

CITY COUNCIL AUDIT COMMITTEE

**TUESDAY, NOVEMBER 13, 2018 AT 1:30 P.M.
SECOND FLOOR CONFERENCE ROOM, CITY HALL**

PURPOSE: The Audit Committee shall be responsible for the selection (through a recommendation to Council), retention and oversight of the City's independent auditors, using the Government Finance Officer's recommended practice for Audit Committees as a guideline. The committee shall consist of three Councilmembers. The Committee shall have access to the services of at least one financial expert familiar with municipal accounting and auditing practices. The Committee shall present annually a written report of how it has discharged its duties and responsibilities.

AGENDA

- 1.) Call to Order.
- 2.) Public Comments on Agenda Items.
- 3.) Discussion on RFP Responses – Recommendation
- 4.) Audit Committee Report to City Council
- 4.) Public Comments
- 5.) Adjourn.



Administrative Services

Clerk | Finance | Treasury | IT | Assessing | Facilities | Ramsdell

Memo to: Council Audit Committee

From: Edward Bradford, CFO *EB*

Re: Auditing Services RFP

Date: November 9, 2018

The City's contract with its current auditor, Anderson Tackman, expires at the end of 2018. As was advised and provided at the last Council Audit Committee meeting, the City issued a Request for Proposals for Auditing Services.

We received back six responses. Myself and Deputy Finance Director/Treasurer Angela Rabb reviewed each of the proposals. Some of the factors that we considered in coming up with a recommendation were price, similar engagements, professional qualifications, audit methodology, ability to meet our schedule and references. It appeared that the firms were all well-qualified to do the work and have similar clients and engagements.

The bids varied widely in cost, and the results of the proposals are tabulated and attached. Anderson Tackman & Company, PLC was the low bidder at \$47,500 for five years of conducting the base audit, \$7,500 for five years of conducting the DDA audit and \$2,500 per year to conduct a single audit, if needed. The increase in base audit costs for the five year engagement was \$750, or less than 2%.

After our review, we recommend that the City engage Anderson Tackman & Company, PLC to conduct the City audit. If the Council Audit Committee concurs, I will work with City Attorney George Saylor to prepare a five year agreement, with an optional three year extension. This will appear on an upcoming City Council Agenda.

In addition, we bid out the DDA audit as a separate item as a courtesy to the DDA. The DDA is required to use the same auditor as the City. This information will be provided to interim DDA Director Tom Kaminski.

	<i>Anderson, Tackman & Company, PLC</i>	<i>Baird Cotter & Bishop</i>	<i>Dennis Gartland & Niergarth</i>	<i>Gabridge & Co., PC</i>	<i>Rehman Robson</i>	<i>Stevens Kirinovic & Tucker</i>
Audit						
2019	\$ 8,500	\$ 22,900	\$ 23,000	\$ 12,790	\$ 20,000	\$ 20,000
2020	\$ 9,000	\$ 23,590	\$ 24,000	\$ 13,100	\$ 21,000	\$ 21,000
2021	\$ 9,500	\$ 24,300	\$ 25,000	\$ 13,400	\$ 22,000	\$ 22,000
2022	\$ 10,000	\$ 25,020	\$ 26,000	\$ 13,700	\$ 23,000	\$ 23,000
2023	\$ 10,500	\$ 25,970	\$ 27,000	\$ 14,000	\$ 24,000	\$ 24,000
5 Year Cost	\$ 47,500	\$ 121,780	\$ 125,000	\$ 66,990	\$ 110,000	\$ 110,000
5 Year Difference	\$ - 0.0%	\$ 74,280 156.4%	\$ 77,500 163.2%	\$ 19,490 41.0%	\$ 62,500 131.6%	\$ 62,500 131.6%
Single Audit						
2019	\$ 2,500	\$ 3,000	\$ 2,500	\$ 3,000	\$ 3,500	\$ 2,500
2020	\$ 2,500	\$ 3,000	\$ 2,500	\$ 3,000	\$ 3,600	\$ 2,500
2021	\$ 2,500	\$ 3,000	\$ 2,500	\$ 3,000	\$ 3,700	\$ 2,500
2022	\$ 2,500	\$ 3,500	\$ 2,500	\$ 3,000	\$ 3,800	\$ 2,500
2023	\$ 2,500	\$ 3,500	\$ 2,500	\$ 3,000	\$ 4,000	\$ 2,500
5 Year Cost	\$ 12,500	\$ 16,000	\$ 12,500	\$ 15,000	\$ 18,600	\$ 12,500
5 Year Difference	\$ - 0.0%	\$ 3,500 28.0%	\$ - 0.0%	\$ 2,500 20.0%	\$ 6,100 48.8%	\$ - 0.0%
Total 5 Year Cost	\$ 60,000	\$ 137,780	\$ 137,500	\$ 81,990	\$ 128,600	\$ 122,500
(assumes single audit every year)	\$ - 0.0%	\$ 77,780 129.6%	\$ 77,500 129.2%	\$ 21,990 36.7%	\$ 68,600 114.3%	\$ 62,500 104.2%
DDA						
2019	\$ 1,500	\$ 2,000	\$ 3,000	\$ 3,000	\$ 4,500	\$ 5,000
2020	\$ 1,500	\$ 2,060	\$ 3,000	\$ 3,000	\$ 4,750	\$ 5,200
2021	\$ 1,500	\$ 2,120	\$ 3,000	\$ 3,000	\$ 5,000	\$ 5,400
2022	\$ 1,500	\$ 2,190	\$ 3,000	\$ 3,000	\$ 5,250	\$ 5,600
2023	\$ 1,500	\$ 2,260	\$ 3,000	\$ 3,000	\$ 5,500	\$ 5,800
5 Year Cost	\$ 7,500	\$ 10,630	\$ 15,000	\$ 15,000	\$ 25,000	\$ 27,000
5 Year Difference	\$ - 0.0%	\$ 3,130 6.6%	\$ 7,500 15.8%	\$ 7,500 15.8%	\$ 17,500 36.8%	\$ 19,500 41.1%



Council Audit Committee

Memo to: City Council

From: Council Audit Committee

Re: Annual Report on Discharging its Duties

Date: November 15, 2018

City Council,

The Council Audit Committee is established by Section 23 of the City Council Guidelines. The responsibilities of the audit committee are spelled out as:

The Audit Committee shall be responsible for the selection (through a recommendation to Council), retention and oversight of the City's independent auditors, using the Government Finance Officer's recommended practice for Audit Committees as a guideline. The committee shall consist of three Councilmembers. The Committee shall have access to the services of at least one financial expert familiar with municipal accounting and auditing practices. The Committee shall present annually a written report of how it has discharged its duties and responsibilities.

This memo will serve as the annual report for how the committee has discharged its duties. The audit committee met three times in 2018. The minutes of the meetings are attached.

On August 9, 2018 the committee met and reviewed the role of the committee. A copy of the Government Finance Officers Association's best practices was distributed and reviewed. The committee also discussed the upcoming audit and fieldwork process. The CFO advised the committee that the five-year agreement with the current auditing firm Anderson Tackman was expiring and that a Request for Proposals would be prepared and issued.

On October 17, 2018 the Committee met and reviewed the Request for Proposals that had been issued. The Committee also met with lead auditor Ken Talsma from Anderson Tackman to review the draft audit report. The City will receive an unqualified opinion. Staff will draft an annual report for the Committee to consider at their next meeting.

On November 13, 2018 the Committee met to review the RFP responses and recommend a firm. The CFO and City Attorney will draft a contract for consideration by Council at a future date. The recommended length is five years with an optional three-year extension. The Committee reviewed and approved the draft report to City Council.

COUNCIL AUDIT COMMITTEE MINUTES OF AUGUST 9, 2018

A meeting of the City Council Audit Committee was held on Thursday, August 9, 2018 in the Second Floor Conference Room, City Hall, 70 Maple Street, Manistee, MI 49660.

MEMBERS PRESENT: Roger Zielinski, Lynda Beaton, Erin Pontiac

MEMBERS ABSENT: None

OTHERS PRESENT: City Manager Thad Taylor, Finance Director Ed Bradford

Call to Order – Chair Roger Zielinski called the meeting to order at 2:00 p.m.

Public Comments - None

Discussion on Audit Committee Responsibilities – Reviewed the role of the committee. City Council revised the Council Guidelines a few years ago to follow the Government Finance Officers Association’s best practices for Audit Committees. A copy of the GFOA Best Practices for Audit Committees was distributed and reviewed.

Auditor field work is scheduled for the last week of August. Request for Proposals are conducted every five years to select an auditing firm. The Audit Committee participates in this process and makes recommendations to City Council. It was suggested that the Committee consider increasing this to seven years next time to better establish a working relationship with the selected firm.

CONSENSUS: A private meeting/conference call will be scheduled for mid-September with the Auditor following completion of their field work; with a separate meeting that same day with City Administration to discuss any questions or concerns regarding the audit process. Following those meetings a short report will be drafted and given to City Council.

Adjourn – Following miscellaneous discussion the meeting adjourned at the Call of the Chair at 2:30 p.m.

Cynthia J. Lokovich, CAP-OM
Executive Secretary

COUNCIL AUDIT COMMITTEE MINUTES OF OCTOBER 17, 2018

A meeting of the City Council Audit Committee was held on Wednesday, October 17, 2018 in the Second Floor Conference Room, City Hall, 70 Maple Street, Manistee, MI 49660.

MEMBERS PRESENT: Roger Zielinski, Lynda Beaton, Erin Pontiac

MEMBERS ABSENT: None

OTHERS PRESENT: Auditor Ken Talsma with Anderson Tackman, City Manager Thad Taylor, Finance Director Ed Bradford

Call to Order – Chair Roger Zielinski called the meeting to order at 1:30 p.m.

Public Comments - None

Request for Proposals – Finance Director Ed Bradford provided a copy of a request for proposals for City audits. Responses are due November 5. A meeting of the Audit Committee will be scheduled to review the responses, draft contract language, and make recommendation to City Council. Discussed length of contract, could consider five-seven years with a two-three year extension clause.

Discussion with City Auditor on Audit Process – At their meeting of August 9, 2018 the Audit Committee requested an opportunity to meet with the auditor following the completion of field work to discuss any questions or concerns regarding the audit process. Ken Talsma of the firm of Anderson Tackman was in attendance.

The draft June 30, 2018 audit was reviewed. Areas discussed:

- GASB 75 and pension actuarial reports.
- State Public Act 202, an unfunded state mandate regarding pension plans.
- City Council Guidelines and committee annual report to City Council.
- Page 2 - auditor opinions.
- Page 3 - auditing standards.
- Pages 14 & 15 - consolidated overview of all funds, assets, and debt.
- Page 16 & 17 - fund levels; general fund balance increase.
- Page 56 - employee retirement and benefit system; 3.3 unfunded liability in 2018
- Page 59 - budgetary comparison schedule; no deficits in our funds.
- Page 70 & 71 - auditor responsibilities and recommendations.

General discussion on information technology recommendations, upcoming new reporting on capital/operating leases, financial reports staff prepares for City Council, etc. Overall the auditor reports a smooth process this year. New BS&A software has improved the process.

CONSENSUS: The annual report will be drafted by staff for presentation to City Council when the final audit document is ready for Council consideration. A draft committee report and the Auditor RFP will be reviewed at the next meeting of this committee.

Next Meeting – A meeting was scheduled for Tuesday, November 13, 2018 at 1:30 p.m.

Adjourn – Following miscellaneous discussion the meeting adjourned at the Call of the Chair at 2:25 p.m.

Cynthia J. Lokovich, CAP, OM
Executive Secretary

PROPOSAL TO PERFORM THE
JUNE 30, 2019, 2020, 2021, 2022 and 2023
FINANCIAL AUDIT, SINGLE AUDIT, AND OTHER
MANAGEMENT ADVISORY SERVICES FOR

City of Manistee
Manistee, Michigan

By

ANDERSON, TACKMAN & COMPANY, PLC

16978 S. Riley Avenue

Kincheloe, Michigan 49788

(906) 495-5952

Fax: (906) 495-7312

E-Mail: antack@antack.com

Contact Person

Kenneth A. Talsma, CPA

October 26, 2018

TABLE OF CONTENTS

	<u>Page</u>
Transmittal Letter	1
Understanding of Services to be Provided	2
Independence.....	3
Licensure	3
Firm Profile	3
Our Service Team Qualifications.....	4
Engagement Team	4
Professional Staff Profiles	5
CPE of Staff Assigned	7
Quality Assurance	8
Similar Engagements of Governmental Units.....	8
Audit Approach.....	10
Proposed Staff Hours	12
Authorized Negotiator	12
Fieldwork and Timetable.....	12
Price and Cost Analysis	13
Items to be Provided by Client List	
Sample City	14
Audit Client Listing	18
AICPA Private Practices Section Certificate of Membership	20
Quality Review Notification Letter	21
Proposer Guarantees	22
Proposer Warranties	23
General Liability, Workers Compensation and Employees’ Liability Insurance Certificate	24
Professional Liability Insurance Certificate	25
Attachment A	26



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMA, CPA, PRINCIPAL
AMBER N. MACK, CPA, PRINCIPAL

PHILLIP J. WOLF, CPA
LESLIE BOHN, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS
MEMBER MACPA
OFFICES IN
MICHIGAN & WISCONSIN

October 26, 2018

City of Manistee
70 Maple Street
Manistee, MI 9660

Dear Commissioners:

We appreciate this opportunity to present our qualifications to serve the City of Manistee, as its independent accountants. Our firm currently audits over 150 Michigan and Wisconsin municipalities and related entities, eighty-five of which are the responsibility of our Kinross, Michigan office. We are proud of our expanding practice in the governmental industry, and our record of active and timely service is your guarantee of our commitment to the City of Manistee.

