expenditures. During the year ending June 30, 2013, revenues decreased by 2.1% while expenditures increased 2.3%. Revenues decreased primarily due to fewer students participating in the Kindergarten plus program. The increase in expenditures is due to a combination an additional staff being hired for on-site childcare and several key employees receiving pay increases in 2013.

INDEPENDENT SCHOOL DISTRICT NO. XXXX

LEGISLATIVE SUMMARY

June 30, 2013

The following is a brief summary of current legislative changes and issues affecting the funding of Minnesota school districts. More detailed and extensive summaries are available from the Minnesota Department of Education (MDE).

STATE AID APPROPRIATIONS

Total appropriations from the state general fund for E-12 education, are \$ 7.6 billion for 2014 and \$ 8.0 billion for 2015, or a total of \$ 15.6 billion for the biennium. This includes the addition of funding for all-day kindergarten, beginning in 2015.

The formula allowance for 2013 General Education Aid was increased \$ 50 to \$ 5,224. For 2014, the formula allowance will increase \$ 78 (1.5%) to \$ 5,302. For 2015 and later, the formula allowance is set at \$ 5,806, which is an increase of \$ 80 (1.5%) over 2014 after adjusting for the change in pupil unit weights and the elimination of the aid subtraction for pension rate changes. Beginning in 2015, basic revenue is calculated using adjusted pupil units with the new pupil weights rather than adjusted marginal cost pupil units.

Given the February 2013 budget forecast for the state, education appropriations have been changed from 64.3% current funding at the beginning of 2013 to 86.4% current funding at the end of 2013.

The ability of school districts and charter schools to generate extended time revenue for programs designed to accelerate grade level advancement so that students graduate before their peers is eliminated.

In 2015 the extended time revenue allowance increases from \$ 4,601 to \$ 5,017 to adjust for the change in pupil weights. Also in 2015, the gifted and talented revenue increases from \$ 12 to \$ 13 to adjust for the change in pupil weights.

For 2015 and later, alternative teacher compensation revenue (Q Comp) will be changed from a component of general education revenue to a separate categorical revenue, and adds declining enrollment revenue, pension adjustment revenue and location equity revenue as new components of general education revenue. The funding amount did not change.

Beginning in 2014, small schools revenue is changed to include small high schools in geographically isolated school districts with more than one high school in the small schools revenue formula. The small schools revenue formula is adjusted for the new pupil weights by increasing the maximum allowance from \$ 522.40 to \$ 544.00 and reducing the maximum pupil units to qualify from 1,000 to 960.

Marginal cost calculations will be eliminated from the definition of pupil units. Beginning in 2015, a new component of general education revenue, "declining enrollment revenue," will be established to replace funding previously provided to districts with declining enrollment through marginal cost pupil units. The declining enrollment revenue is set to equal the decline in adjusted pupil units between the prior year and the current year times 28% of the formula allowance.

INDEPENDENT SCHOOL DISTRICT NO. XX

LEGISLATIVE SUMMARY

June 30, 20XX

STATE AID APPROPRIATIONS

The compensatory revenue formula for 2015 and later is adjusted to neutralize the impact of the change in pupil unit weights by deducting \$ 839 from the formula allowance for compensatory revenue calculations instead of \$ 415. Districts will be allowed to use up to 5% of its compensatory revenue for programs designed to prepare children for entry into school including early education programs, parent-training programs, school readiness programs, early kindergarten programs for four-year olds, and voluntary home visits and other outreach. This is in addition to the 5% that districts currently have flexibility with. The remaining 90% of compensatory revenue must be spent at the site where the revenue is generated.

For 2015 and later, \$ 530 will be deducted from the formula allowance used in calculating elementary and secondary sparsity revenue to neutralize the impact of pupil unit weighting changes. The transportation sparsity formula was also adjusted to account for the removal of marginal cost pupil unit accounting and the new pupil weights.

Beginning in 2015, the operating capital allowances are adjusted to compensate for the elimination of marginal cost pupil units and the new pupil unit weights. The basic rate increases from \$ 73 to \$ 79; the sliding scale rate based on building age increases from \$ 100 to \$ 109; and the learning year rate increases from \$ 30 to \$ 31. Beginning in 2015, the equalizing factor for operating capital will increase from \$ 10,194 to \$ 14,500 to adjust for the change in pupil unit weights and reduce the property tax share of operating capital revenue to offset the new general education levy. The allowable uses of operating capital revenue are also clarified by including computer hardware, software, and annual licensing fees, and cross referencing the definition of textbooks in the nonpublic pupil aid statute.

Beginning in 2015, a new component of general education revenue for districts with below average reduction for changes in employer pension contributions is established. The revenue per pupil unit is set to equal the difference between the district's 2014 pension adjustment per pupil unit and the state average year 2014 aid reduction per pupil unit.

Beginning in 2015, location equity revenue is established as a new component of general education revenue. For a district with any of its area in the seven-county metropolitan area, the revenue equals \$ 424 times the adjusted pupil units (APU) for that school year. For all other school districts with more than 2,000 pupils in average daily membership, for the year ending in the year before the levy is certified (2012 for 2015 revenue), the revenue equals \$ 212 times the APU for the school year. Location equity is an equalized levy spread on referendum market value (RMV); the equalizing factor is \$ 510,000. If a district levies less than the maximum amount, the aid is reduced proportionately. A district may opt out of the revenue by adopting a board resolution prior to September 1 of the year prior to the year for which the decision to opt out becomes effective (September 1, 2013 for FY 2015 revenue). For participating districts, the location equity allowance is subtracted from the referendum allowance.

INDEPENDENT SCHOOL DISTRICT NO. XXXX

LEGISLATIVE SUMMARY

June 30, 2013

STATE AID APPROPRIATIONS

Beginning in 2015, school districts are allowed to use general education revenue generated for all-day kindergarten to meet the needs of three and four year olds in the district. This does not apply to a district with a fee-based all-day kindergarten.

The early graduation scholarships and military service awards programs were repealed and will be removed from the general education appropriation beginning in 2014.

Beginning in 2014, the career and technical education (CTE) levy is converted to an equalized aid and levy, with an equalizing factor of \$ 7,612. The statewide revenue limit for CTE revenue is increased for 2014 from \$ 15,393,000 to \$ 20,657,000. Revenue for 2014 continues to be based on the old CTE formula, with the proration factor adjusted to hit the statewide revenue target. Beginning in 2015, the statewide revenue limit expires and revenue is computed using the new formula enacted in 2012 that bases funding on 35% of approved program expenditures.

The staff development set aside requirement is reinstated for 2014. However, districts will no longer be required to allocate 50% of staff development revenue to sites on a per teacher basis, 25% to sites for best practices and 25% for district-wide staff development.

PUPIL ACCOUNTING REFORM

Beginning in 2015, pupil accounting reform will occur and pupil unit weights will change as follows:

Prekindergarten and Disabled	From 1.25	To 1.0
Part-time Kindergarten	From .612	To .55
All-Day Kindergarten	From .612	To 1.0
Grades 1-3	From 1.115	To 1.0
Grades 4-6	From 1.06	To 1.0
Grades 7-12	From 1.3	To 1.2

To qualify for all-day kindergarten weight, a pupil must be enrolled in a free all-day every day kindergarten program that is available to all kindergarten students at the pupil's school and must include at least 850 hours of instruction.

INDEPENDENT SCHOOL DISTRICT NO. XXXX

LEGISLATIVE SUMMARY

June 30, 2013

GENERAL EDUCATION LEVY REFORM

Beginning in 2015, a district is allowed to convert up to \$ 300 per APU of voter-approved referendum revenue to board-approved referendum revenue by board vote. For a district with less than \$ 300 per APU of referendum revenue after the location equity revenue subtraction, the school board is allowed to authorize new referendum revenue up to the difference between \$ 300 per APU and the district's net referendum allowance after the location equity revenue subtraction.

There is an operating referendum freeze that prohibits a district from conducting a referendum election to increase its referendum allowance for 2015.

A new uniform general education levy called the "Student Achievement Levy" is established. All districts may levy up to the general education rate. If a district levies less than the permitted rate, its general education aid is reduced proportionally.

MISCELLANEOUS LEVIES

The maximum rate for the building lease levy is changed from \$ 150 to \$ 162 per pupil unit for districts and from \$ 43 to \$ 46 for intermediate district members to adjust for the pupil unit weighting changes.

The safe school levy for taxes payable in 2014 and later was increased from \$ 30 to \$ 36 per pupil unit. \$ 4 of the increase is new revenue while the other \$ 2 is to adjust for pupil unit weighting changes. The uses of the levy are also expanded to include facility security enhancements, efforts to improve the school climate and costs associate with mental health services.

EARLY CHILDHOOD AND COMMUNITY EDUCATION

An early learning scholarship program was established. For a family to receive a scholarship, it must have a child age 3 or 4 on September 1 of the current year and have income equal to or less than 185% of the federal poverty level. Scholarships may be awarded up to \$ 5,000 per child per year.

The growth factor for adult basic education increased from 1.02 to 1.025 for 2015 and later.

Beginning in 2014, there will no longer be reserve account limits and associated aid and levy penalties for community education, early childhood family education (ECFE) and school readiness.

EDUCATION EXCELLENCE

District may now use the 2% of basic revenue set aside for staff development for teacher evaluation.

A new formula for achievement and integration is established for 2014. An eligible district's achievement and integration revenue equals the sum of the district's initial integration revenue and incentive revenue. At least 80% of a district's revenue is required to be used for innovative and integrated learning environments. Up to 20% is allowed to be used for professional and staff development. Administration expenditures can be no more than 10%.

INDEPENDENT SCHOOL DISTRICT NO. XXXX

LEGISLATIVE SUMMARY

June 30, 2013

SPECIAL EDUCATION

A new special education formula is enacted beginning in 2016. To provide for a transition to the new formula, the current special education regular formula remains in place for 2014 and 2015, but a new cross subsidy reduction aid is added for 2014 and 2015. The cross subsidy reduction aid entitlement is \$ 13 million for 2014 and \$ 30 million for 2015.

For 2014 and 2015, special education aid equals the sum of the capped regular special education aid under the old law formula, plus the cross subsidy reduction aid, plus the capped excess cost aid. Beginning in 2016, special education aid equals the sum of the new formula aid plus the new formula excess cost aid.

State total special education aid is increased by \$ 39 million for 2016 and by \$ 41 million for 2017.

Beginning in 2015, tuition billing is changed so that the resident district is responsible for 90% of unfunded costs (vs. 100% currently) and the serving district/charter school is responsible for 10% of unfunded costs for open-enrolled students. Intermediate districts, cooperatives and charter schools where at least 70% of students are eligible for special education are exempt from this provision and continue to be able to recover 100% of unfunded special education costs from the resident district. This also does not apply to students placed by the resident district (e.g. at an intermediate district), or served at a charter school with very high special education concentration.

Beginning in 2016, special education aid will be paid directly to cooperatives and intermediate districts, rather than having those aids flow through the resident district. Tuition bills will be reduced to offset the aid paid to the cooperative and intermediaries.

Special education excess cost aid will be calculated using prior year data beginning in 2014. Special education tuition receipts and expenditures will not be taken into account in excess cost aid calculations to expedite the excess cost aid calculations and eliminate circularity between tuition billing and excess cost aid.

FACILITIES AND TECHNOLOGY

The health and safety levy, deferred maintenance revenue and telecommunications aid were all adjusted to conform to the new pupil weights.

INDEPENDENT SCHOOL DISTRICT NO. XXXX

LEGISLATIVE SUMMARY

June 30, 2013

PERSONNEL AND ACCOUNTING

For 2014, all districts are required to adopt and maintain an annual principal evaluation process consistent with provisions in state statutes. Principal evaluations will be a required duty of the superintendent. The MDE developed a model for this evaluation which is piloted in certain districts for the 2013 school year.

For 2015, all districts are required to adopt and maintain a teacher evaluation process consistent with provisions in state statutes. The MDE is in the process of developing a model for this evaluation, which will be piloted in certain districts for the 2014 school year.

The authority for districts to make unlimited fund transfers that do not increase state aid or levy obligations is extended to 2014 and 2015. Districts will follow the same procedures outlined for 2012 and 2013, with one change:

- Transfers are not allowed from the food service or community service funds. The school board must adopt a resolution stating the transfer will not diminish instructional opportunities for students and the district must apply to the Commissioner to make the transfer. The application must include the amount to be transferred and the funds/accounts involved. The application must also be signed by the superintendent and approved by the school board. The change in requirements for 2014 and 2015 is that a transfer cannot be made from the reserved account for staff development revenue as the 2% set aside requirement has been reinstated for those years.

SCHOOL NUTRITION

The rate for each school lunch served increased from 12 to 12.5 cents beginning July 1, 2013.

Proposal for Auditing Services

Bdote Learning Center Charter School No. 4226

Minneapolis, Minnesota

For the Year Ended
June 30, 2015

Submitted
March 16, 2015

ABDO, EICK & MEYERS, LLP

Certified Public Accountants & Consultants

Grandview Square
5201 Eden Avenue, Suite 250
Edina, Minnesota 55436
952.835.9090

Contact Person
Andrew K. Berg, CPA
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People
+ Process®
Going
Beyond the
Numbers

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Nichole Schmidt
Finance Manager
Bdote Learning Center
Charter School No. 4226
3216 E. 29th Street
Minneapolis, Minnesota 55406

Dear Ms. Schmidt:

Thank you for the opportunity to submit this proposal to the Bdote Learning Center, Charter School No. 4226 (the Charter School) for audit services. We appreciate the opportunity to have spoken with you on March 5, 2015 and learn more about your Charter School. Based on our conversation and our experience with charter schools, we are confident that Abdo, Eick & Meyers, LLP (the Firm) would be a great fit, and we would develop a beneficial working relationship. The attached proposal will demonstrate to you that our firm will be a great service provider for your Charter School.

- The team assigned to our audit should be experienced with governmental auditing and specifically charter schools.
 - The team assigned to your audit has over 80 total years of experience providing outstanding services for Minnesota charter schools. Please refer to the biographies in the Professional Bios section for specific information.
- We are active in the government associations.
 - Our government sector leader, Andy Berg, served on the board of the Minnesota Government Finance Officer Association and has been active in this organization for over 15 years. In addition, four other staff members serve on committees in GFOA. We are active in MASBO attending conferences and presented at the May 2014 annual conference. Our firm is active in the MN League of Minnesota cities as a Business Associate member, attending conferences and events. Finally, we are active in the City Clerks Association, attending the annual conference, speaking on current events and providing our expertise when presented the opportunity.
- Experience working with similar organizations.
 - For over 50 years, the Firm has been providing professional auditing services to Minnesota schools just like yours. We currently audit over 200 Minnesota local governments. Please refer to the list in the appendix to view all our valued clients.
 - We have quick internal audit turn around goals and are confident we can meet your schedule.

Our success has been driven by utilizing staff that is experienced and well trained in governmental operations. 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 know that communication, expertise, education and audit approach are important factors in the Charter School'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. This means we will do the following for you:

- Present a clear audit plan to you well before year end.
- Use of portal technology to share and collaborate documents.
- Provide an entrance / exit conference that not only addresses audit issues, but offers suggestions to make your work easier.
- Return phone calls and emails promptly.
- Respond to phone calls and routine questions without additional charge.

Expertise and Experience of our Team - We believe that our experience with government entities in Minnesota is greater than any other CPA firm.

- We audit over 200 units of government in the state of Minnesota, including several Districts as listed in this proposal.
- Our dedicated staff members devote 90 percent of their time to government services.
- In total, we spend over 60,000 hours annually serving governments similar to yours.

Education and Resources - The Firm is committed to providing a team environment that fosters growth and development through continuous training and learning. The following demonstrates our commitment to professional training:

- We have lead seminars for MnGFOA, MASBO, and several other trade groups that serve governments.
- We have a full-time Learning Director who mentors staff and ensures they receive customized training for governments. This position is staffed by a training professional and not an accountant designated as a trainer.
- We have assisted many cities in successfully preparing and applying for the GFOA's Certificate of Achievement for Excellence in Financial Reporting program.
- We provide client training seminars.

Audit Approach - Our approach to an audit is heavily dependent on technology and communication.

- We have had a completely paperless audit process since 2003 for 100 percent of our clients.
- As mentioned above, we use portal technology to share documents. We are one of the first firms to implement this process just as we were one of the first firms to implement paperless auditing.

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 the 90 day period from the date of this letter. We will contact you to discuss your interest in our services and provide any further information you may need.

Sincerely,

Abdo, Eick & Meyers, LLP
Certified Public Accountants & Consultants



Andrew K. Berg, CPA
Governmental Services Partner

Welcome to ABDO, EICK & MEYERS, LLP

“The investments into our People and Process make a difference for you, our valued client. We focus on the challenges and needs that are relevant to your business or government agency. This allows us to be thoughtful in our approach in providing you with the best solutions, and leaves you assured in the value of our deliverable.”

Steve McDonald - Managing Partner



**People
+ Process®**
**Going
Beyond the
Numbers**

People

Hire

We focus recruiting efforts on Minnesota state colleges and universities. Innovative recruiting strategies, including a strong social media presence, allow us to attract top talent.

Train

We've invested in a state-of-the-art, on-site training facility and a full-time Learning Director to ensure our team is prepared to exceed your expectations.

Reward

We focus on client results and reward our team based on specific goals, not hours billed.



Process

Listen

Our process begins with listening. We invest time to better understand your goals and challenges.

Engage

Active engagement with DFK International and domestic industry associations allows us to provide maximum value to your organization.

Deliver

Combining our internal expertise and technological resources with what we've learned about you allows us to deliver a solution that exceeds your expectations.