Our proposal package annexed, addresses our understanding of services to be provided, our qualifications, approach to auditing, proposed fee and additional information requested. The proposal is for a five year engagement at the Council's request and is a firm and irrevocable offer for 90 days.

Our annual bid includes the financial audit for funds of the City as well as a separate fee for the Single Audit.

The information contained in this proposal is intended for the sole use of the City of Manistee, Michigan evaluating our qualifications to perform the proposed engagement and should not be used for any other purpose or be publicly disclosed or distributed to third parties without the written permission of Anderson, Tackman, and Company, CPA's, PLC.

We are confident that, as you evaluate this proposal, Anderson, Tackman & Company, PLC will have demonstrated to you that we have a commitment to the governmental industry, which when combined with our competitive fee structure will provide you with the cost effective, comprehensive, quality service you are seeking. We welcome the opportunity to service your City in its professional needs and would be pleased to meet with you at your convenience.

We welcome any questions regarding our proposal and will respond as directed at your convenience.

Very truly yours,
ANDERSON, TACKMAN & COMPANY, PLC

Kenneth A. Talsma, CPA
Principal

UNDERSTANDING OF SERVICES TO BE PROVIDED

We propose to perform an audit of all includable funds, and the Downtown Development Authority (a component unit), of the City of Manistee, sufficient in scope to enable us to render our opinion on the basic financial statements for the fiscal years ended June 30, 2019, 2020, 2021, 2022 & 2023. Our audit would be in accordance with U.S. generally accepted auditing standards and procedures as set forth in the Codification of Statements on Auditing Standards, Statements Published by the National Council on Governmental Accounting and the Governmental Accounting, Auditing and Financial Reporting Statements, the Industry Audit Guide for Audits of State and Local Governmental Units, Uniform Guidance Single Audit Requirements for Financial and Compliance Audits of Governmental Units, Circular A-102, Grants and Cooperative Agreements with State and Local Governments, OMB Circular A-87, Principles for determining Costs applicable to grants, Government Auditing Standards and other requirements, as appropriate.

Our engagement would include preparation of the GASB 34 format Financial Report, and the Single Audit financial and compliance reports, as required. Although the primary purpose of our audit would be to express our opinion on the basic financial statements of the City, we would also prepare a report to management relative to areas within the accounting system where improvements would be appropriate and advantageous.

At the conclusion of our engagement, we would present the financial and compliance reports, as listed in the "Request for Proposal", to management and the members of the City Commission at your request, summarize our audit findings and conclusions, and review our Report to Management letter with management and the Commission. One unbound copy, one electronic (Word/Excel Format) copy, and twenty copies of the financial and compliance reports, as well as the Single Audit Report, if required, would be supplied to the City at the conclusion of the engagement. One report would be electronically filed to the Michigan Department of Treasury and appropriate awarding agencies.

The following Management Advisory Services would be provided at additional cost as required:

1. Other services as identified and requested

The primary purpose of our audit is to express an opinion on the financial statements. If conditions are discovered that lead to belief that material errors, defalcations or other irregularities exist we will advise management.

During the course of the engagement if circumstances are encountered that require extended services, the auditor will promptly advise appropriate City personnel. A description of services will be provided but no additional services will be provided without authorization.

Our 2019 engagement fieldwork would begin prior to year end and conclude by August 31, 2019. The subsequent year's engagement fieldwork would begin on a similar schedule of timing based on City approval. Draft reports would be furnished by September 15th, final reports by September 30th of each year, assuming the City is ready for the audit by August each year.

INDEPENDENCE

Anderson, Tackman & Company, PLC is independent in relation to City of Manistee, Michigan as defined by the U.S General Accounting Office's Government Auditing Standards.

If we enter into any professional relationships during any period of our engagement as auditors that may affect our independence, we will contact you in writing. This correspondence would indicate our relationship and its effect on your audit.

LICENSURE

Sue A. Bowlby, CPA, Kenneth A. Talsma, CPA, Amber N. Mack, CPA, Phillip J. Wolf, CPA, Leslie Bohn, CPA, and Anderson, Tackman & Company, PLC, are properly licensed as certified public accountants in the State of Michigan and are registered with the Michigan State Board of Public Accountancy.

FIRM PROFILE

Anderson, Tackman & Company, PLC is a mid-western regional certified public accounting firm with four offices in Michigan and one office in Wisconsin. We are currently members of the AICPA Division for CPA firms, Governmental Audit Quality Center and Employee Benefits Quality Center. There are presently thirteen principals in the firm and upwards of sixty-five supervisory and professional staff personnel.

Our firm provides services to a diversified group of clients in five basic areas: audit, tax, management consulting (including computer systems analysis), monthly accounting, and financial planning. Our clients include varied types of commercial enterprises, individuals, governmental units, financial institutions, and non-profit organizations.

Anderson, Tackman & Company, PLC, as evidenced by our client list, is very active in the area of providing services to governmental units. Our involvement includes the normal audit function as well as providing systems and computer consulting as needed by our clients. Recent governmental consulting engagements have included systems design, evaluation and implementation of internal computer hardware and software systems, feasibility studies, and user charge rate studies.

The engagement would be performed by our Kinross, Michigan office. The following is a list of personnel and their respective specialties at our offices.

<u>Personnel</u>	<u>Title</u>	<u>Specialty</u>
Sue Bowlby, CPA	Principal	Tax/Commercial Accounting Principal
Kenneth Talsma, CPA	Principal	Governmental Audit Principal
Amber Mack, CPA, EA	Principal	Tax/Commercial Accounting/Audit
Douglas Welton	Senior Auditor	Governmental/Nonprofit Audit
Leslie Bohn, CPA	Staff	Tax/Commercial Accounting/Audit
Cindy Sturgeon	Staff	Tax/Commercial Accounting/Audit
Sheri Ross	Staff	Clerical
Sherry Nault	Staff	Clerical
Lori Mills	Staff	Clerical

OUR SERVICE TEAM QUALIFICATIONS

At Anderson, Tackman & Company, PLC, we believe the key to establishing and maintaining a professional relationship with our clients is to provide superior services through a team effort. The team of professionals we have assembled to serve the City of Manistee includes specialists in areas such as governmental auditing and accounting, taxation, and grant expertise. We are very selective in our staff assignments and are proud of their ability to work effectively.

Anderson, Tackman and Company, PLC

ENGAGEMENT TEAM

Kenneth A. Talsma, CPA
Principal

Douglas Walton
Senior Auditor

Leslie Bohn, CPA
Staff

Anderson, Tackman and Company, PLC is independent in relation to the City of Manistee as defined by the U.S. General Accounting Office's *Government Auditing Standards*. All staff as listed are properly licensed as certified public accountants in the State of Michigan and are registered with the Michigan State Board of Accountancy. All personnel meet the current Yellow Book guidelines for continuing professional education in order to participate in a governmental audit.

PROFESSIONAL STAFF PROFILES



Kenneth A. Talsma, CPA
Principal/Governmental Division

EXPERIENCE Twenty-four years of public accounting
Experience with Anderson, Tackman &
Company, PLC, and Gillette, Halvorsen, & Leonhardt.

PARTIAL LISTING OF GOVERNMENTAL CLIENTS SERVED

City of Big Rapids
City of Boyne City
City of Cheboygan
City of East Jordan
City of Frankfort
City of Gladwin
City of Grayling
City of Harbor Springs
City of Mackinac Island
City of Manistee
City of Rogers City
City of Sault Ste. Marie
City of St. Ignace
Betsie Lake Utilities Authority

SPECIAL AREAS OF EXPERTISE

Financial auditing & reporting
Compliance auditing & reporting
Single audit
Debt capacity studies
Internal control reviews
Defalcation consultation
Personnel assistance
Feasibility study

PROFESSIONAL ACTIVITIES

American Institute of Certified Public Accountants
Michigan Association of Certified Public Accountants

EDUCATION

Lake Superior State University
Bachelor of Science Accounting

PROFESSIONAL STAFF PROFILES



Amber Mack, CPA, EA
Principal/ Tax/Commercial Accounting/Audit

EXPERIENCE Nine years of public accounting experience with Anderson, Tackman & Company, PLC.

PARTIAL LISTING OF INDUSTRIES SERVED

Governmental units
Corporations
Non-profit

SPECIAL AREAS OF EXPERTISE

Financial auditing & reporting
Nonprofit auditing & reporting
Payroll tax reporting
Unrelated business income evaluations
Income tax preparation

PROFESSIONAL ACTIVITIES

American Institute of Certified Public Accountants
Michigan Association of Certified Public Accountants

EDUCATION

Lake Superior State University
Bachelor of Science Accounting

CPE OF STAFF ASSIGNED

KENNETH A. TALSMA, CPA

Implementation of GASB 34
Governmental Accounting and Auditing Update – Winter, Spring, Summer & Fall
Computer Training Seminar – Go Systems
Ethics in the Audit process
Quality Assurance Conference
Nonprofit Conference
Spring Governmental Accounting and Auditing Conference – 2009, 2010, 2011, 2018
Applying A-133 to Nonprofit and Governmental Organizations
Solving Complex Single Audit Issues for Governmental and Nonprofit Organizations
Implementing the New Risk Assessment Standards
MACPA- Ethics
AICPA National Government and Not-for-Profit Program

AMBER N. MACK, CPA, EA

School District Update and Governmental A&A Update
Governmental & Nonprofit Update
Auditing Defined Contribution Plans
Applying Uniform Guidance in Your Single Audits
Financial Institutions Conference
Not-for-Profit Certificate II
MACPA- Ethics

QUALITY ASSURANCE

ANDERSON, TACKMAN & COMPANY, PLC

Anderson, Tackman & Company, PLC is a member of the AICPA Division for CPA Firms and has elected to participate in the American Institute of Certified Public Accountants peer review quality control program, a lengthy process that was completed successfully in 2016 and included several city and other governmental audits. Anderson, Tackman & Company, PLC is also a member of the AICPA Government Audit Quality Center. The clients of Anderson, Tackman & Company, PLC, therefore, receive the services of a quality-oriented organization combined with a personal, non-institutional approach, geared to their specific needs.

All professional staff attend quarterly in-house education courses related to governmental audits. In addition, participating staff attend the MACPA Governmental Audit conference in Lansing each year to stay informed on regulations. Anderson, Tackman & Company, PLC assures quality in the field through work paper review, inspection and conformance to audit programs during the engagement.

Worker's compensation insurance and Commercial Liability Insurance will be maintained during this contract period. All working papers will be retained for five years unless notified in writing by the City.

SIMILAR ENGAGEMENTS WITH GOVERNMENTAL UNITS

Anderson, Tackman & Company's Kinross office similar engagements are as follows:

Client Name	City of Frankfort
Service	Financial & Compliance Audit and Various Special Projects Special Projects <ul style="list-style-type: none">- Year end closing assistance - modified accrual- Accounting staff recruiting and training- Assistance with accounting of fixed assets- Assistance with compliance audits- Other specific sensitive issues- Assistance with Deficit Elimination Plan- Assistance with Public Act 621 Budget Compliance- Assistance with accounting policies and procedures
Date	Fiscal 1994 to present
Partner	Kenneth A. Talsma
Hours	300
Contact Name	Kim Kidder
Phone Number	(231) 352-7117

Client Name	City of Sault Ste. Marie
Service	Annual Financial Audit and Compliance Audit
Date	Fiscal 2009 to present
Partner	Kenneth A. Talsma
Hours	500
Contact Name	Kristin Collins, Finance Director
Phone Number	(906) 635-5726

SIMILAR ENGAGEMENTS WITH GOVERNMENTAL UNITS (Continued)

Client Name **City of East Jordan**
Service Financial and Compliance Audit and various special projects
Date Fiscal 2011
Partner Kenneth A. Talsma
Hours 200
Contact Name Heather Jackson
Phone Number (231) 536-3381

Client Name **City of Harbor Springs**
Service Annual Financial and Compliance Audit
Date Fiscal 2011
Partner Kenneth A. Talsma
Hours 310
Contact Name Nick Whitaker, Clerk/Treasurer
Phone Number (231) 526-2504

Client Name **Osceola County**
Service Annual Financial Audit
Date Fiscal 1999 to present
Partner Kenneth A. Talsma
Hours 400
Contact Name Susan Vander Pol
Phone Number (231) 832-6196

AUDIT APPROACH

Our audit approach involves the use of risk analysis and other auditing techniques to maximize our efficiency and to minimize your projected cost. Our work program will be divided into four phases. Briefly, they are as follows:

PHASE 1: **ORIENTATION, REVIEW, AND PLANNING - to be performed prior to year end**

Our principal objectives would be to:

Familiarize ourselves with the City's accounting policies and operating procedures, budgeting, policy manuals, and computer information systems.

Meet with management to discuss our audit plan and the scope of the audit.

Determine the amount of reliance, based on questionnaires and narratives, we can place on your internal controls and develop an audit program designed for your system.

Plan and coordinate the audit procedures that will be performed by us and those that can be performed by the City's staff.