Going Beyond the Numbers

FIRM QUALIFICATIONS AND EXPERIENCE

Abdo, Eick & Meyers, LLP (the Firm) has a professional staff of more than 126 in its Edina and Mankato offices. The two offices serve clients of all sizes and industries, but over 35 percent of our business is dedicated to serving the municipal industry. Our Firm's ability to serve you is evidenced by our significant governmental client base and the capabilities of our personnel. The following summarizes the type of governmental services we provide:

Governmental Client Base

Our governmental client base is composed of cities, municipalities and other public entities. They are as follows:

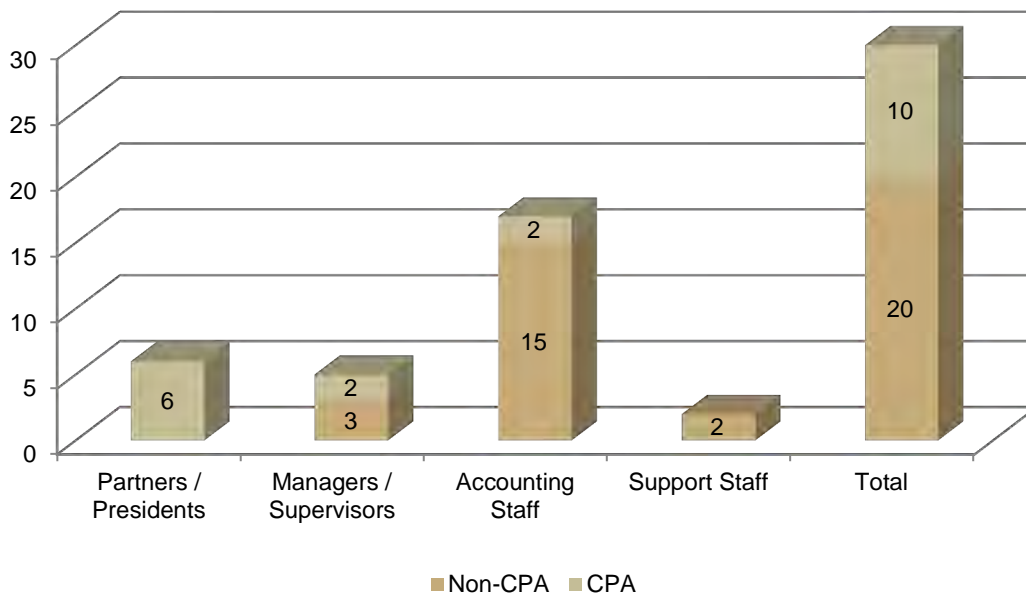
- Audit services for approximately 30 school districts and charter schools.
- Audit services for approximately 100 cities.
 - 19 municipal clients receive the GFOA's Certificate of Achievement for Excellence in Financial Reporting.
- Finance director services for approximately 12 cities.
 - 2 municipal clients receive the GFOA's Certificate of Achievement for Excellence in Financial Reporting.
- Audit services for approximately 63 fire relief organizations.
- Audit services for the State of Minnesota Public Employees Retirement Association, Office of the Legislative Auditor and the Minnesota House of Representatives.
- Audit services for EDA's and HRA's.

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

Audit services are provided on an annual basis for a total of approximately 200 clients including cities, school districts, fire relief organizations, city owned utilities, the State of Minnesota Office of the Legislative Auditor, the Minnesota House of Representatives and stand-alone EDA's and HRA's.

Personnel

Our firm has committed a substantial component of our staff to governmental services. The following table shows the number of our professional staff dedicated governmental services by position within the firm.



Our substantial governmental client base and commitment of staff to governmental services has provided our firm with the competence to serve your professionally and efficiently.

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 CPA's are all members in good standing with the Minnesota Society of CPA's and the AICPA. Our professional staff and membership in professional associations indicates that the services we provide to your Charter School will be of the highest quality.

INDEPENDENCE

Our standards require that we be without bias with respect to your operations. The Firm is independent of Bdote Learning Center, Charter School No. 4226 (the Charter School) and its component units, as defined by auditing standards generally accepted in the United States of America and the U.S. General Accounting Offices' "Governmental Auditing Standards".

The Firm has not been engaged by the Charter School or any of its agencies, component units or oversight units for the past five years. Because the Firm is required to follow GAO independence standards mentioned in the previous paragraph, any prior relationships would not constitute any conflicts of interest relative to performing the proposed audits. Also, the Firm shall give the Charter School written notice of any relevant professional relationships entered into during the period of this agreement.

SPECIFIC AUDIT APPROACH

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

- Auditing Standards Generally Accepted in the United States of America.
- *Government Auditing Standards*, issued by the Comptroller General of the United States.
- U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations.

Our audit will be for the purpose of expressing an opinion on the basic 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 financial statements, any other supplemental information and statistical schedules. We anticipate issuing the following reports:

- Independent Auditor's Report on the basic financial statements.
- Auditor's Report on Legal Compliance pursuant to the *Minnesota Legal Compliance Audit Guide*.
- Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

In addition, we will assist the Charter School with preparation of the following:

- All basic and fund financial statements required by GASB Statement No. 34
- Notes to the financial statements
- The following additional statements and schedules:
 - Budgetary comparison schedules

SPECIFIC AUDIT APPROACH - CONTINUED

In addition, we will deliver to the Charter School with a management letter that will provide written appraisals of its accounting and related systems. This letter will identify any control deficiencies, significant control deficiencies or material weaknesses that are identified during the audit. This is a requirement of Statement on Auditing Standards 115.

We will work with management before audit fieldwork and during the course of the audit to assess internal controls and review mitigating controls in place in an effort to reduce the control deficiencies, significant control deficiencies and material weaknesses that need to be reported to management in writing, assuming there are mitigating controls in place. The letter will also offer recommendations for the elimination of weaknesses that we identify. We will suggest any methods we discover to help improve efficiency and effectiveness. We will schedule an appearance with the Charter School Board that allows an opportunity for us to present the audit and management letter.

This is an excellent time for the Charter School to resolve any questions they have regarding our audit or management letter. As mentioned earlier, the value in hiring our Firm comes from not only the audit, but from our experience and the education we can provide. As questions or concerns arise throughout the year, we encourage the Charter School staff to contact us and draw on our knowledge and experience.

Non-significant deficiencies discovered during the audit process will be reported in a separate letter to management and the Charter School. Such deficiencies will be referred to in the report(s) on internal controls. This separate letter also informs the Charter School Board of the following:

- The auditor's responsibility under auditing standards generally accepted in the United States of America.
- Significant accounting policies.
- Management judgments and accounting estimates.
- Significant audit adjustments.
- Other information in documents containing audited financial statements.
- Disagreements with management.
- Management consultation with other accountants.
- Major issues discussed with management prior to retention.
- Difficulties encountered in performing the audit.

Workpaper Retention

All working papers and reports will be retained at the Firm's expense for a minimum of seven years, unless the Firm is notified in writing by the Charter School of the need to extend the retention period. The Firm will be required to make working papers available, upon request, whether or not the Firm is engaged by the Charter School, to the following parties or their designees:

- Bdote Learning Center, Charter School No. 4226.
- Minnesota Office of State Auditor.
- Minnesota Department of Education.
- U.S. General Accounting Office (GAO).
- Parties designated by the federal or State governments or by the Charter School as part of an audit quality review process.

Successor Auditors

In addition, the Firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance.

SPECIFIC AUDIT APPROACH - CONTINUED

Level of Staff and Hours Assigned to Segment

Our approach to the audit of your Charter School can be demonstrated by the level of staff assigned to each segment of the audit as well as our segmentation of the audit into the major steps to be performed.

Segment	Hours				Total
	Partner / President	Manager / Supervisor	Accounting Staff	Support Staff	
Preliminary fieldwork	1	6	12	2	21
Fieldwork	2	10	28	-	40
Report preparation/review	2	4	10	3	19
Exit conference and draft discussion	1	1	-	-	2
Presentation at Board meeting	-	1	-	-	1
Total hours	<u>6</u>	<u>22</u>	<u>50</u>	<u>5</u>	<u>83</u>

Fees

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 Charter School's staff assisting us whenever possible with audit schedules. We will provide a detailed audit plan and prepare a list of schedules upon proposal acceptance. We will work with you to schedule the audit for the 2015 financial statements to meet your needs and applicable timelines. The above table summarizes our proposed segmentation of the engagement.

We have not anticipated any additional hours for new audit or accounting standards. Accounting or audit standard changes may result in increased hours.

As mentioned above, the fee estimate is based on the assumption the Charter School staff completes our detailed audit plan, which is provided prior to year end.

SEGMENTATION OF ENGAGEMENT

Preliminary Fieldwork

Our goal in preliminary fieldwork is to gain a thorough understanding of your internal controls, processes and procedures. The completion of these elements allows us to minimize the fieldwork required to complete the audit. Our preliminary work focuses on planning and internal control documentation.

Planning

We envision the following process during the planning phase:

1. Establish understanding of services to be performed.
2. Complete our client continuance procedures and address any independence issues.
3. Document our understanding of your entity and compile risks identified.
4. Document significant processes and activities.
5. Perform required fraud “brainstorming” with audit team.
6. Assess risk of material misstatement arising from errors or fraud at entity level.
7. Agree on timing and deliverables thru an entrance meeting.
8. Develop overall audit strategy.

Internal Control Documentation

Our internal control documentation usually occurs prior to our arrival for fieldwork. Our documentation process will be as follows:

1. Gather or update documentation for significant processes defined in our preliminary fieldwork.
2. Perform a “walk-through” of these significant processes.
3. Ask “what can go wrong” questions.
4. Identify controls in place. This will include both preventative and detective controls.
5. Evaluate the design of internal controls.
6. Decide whether to test and rely on controls.

Fieldwork

We assess risks, design procedures and obtain evidence to support financial statement amounts and disclosures during fieldwork. Our Firm utilizes a methodology designed for government units. Our process emphasizes continuous communication with your staff.

Assess Risks and Design Procedures

As outlined in the risk based suite of audit standards (SAS 104 to 111), our Firm will use a risk-based approach to the audit. Our procedures to assess risks and design procedures are as follows:

1. Assess risk of material misstatement from errors or fraud based on internal controls combined with inherent risk of significant accounts.
2. Design procedures to test controls if considered necessary.
3. Design procedures to test details of account balances and classes of transactions based on risk.

Perform Interim and Year-end Testing

1. Perform tests of controls if considered necessary.
2. Perform tests of details of account balances and classes of transactions.
3. Evaluate quality and sufficiency of audit evidence.
4. Evaluate misstatements.

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 to 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 critical financial trends and recommendations for improvement, provides required communications to the Charter School Board, and discusses changes in the environment in which government operates.

Audit Completion

After the previous segments mentioned are complete, we will be ready to finalize the audit. During this stage we will complete the following procedures:

1. Complete subsequent events review procedures and review legal and representation letters.
2. Complete final overall analytical review procedures.
3. Communicate significant deficiencies and material weaknesses.
4. Conduct exit conference.
5. Issue an audit opinion.
6. Assemble audit documentation.

Our segmentation of the engagement provides for a logical and orderly sequence to achieve a thorough audit of the Charter School's accounts.

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 in 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.

SEGMENTATION OF ENGAGEMENT - CONTINUED

Use of Technology to Conduct the Audit

The Firm has been paperless since 2003. In addition, we have purchased a trial balance and financial reporting software for producing financial statements that are directly linked to your trial balance, which we will download from your system at the start of the audit. Likewise, we expect to extract various other information from your accounting system and other various electronic spreadsheets that the Charter School staff have prepared.

We use portal technology to share and collaborate documents. We are one of the first firms to implement this process just as we were one of the first firms to implement paperless auditing. Portal technology enables you to log into a secure server to access and upload documents. Here are the benefits of portal:

Security

- Files containing sensitive information no longer have to be emailed.
- You have a secure login.

Instant Delivery

- You no longer have to wait for deliverables to arrive via mail; as soon as the files are completed, they will be published to your portal site.
- You will be able upload any information to the portal site for immediate retrieval rather than sending via mail or email.
- You will have instant access to the portal site and download documents to your system.
- You will have access to documents all year.

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 are addressed in the planning stage through reading available grant documentation, client inquiries, and a preliminary review of finance system accounts and search of the Charter School Board minutes. We also have working knowledge of the types of laws and regulations Minnesota governments operate under. Further discussion is provided in the section Firm Qualifications and Experience. In addition, we 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 a variety of statistical designs in our compliance testing. The size of the sample considers many program factors; size, 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 only senior level (partner, president, manager and supervisor) staff makes decisions on planned compliance testing.

Identification of Anticipated Potential Audit Problems

At this time, we do not anticipate any potential audit problems. If problems did arise, we carefully work with the Charter School to resolve the matter.

SEGMENTATION OF ENGAGEMENT - CONTINUED

Additional Services

Our role extends beyond delivery of your audit report. We have experience in many other non-audit areas that can be useful to you, and that will help make us a solid reference source. Additional areas where we provide non-audit services are listed below: We can do the following for your Charter School:

- Review TIF Reporting with the OSA and provided assistance implementing corrections based on our review.
- Complete debt studies to analyze outstanding bond issues and methods of repayment.
- Perform a calculation of the GASB 45 Other Postemployment Benefit (OPEB) liability under the alternative measurement method for organizations with fewer than 100 plan members.
- 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.
- Provide monthly and quarterly accounting and computer services for general, municipal liquor store, and utility funds.
- Revise client monthly reporting procedures and pool various cash and investment accounts to maximize interest earnings.
- Review bond resolutions to determine the method of financing and tax levies required.
- Complete municipal utility rate study to determine rates needed to cover operating costs and provide for future expansion.
- Create long range financial plans.
- Evaluate and redesign systems to conform to grant accounting requirements.
- Conduct seminars on budget techniques and budget preparation.
- Organize a software demonstration day for clients to review various software products.
- The foregoing non-audit services make our Firm a powerful partner to you.

Summary

The Firm can provide your Charter School with the following:

- Extensive experience with cities and other local government agencies, auditing approximately 200 annually.
- Highly skilled staff that focuses on your needs and looks forward to providing assistance at every opportunity.
- Active partner/president/manager/supervisor participation in the audit process. We are on-site to resolve audit issues and answer questions our clients may have regarding reporting or any other issues.

In addition to the above, our Firm has assisted other cities in obtaining the Certificate of Achievement for Excellence in Financial Reporting for over 25 years. Our staff has extensive knowledge of data extraction, which provides efficiencies during the audit process. The Firm is on the cutting edge of technology to provide efficiencies and cost savings to our clients.

PARTNER AND STAFF QUALIFICATIONS AND EXPERIENCE

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 to this proposal in Appendix C. Our Peer Review, which included governmental audits, was completed in 2014 and resulted in a pass rating.

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

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 *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 for all staff of forty hours each year. 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 monitored internally, reviewed annually and certified periodically by independent Peer Review.

We maintain library facilities which 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.

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

- Minnesota Society of CPA's Governmental Accounting and Auditing Committee
- Minnesota Government Finance Officers Association
- Minnesota Association of Small Cities
- Minnesota Municipal Clerks and Finance Officers Association
- Government Finance Officers Association (GFOA)
- Government Accounting Standards Board (GASB)
- League of Minnesota Cities
- Minnesota Association of School Business Officials (MASBO)

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

We recognize that our most important product is prompt and effective service. We believe the Charter School should work with its CPA firm throughout the entire year. We are available at any time throughout the year to provide any assistance you may need.

Listed on the following pages are the staff members that may be assigned to your audit. As mentioned previously, our staff members have considerable governmental audit experience. This gives us a pool to draw on in addition to the group listed.

We believe Abdo, Eick & Meyers, LLP is an excellent choice as your Charter School's auditors.



Andrew Berg, CPA

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 municipal, school district, not-for-profit and *OMB Circular A-133* audits.

When not working, Andy enjoys spending time with his family and participating in outdoor activities.

Governmental Services Partner

Direct line 952.715.3003
andrew.berg@aemcpas.com

Qualifications

- 20 years of experience auditing local governments in Minnesota
- Over 90 percent of billable time relates to governmental clients
- Participates on the special review committee for the Government Finance Officers Association (GFOA). This committee reviews reports for acceptance into the Certificate of Achievement of Excellence in Financial Reporting program
- 2014 MN GFOA presenter on GASB Update and CAFR review
- Experienced in Municipal Government Long Term Financial Plans

Professional Memberships

- American Institute of Certified Public Accountants (AICPA)
- Minnesota Society of Certified Public Accountants
- Minnesota Government Finance Officers Association
- Minnesota Association of School Business Officials
- MNCPA City Report Review Committee

Education

- Bachelor of Science in Accounting, Gustavus Adolphus College
- Continuing professional education as required by AICPA and Government Accountability Office



People
+ Process.
Going
Beyond the
Numbers



Steven McDonald, CPA

Mr. McDonald joined the Firm in 1991 after graduating from Minot State University with a Bachelor of Science Degree in Accounting. He currently serves as Managing Partner and during his tenure the firm has grown to a top 20 Minnesota accounting firm and a top 200 firm in the United States. Steve's vision of continuous improvement and responsiveness to client needs has resulted leading the firm through several strategic mergers and acquisitions, new service line and industry segment development, and annual double digit growth.

When not at work, Steve enjoys cooking, reading, sports of all types and being involved in his three kids' activities.

Managing Partner

Direct line 952.715.3002
steven.mcdonald@aemcpas.com

Qualifications

- Advising clients on strategies that ensure sustainability and profitability
- Structuring merger and acquisition transactions
- Identify new business opportunities and structures that maximize growth
- Develop process improvements that lead to greater communication and efficiencies
- Regional and national speaker on topics relating to strategic planning, business development and internal controls
- 24 years of experience with local governments and nonprofit organizations

Professional Memberships

- American Institute of Certified Public Accountants (AICPA)
- Minnesota Society of Certified Public Accountants
- Minnesota Association of School Business Officials
- Minnesota Government Finance Officers Association

Affiliations

- Young Presidents Organization
- Performance Excellence Network - Treasurer
- Edina Community Foundation - Treasurer

Education

- Bachelor of Science in Accounting, Minot State University
- Continuing professional education as required by AICPA and Government Accountability Office



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Kyle Meyers, CPA

Governmental Services Partner

Direct line 507.304.6801
kyle.meyers@aemcpas.com

Mr. Meyers joined the Firm in 1982 after graduating Cum Laude from Minnesota State University, Mankato with a B.S. Degree in Finance and Accounting. He oversees many of the Mankato office's governmental, not-for-profit and multi-family housing audit engagements as well as *OMB Circular A-133* audits.

When not at work, Kyle enjoys golfing, traveling, watching and following the Minnesota Twins and biking.

Qualifications

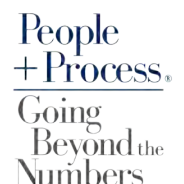
- 33 years of experience auditing local governments and not-for-profits in Minnesota
- Over 90 percent of billable time relates to governmental and not-for-profit clients
- Conducts client seminars on audit preparation and GASB Statement implementation
- Participant on the Special Review Committee for the Government Finance Officers Association reviewing audit reports for acceptance into the Certificate of Achievement for Excellence in Financial Reporting program

Professional Memberships

- American Institute of Certified Public Accountants (AICPA)
- Minnesota Society of Certified Public Accountants
- Minnesota Government Finance Officers Association
- Minnesota Association of School Business Officials

Education

- Graduated Cum Laude from Minnesota State University, Mankato
 - Bachelor of Science in Accounting and Finance
- Completed the AICPA Certificate of Educational Achievement Program for Governmental Accounting and Auditing
- Received Government Accountability Office (GAO) required levels of training specific to governments each year for the past four years
- Continuing professional education as required by AICPA and GAO





Mark Ebensteiner

Mr. Ebensteiner joined the Firm in 2007 after graduating Magna Cum Laude from St. Cloud State University. His work includes assisting in the audits of several municipal, school district and *OMB Circular A-133* audits.