Principal	4 hours
Supervisory	7 hours
Staff	<u>20 hours</u>
	<u>31 hours</u>

PHASE 2: **DETAIL TESTING OF THE SYSTEMS & RELATED COMPLIANCE ISSUES**

This phase of the audit would involve:

A confirmation of our understanding of the City's system of internal control over its assets and liabilities as well as the operational system through testing of transactions and other analytical procedures in conformance with laws and regulations. This would encompass random and haphazard samples between 10 and 60 transactions. This testing would include general A-133 requirements.

A review of procedural findings and their effect on the audit procedures would then be conducted.

Principal	4 hours
Supervisory	7 hours
Staff	<u>30 hours</u>
	<u>41 hours</u>

AUDIT APPROACH (Continued)

PHASE 3: YEAR-END PROCEDURES

Our year end procedures include:

Performing the year-end audit fieldwork, including supporting various assets and liability account balances and analyzing appropriate revenue and expenditure accounts. Proposed audit adjustments would be determined during this phase and we would review with the appropriate personnel the validity of those proposed adjustments.

Electronic Data Processing would be used in working trial balance preparation and analytical review. Analytical review would involve examination of budget variances, prior and current period performance, and ratio analysis.

Principal	8 hours
Supervisory	13 hours
Staff	<u>40 hours</u>
	<u>61 hours</u>

PHASE 4: AUDIT FINALIZATION

This phase would involve:

The preparation of our reports on the audited financial statements and the related compliance reports utilizing governmental and word processing software.

Preparing our letter of comments and recommendations incorporating our interim and year end observations and suggestions for improvements.

The delivery and presentation of all required reports to the City Commission.

Principal	9 hours
Supervisory	13 hours
Staff	10 hours
Clerical	<u>15 hours</u>
	<u>47 hours</u>

AUDIT APPROACH (Continued)

Phase 1 and 2 would be substantially completed at the preliminary field work stage. We would anticipate selecting sample sizes of 10-60 items using random number generation software. We also anticipate using Excel, Microsoft Word. We anticipate using this software to aid us in planning the extent of detail testing and final analytical review based upon final adjusted trial balances by fund. We would anticipate updating our permanent files which contain narratives and flowcharts of the City's systems. We subscribe to and use Practitioners Publishing Company audit manuals and programs which we customize to our individual clients needs. These manuals, in conjunction with other technical publications such as the GAO "Yellow Book" and state audit bulletins, assist us in determining which laws and regulations that will be subject to audit test work. We are also very familiar with "BS&A", "Civic Systems", "Fund Balance", "Accucomp", "S.D.S.", "Resource", "Manatron", "Munis" and other municipal software packages.

We feel by careful planning, our familiarization with governmental audits and the utilization of a proper audit work schedule we will minimize the disruption to your operations. This would be an important goal throughout all of the phases above.

During the course of the fieldwork, we would perform our audits of the Federal Programs. The audit would be in accordance with the auditing requirements as outlined in our Understanding of Services to be Performed. Accordingly, we will select the necessary procedures to test compliance and to disclose noncompliance with specified laws, regulations, and contracts.

PROPOSED STAFF HOURS

A total of 180 audit hours will be required to complete the basic audit engagement as detailed in the audit approach segment.

AUTHORIZED NEGOTIATOR

Kenneth A. Talsma, CPA, Principal is the authorized negotiator for the purposes of this proposal and is authorized to submit this proposal and bind Anderson, Tackman & Company, PLC, 16978 S. Riley Avenue, Kincheloe, Michigan 49788 – Phone 906-495-5952.

FIELDWORK AND TIMETABLE

To assure completion of the engagement in a timely manner, we propose the following timetable:

- Detailed audit plan and a list of schedules to be prepared by client will be provided before June 15, 2019
- Client prepared year end trial balances available a week before year-end fieldwork begins
- Fieldwork would be scheduled for July or August and be completed before August 31st
- Draft report to be completed by September 30th
- Exit Conference and SAS61 compliance meeting to take place within 15 days of last day of fieldwork
- Board presentation to the City of Manistee Commission/Audit Committee by first meeting in October
- Final reports to be issued before October 31, 2019

Note: The date of issue of the final report is dependent on the receipt of third party reports, confirmations, and attorney's responses. Draft reports are issued within thirty days of the completion of fieldwork for the primary governmental unit.

PRICE AND COST ANALYSIS

As requested, we are providing the following Price and Cost Analysis for your information:

	Standard Rate	Total Hours	Fee
Manpower Costs:			
Principal	\$ 165	25	\$ 4,125
Supervisor	85	40	3,400
Other Staff	55	100	5,500
Clerical	35	15	525
		180	\$ 13,550
	Governmental Discount		(3,550)
		2019	10,000
		2020	10,500
		2021	11,000
		2022	11,500
		2023	12,000
	Total Financial Audit & DDA for five years		\$ 55,000
	Single Audit:	2019	2,500
		2020	2,500
		2021	2,500
		2022	2,500
		2023	2,500
	Total Single Audit for five years		\$ 12,500

Out of pocket costs related to the audit will be the responsibility of Anderson, Tackman and Tackman, PLC.

Our annual bid includes the financial audit for funds of the City as well as a separate fee for the Single Audit.

Any additional services requested will be billed at standard rates plus actual out of pocket costs, as approved by the City Commission. Routine phone consultation will be furnished at no additional cost.

If significant assistance or email is needed, we will seek approval of the City Council prior to rendering additional services.

SAMPLE "PBC" LIST

We have included a sample "Prepared by Client" list for a sample City engagement to give you an idea of the type of information we will need to complete the engagement. A specific "PBC" list for the City of Manistee will be developed if we are awarded the audit contract.

SAMPLE CITY

ITEMS TO BE PROVIDED BY CLIENT

For the Year Ended June 30, 2019

In connection with the audit of your basic financial statements as of and for the year ended June 30, 2019, please provide Anderson, Tackman & Company, PLC with the following items:

1. At the earliest possible date after your year-end, please send your ending trial balances for all funds, as well as final amended budgets for all funds, to our office. (It is preferable, but not necessary, that the budgets be broken down into individual line items). If you feel that shipment of these items to our office is not feasible, please call us and we will make suitable arrangements.
2. Schedule of Accounts Receivable by fund at June 30, 2019 showing date billed, description, amount, and billing number (if applicable). Also, we will need all receipts from July 1, 2018 to June 30, 2019 available for our review.
3. Schedule of Accounts Payable for each fund at June 30, 2019, showing date, description, amount, account distribution, and vendor. We will need invoices, warrants, or other support documents for amounts over \$8,000. Please have check registers/disbursements journals from July 1, 2018 to August 31, 2019.
4. Schedule of Accrued Payroll by fund at June 30, 2019, listing employee name, amount, and subsequent payment check number. Also, we will need the payroll register for the first payroll in July 2019.
5. Detail inventory listing showing description, number of items, price, and total extended cost. We will also need to review a few invoices to verify unit prices.
6. Detail listing of fixed assets for all proprietary and governmental fixed assets at June 30, 2019. Depreciation schedules by fund. Also, we will need a schedule of all fixed asset acquisitions and deletions during fiscal 2018/2019, including invoice/receipt copies, date of acquisition/disposal, sales price, original purchase price, and related accumulated depreciation.
7. Copies of any new debt issues including related documentation, notes, amortization schedules, etc. Copies of all new lease agreements, notes payable, land contracts, and any refunded bond issues. Also, we will need a schedule of all changes in long-term debt, including supporting documentation

8. Detail of sick and vacation pay accrued at June 30, 2019, showing employee, sick hours accrued, vacation hours accrued, pay rate, and extended dollar amounts. Also, we will need copies of your policies for vacation and sick leave.
9. Schedule reconciling salaries and wages expense per the general ledger to the total quarterly 941 forms.
10. Copy of deferred compensation plan reports for fiscal 2019.
11. Copies of all state and federal grants and/or contracts. Also, we will need a schedule of all federal monies received and related expenditures showing dollar amounts, accounts posted, payers, payees, and dates of receipts/disbursements for Single Audit purposes.
12. Schedule of "due from governmental units" account balances for all funds at June 30, 2019.
13. Please have available for us to examine, all canceled checks, bank statements, and deposit slips from July 1, 2018 through June 30, 2019. Also, we will need copies of all bank reconciliations and a schedule of all general ledger cash accounts.
14. Detail of special assessments receivable at June 30, 2019. Also, we may need to look at related tax receipts.
15. Copy of City tax settlement sheets for 2018/2019 tax levies.
16. Schedule of reconciling interfund transactions (due to/due from; transfers in/transfers out).
17. Listing of all City employees and their pay rates as of June 30, 2019.
18. Listing of all insurance policies (including life insurance), policy number, carrier, premiums paid, and type and amount of coverage in effect for fiscal 2018/2019. Please provide a listing of all bonded employees and the amount of bonding for each.
19. List of attorneys contracted during fiscal year and details of any unresolved litigation at year end.
20. Copy of personnel policy, conflict of interest policy, non-discrimination (civil rights) policy, harassment policy, purchase order policy, billing policy, property tax collection policy, competitive bid policy, drug-free workplace policy, and salary resolutions for fiscal year.
21. Copy of pension plan for the Michigan Municipal Employees Retirement System for June 30, 2019.
22. Copy of Michigan Municipal Risk Management Authority Statement of Changes in Member Retention Fund for the year ended June 30, 2019.
23. Copies of any amended/new union contracts.
24. Copies of any new/amended City policies/procedures.

25. Listing of any fraud, illegal acts, or criminal proceedings committed by City personnel during 2018/2019, or suspected frauds or actions during 2018/2019. This should also include any noncompliance with laws, regulations, or contracts.
26. Listing of any contingencies including litigation, commitments to purchase, tax liabilities, IRS actions, State of Michigan actions, sales of City assets, guarantees, long-term leases, and letters of credit.
27. Listing and description of events after June 30, 2019 that could have an effect on the financial statements of the City including bond issuance, loans, penalties, and loss of funding. If there are believed to be none of the above events, please prepare a brief memorandum to that effect.
28. Listing of related party transactions between management and the City that may constitute a conflict of interest such as leases, purchases, sales of property, etc. If there are believed to be none of the above transactions, please prepare a brief memorandum to that effect.
29. Listing showing the allocation of direct revenues, (e.g. charges for services and grants).
30. A determination of major funds.
31. Original and amended budgets for major funds.
32. Upon completion of the basic financial statements management will need to complete the MD&A section (a template will be provided).

AUDIT CLIENT LISTING

To assist you in evaluating our qualifications, we have listed below a partial listing of clients for which we have provided audit services during the past three years. Should you desire to discuss any of the services performed or the qualifications of our firm, we would be pleased to have you contact any of our clients directly.

ANDERSON, TACKMAN & COMPANY, PLC

<u>CLIENT</u>	<u>CONTACT PERSON</u>	<u>TELEPHONE NUMBER</u>
STATE OF MICHIGAN:		
* Sault Ste. Marie Bridge Authority	Peter Petainen	(906) 635-5255
* Mackinac Island State Park Commission	Nancy Stempki	(906) 847-3328
COUNTY AUDITS:		
* Alcona County	Cheryl Franks	(989) 724-9420
* Antrim County	Sherry Comben	(231) 533-8596
* Benzie County	Michelle Thompson	(231) 882-0011
* Chippewa County	James German	(906) 635-6308
* Crawford County	Joe Wakeley	(989) 344-3231
Delta County	Tom Sabor	(906) 789-5100
Dickinson County	Nicole Frost	(906) 774-2573
* Gladwin County	Laura Brandon-Maveal	(989) 426-7351
* Hillsdale County	Stephenie Kyser	(516) 437-4700
Iron County	Sue Cusch	(906) 875-3362
Marquette County	Sue Vercoe	(906) 228-1570
Menominee County	Brian Bousley	(906) 863-7779
* Osceola County	Lori Leudeman	(231) 832-6196
* Sanilac County	Trudy Nichols	(810) 648-2155
Schoolcraft County	Dan McKinney	(906) 341-3618
COUNTY ROAD COMMISSIONS:		
* Alcona County	Jesse Campbell	(989) 736-6687
* Antrim County	Dale Farrier	(989) 736-6687
Alger County	Jim Gariepy	(906) 387-2042
* Benzie County	Kathy Jordan	(231) 325-3051
* Chippewa County	Brian Decker	(906) 635-5295
* Emmet County	Brian Gatowski	(231) 347-8142
Iron County	Darlene Anderson	(906) 875-6762
* Isabella County	Jalene Sandel	(989) 773-7131
* Luce County	Gary Moulton	(906) 293-8161
* Mackinac County	Vicki Hough	(906) 643-7333
* Mason County	Mary Samuels	(231) 757-2882
* Montmorency County	Todd Behring	(989) 785-3334
* Otsego County	Becky Jerry	(989) 732-5202

AUDIT CLIENT LISTING (Continued)