In his free time Mark enjoys hunting and fishing, as well as spending time with friends and family.

Audit Supervisor

Direct line 952.715.3009
mark.ebensteiner@aemcpas.com

Qualifications

- 7 years of experience auditing local governments in Minnesota
- Over 90 percent of billable time relates to governmental clients
- 2014 MASBO presenter on Contracting and Bidding

Professional Memberships

- Minnesota Government Finance Officers Association
- Minnesota Society of Certified Public Accountants
- Minnesota Association of School Business Officials
- Beta Gamma Sigma honor society

Education

- Graduated Magna Cum Laude, Saint Cloud State University
 - Bachelor of Science Degree in Accounting
- Associates of Applied Science Degree, Alexandria Technical College
- Associates of Applied Science Degree, Vermillion Community College
- Continuing professional education



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Sarah Rathlisberger

Mrs. Rathlisberger joined the Firm in 2012 after graduating Summa Cum Laude from Minnesota State University, Mankato. Her work includes assisting in the audits of several municipal, school district and *OMB Circular A-133* audits.

In her free time Sarah enjoys waterskiing and cross-stitching, as well as spending time with friends and family.

Senior Accountant

Direct line 952.715.3040
sarah.rathlisberger@aemcpas.com

Qualifications

- 3 years of experience auditing local governments in Minnesota
- Over 90 percent of billable time relates to governmental clients
- Experienced in Municipal Government Long Term Financial Plans

Professional Memberships

- Beta Gamma Sigma honor society

Education

- Graduated Summa Cum Laude from Minnesota State University, Mankato
 - Bachelor of Science Degree in Accounting
- Continuing professional education



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PARTNER AND STAFF QUALIFICATIONS AND EXPERIENCE - CONTINUED

Our pool of staff members who mainly serve governments are listed below:

Managing Partner

Steve McDonald - 24 years of experience

Audit Partners

Kyle Meyers - 33 years of experience
Andrew Berg - 20 years of experience
Tom Olinger - 20 years of experience
Brad Falteysek - 17 years of experience

President

Jean McGann - 23 years of experience

Managers / Supervisors

Gary Groen - 31 years of experience
Jason Etter - 15 years of experience
Matthew Vos - 10 years of experience
Mark Ebensteiner - 7 years of experience
Kevin Knopik - 7 years of experience

Accountants

Mary Chamberlain - 10 years of experience
Victoria Holthaus - 9 years of experience
Katelyn Pearsall - 7 years of experience
Kristi Helget - 6 years of experience
Liza Kukla - 4 years of experience
Erin Hanneman - 4 years of experience
Bonnie Schwieger - 3 years of experience
Justin Nilson - 3 years of experience
Layne Kockelman - 3 years of experience
Sarah Rathlisberger - 3 years of experience
Chris Follen - 2 years of experience
Sheila Jungwirth - 1 year of experience
Brittany Cygan - hired January 2015

SIMILAR ENGAGEMENTS WITH OTHER GOVERNMENTAL ENTITIES

We have long-term relationships with many cities in Minnesota. Our clients listed below would be a good representation of audit clients, although any of our clients listed on the following pages could serve as a reference. All have partner, president, manager or supervisor staffing for the fieldwork process.

Southside Family Charter School

Traci Laferriere | 651.303.6060
Audit year 2014
Engagement partner - Andrew Berg

Hennepin Elementary School

Jenny Abbs | 651.463.2233
Audit year 2014
Engagement partner - Andrew Berg

SAGE Academy Charter School

Diane Scholten | 763.315.4020
Audit year 2014
Engagement partner - Andrew Berg

Odyssey Academy

Dona Fehr | 763.971.8200
Audit year 2014
Engagement partner - Andrew Berg

Northeast College Prep Charter School

Nick Taintor | 763.229.5854
Audit year 2014
Engagement partner - Brad Falteysek

SIMILAR ENGAGEMENTS WITH OTHER GOVERNMENTAL ENTITIES - CONTINUED

In addition to the valued clients listed on the previous page, we work with many 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 #118, Northland Community School	ISD #837, Madelia Public Schools	Odyssey Academy
ISD #177, Windom Area School	Avalon Charter School	Parent allied with Teachers Charter School
ISD #252, Cannon Falls	Academic Arts Charter School	River Bend Education District
ISD #282, St. Anthony*	EdVisions Off-Campus High School	Riverbend Academy Charter School
ISD #2144, Chisago Lakes	Green Isle Community Charter School	SAGE Academy Charter School
ISD #2365, GFW Public School	Great River Charter School	Southside Family Charter School
ISD #2895, Jackson County Central	Hennepin Elementary School	Southeast Service Co-op
ISD #345 New London - Spicer Schools	Lafayette Charter School	Trio Wolf Creek Charter School
ISD #391, Cleveland	Metro ECSU	Watershed High School
ISD #508, St. Peter	Minnesota Valley Education District	Vermilion Country School
ISD #836, Butterfield-Odin Public School	Northeast College Prep Charter School	

Cities

Albertville *	Janesville	Northfield * #
Alexandria #	Jordan	North Mankato *
Amboy	Kasson #	North Oaks
Arlington	La Salle	Norwood Young America
Becker	Landfall Village	Olivia #
Belle Plaine	Lauderdale	Parkers Prairie
Blooming Prairie	LeSueur	Pine Island #
Buffalo Lake	Lexington #	Red Wing
Byron	Lindstrom #	Rockford
Cannon Falls	Long Lake	Rogers #
Carver	Loretto	Shorewood *
Centerville	Louisville Township	South Bend Township
Chisago City	Luverne * #	Spring Lake Township
Claremont	Madison Lake	Springfield
Corcoran	Mankato *	St. Francis * #
Credit River Township	Maple Plain	Stillwater Township
East Bethel	Mapleton #	Taylors Falls
Elk River * #	Marshall #	Tracy
Excelsior	Mayer	Vadnais Heights *
Fairmont * #	Medford #	Vermillion
Faribault *	Medina	Victoria *
Freeport	Melrose	Wabasha
Gaylord	Minnetonka Beach	Waterville
Glenwood #	Montgomery	Waseca*
Granite Falls #	Montrose	Wayzata #
Greenfield	Morristown	Wells #
Hamburg	Mound * #	Westbrook
Ham Lake *	Mountain Lake	White Bear Lake *
Harmony	Nerstrand	Wilder
Henderson	New Auburn	Willernie
Hilltop	New Hope *	Winnebago
Hutchinson * #	New Prague	Woodland
Independence	New Richland	Wyoming
Inver Grove Heights *	Nicollet	Zimmerman
Isanti #	New Ulm	

* Firm clients who submit a CAFR, and are holders of the GFOA Certificate of Achievement of Excellence in Financial Reporting

Liquor store included

^ Includes Gambling Fund Audit

SIMILAR ENGAGEMENTS WITH OTHER GOVERNMENTAL ENTITIES - CONTINUED

Fire Relief

Amboy	Inver Grove Heights	Olivia
Anoka/Champlin	Kasson	Plymouth
Arlington	Kenyon	Prior Lake
Belle Plaine	Linwood	Randolph
Blooming Prairie	Lindstrom ^	Red Wing
Cannon Falls	Long Lake	Rockford
Carver	Loretto	Shakopee
Chisago ^	Madison Lake	South Bend Township
Claremont	Mahtowa	Springfield
Dayton	Mapleton	St. Francis
Delavan	Melrose	St. Paul Park
Easton	Minnetonka	St. Peter
Edina	Montgomery	Tracy
Elk River	Mountain Lake	Vadnais Heights ^
Elysian	Montrose	Vernon Center ^
Excelsior	New Prague	Victoria
Fairmont ^	New Richland	Wanamingo
Forest Lake	New Ulm	Waseca
Gaylord	Nerstrand	Waterville
Hartland	North Mankato	Wells
Henderson ^	Northfield ^	Wyoming
Hopkins		

Minnesota Electric Utilities

Alexandria	Kasson	New Ulm
Blooming Prairie	LeSueur	Olivia
Elk River	Luverne	Springfield
Fairmont	Melrose	Wells
Granite Falls	Mountain Lake	Westbrook
Janesville	New Prague	

Other Governmental Units

Albert Lea HRA	HRA of Hibbing	New Ulm EDA
Benson HRA	HRA of Stearns County	Northwest Suburb Cable Commission
Blooming Prairie EDA	Joint Powers Water Board of Albertville, Hanover & St. Michael	Office of the Legislative Auditor
Blue Earth County EDA	Lake Mtka Communications Commission	Prior Lake-Spring Lake Watershed District
Brown's Creek Watershed District	Lake Mtka Conservation District	Region Nine Development Comm.
Carver County CDA	Lake Washington Sanitary District	Renville County HRA/EDA
Chisago County HRA-EDA	Lakes Area Police	Scott County CDA
Chisago Lakes Joint Sewage Treatment Commission	Lakeville Arenas	South Central MN Multi County HRA
Comfort Lake - Forest Lake Watershed District	Legislative Coordinating Commission	South Central EMS
Dakota Communication Center	Mankato EDA	South Metro Fire Department
Excelsior Fire District	Mill Town Trail Joint Powers Board	Tri City Joint Sewer Board
Faribault County HRA	Minnesota House of Representatives	Vadnais Lake Area Water Management
Gaylord EDA	Minnesota Public Employees Retirement Association	West Hennepin Public Safety Dept.
Le Sueur County HRA		

* Firm clients who submit a CAFR, and are holders of the GFOA Certificate of Achievement of Excellence in Financial Reporting

Liquor store included

^ Includes Gambling Fund Audit

SIMILAR ENGAGEMENTS WITH OTHER GOVERNMENTAL ENTITIES - CONTINUED

What our clients say about us

I enjoyed working with your group at AEM. The thoroughness, knowledge, and most importantly personality that your audit team brought to St. Anthony is something I have not seen from other firms.

I particularly appreciate AEM's approach to the audit in St. Anthony. Having 3 experienced auditors on site and the partner heavily involved helped move things along and work through each section quickly

~ St. Anthony New Brighton Schools, ISD #282 – Bill Menozzi, Director of Business Services

Abdo Eick and Meyers have been trusted with our annual audit for over 10 years. They are approachable, easy to talk with and help keep us on track to meet deadlines. During our pre-audit meetings they assist in outlining timelines to ensure we meet Board deadlines and State reporting requirements. This is done by open communication throughout the audit process so we always know what stage the report is in. Upon completion of their on-site work communication has been excellent as we discuss any open items, establish expectations for completion of those items and determine when a draft will be available for review. Abdo has done an exceptional job of establishing, meeting and exceeding expectations.

~ Cannon Falls Schools, ISD #252 – Josh Davisson, Business Manager

Abdo Eick and Meyers have been our auditor for four years now and each year they have conducted fieldwork in mid to late August. This past year, we requested to move the fieldwork date back two months. They were very accommodating and assured us their work could be completed in time to meet the deadlines. I appreciate they established, communicated, and stuck to the timelines for fieldwork, drafting the financial statements, and allowing us enough time to review. Our reports were submitted on time and presented to the board as scheduled.

Our board really appreciated the manner in which they presented the audit, making it understandable for the board and the public. They were precise and to the point.

It has been a professional pleasure working with Brad Falteysek and his team.

~ Northland Community School, ISD #118 – Dean Johnson, Business Manager

Abdo, Eick & Meyers have been valued service providers and a fantastic resource to the City of Red Wing over the past 10 years. City leadership views Abdo, Eick & Meyers not only as our auditors but as trusted and capable financial advisors and educators. They are staffed with experienced personnel who provide consistent, timely, and excellent service.

They have been instrumental in improving the City's external financial reporting and assisting us in being awarded the GFOA's Certificate of Excellence in Financial Reporting. The entire team at Abdo, Eick & Meyers have been an integral part of our success at the City of Red Wing.

~ City of Red Wing - Marshall Hallock, Finance Director

Abdo Eick and Meyers has continually provided expert advice on any financial statement preparation questions we have had and as a result we have received the GFOA CAFR award for over twenty consecutive years. We like the recommendations on increasing internal controls or just the general discussions about them. The staff is available anytime and questions are answered very promptly. What sets them apart is the experience in governmental accounting and the Governmental partners are actively involved in the audit from beginning to end. Our staff enjoys the communication, especially when implementing new GASB's.

~ City of Elk River - Tim Simon, Finance Director

SIMILAR ENGAGEMENTS WITH OTHER GOVERNMENTAL ENTITIES - CONTINUED

What our clients say about us - continued

All of the auditors are very knowledgeable and thorough in their work. They are pleasant individuals that are a pleasure to work with. When they question you on a particular entry or situation, they are not critical or negative but very positive and truly want to know the district's reasoning behind what occurred with a particular entry or situation. If something needs correction, they review the corrective action with you and the reasons behind those actions.

I feel very comfortable calling them with questions throughout the year, not just at audit time. I appreciate their willingness to offer good suggestions and resolutions to situations that occur. I feel like I have additional staff that I can consult with at any time on certain accounting situations.

They helped me immensely this past year with some additional assistance in the preparation of the audit since there was some staff turnover in the office in several key positions.

The email communication from the auditors is exceptional. They don't require hours of my time during the audit. They work with each office staff member in their particular area to get the information that they need to perform the testing for the audit. They understand that we all have our routine daily duties to perform and their requests for information are minimal.

They have an excellent staff that gets the draft and final audit information out to the district. Their portal makes this a seamless process.

I would strongly recommend the auditors of Abdo, Eick & Meyers to anyone that is seeking a strong audit team.

~ Chisago Lakes Area Schools, ISD #2144 - Heide Miller, Director of Business Services

The audit staff has significant experience in governmental audits. We receive information in advance about new reporting requirements as well as information and training to assist us in meeting the continual changes that seem to come our way. As a smaller city we feel Abdo Eick and Meyers provides us with the "expert" resources when infrequent or unusual situations arise. The audit staff is well trained and easy to talk to. The office staff is exceptionally well organized and helpful. Everyone exhibits a "can do" attitude when coordinating the completion and presentation of the yearend audit. Generally when we have a question and call in for advice we receive a response within a reasonable period of time. The City Council appreciates the time the lead auditor spends reviewing the financial statement and answering questions in "plain English."

~ City of Luverne - Barb Berghorst, Finance Director

Inver Grove Heights switched to Abdo, Eick & Meyers for our auditing services in 2014 and we have been very pleased with the results for several reasons. First of all, we have found them to be well planned which made the audit process run smoothly. Secondly, the audit staff were experienced to governmental accounting and asked knowledgeable questions. Third, we were pleased with the amount of fieldwork completed on site with limited follow up required. Finally, we were happy to get new ideas for improvements to audit work papers and preparation. Abdo, Eick & Meyers has exceeded our expectations and provided value to the audit process.

~ City of Inver Grove Heights - Kristi Smith, Finance Director

Abdo not only provides the services needed to assure compliance with the required reporting requirements but also have assisted in explaining the audit to me. I can then use the audit as a teaching tool for the City Council so they can understand the financial affairs of the City. The staff at Abdo is always very courteous and helpful. They take the time to explain the accounting principles and to answer questions the City has about entries into our fund accounting. They are always very prompt with a response and offer any suggestions to questions. Whenever I have had to contact Abdo I find the staff to be very helpful in answering my questions. They help me to gain further knowledge about the accounting and finances of the City which helps me to be a better Administrator.

~ City of Mayer - Luayn Murphy, City Administrator

SIMILAR ENGAGEMENTS WITH OTHER GOVERNMENTAL ENTITIES - CONTINUED

What our clients say about us - continued

Since mid-December 2008, when the New Hope finance manager position was vacated, the firm of Abdo, Eick & Meyers (AEM) has assisted the City Council, city manager, department heads and other staff with the financial functions of the City. AEM helped prepare information to get both the 2007 and 2008 audits completed and are in the process of preparing financial information for the 2009 audit (audits are completed by MMKR). Our representatives from AEM have provided history and details on a variety of city funds, helping to educate both the City Council and staff.

AEM has provided recommendations on investment decisions and completed an updated investment policy for the City. Besides preparing the routine monthly department budget reports, AEM also has prepared quarterly budget and investment reports which are provided to the City Council to keep them apprised of the City's financial position.

In 2009, AEM assisted with the implementation of a totally revised budget format to make the document more clear to the City Council and public, including the addition of performance measures and goals. AEM has worked closely with the finance department staff and city department heads, has studied and streamlined many of the functions in the finance area so operations are more efficient, and has assisted with the implementation of new methods to address areas noted for improvement in the annual audits.

Our experience working with AEM staff, Steve McDonald and Kristi Brutlag, has been very positive. They have consistently maintained a calm, professional, and positive attitude. They understand our staff and work within our existing resources. The communication and responsiveness of Steve and Kristi has been excellent. I realize that they have many other clients to deal with, but are usually very prompt on responding to requests for information. I also know that I can discuss any issues with them directly and honestly.

The only other comments I would offer is that the AEM staff we have worked with have helped to expand the City Council's and staff's understanding of the financial workings of the City, they have made some good recommendations on budget issues, they have helped simplify some complex issues and, as an outside consultant, have offered a fresh look at how the City operates financially.

~ City of New Hope - Kirk McDonald, City Manager

This is our second year with AEM as the City's auditors. The first year experience was remarkably different from our previous audit firm. We had a lot of work to do to revamp our year-end close and work paper preparation processes. Tom Olinger and his staff worked with us - providing templates, advice and assistance - every step of the way. Communication is clear and timely. All of the interaction I had with the onsite audit staff and the staff back at AEM offices was wonderful. I am looking forward to using AEM consulting services in the near future that will review our processes and procedures to make them more effective and efficient.

~ City of Northfield - Kathleen McBride, Finance Director

Abdo, Eick and Meyers are very thorough in the work they do for the District. They meet with many different levels of staff ranging from District support staff to the School Board. They continuously provide input, feedback and suggestions that allow the District to be proactive instead of reactive. There is not an employee of Abdo, Eick and Meyers that isn't wonderful. The staff is always pleasant and professional. I never thought that I would say I don't mind being audited, but they sure make the experience as seamless and painless as possible. We always receive a response in a very timely fashion. The entire Abdo Eick and Meyers' staff are willing to do what is necessary to help the District. All communications are presented in an understandable, professional format. It has been wonderful working with Abdo, Eick and Meyers. They have a very knowledgeable staff that is always professional, responsive and courteous.

~ St. Anthony New Brighton School District, ISD 282 - Kristen Hoheisel, Former Director of Business Services and currently employed at Stillwater Area Public School

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 Specific Audit Approach section.

Proposer Warranties

1. Proposer warrants that it is willing and able to comply with State of Minnesota laws with respect to foreign (non-State of Minnesota) corporations.
2. 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.
3. Proposer warrants that it will not delegate or subcontract its responsibilities under an agreement without the prior written permission of the Bdote Learning Center, Charter School No. 4226 located in Minneapolis, Minnesota.
4. Proposer warrants that all information provided in this proposal is true and accurate.