<u>CLIENT</u>	<u>CONTACT PERSON</u>	<u>TELEPHONE NUMBER</u>
CITY AUDITS:		
* City of East Jordan	Heather Jackson	(231) 536-3381
* City of Frankfort	Kim Kidder	(231) 352-7116
City of Gladstone	Darla Falcon	(906) 428-2311
* City of Gladwin	Dave Haag	(989) 426-9231
* City of Grayling	Lisa Johnson	(989) 348-2131
* City of Harbor Springs	Nick Whitaker	(231) 526-2104
City of Ishpeming	John Korhonen	(906) 485-1091
* City of Mackinac Island	Rick Linn	(906) 847-6002
* City of Manistee	Ed Bradford	(231) 723-2558
City of Manistique	Sheila Aldrich	(906) 341-2290
City of Marquette	Gary Simpson	(906) 228-0415
City of Munising	Doug Bavin	(906) 387-2095
City of Negaunee	Paul Waters	(906) 475-7400
* City of Sault Ste. Marie	Kristin Collins	(906) 632-5726
* City of St. Ignace	Andrea Insley	(906) 643-8545
TOWNSHIP AUDITS:		
AuTrain	Mary Rogers	(906) 892-8265
Bark River	Kenneth Viau	(906) 466-2281
* Bois Blanc	Joan Shroka	(231) 634-7275
* Brevort	Daniel J. Litzner	(906) 643-9914
Champion	Berl LaPin	(906) 339-2920
* Chippewa	Tami L. Beseau	(906) 274-5319
Chocolay	Mary Sanders	(906) 249-1448
* Clark	Susie Rutledge	(906) 484-2672
Duncan	Jane Wyatt	(906) 524-6966
Garden		(906) 644-2447
* Hudson	Al Garavaglia	(906) 595-7202
Humboldt	Barb Maki	(906) 339-2927
Inwood		
Ishpeming	Susan Jandron	(906) 485-5411
* Lakefield Township		
Michigamme	John Olson	(906) 323-6608
McMillan	Joe Villemure	(906) 293-8798
Munising	Selina Balko	(906) 387-4404
Onota	Nancy Bennett	(906) 343-6535
Pentland	David Carlson	(906) 293-9936
* Pickford	Jim Hill	(906) 647-3361
* Pickford Township Sewer Authority	Steve Andrzejak	(906) 647-3361
* Portage Township	Pat McGlonklin	(906) 586-9522
Republic	Gary Johnson	(906) 376-8827
Richmond	Teresa Luetzow	(906) 475-4180
* Rudyard Township	Bruce Berkompas	(906) 478-5401
Skandia	Marilyn Keto	(906) 942-7404
Spur	Linda Legacy	(906) 323-6156
Thompson		
Tilden	Jason Brown	(906) 485-1029
Village of Chatham	Paul Whitmarsh	(906) 439-5608

*Clients of our Kinross office



Division for CPA Firms

American Institute of Certified Public Accountants

Certificate of Membership

Anderson, Tackman & Company

is admitted to the Division
for CPA firms and is entitled to
all rights and privileges
of membership.

Admission date: September 18, 1992

Jake L. Mettenelle
Chairman of the Board





WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS

System Review Report

December 8, 2016

To the Members of Anderson, Tackman & Company, PLC
and the Peer Review Committee of the
Michigan Association of Certified Public Accountants

We have reviewed the system of quality control for the accounting and auditing practice of Anderson, Tackman & Company, PLC (the firm) in effect for the year ended June 30, 2016. 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 the Government Auditing Standards and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of Anderson, Tackman & Company, PLC in effect for the year ended June 30, 2016, 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. Anderson, Tackman & Company, PLC has received a peer review rating of pass.

Weinlander Fitzhugh

PROPOSER GUARANTEES

- A. The proposer certifies it can and will provide and make available to the City of Manistee, at a minimum, all services set forth in the Understanding of Services to be Provided and the City of Manistee Request for Proposals.

Kenneth A. Talsma

Signature of Authorized Proposer Representative

KENNETH A. TALSMA, CPA

Name (typed)

PRINCIPAL - GOVERNMENTAL SERVICES

Title

ANDERSON, TACKMAN & COMPANY, PLC

Firm

October 26, 2018

Date

PROPOSER WARRANTIES

- A. Proposer warrants that it is willing and able to obtain and maintain an errors and omissions insurance policy providing a \$2,000,000 of coverage for the willful or negligent acts, or omissions of any officers, employees or agents thereof.
- B. Proposer warrants that it will not delegate or subcontract its responsibilities under an agreement without the express prior written permission of the Commission.
- C. Proposer warrants that all information provided by it in connection with this proposal is true and accurate to the best of its knowledge.
- D. Proposer warrants that the financial statements and audit opinion will be acceptable to appropriate State or Federal agencies and if there are any problems, they will be corrected.

Kenneth A. Talsma

Signature of Proposer

KENNETH A. TALSMA, CPA

Name (typed)

PRINCIPAL - GOVERNMENTAL SERVICES

Title

ANDERSON, TACKMAN & COMPANY, PLC

Firm

October 26, 2018

Date



CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)

1/15/2018

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER Professional Concepts Insurance Agency, Inc. 1127 South Old US Highway 23 Brighton MI 48114-9861		CONTACT NAME: certs@pciaonline.com PHONE (A/C, No, Ext): (800) 969-4041 FAX (A/C, No): (800) 969-4081 E-MAIL ADDRESS: certs@pciaonline.com	
INSURED Anderson, Tackman & Company 102 West Washington Suite 109 Marquette MI 49855		INSURER(S) AFFORDING COVERAGE INSURER A: Great Divide Insurance Company INSURER B: INSURER C: INSURER D: INSURER E: INSURER F:	

COVERAGES

CERTIFICATE NUMBER: 17-18

REVISION NUMBER:

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

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
	COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC OTHER:						EACH OCCURRENCE \$ DAMAGE TO RENTED PREMISES (Ea occurrence) \$ MED EXP (Any one person) \$ PERSONAL & ADV INJURY \$ GENERAL AGGREGATE \$ PRODUCTS - COMP/OP AGG \$
	AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> HIRED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> NON-OWNED AUTOS						COMBINED SINGLE LIMIT (Ea accident) \$ BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$
	UMBRELLA LIAB <input type="checkbox"/> OCCUR EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE DED RETENTION \$						EACH OCCURRENCE \$ AGGREGATE \$
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	Y/N	N/A				<input type="checkbox"/> PER STATUTE <input type="checkbox"/> OTH-ER E.L. EACH ACCIDENT \$ E.L. DISEASE - EA EMPLOYEE \$ E.L. DISEASE - POLICY LIMIT \$
A	Professional Liability			MIB201641-03	12/1/2017	12/1/2018	Per Claim \$3,000,000 Aggregate \$3,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

CERTIFICATE HOLDER**CANCELLATION**

Informational Purposes Only

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE

Mike Cosgrove/SHANNO

Michael Cosgrove

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ATTACHMENT A

**REQUEST FOR PROPOSAL
AUDITING SERVICES**

Firm Submitting Proposal: _____

Proposed Fee:

Fiscal Year	Audit & Reports	Single Audit (if needed)	DDA
2019	8,500	2,500	1,500
2020	9,000	2,500	1,500
2021	9,500	2,500	1,500
2022	10,000	2,500	1,500
2023	10,500	2,500	1,500

Kenneth A. Talsma 10/26/18
Signature of Authorized Representative Date

Kenneth A. Talsma, CPA
Print Name

Principal
Title



Baird, Cotter & Bishop, P.C.

SERVING YOUR PAST, PRESENT & FUTURE

CERTIFIED PUBLIC ACCOUNTANTS

134 WEST HARRIS STREET CADILLAC, MICHIGAN 49601 PHONE: (231) 775-9789 FAX: (231) 775-9749
www.bcbcpa.com

October 31, 2018

City of Manistee
Edward Bradford
70 Maple Street
Manistee, MI 49660

Dear Mr. Bradford

We wish to extend our thanks to you for this opportunity to submit a proposal on the financial audit of the City of Manistee.

The contact person at our office who is authorized to make representations on behalf of the firm relative to this proposal is Derek J. Graham, C.P.A.

If you have any questions relative to this proposal, please don't hesitate to contact me. Again, we wish to thank you for this opportunity to provide a quote on your financial audit. We are looking forward to hearing from you and hope to work with you in the future.

Very truly yours,

BAIRD, COTTER & BISHOP, P.C.

Derek J. Graham, C.P.A.

We have reviewed the proposal and agree with the stated terms.

SIGNATURE: _____

DATE: _____

CITY OF MANISTEE

AUDIT PROPOSAL

Firm Information

Name and Location: Baird, Cotter, and Bishop, P.C., Cadillac, MI

Total Firm Staff: 32

Total Governmental Audit Staff: 20

Number of Governmental Audit Clients: 134 (2017) 126 (2016)

Staff Experience

Please see the attached resumes for the manager/partner in charge, manager and staff accountant that would be working on the audit. The contact person at our office who is authorized to make representations on behalf of the firm relative to this proposal is Derek J. Graham, C.P.A.

References

Please see the attached list of similar engagements performed by Baird, Cotter, and Bishop, P.C. in the past three years.

Independence

Baird, Cotter, and Bishop, P.C. is independent with respect the City of Manistee. Independence matters are addressed on an annual and as needed basis by the firm as defined by GAAS and Government Accounting Standards.

Conflicts of Interest

Baird, Cotter, and Bishop, P.C. does not have any conflicts of interest with regards to the City of Manistee or any of its agencies in the past five years.

External Quality Control Review/Peer Review

Please see attached for the most recent external quality control peer review report.

Price for Services

Please see attachment A.

Other

Baird, Cotter, and Bishop, P.C. traces its history back to 1924 when the practice was originally established in Cadillac. This was the year before the State of Michigan began licensing accountants. The firm has been providing accounting services to clients in Michigan continuously since that time.

We feel our background and the people in our organization give us the needed qualifications to perform an audit of the City of Manistee in a competent and professional manner.

Baird, Cotter, and Bishop, P.C. and all of the assigned key professional staff are properly licensed to practice in Michigan. All C.P.A.'s and non-certified professional staff in our firm meet the Michigan Board of Accountancy continuing education requirements and the "Government Auditing Standards" requirements.

Baird, Cotter and Bishop, P.C. has the minimum requested Errors and Omission Insurance. We can provide a certificate of insurance upon request.

We strive for continuity with staffing on each audit job from year to year.



ATTACHMENT A
REQUEST FOR PROPOSAL
AUDITING SERVICES

Firm Submitting Proposal: Baird, Cotter, & Bishop, P.C.

Proposed Fee: \$ 24,900

Fiscal Year	Audit & Reports	Single Audit (if needed)	DDA
2019	\$ 22,900	\$ 3,000	\$ 2,000
2020	\$ 23,590	\$ 3,000	\$ 2,060
2021	\$ 24,300	\$ 3,000	\$ 2,120
2022	\$ 25,020	\$ 3,500	\$ 2,190
2023	\$ 25,790	\$ 3,500	\$ 2,260

Signature of Authorized Representative

Date

Derek J. Graham, C.P.A.

Print Name

Manager/Partner in Charge

Title

RESUME

NAME

Derek J. Graham, C.P.A.

TITLE

Manager in Charge

EDUCATION

College
Degree

Ferris State University
Bachelor of Science in Business Administration
Major in Accounting

EMPLOYMENT

2012 to Present

Baird, Cotter & Bishop, P.C.
Cadillac, Michigan

AUDIT EXPERIENCE

7 Years in governmental auditing

RELEVANT AUDIT EXPERIENCE

- City of Lake City
- City of Grant
- City of Manton
- City of McBain

ADDITIONAL INFORMATION

Member
Member
Member
Member

American Institute of C.P.A.'s (AICPA)
Michigan Institute of C.P.A.'s (MICPA)
Governmental Audit Quality Center
Chairperson of Baird Cotter and Bishop, P.C.'s Accounting
and Auditing quality and standards committee.
Baird, Cotter and Bishop, P.C.'s internal governmental audit
quality review and inspection committee.

RESUME

NAME

Jesse D. Van Enk, C.P.A.

TITLE

Manager

EDUCATION

College
Degrees

Grand Valley State University
Bachelor of Science in Mathematics
Major in Mathematics
Master of the Science of Taxation

EMPLOYMENT

2003 to Present

Baird, Cotter & Bishop, P.C.
Cadillac, Michigan

AUDIT EXPERIENCE

16 Years in governmental auditing

RELEVANT AUDIT EXPERIENCE

- City of Ewart
- City of Grant
- City of Lake City

ADDITIONAL INFORMATION

Member
Member
Member

Michigan Institute of C.P.A.'s (MICPA)
American Institute of C.P.A.'s (AICPA)
Governmental Audit Quality Center

RESUME

NAME

Ethan Nicol, C.P.A.

TITLE

Staff Accountant

EDUCATION

College
Degree

Northwood University
Bachelor of Business Administration
Major in Accounting and Finance

EMPLOYMENT

2016 to Present

Baird, Cotter & Bishop, P.C.
Cadillac, Michigan

AUDIT EXPERIENCE

2 years in governmental auditing

RELEVANT EXPERIENCE

- City of Evart
- City of Manton
- City of McBain

ADDITIONAL INFORMATION

Member
Member

Governmental Audit Quality Center
Baird, Cotter and Bishop, P.C.'s internal governmental
audit quality review and inspection committee

BAIRD, COTTER & BISHOP, P.C.
CITY AND VILLAGE AUDITS PERFORMED

<u>CITIES AND VILLAGES</u>	<u>YEARS OF SERVICE</u>	<u>CONTACT</u>	<u>PHONE #</u>
VILLAGE OF BALDWIN	15+ Years	James Truxton, President	231-745-3587
VILLAGE OF BOYNE FALLS	7 Years	William Carson, President	231-549-2443
VILLAGE OF CENTRAL LAKE	6 Years	Larry Eckhardt, President	231-544-6483
VILLAGE OF COPEMISH	4 Years	Ron Bytwerk, President	231-378-4652
VILLAGE OF EASTLAKE	2 Years	Dan Golden, President	231-723-9558
VILLAGE OF ELBERTA	3 Years	Holly O'Dwyer, President	231-352-7201
VILLAGE OF ELLSWORTH	15+ Years	Hugh E. Campbell, President	231-588-7411
CITY OF EVART	20+ Years	Zackary Szakacs, City Manager	231-734-2181
VILLAGE OF FARWELL	2 Years	Gina Hamilton, President	989-588-9926
CITY OF GRANT	10 Years	Kasey Jernberg, City Manager	231-834-7904
VILLAGE OF HARRIETTA	8 Years	Tim Hall, President	231-389-2693
VILLAGE OF KALEVA	9 Years	Kim Somsel, President	231-362-3366
VILLAGE OF KINGSLEY	25+ Years	Dan Hawkins, Village Manager	231-263-7778
VILLAGE OF LAKE ANN	6 Years	Jim Sturmer, President	231-275-5267
CITY OF LAKE CITY	10+ Years	Ray Vasser, City Superintendent	231-839-4469
VILLAGE OF LEROY	30+ Years	Ann Swanson, Clerk	231-768-4414
VILLAGE OF LUTHER	3 Years	Victor Lucas, President	231-797-5452
CITY OF MANTON	30+ Years	Garry Brown, Mayor	231-824-3572
CITY OF MCBAIN	30+ Years	Heidi Heuker, Treasurer	231-825-0186
VILLAGE OF MCBRIDES	20+ Years	Kimberly Jensen, President	989-762-9008
VILLAGE OF ONEKAMA	9 Years	Roger Burger, Village President	231-889-3171
VILLAGE OF ROSCOMMON	6 Years	Dan Fishel, President	989-275-5743
VILLAGE OF STANWOOD	8 Years	Danielle Brennan, Treasurer	231-287-0418
VILLAGE OF TUSTIN	20+ Years	Teresa Raab, Treasurer	231-829-3012

Report on the Firm's System of Quality Control

November 8, 2017

To the Shareholders of Baird, Cotter & Bishop, PC and the
Peer Review Committee of the Michigan Association of CPA's

We have reviewed the system of quality control for the accounting and auditing practice of Baird, Cotter & Bishop, PC (the firm) in effect for the year ended September 30, 2017. 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 (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

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. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

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.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including a compliance audit under the Single Audit Act; and an audit of an employee benefit plan.

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Baird, Cotter & Bishop, PC in effect for the year ended September 30, 2017 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*. Baird, Cotter & Bishop, PC has received a peer review rating of *pass*.

Manes Costeiran PC

Proposal for Professional Audit Services

City of Manistee

November 2, 2018



Submitted by:

Heidi M. Wendel, CPA, CFE
Partner

Trina B. Edwards, CPA, CGFM
Manager



DENNIS, GARTLAND & NIERGARTH
Certified Public Accountants / Business Advisors

415 Munson Avenue
P. O. Box 947
Traverse City, Michigan 49685
(231) 946-1722
hwendel@dgn CPA.com



DENNIS, GARTLAND & NIERGARTH
Certified Public Accountants / Business Advisors

Table of Contents

1. Letter of Transmittal.....	3
2. Firm Profile	5
3. Mandatory Criteria	7
4. Government Audit Team.....	8
5. Government Auditing References	11
6. Government Audit Experience.....	12
7. Project Scope & Audit Approach.....	13
8. Audit Timeline	16
9. Additional Data	17
a. Attachment A	
b. Profile: Heidi M. Wendel, CPA, CFE	
c. Profile: Trina B. Edwards, CPA, CGFM	
d. Profile: Jake Schierbeek, CPA	
e. Profile: Tina Groleau, CPA	
f. DGN Services	
g. DGN Staff List	
h. DGN, LLC Licensure	
i. Peer Review Report	
j. Articles of interest	
i. Are You Prepared for your Annual Audit?	
ii. Fight Fraud Follow the cash trail	



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231.946.1722 ph, 231.946.2762 fax
www.dgncpa.com

Thomas E. Gartland, Retired
Brad P. Niergarth, CPA
James G. Shumate, CPA
Robert C. Thompson, CPA
Michael D. Shaw, CPA
Mary F. Krantz, CPA
Shelly K. Bedford, CPA
Heidi M. Wendel, CPA
Shelly A. Ashmore, CPA
James M. Taylor, CPA

November 2, 2018

Mr. Edward Bradford
Chief Financial Officer
City of Manistee
70 Maple Street
Manistee, MI 49660

Re: **Dennis, Gartland & Niergarth Audit Services for the City of Manistee**

Dear Mr. Bradford:

Thank you for the opportunity to provide a proposal for professional services by Dennis, Gartland & Niergarth (DGN) for the City of Manistee. We believe that Dennis, Gartland & Niergarth offers the professional services, governmental expertise, personal attention and ready year-round accessibility that the City of Manistee requires. We would be honored to work with you and your team.

Dennis, Gartland & Niergarth's proposal follows. It outlines services, timeline and professional fees as well as information about our firm, government audit experience and the professional team that would work directly with the City of Manistee. Of particular note:

- **Professional Services:** Dennis, Gartland & Niergarth will audit the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Manistee for the fiscal years ending June 30, 2019, through 2023. The annual audits will present all City funds and component units including the Downtown Development Authority (DDA), Friends of the Ramsdell, City of Manistee Brownfield Redevelopment Authority and the Manistee Housing Commission. We understand the Manistee Housing Commission will be audited by others to whom we will refer. The audits will be performed in accordance with generally accepted auditing standards as contained in the Statement on Auditing Standards of the American Institute of Certified Public Accountants (AICPA), *Government Auditing Standards* issued by the Comptroller General of the United States, the provisions of 2 CFR 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal

Awards (if a Single Audit is required), the AICPA Industry Audit Guide, *Audits of State and Local Governmental Units* and the Michigan Governmental Accounting and Auditing Guide issued by the State of Michigan, Department of Treasury. All services will be provided by DGN's government/ nonprofit team based in Traverse City and readily accessible and available to the City of Manistee.

- **Exceptional Client Service:** Dennis, Gartland & Niergarth has earned an excellent reputation for providing outstanding service with a high degree of accountability and accessibility throughout the entire engagement. The firm is committed to assuring that engagements receive the proper staffing and expertise required to meet all deadlines, provide excellent service and exceed client expectations.
- **Team Leader:** DGN partner Heidi M. Wendel will serve as the engagement partner and the authorized representative for Dennis, Gartland & Niergarth. As the signer of this letter, Ms. Wendel is authorized to bind DGN on this proposal. Contact information:

Heidi M. Wendel, CPA, CFE, Partner
Dennis, Gartland & Niergarth
415 Munson Avenue
PO Box 947
Traverse City, MI 49685
(231) 946-1722
hwendel@dgn CPA.com

Since its founding in 1973, Dennis, Gartland & Niergarth has built its practice on comprehensive services, highly trained professionalism and exceptional client service. Today, DGN stands as a business leader in the community, the state and beyond. Our guiding principle then and now – *Our clients' success is our business.*

We welcome the opportunity to discuss this proposal and Dennis, Gartland & Niergarth's services further. Please let us know if we can answer any questions or provide further information. We are excited about the prospect of serving the City of Manistee.

Sincerely,



Heidi M. Wendel, CPA, CFE



Trina B. Edwards, CPA, CGFM



DENNIS, GARTLAND & NIERGARTH
Certified Public Accountants / Business Advisors

Firm Profile

Dennis, Gartland & Niergarth is northern Michigan's largest, locally owned, full service public accounting firm. Founded in 1973, the firm is based in Traverse City, Michigan with nearly 50 experienced staff dedicated to providing outstanding professional service with a personal touch to organizations and individuals throughout the region. Its guiding principle for 45 years – *Our clients' success is our business.*

Dennis, Gartland & Niergarth understands our clients' businesses and is creative and progressive in helping them achieve their goals. We offer the combined expertise of many professionals with broad auditing, accounting, tax and consulting experience. DGN uses a team approach in working with clients and tailors services to meet individual needs. We are passionate about building our knowledge about our clients, their industries and the technical issues that impact their success.

Experienced, Local Staff. All services will be performed through Dennis, Gartland & Niergarth's sole office located in Traverse City. The staff includes:

Partners	10
Managers	11
Supervisors	4
Senior Accountants	7
Staff Accountants	5
Associates/Support Staff	8

Comprehensive Services. As a full service public accounting firm, Dennis Gartland & Niergarth provides numerous accounting, tax, business consultation and personal planning services locally and nationally. These include:

- Financial statement audit, compilations & reviews
- Compliance audits
- Business management & consulting
- IT/software consultation, networking, training & support
- QuickBooks services & training
- Consultation services
- Employee benefit plans
- Tax preparation & planning
- Business valuations
- Mergers & acquisitions
- Fraud prevention/investigation
- Wealth management
- Internal control check-ups
- Forensic accounting
- Forecasting & budgeting
- Business modeling & planning
- Implementation of new accounting standards & policies

Industry Expertise. Local Business, Government/Nonprofit Organizations, Manufacturing, Professional Offices, Agribusiness, Hospitality, Real Estate and Oil/Gas are major client focuses at Dennis, Gartland & Niergarth. Our multidisciplinary niche teams bring together industry specific expertise in Tax Planning and Preparation, Auditing and Accounting, “BizTek” Business/Technology Services, Employee Benefit Plans and a broad array of industry related consultation services. This emphasis allows DGN to offer specialized industry knowledge, coordinated local services, multidisciplinary depth and exceptional personal service to our clients. Additional expertise is drawn from the full staff and our affiliation with CPAmerica. Team members participate in the Government Finance Officers Association, the Michigan School Business Official’s Association, Michigan Oil and Gas Association, Council of Petroleum Accountants Societies, MACPA Peer Review, MACPA task forces and related organizations.

Quality Assurance & Peer Review. Dennis, Gartland & Niergarth is committed to keeping the quality of our firm’s work at the top of the profession. DGN has participated in the American Institute of Certified Public Accountants’ (AICPA) Quality Control – Peer Review Program for over 25 years. DGN continues to be placed among the quality firms nationwide to continually receive pass reports. A copy of the most recent peer review is attached.

Dennis, Gartland & Niergarth is also a longstanding member of the AICPA Governmental Audit Quality Center. Membership reflects DGN’s commitment to achieving the highest professional standards and performing quality audits for our government and nonprofit clients.



Computer Capability. DGN employs the latest technology and software solutions in all on-site and remote operations. The firm operates in a paperless environment and prefers to handle data in an electronic format as much as practical, equipping all field staff with laptop computers, remote capabilities and related technology. The firm employs an in-house programmer and IT consultant who assists our clients and audit teams to efficiently extract, manipulate and manage data. We prefer this personalized approach over generic data extraction software used by many firms. DGN is a Sage Software preferred provider and our IT consultant offers extensive experience with Sage100ERP and in customized client solutions and training. In addition, DGN offers extensive QuickBooks services, provided by northern Michigan’s largest and most qualified team of QuickBooks Certified ProAdvisors and Certified ProAdvisors-Advanced.

Licensure. Dennis, Gartland & Niergarth is properly licensed under the name DGN, LLC as a CPA firm through the State of Michigan Department of Licensing and Regulatory Affairs. All Dennis, Gartland & Niergarth CPAs are properly licensed as certified public accountants through the State of Michigan Department of Licensing and Regulatory Affairs Board of Accountancy.

National Resources, Local Service. Dennis, Gartland & Niergarth accesses national expertise and resources as the independent local representative of CPAmerica® International, an alliance of 478 independent accounting firms that ranks sixth in size among accounting firms and associations nationally. CPAmerica was founded to pursue excellence in the field of public accounting and to assist its members in providing the highest quality accounting, tax and management consulting services. Membership supplements the capabilities and resources of DGN through affiliation with other member firms’ research, education and experience, providing us the expertise to handle any business situation.





DENNIS, GARTLAND & NIERGARTH
Certified Public Accountants / Business Advisors

Mandatory Criteria

Independence: Dennis, Gartland & Niergarth, all partners and all CPAs meet the independence standards of the GAO's *Government Auditing Standards* with respect to the City of Manistee and its component units.

Certified Public Accountant Licensure: Dennis, Gartland & Niergarth is licensed under the name DGN, LLC as a Certified Public Accounting firm through the State of Michigan Department of Labor and Economic Growth (Firm # 1102003162). All Dennis, Gartland & Niergarth CPAs are licensed as certified public accountants through the State of Michigan Department of Labor and Economic Growth Board of Accountancy. A copy of the firm's license is included in the attachments section.

Continuing Professional Education: All audit team members meet the continuing professional education requirements of the GAO, and the professional standards of the AICPA, including Interpretation 501-3 related to standards for conducting governmental audits.

Conflict of Interest: Dennis, Gartland & Niergarth and its staff have no conflicts of interest with regard to any other work performed by the firm for the City of Manistee.

External Quality Review: Dennis, Gartland & Niergarth is committed to keeping the quality of our firm's work at the top of the profession. DGN has participated in the American Institute of Certified Public Accountants' (AICPA) Quality Control – Peer Review Program for over 20 years. DGN continues to be placed among the quality firms nationwide to continually receive an unqualified report without a letter of comments. A copy of the firm's most recent Peer Review report is included in the attachments section.