Signature of Official:  _____

Name (typed): Andrew K. Berg, CPA

Title: Governmental Services Partner

Firm: Abdo, Eick & Meyers, LLP

Date: March 16, 2015

Management Letter

Sample Charter School
Charter School No. XXXX
City, Minnesota

For the Year Ended
June 30, 20XX

SAMPLE

Management and Board of Directors
Sample Charter School
Charter School No. XXXX
City, Minnesota

We have audited the financial statements of the governmental activities and each major fund of Sample Charter School, Charter School No. XXXX (the Charter School), City, Minnesota, for the year ended June 30, 20XX and have issued our report thereon dated DATE. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated DATE. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and *Government Auditing Standards*

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control over financial reporting of the Charter School. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Significant Audit Findings

In planning and performing our audit of the financial statements, we considered the Charter School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Charter School are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Charter School during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements include depreciation on capital assets and receivables from the Department of Education.

- Management's estimate of depreciation is based on estimated useful lives of the assets. Depreciation is calculated using the straight-line method.
- Management estimates a portion of the receivable from the Department of Education on student numbers and past expenditures.

We evaluated the key factors and assumptions used to develop these accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representations letter dated DATE.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Charter School's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Matters

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

Other Audit Findings or Issues

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

SAMPLE

Financial Position and Results of Operations

Our principal observations and recommendations are summarized on the following pages. These recommendations resulted from our observations made in connection with our audit of the Charter School's financial statements for the year ended June 30, 20XX.

General Fund

A summary of current year budgeted and actual revenues and expenditures are as follows:

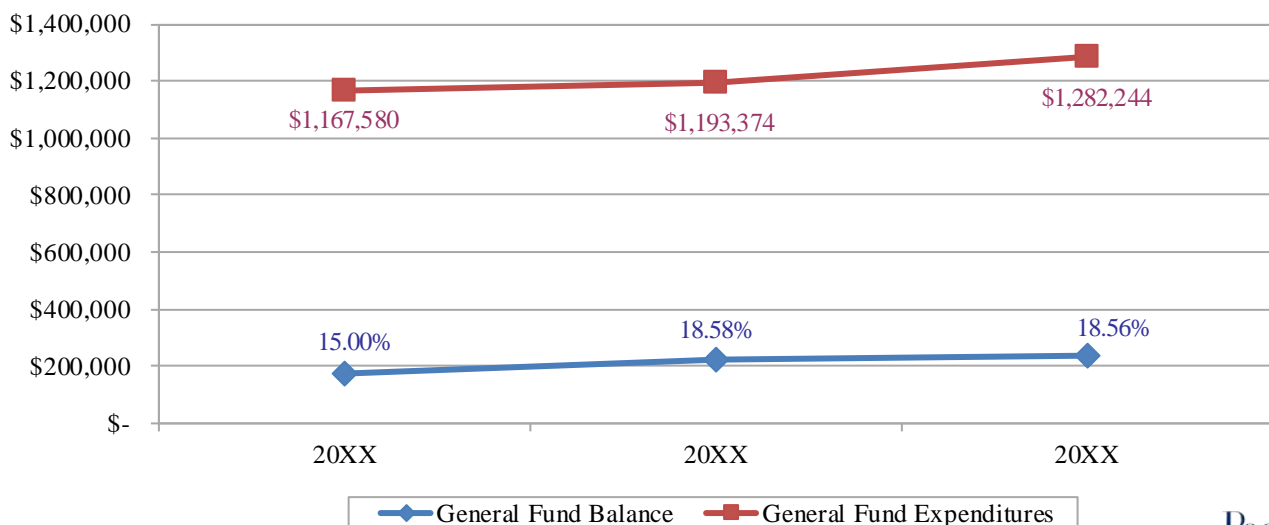
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance With Final Budget
Revenues	\$ 1,257,875	\$ 1,285,225	\$ 1,298,436	\$ 13,211
Expenditures	1,254,523	1,278,177	1,282,244	(4,067)
Net change in fund balances	3,352	7,048	16,192	9,144
Fund balances, July 1	221,752	221,752	221,752	-
Fund balances, June 30	<u>\$ 225,104</u>	<u>\$ 228,800</u>	<u>\$ 237,944</u>	<u>\$ 9,144</u>

Revenue sources were over budget for fiscal year 20XX, primarily from revenue from local and county sources and revenue from State sources which were over budget by \$7,604 and \$7,649, respectively. Expenditures were over budget for fiscal year 20XX, primarily due to the administration program which was over budget by \$18,046. However, the regular instruction program was under budget by \$10,584.

An analysis of the General fund balance compared to the General fund expenditures over the past three years is as follows:

Year Ended June 30,	Total General Fund Balance	Total General Fund Expenditures	Fund Balance as a Percent of Expenditures
20XX	\$ 175,135	\$ 1,167,580	15.00 %
20XX	221,752	1,193,374	18.58
20XX	237,944	1,282,244	18.56

A graphical presentation of the above table is shown as follows:

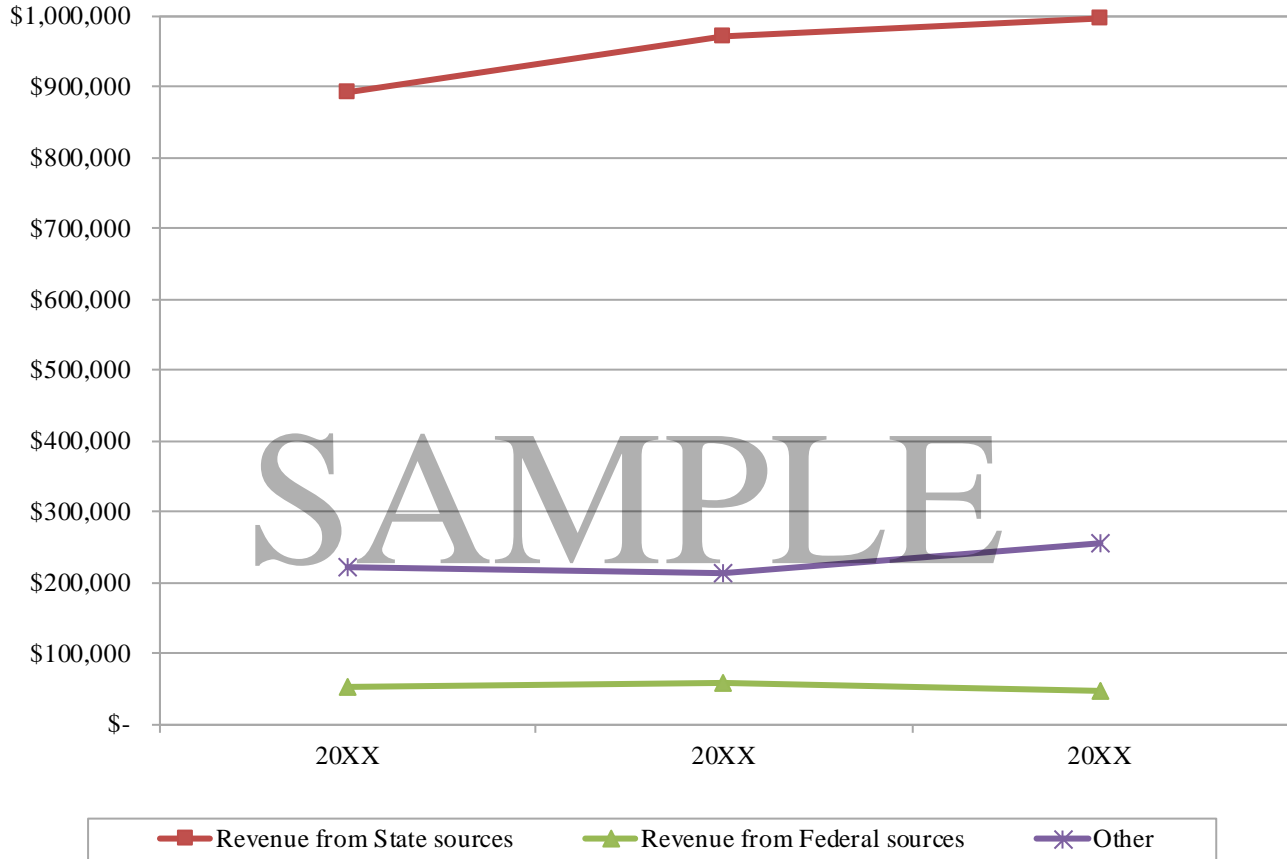


Currently the fund balance is in line with the Charter School's fund balance policy.