Identification of Anticipated Potential Audit Problems: We do not foresee any potential problems beyond a reasonable solution.



DENNIS, GARTLAND & NIERGARTH
Certified Public Accountants / Business Advisors

Government Audit Team

Dennis, Gartland & Niergarth has gained significant experience working with a broad range of governmental entities including county, city and township governments, school districts, public health departments, medical care facilities, transportation authorities, utilities and other enterprises, and other special districts, authorities and commissions. Many clients are located in northwest Michigan, which brings additional local perspective and knowledge to our work. DGN's 15-member government/nonprofit team brings decades of experience and strong local depth of expertise to assure that our services exceed expectations. The team regularly participates in further professional training that focuses specifically on governmental issues and exceeds Yellow Book standards. This niche emphasis allows DGN to offer specialized industry knowledge, multidisciplinary depth, and coordinated, accessible local services to the City of Manistee.

The key professionals working directly with the City of Manistee will be partner Heidi Wendel, audit manager Trina Edwards, Jake Schierbeek, Supervisor, Tina Groleau and supplemented by staff accountants. All are members of DGN's government/nonprofit team. These professionals have close to 75 years of experience in government audits and related services. Full profiles are attached.



Heidi M. Wendel, CPA, CFE joined Dennis, Gartland & Niergarth in 1994 and became a partner in 2007. She oversees the audit department and government/nonprofit team at Dennis, Gartland & Niergarth and brings 20 years of experience working with nonprofit organizations, schools, agribusiness, cooperatives, governments and businesses throughout northern Michigan. Heidi is a member of the American Institute of CPAs, Michigan Association of CPAs, Michigan Government Finance Officers Association and Michigan School Business Officials, and serves on the MICPA fraud task force. Her community service includes the Rotary Club of Traverse City, Trinity Lutheran School and past treasurer and board member of the Great Lakes Children's Museum. She holds a Bachelor of Arts degree in

Accounting from Michigan State University and earned designation as a Certified Fraud Examiner.



Trina B. Edwards, CPA, CGFM joined Dennis, Gartland & Niergarth in 2008 as an audit manager and has over 20 years of public accounting experience, including many governmental entities, nonprofits and grant funded agencies as well as five years in government accounting for a Michigan city. A member of DGN’s government/nonprofit team, Trina is experienced auditing many grant funds through a variety of agencies. She is a member of the Michigan Committee on Governmental Accounting and Auditing, the American Institute of CPAs, the Michigan Association of CPAs, the Government Finance Officers Association and a past member of MICPA subcommittees. Her community services include serving as past board member, treasurer and finance committee chair of the Father Fred Foundation



and a member of the Northwestern Michigan College Business Administration Advisory Committee. Trina earned a Bachelor of Business Administration in Accounting from Northwood University, graduating magna cum laude and salutatorian, and earned designation as a Certified Government Financial Manager.



Jake Schierbeek, CPA, Supervisor, joined Dennis, Gartland and Niergarth in 2018, bringing over 6 years’ experience in audit and accounting services. As an audit supervisor, Jake’s emphasis is on audits of nonprofits, school districts, governmental entities and small businesses. He holds a Bachelor of Business Administration degree from Northwood University.



Tina Groleau, CPA joined Dennis, Gartland, and Niergarth in 2014, bringing extensive experience in bookkeeping and accounting services in a variety of industries. As a staff accountant Tina’s emphasis is on audits of business, nonprofits, school districts and governmental clients. She holds a Bachelor of Science in Accountancy from Ferris State University, graduating magna cum laude and an Associate Degree in Accountancy from Northwestern Michigan College. She also holds a Nonprofit Certification issued by the AICPA



Field staff from the Dennis, Gartland & Niergarth governmental audit staff will supplement the above team as needed. Dennis, Gartland & Niergarth has extremely low turnover among its professional staff. The team will remain intact throughout the engagement to serve the City of Manistee with continuity, experience and outstanding personal service. Staff rotation will occur when it appears the benefits of new perspective outweigh the inherent cost of changing staff.

Dennis, Gartland & Niergarth Government/Nonprofit Team

Brad Niergarth, CPA
Partner

Heidi M. Wendel, CPA, CFE
Partner

Aaron J. Mansfield, CPA, CFE
Audit Manager

Kelly S. LaLonde, CPA, MBA
BizTek Manager

Jake Schierbeek, CPA
Audit Supervisor

Luke Fogarty, CPA
Senior Accountant

Atesha Sedlacek
Staff Accountant

Brittany McLellan
Staff Accountant

Mary F. Krantz, CPA
Partner

Trina B. Edwards, CPA, CGFM
Audit Manager

Krin T. Perreault, CPA, MSA
Audit Manager

Julie A. Burks, CPA
Audit Supervisor

Tina M. Groleau, CPA
Senior Accountant

Miku Crouch, CPA
Staff Accountant

Taylor Rodes
Staff Accountant

Government Auditing References

At Dennis, Gartland & Niergarth, our guiding principle is *Our Clients' Success Is Our Business*. We are pleased to share the names of the following government and school clients. We encourage you to contact them. Additional references are available upon request.

City of Petoskey, Petoskey, Michigan

(231) 347-2500

Contact: Alan Terry, Director of Finance

Manistee Schools Business Consortium, Manistee, Michigan

(231) 723-1689

Contact: Kristina Mauntler, Business Manager

Little River Band of Ottawa Indians, Manistee, Michigan

(231) 398-6868

Contact: Steve Wheeler, Chief Financial Officer

Village of Mackinaw City, Mackinaw City, Michigan

(231) 436-5351

Contact: Lani Jaggi, Village Clerk



DENNIS, GARTLAND & NIERGARTH
Certified Public Accountants / Business Advisors

Government Audit Experience

Dennis, Gartland & Niergarth auditors have experience with the following governmental audits:

Counties

Emmet County
Grand Traverse County
Genesee County
Luce County
Ogemaw County
Osceola County

Cities

Boyer City
Charlotte
Charlevoix
East Jordan
East Tawas
Fenton
Flint
Gaylord
Grayling
Marquette
Petoskey
Tawas City
Traverse City
West Branch

Villages

Village of Alanson
Village of Benzonia
Village of Elk Rapids
Village of Empire
Village of Mackinaw City
Village of Northport
Village of Suttons Bay

Other Governments

Antrim County Transportation Authority
AuSable Valley Community Health
Bay Area Transportation Authority
Benzie-Leelanau District Health Department
Berrien County Health Department
Central Michigan District Health Department
District Health Department #2
Friends of Traverse Area District Library
Genesee County Employees Retirement System
Genesee County Community Action Agency
Grand Traverse/Leelanau CMH
Health Department of Northwest Michigan
Manistee-Benzie Community Mental Health
Manistee-Mason District Health Department
Mid-Michigan District Health Department
Northeast Michigan Community Mental Health
North Country Community Mental Health
Ogemaw County EMS Authority
Ogemaw County Road Commission
Sanilac County Health Department

Townships

Acme Township
Delta Township
Fenton Township
Flushing Township
Genesee County
Glen Arbor Township
Leelanau Township
Long Lake Township
Meridian Township
Oscoda Township
Paradise Township
Peninsula Township
Southfield Township
Tyrone Township

Schools

Beaver Island Community School
Bellaire Public Schools
Benzie County Central Schools
Boyer Falls Public Schools
Buckley Community Schools
Charlevoix-Emmet Intermediate School District
Crawford AuSable Schools
East Jordan Public Schools
Eastern UP Intermediate School District
Elk Rapids Public Schools
Engadine Public Schools
Excelsior Township Schools
Forest Area Community Schools
Frankfort-Elberta Schools
Glen Lake Schools Education Foundation
Kalkaska Public Schools
Leland Public School
Leelanau School (private)
Les Cheneaux Area Schools
Manistee Intermediate School District
Bear Lake
CASMAN Academy
Kaleva Norman Dickson
Onokama
Mason County Central
Northport Public Schools
Northwestern Michigan College
Olivet Public Schools
Onokama Consolidated Schools
Perry Public Schools
Public Schools of Petoskey
Rudyard Schools
Suttons Bay Schools
Sault Ste. Marie Area Public Schools
St. Ignace Township School
Traverse Bay Area Intermediate School District
Woodland School



DENNIS, GARTLAND & NIERGARTH
Certified Public Accountants / Business Advisors

Project Scope & Audit Approach

Project Scope: Following is a summary of proposed services and audit approach to be provided by Dennis, Gartland & Niergarth, as outlined in the City of Manistee's Request for Proposal.

- **Audit Overview:** Dennis, Gartland & Niergarth will audit the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Manistee for the fiscal years ending June 30, 2019 through 2023. The annual audits will include the Downtown Development Authority. During years when the City or its Discrete Component Units are subject to a Federal compliance audit, a Single Audit will be conducted.
 - The following reports will be provided at the completion of the audits:
 - Audited Financial Statements
 - Management Discussion and Analysis with updated graphics, narrative and related information as determined with the City
 - State of Michigan auditing procedures report
 - Auditor's reports on the financial statements, internal control and compliance
 - Supplemental reports, schedules or others required by the State of Michigan, Federal Government, GASB or GAAP, including F-65
 - Management report containing comments and recommendations regarding the City's internal controls, operating efficiency and other matters
 - All audit services will be performed in accordance with generally accepted auditing standards as contained in the Statements on Auditing Standards of the American Institute of Certified Public Accountants (AICPA), *Government Auditing Standards* issued by the Comptroller General of the United States, the provisions of 2 CFR 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (when applicable), the AICPA industry Audit Guide, *Audits of State and Local Governmental Units*, the Michigan Governmental Accounting and Auditing Guide issued by the State of Michigan, Department of Treasury and all other applicable requirements.

- **Audit Approach:** We believe that a risk-based approach is most effective and efficient for audits of City governments. We use standardized programs that call primarily for analytical procedures in low risk areas and customized additional procedures directed at areas of higher risk. This means that your audit dollars will be focused on the areas of greatest risk and opportunity for improvement. Proper planning is key to performing a quality risk-based audit. We will invest substantial time in studying the City's environment, internal control design and implementation and other risk factors. Only after we have gained a thorough understanding will we make risk assessments and design our audit procedures. Our staff will be equipped with laptop computers and utilize technology based methods when possible. We will operate in a paperless environment. We propose segmenting this engagement into the following phases:
 1. **Preliminary planning** in which we have discussion with the City management and internally to help develop a preliminary audit strategy and coordinate our collective efforts.
 2. **Audit planning** in which we perform our risk assessment procedures, including an assessment of inherent and control risk for each significant audit area. We will perform a detailed study of internal control, fraud risks, materiality and preliminary analytical reviews during this phase of the engagement, which culminates in a detailed program for further procedures required to be performed during final fieldwork.
 3. **Financial statement preparation** is the phase of our engagement in which we assist you in preparing the financial statements, note disclosures and supplemental information. We prefer to place this phase before or coincident with final fieldwork so that fieldwork is performed with a full understanding of the financial statements to be issued.
 4. **Final fieldwork** is performed to carry out the procedures identified during audit planning which are required to reduce audit risk to an acceptably low level. This will typically involve analytical reviews in lower risk areas and detail testing in higher risk areas.
 5. **Engagement completion** usually takes place in our office. It is the time during which we review the financial statements, review our audit work, complete all documentation and prepare our draft reports on the financial statements, internal control, compliance and other matters required to be communicated to you.
 6. **Communication of audit findings** is the final phase of the engagement. It is the time during which we present our findings to the City.

- **Level of staff and number of hours to be assigned to each proposed segment of the engagement:**

Level	Segment						Total
	1	2	3	4	5	6	
Partner	2	2	5		4	2	15
Manager	3	5	5	15	10	2	40
Supervisor		15	10	75	15		115
Staff		5	20	95			120
Support		5			5		10
Total	5	32	40	185	34	4	300

- **Audit Purpose:** The primary purpose of the examination is to express an opinion on the financial statements of the City of Manistee and that such an examination is subject to the inherent risk that errors or irregularities may not be detected. If conditions are discovered which lead to the belief that material errors, defalcations or other irregularities may exist, or if any other circumstances are encountered that require extended services, Dennis, Gartland Niergarth will promptly advise the City.
- **Professional Fees:** Compensation for professional services will be based only on the project scope and only on the services as presented in this proposal. Fees are itemized in Schedule A. Dennis, Gartland & Niergarth recognizes that no extended services will be performed unless they are specifically authorized by the City of Manistee in the contractual agreement or in an amendment to the agreement. No charge will be made for periodic phone consultations that do not require research or other extended services. In the event new standards require implementation or the scope of the audit changes significantly, we will discuss the circumstances with you to arrive at an understanding regarding potential additional fees.



DENNIS, GARTLAND & NIERGARTH
Certified Public Accountants / Business Advisors

Audit Timeline

The following reflects the proposed timeline to conduct the City of Manistee audit services based on the scope outlined in this proposal. Dennis, Gartland & Niergarth is committed to setting and meeting achievable timelines. We will work with the City of Manistee to further define this timeline as best meets the City's needs.

- | | |
|--|-----------------------------------|
| 1. Pre-Audit Meeting with City Preliminary Planning | June 1 – June 15 |
| 2. Planning Fieldwork | June - early July |
| 3. Audit Fieldwork | Completed before August 31 |
| 4. Initial Draft Report | By September 15 |
| 5. Final Report | By October 3 |
| 6. Presentation to Board | First Tuesday in November |



DENNIS, GARTLAND & NIERGARTH
Certified Public Accountants / Business Advisors

Additional Information

- a. Attachment A
- b. Profile: Heidi M. Wendel, CPA, CFE
- c. Profile: Trina B. Edwards, CPA, CGFM
- d. Profile: Jake Schierbeek, CPA
- e. Profile: Tina M. Groleau, CPA
- f. DGN Services
- g. DGN Staff List
- h. DGN, LLC Licensure
- i. Peer Review Report
- j. Articles of interest
 - iii. Are You Prepared for your Annual Audit?
 - iv. Fight Fraud Follow the cash trail



ATTACHMENT A

**REQUEST FOR PROPOSAL
AUDITING SERVICES**

Firm Submitting Proposal: Dennis, Gartland & Niergarth

Proposed Fee:

Fiscal Year	Audit & Reports	Single Audit (if needed)	DDA
2019	\$23,000	\$2,500	\$3,000
2020	24,000	2,500	3,000
2021	25,000	2,500	3,000
2022	26,000	2,500	3,000
2023	27,000	2,500	3,000

* DDA Quote only applies if we are also engaged to perform the city audit.

Heidi M. Wendel

11-2-18

Signature of Authorized Representative

Date

Heidi M. Wendel

Print Name

Partner

Title



DENNIS, GARTLAND & NIERGARTH
Certified Public Accountants / Business Advisors



Heidi M. Wendel, CPA, CFE

Partner
231.946.1722 ph
231.946.2762 fx
hwendel@dgn CPA.com

Current Position

Partner

Heidi M. Wendel, CPA, CFE joined Dennis, Gartland & Niergarth in 1994 and became a partner in 2007.

Expertise

Heidi oversees the audit department and government/nonprofit niche team at Dennis, Gartland & Niergarth. She brings 20 years of experience working with schools, governments, nonprofit organizations, agribusiness, cooperatives and businesses from a variety of industry sectors. Heidi brings additional expertise in the area of internal controls, fraud prevention and fraud examination.

Education & Certifications

Bachelor of Arts, Michigan State University
Certified Fraud Examiner

Professional Memberships

American Institute of Certified Public Accountants
Michigan Association of Certified Public Accountants
Association of Certified Fraud Examiners
Michigan Government Finance Officers Association
Michigan School Business Officials
MACPA Fraud Task Force

Community Involvement

Tri-County Coalition for the Prevention of Child Abuse and Neglect,
Past Treasurer
Great Lakes Children's Museum, Past Board Member
Trinity Lutheran Schools, PTM
Rotary Club of Traverse City



DENNIS, GARTLAND & NIERGARTH
Certified Public Accountants / Business Advisors

Heidi M. Wendel, CPA, CFE **Partner**

Educational Background

B.A. in Accounting, Michigan State University, East Lansing, Michigan
Certified Fraud Examiner (“CFE”), Association of Certified Fraud Examiners

Recent Continuing Education

CPAmerica Accounting and Auditing Conference
Survival 101: Advising the Troubled Business
Using the Single Audit and Yellow Book Standards to Set the Bar
Gov’t Audit Quality Center Annual Update
Fraud Risks: Working with Clients at Fraud Prevention, Detection and Incident Handling
GAQC Sampling
MSBO Business Manager/CPA Workshop
Ethics and Professional Conduct for Michigan
Fraud Alert! Prevention and Follow Up

Career Experience

Dennis, Gartland & Niergarth, Traverse City, Michigan, Partner
DenBoer Accountants, Inc., Houghton Lake Heights, Michigan, Staff Accountant

Industry experience

Governmental and not-for-profit organizations, manufacturing, schools, and transportation authorities

Professional Memberships

American Institute of CPAs
Michigan Association of CPAs
Michigan School Business Officials
Association of Certified Fraud Examiners
Michigan Government Finance Officer’s Association
MACPA Fraud Task Force

Community Involvement

Tri-County Coalition for the Prevention of Child Abuse and Neglect, Past Treasurer
Great Lakes Children’s Museum, Past Board Member
Trinity Lutheran Schools, PTM
Rotary Club of Traverse City



Trina B. Edwards, CPA, CGFM

Audit Manager
231.946.1722 ph
231.946.2762 fax
tedwards@dgn CPA.com

Current Position

Audit Manager

Trina B. Edwards, CPA, CFGM, joined Dennis, Gartland & Niergarth in 2008.

Expertise

Trina has over 20 years of public accounting experience, including significant experience with governmental entities including county, city, township and village audits as well as an additional five years of governmental accounting experience with a Michigan city. She is a member of the DGN audit department and the government/nonprofit industry team.

Education & Certifications

Bachelor of Business Administration, Accounting,
Northwood University, magna cum laude and salutatorian
Certified Government Finance Manager

Professional Memberships

American Institute of Certified Public Accountants
Michigan Association of Certified Public Accountants
Government Finance Officers Association (GFOA)
Michigan Committee on Government Accounting & Auditing
Past member of MACPA subcommittees

Community Involvement

Northwestern Michigan College Business Administration Advisory
Committee
Father Fred Foundation, former Treasurer & Finance Committee
National Cherry Festival, Volunteer
United Way Day of Caring, Volunteer
United Way of Ogemaw County, Past Treasurer
Community Support Team, Past Treasurer



DENNIS, GARTLAND & NIERGARTH
Certified Public Accountants / Business Advisors

Trina B. Edwards, CPA, CFGM **Audit Manager**

Educational Background

B.B.A. in Accounting, Northwood University, Midland, Michigan
A.A. in Accounting, Northwood University, Midland, Michigan
Certified Government Finance Manager

Recent Continuing Education

MACPA Annual Governmental Accounting and Auditing Conferences
MACPA Annual Nonprofit Conference
MACPA Accounting Standards Update and Review
MACPA Fraud Auditing and Forensic Accounting
Fraud Prevention, Detection and Incident Handling
Community Mental Health Compliance Examinations
Michigan Department of Community Health Training
MACPA School District Update
The Latest Revisions to Auditing Standards
GAQC Year-end Government and Nonprofit Update
AICPA GAQC Single Audit Training I-IV
GAQC Sampling
GASB 54 Fund Balance
GASB New and Upcoming Standards
Challenges with Fair Value Measurements
Going Concern and Cancellation of Debt Issues
The Recovery Act: A Practitioner's Perspective

Career Experience

Dennis, Gartland & Niergarth, Traverse City, Michigan - Manager
Stephenson, Gracik & Co., P.C., West Branch & East Tawas, Michigan (Manager, 2000-2008)
Dupuis & Ryden, P.C., Flint & Ann Arbor, Michigan (Audit Manager, 1994-2000)
City of Essexville, Essexville, Michigan (1988-1994)
Industry experience - Governmental and not-for-profit organizations

Professional Memberships

American Institute of Certified Public Accountants
Michigan Association of Certified Public Accountants
Government Finance Officers Association (GFOA)
Michigan Committee on Government Accounting & Auditing
Past member of MACPA subcommittees

Community Involvement

Northwestern Michigan College Business Administration Advisory Committee
Father Fred Foundation, former Treasurer & Finance Committee
National Cherry Festival, Volunteer
United Way Day of Caring, Volunteer
United Way of Ogemaw County, Past Treasurer
Community Support Team, Past Treasurer



Jake Schierbeek, CPA

Audit Supervisor
231.946.1722 ph
231.946.2762 fx
jschierbeek@dgn CPA.com

Current Position

Audit Supervisor

Jake Schierbeek, CPA, joined Dennis, Gartland & Niergarth in 2018.

Expertise

Jake has 7 years of public accounting experience. He specializes in audit and accounting services for governmental entities, nonprofit entities, school districts, and small businesses. Jake is a member of the DGN audit department and the technology team.

Education & Certifications

Bachelor of Business Administration, Northwood University,
Accounting and Management

Professional Memberships

American Institute of Certified Public Accountants
Michigan Association of Certified Public Accountants
Government Finance Officers Association (GFOA)

Community Involvement

Traverse City Chamber of Commerce, Member
Traverse City Cherry Festival, Volunteer
Kingsley Fly Festival, Volunteer
United Way of Washtenaw, Volunteer
United States Junior Chamber, Past Member



DENNIS, GARTLAND & NIERGARTH
Certified Public Accountants / Business Advisors



Tina M. Groleau, CPA

Senior Accountant
231.946.1722 ph
231.946.2762 fax
tmickelson@dgn CPA.com

Current Position

Senior Accountant

Tina M. Groleau joined Dennis, Gartland & Niergarth in 2014.

Expertise

Tina provides a variety of services, primarily in the audit department with an emphasis in audit for business, school, government and nonprofit organizations.

Education & Certifications

Bachelor of Science, Accountancy, Ferris State University

Associate Degree, Accountancy

Northwestern Michigan College

Nonprofit Certification issued by the AICPA



Full Service Public Accountants

Business & Financial Advisors

Locally Owned Since 1973



DENNIS, GARTLAND & NIERGARTH
PUBLIC ACCOUNTANTS/BUSINESS & FINANCIAL ADVISORS

Tax Preparation & Planning

Audit & Accounting

Financial Statement Analysis

Business Management Specialists

Computer Consultation, Networking & Support

Certified QuickBooks ProAdvisors

MAS 90 & Great Plains Sales & Support

Business Valuations

Mergers & Acquisitions

Research & Development Credits

Estate & Retirement Planning

Wealth Management

Advisors & Consultants

Affiliated with CPAmerica International

Dennis, Gartland & Niergarth is northern Michigan's largest locally owned full service public accounting firm. Since its founding in 1973, DGN has built its practice on people, professionalism and outstanding service. Today, DGN stands as a business leader in the community, the state and beyond. Its guiding principle then and now –

Our clients' success is our business.

dgn@dgncpa.com

415 MUNSON AVENUE TRAVERSE CITY

231.946.1722



DENNIS, GARTLAND & NIERGARTH

Tax Services

- Tax Planning Strategies
- Tax Return Preparation
- Individuals, Estates, Corporations
- Partnerships and LLC's
- Nonprofit Organization Returns
- Multi-State Tax Planning
- Sales Tax Issues
- International Tax Issues
- Entity Selection
- Tax Abatement Consulting

Business Accounting Services

- Controllership and Bookkeeping Services
- Professional Office Practice Management
- Payroll Preparation
- Payroll and Sales Tax Returns
- Year-End Payroll and Other Income Reporting
- Bank Reconciliation
- Financial Statement Preparation
- Staff Training
- Software Support

Consulting Services

- Business Valuations
- Litigation Support
- Cost Segregation Studies
- Succession Planning
- Mergers and Acquisitions

Financial Statements and Reporting

- Audits
- Reviews
- Compilations
- Compliance Audits
- Internal Control Studies
- Forensic Accounting
- Special Purpose Engagements
- Peer Review

Employee Benefit Services

- Deferred Compensation Planning
- Retirement Plan Design and Document Generation
- Administration Services (*Form 5500 and Compliance Testing*)
- Compliance Audits
- Compliance Review (pre-audit)
- Pre-tax Premium and Flexible Spending Account Plans

Information Technology Services

- Strategic Planning
- QuickBooks Certified Professional Advisors
- Systems Analysis
- Project Management
- Training
- EDI
- Software Selection
- Software Implementation
- Reseller for Great Plains, MAS 90 and QuickBooks

DENNIS, GARTLAND & NIERGARTH

415 Munson Avenue, P. O. Box 947

Traverse City, Michigan 49685

Ph: 231.946.1722 Fax: 231.946.2762

dgn@dgn CPA.com

Our Clients' Success Is Our Business



DENNIS, GARTLAND & NIERGARTH
Certified Public Accountants / Business Advisors

Partners

Brad P. Niergarth, CPA, Partner
James G. Shumate, CPA, MST, Partner
Mary F. Krantz, CPA, CHBC, Partner
Shelly K. Bedford, CPA, MST, CVA, Managing Partner
Heidi M. Wendel, CPA, CFE, Partner
Shelly A. Ashmore, CPA, MST, Partner
James M. Taylor, CPA, CFP, Partner

IT Consultant

Gregory D. Harrand, MBA, Manager

Human Resources

Trina Hidalgo, Masters – HRER, PHR Director

Tax Team

Lois Roper Forrester, CPA, Manager
Elizabeth A. Hedden, CPA, Manager
Laura Macke, CPA, MST, Manager
Durkhanai “DJ” Jan, CPA, Manager
Laura E. Reinhold, CPA, Supervisor
Jonathan Benjamin, CPA, Supervisor
Jenifer Carmody-Stiebel, CPA
James West, CPA
Beverly D. Hamel-Gravis, CPA

BizTek Team

Cindy Blaum, CPA, Manager
Kelly S. LaLonde, CPA, MBA, Manager
Catherine F. Holcombe, CPA
Atesha N. Sedlacek
Vickie Hays
Randy Woodcock

Wealth Care Financial Services

Richard J. Garner, CFP Financial Advisor
Kendra L. Dean

Audit Team

Trina B. Edwards, CPA, CGFM, Manager
Aaron J. Mansfield, CPA, CFE, Manager
Krin T. Perreault, CPA, MSA, Manager
Julie A. Burks, CPA, Supervisor
Jake Schierbeek, CPA, Supervisor
Tina M. Groleau, CPA
Luke Fogarty, CPA
Miku Crouch, CPA
Tayler Rodes
Brittany McLellan

Administrative Team

Burton Savage, Network Administrator
Kathleen K. Lofquist
Rebecca L. Adler
Nicole C. Swager
Katherine M. Bourdow
Amy Cornell



DENNIS, GARTLAND & NIERGARTH

Certified Public Accountants
Business Advisors

Thomas E. Gartland, Retired
Brad P. Niergarth, CPA
James G. Shumate, CPA
Robert C. Thompson, CPA
Michael D. Shaw, CPA
Mary F. Krantz, CPA
Shelly K. Bedford, CPA
Heidi M. Wendel, CPA
Shelly A. Ashmore, CPA
James M. Taylor, CPA

RICK SNYDER
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF LICENSING AND REGULATORY AFFAIRS
BUREAU OF PROFESSIONAL LICENSING

N369062

CPA FIRM LICENSE

DGN LLC

LICENSE NO.
1102003162

EXPIRATION DATE
12/31/2019

AUDIT NO
3324825

THIS DOCUMENT IS DULY ISSUED
UNDER THE LAWS OF THE STATE
OF MICHIGAN



CERTIFIED PUBLIC ACCOUNTANTS
CHATTANOOGA | MEMPHIS

Report on the Firm's System of Quality Control

October 26, 2017

To The Partners of DGN, LLC and the Peer Review Committee of the Michigan Institute of CPAs.