A further breakdown of revenues by source for the past three years is as follows:

Revenue Source	20XX	20XX	20XX	Per ADM
Other local and county revenue	\$ 214,134	\$ 205,302	\$ 249,859	\$ 2,311
Interest income on investments	20	43	29	-
Revenue from State sources	891,314	969,437	995,918	9,211
Revenue from Federal sources	51,232	57,497	47,950	443
Local sales and insurance recovery	5,948	7,712	4,680	43
Total revenues	\$ 1,162,648	\$ 1,239,991	\$ 1,298,436	\$ 12,008

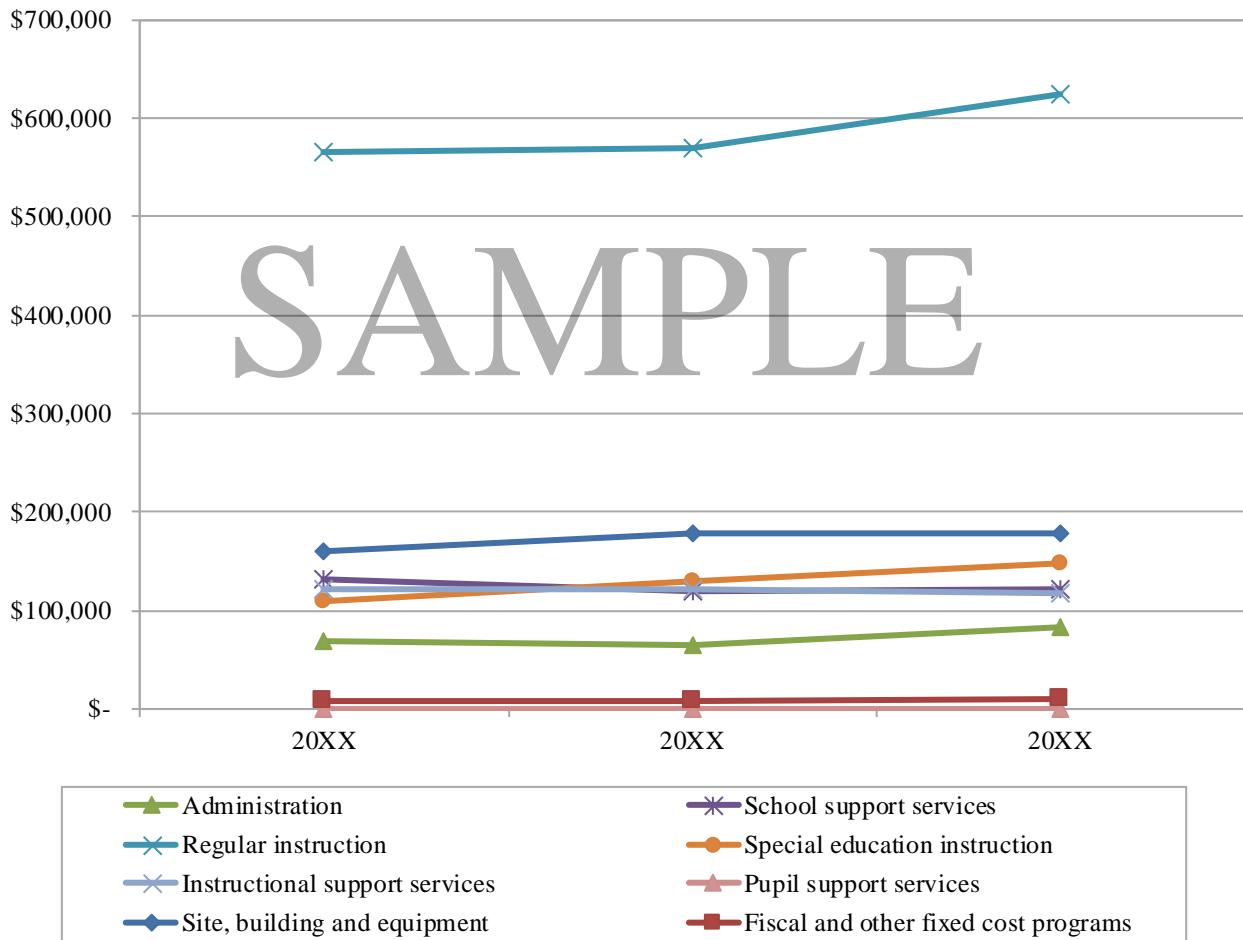
A graphical presentation of revenues for the past three years is as follows:



Expenditures by Program	20XX	20XX	20XX	Per ADM	Peer Group Per ADM
Administration	\$ 69,330	\$ 64,854	\$ 82,661	\$ 765	\$ 657
School support services	132,206	120,036	121,076	1,120	1,954
Regular instruction	566,051	570,262	623,435	5,766	4,329
Special education instruction	108,614	129,511	148,289	1,372	3,161
Instructional support services	122,574	121,207	118,150	1,093	167
Pupil support services	328	207	150	1	766
Site, building and equipment	160,265	179,171	179,247	1,658	826
Fiscal and other fixed cost programs	8,212	8,126	9,236	85	-
Total expenditures	\$ 1,167,580	\$ 1,193,374	\$ 1,282,244	\$ 11,860	\$ 11,860

The above chart compares the amount the Charter School spends per average daily membership, ADM, in comparison to a peer group. We have compiled the peer group average expenditure information from other charter schools with comparable ADM. The peer group average is derived from information available on the website of the Minnesota Department of Education.

A graphical presentation of expenditures for the past three years is as follows:



Special Revenue Fund - Food Service

A summary of activity is shown below:

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance With Final Budget
Revenues	\$ 41,361	\$ 31,532	\$ 32,531	\$ 999
Expenditures	41,637	32,127	32,843	(716)
Net change in fund balances	(276)	(595)	(312)	283
Fund balances, July 1	8,237	8,237	8,237	-
Fund balances, June 30	<u>\$ 7,961</u>	<u>\$ 7,642</u>	<u>\$ 7,925</u>	<u>\$ 283</u>

Revenues sources were over budget for fiscal year 20XX by \$999. The positive variance is mostly due to revenue from local sales and insurance recovery. Expenditure programs were over budget for fiscal year 20XX by \$716. This variance was mainly due to supplies and materials being over budget.

Future Accounting Standard Changes

The following Governmental Accounting Standards Board (GASB) Statements have been issued and may have an impact on future Charter School financial statements: ⁽¹⁾

GASB Statement No. 68 - *The Accounting and Financial Reporting of Pensions- an Amendment of GASB Statement No. 27*

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

This Statement is effective for fiscal years beginning after June 15, 2014. Earlier application is encouraged.

How the Changes in This Statement Will Improve Financial Reporting

The requirements of this Statement will improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. Decision-usefulness and accountability also will be enhanced through new note disclosures and required supplementary information.

Future Accounting Standard Changes - Continued

GASB Statement No. 69 - *Government Combinations and Disposals of Government Operations*

Summary

This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

The distinction between a government merger and a government acquisition is based upon whether an exchange of significant consideration is present within the combination transaction. Government mergers include combinations of legally separate entities without the exchange of significant consideration. This Statement requires the use of carrying values to measure the assets and liabilities in a government merger. Conversely, government acquisitions are transactions in which a government acquires another entity, or its operations, in exchange for significant consideration. This Statement requires measurements of assets acquired and liabilities assumed generally to be based upon their acquisition values. This Statement also provides guidance for transfers of operations that do not constitute entire legally separate entities and in which no significant consideration is exchanged. This Statement defines the term operations for purposes of determining the applicability of this Statement and requires the use of carrying values to measure the assets and liabilities in a transfer of operations.

A disposal of a government's operations results in the removal of specific activities of a government. This Statement provides accounting and financial reporting guidance for disposals of government operations that have been transferred or sold. This Statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions.

The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis. Earlier application is encouraged.

How the Changes in This Statement Will Improve Financial Reporting

Until now, governments have accounted for mergers, acquisitions, and transfers of operations by analogizing to accounting and financial reporting guidance intended for the business environment, generally APB Opinion No. 16, Business Combinations. This Statement provides specific accounting and financial reporting guidance for combinations in the governmental environment. This Statement also improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations.

GASB Statement No. 71 - *Pension Transition for Contributions Made Subsequent to the Measure Date - an Amendment of GASB Statement No. 68*

Summary

The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement No. 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement No. 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement No. 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Future Accounting Standard Changes - Continued

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68.

How the Changes in This Statement Will Improve Financial Reporting

The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement No. 68 in the accrual-basis financial statements of employers and nonemployer contributing entities. This benefit will be achieved without the imposition of significant additional costs.

¹ Note. From GASB Pronouncements Summaries. Copyright 2014 by the Financial Accounting Foundation, 401 Merritt 7, Norwalk, CT 06856, USA, and is reproduced with permission.

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This communication is intended solely for the information and use of the Members of the Board of Directors, management, the Minnesota Department of Education, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

If you have any questions or wish to discuss any of the items contained in this letter, please feel free to contact us at your convenience. We wish to thank you for the opportunity to be of service and for the courtesy and cooperation extended to us by your staff.

Abdo Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
DATE



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

System Review Report

September 10, 2014

To the Partners of
Abdo, Eick & Meyers, LLP
and the Peer Review Committee of the Minnesota Society
of Certified Public Accountants

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, 2014. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Audit Standards* and audits of employee benefit plans.

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, 2014, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Abdo, Eick & Meyers, LLP has received a peer review rating of *pass*.

Brady Martz and Associates, P.C.

SCHEDULE OF PROFESSIONAL FEES AND EXPENSES

APPENDIX D

Bdote Learning Center
Charter School No. 4226
Minneapolis, Minnesota
Fees and Expenses for the Audit of the
June 30, 2015 Financial Statements

Summary Schedule

Year	Audit	Single Audit	990
2015	\$ 9,900	\$ 2,500	\$ 1,400

The fee estimate above assumes that the Charter School completes our audit plan provided upon proposal acceptance. If the plan is not completed, additional charges may be billed at our standard hourly rates. We will review the status of the plan when fieldwork begins and communicate any anticipated additional fees at that time.

As a partner of Abdo, Eick & Meyers, LLP, I certify that I am empowered to submit this bid and authorized to sign a contract with Bdote Learning Center, Charter School No. 4226 located in Minneapolis, Minnesota.



Andrew K. Berg, CPA
Abdo, Eick & Meyers, LLP

3/16/2015

Date