We have reviewed the system of quality control for the accounting and auditing practice of DGN, LLC (the firm) in effect for the year ended June 30, 2017. 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 (Standards). A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System review as described in the standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

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. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

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.

Required Selections and Considerations

Engagements selected for review included an engagement performed under *Government Auditing Standards*, a compliance audit under the Single Audit Act, and audits of employee benefit plans.

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of DGN, LLC in effect for the year ended June 30, 2017, 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* or *fail*. DGN, LLC has received a peer review rating of *pass*.

Henderson Hutcherson
& McCullough, PLLC

Are You Prepared for your Annual Audit?

Steps to limit pain

By Trina B. Edwards



Many small businesses, nonprofit organizations, governments, school districts and employee benefit plans are required to have an annual audit. An audit assesses an organization's financial information reliability and evaluates its internal controls through a series of tests. It provides an independent auditor's assurance to management that finances are recorded correctly in accordance with accounting standards.

An audit may be stressful for staff, boards and volunteers, but needn't be. Here are some tips to help prepare for an annual audit so it's as painless as possible.

Determine if you need an audit.

Audits may be required by the federal government for federal grant funding, by the state for a nonprofit charitable solicitation license, by a bank for terms of a loan agreement, by a donor for a specific grant, or by the board of directors.

Understand the audit process.

The auditor must determine the validity and reliability of the organization's financial information. They do so by reviewing evidence that supports financial statement amounts and disclosures on a test basis.

- Before the audit, consider having a planning meeting with the auditors to discuss significant events that happened during the year, to review the listing of audit schedules and to review your standard operating procedures, including internal controls in place to safeguard the assets of the organization. The auditor is required to communicate with those charged with governance, typically the board of directors, prior to the start of the audit. This is generally accomplished through a letter inviting the board members to contact the auditor if they have any concerns, and through phone or in-person interviews.

- During the audit fieldwork, the auditor will review and test account balances, and may perform compliance testing if required by an outside source.

- After the audit fieldwork, the auditor will complete a draft of the financial statement, the audit related communications letter and the management representation letter. The auditor may also present the audit results to the board of directors.

- The auditor's responsibility is to issue an opinion on whether your financial statements are fairly presented in accordance with generally accepted accounting principles. Financial statements are the responsibility of an organization's management and should be reviewed in draft form prior to issuing final audited financial statements.

Determine what you need in an audit.

Ask your auditor for a listing of schedules and documentation they would like to see so that they can be prepared in advance. These are some of the documents that will be inspected and used to test the organization's records.

Consider keeping an audit file throughout the year to accumulate significant documents or items out of the ordinary for the audit. Also, discuss whether the schedules will be provided to the auditor in electronic or paper format.

Typical items include:

- Year-end trial balance
- Lease, debt or grant agreements, and other agreements signed during the year
- Minutes of board of directors meetings
- Bank reconciliations and statements
- Accounts receivable and payable balances and aging schedules
- Fixed asset schedule including current year additions and deletions
- Analysis of significant revenues and expense accounts and changes in services or programs from the prior year

- Payroll expense reconciliations to payroll reports filed

- Detail of any restricted assets

Understand how to interpret your audit report and auditor communications.

The audit reports are also tools for an organization, its management and its board.

- The report of the independent certified public accountant (CPA) will include the auditor's opinion on the financial statements.

- The management representation letter to the auditor states that everything was provided by management of the organization to support the financial statement amounts and that management answered all audit inquiries to the best of their knowledge. This is signed by the chief executive and financial officers and is given to the auditor.

- The audit related communications letter includes the significant accounting policies, estimates in financial information, audit adjustments, any internal control deficiencies, and any operating efficiency recommendations.

- The organization may wish to respond to any internal control deficiencies with a corrective action plan prepared by management and approved by the board of the organization.

The annual audit is a tool to assure that good financial practices and internal controls are being utilized. This is good for business and for the ongoing success of an organization. If you have questions about the process, requirements, reporting or any related issues, you should discuss them and how they pertain to your specific organization with your auditor or a CPA firm that specializes in audit services.

Trina B. Edwards, CPA, CGFM is a certified public accountant, a certified government financial manager and an audit manager at Dennis, Gartland & Niergarth in Traverse City. For more information, contact Trina at 231.946.1722 or tedwards@dgnpcpa.com.

Fight Fraud Follow the cash trail

By Heidi M. Wendel, CPA, CFE



We've all heard the phrase "show me the money." In many businesses, it is also a good idea to "show me the cash." Cash handling is an important duty in many workplaces, but also a common cause for fraud and embezzlement.

Despite the popularity of debit and credit cards, cash is still commonly used to pay for many goods and services. Transactions may range from co-pays at a doctor's office to retail purchases, from salon services to food and beverages. Regardless of industry sector, cash is often the weakest link in an organization's internal controls. That weakness opens up vulnerabilities for fraud.

The three most costly forms of embezzlement: larceny of cash, skimming, and fraudulent disbursements. Combined, they cost businesses billions of dollars each year. The methods aren't necessarily complicated. Cash larceny is most commonly seen as theft from deposits or cash register theft. Skimming is embezzlement of cash before it is recorded on the books, whether through sales, receivables or refunds. Examples include unrecorded or understated sales, such as selling "under the table" or recording a sale as a discount or write-off.

Several safeguards help minimize risk. Establishing good internal control provides checks and balances to assure operations are effective and efficient, and financial reporting is reliable. How to accomplish good internal control? Segregating duties or separating finan-

cial functions and responsibilities helps assure that adequate checks and balances are in place. Never allow only one person to control all financial duties such as receiving cash, processing payments, making deposit, purchasing and reconciling bank statements. Even in the smallest of companies, segregation could include an owner receiving and reviewing a bank statement before it is passed on to a bookkeeper. Several examples of segregation of duties are listed below.

Controls must extend to external cash actions. For example, when cash is received and recorded in an office setting, it is then deposited with other monies into a financial institution. It's important to compare the bank deposit slip with the daily journal. Make sure that both internal and external records that track the same business activities are reconciled regularly. This is important whether deposits are made by an employee or by an outside courier or other service.

Assure that accounting systems are tracking cash accurately. Whether accounting is done 'in-house,' by an outside firm, or a combination of the two, the amount and type of money and its source must be recorded appropriately. Ask yourself: Does it make sense? Accounting records should reflect actu-

al business operations (i.e. percent of cash vs. check vs. credit card payments) and not just appear arithmetically correct. The system should make financial sense and offer useful information, not simply columns of numbers.

Never underestimate the importance of awareness by owners, managers and employees at all levels. Active oversight can detect problems early but, more importantly, can deter fraud from happening. Educate staff and engage them to watch for warning signs or unusual activities.

Regular reconciliation, active oversight and accurate recordkeeping are the best defense to deter fraud from happening in the first place. If in doubt about your systems or if you suspect your organization might be vulnerable, seek guidance from your trusted business advisors, CPA or a fraud specialist. Additional information is available through the Association of Certified Fraud Examiners at www.ACFE.com or visit www.dgncpa.com.

Heidi M. Wendel CPA, CFE is a Certified Fraud Examiner and a partner at Dennis, Gartland & Niergarth in Traverse City where she oversees the audit department and DGN's government/non-profit industry niche team. 231.946.1722, www.dgncpa.com.

Accounting records should reflect actual business operations (i.e. percent of cash vs. check vs. credit card payments) and not just appear arithmetically correct.

A PROPOSAL FOR FINANCIAL AUDIT SERVICES

For the Years Ending June 30, 2019 - 2023

CITY OF MANISTEE

Submitted by



Joe Verlin, CPA, CGFM
3940 Peninsular Drive SE – Suite 130
Grand Rapids, MI 49546
Ph | 616.538.7100 ext. 17
JVerlin@Gabridgeco.com

November 2, 2018

Table of Contents

Letter of Transmittal

Audit Scope.....	3
Authorized Contact.....	4
Proposed Audit Fees.....	5

Firm Profile

Firm Qualifications & Experience.....	6
Team Qualifications & Experience.....	7
Other Services.....	11

Mandatory Criteria

License to Practice in Michigan.....	11
Independence & Conflict of Interest.....	11

Summary Qualifications

Similar Engagements.....	12
Continuing Education and External Quality Control Review.....	14

Audit Approach

Specific Audit Approach.....	14
Identification of Potential Audit Problems.....	17

Additional Data

Non-Discrimination Clause.....	18
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Audit Scope

Gabridge & Company, PLC will audit and provide an opinion on the City of Manistee's (the "City") **basic** financial statements, including the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information.

The audit report will be performed in accordance with Generally Accepted Auditing Standards, as promulgated by the American Institute of Certified Public Accountants (AICPA); the AICPA Audits of State and Local Government Units audit and accounting guide; the OMB Uniform Guidance; the Single Audit Act Amendments of 1996; and the Government Auditing Standards, published by the U.S. General Accounting Office.

Gabridge & Company, PLC guarantees access to the working papers for a minimum of seven years. All data, files & reports will be safeguarded by Gabridge & Company, PLC. The following reports will be submitted to the City:

- Independent Certified Public Accountant report on the fair presentation of the basic financial statements in conformity with generally accepted accounting principles in the United States and standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.
- Independent Certified Public Accountant report on internal control over financial reporting in accordance with Government Auditing Standards and test its compliance of laws, regulations, contracts and grants.
- Independent Certified Public Accountant report on the Schedule of Expenditures of Federal Awards (if applicable) and a report on Compliance and Internal Control over Financial Reporting in accordance with auditing standards generally accepted in the United States of America, and standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and as required by OMB Uniform Guidance, Audits of State and Local Governments (if applicable – Single Audit).
- Management letter, covering internal control and recommendations.

All final copies of the City financial statement audit and related reports will be provided to the City in accordance with your schedule. Included with the audit will be the Management Representation Letter, a report on all audit adjustments (and backup documents), fixed asset depreciation lapse schedules, and year end proposed adjusting journal entries (if applicable). Gabridge & Company will upload the audit report to the Michigan Department of Treasury and Federal Audit Clearinghouse (if applicable). Gabridge & Company will also prepare a draft of the F-65 statement and Act 51 report upon City request, at no additional charge. Lastly, a .pdf of the audit will be forwarded to the City.

Authorized Contact

Joe Verlin, CPA, CGFM

Principal in Charge - Audit Services

3940 Peninsular Drive SE – Suite 130

Grand Rapids, MI 49546

Ph | 616.538.7100 ext. 17

We warrant that Joe Verlin is authorized to bind Gabridge & Company, PLC to the terms set forth in this proposal.

Proposed Audit Fees

CITY OF MANISTEE Proposed Audit Fees

For the Period Ending June 30, 2019

PRELIMINARY		Planning Hours	Field Work Hours	Report Prep Hours	Total Hours	Hourly Rate	Fee
	Partner in charge	4	-	-	4	\$ 150	\$ 600
	Senior Staff	16	-	-	16	90	1,440
Total		<u>20</u>	<u>-</u>	<u>-</u>	<u>20</u>		<u>\$ 2,040</u>

FINAL		Planning Hours	Field Work Hours	Report Prep Hours	Total Hours	Hourly Rate	* Fee
	Partner in charge	-	16	8	24	\$ 150	\$ 3,600
	Audit Manager	-	40	8	48	125	6,000
	Senior Staff	-	80	40	120	90	10,800
Total		<u>-</u>	<u>136</u>	<u>56</u>	<u>192</u>		<u>\$ 20,400</u>

DISCOUNT (20%)							<u>\$ (6,650)</u>
TOTALS		<u>20</u>	<u>136</u>	<u>56</u>	<u>212</u>		<u>\$ 15,790</u>

Year Ending June 30, 2019	\$ 15,790	- Not to exceed
Year Ending June 30, 2020	\$ 16,100	- Not to exceed
Year Ending June 30, 2021	\$ 16,400	- Not to exceed
Year Ending June 30, 2022	\$ 16,700	- Not to exceed
Year Ending June 30, 2023	\$ 17,000	- Not to exceed

* Notes regarding the proposed fees are as follows:

- Fee would increase by \$3,000 for any year requiring a federal single audit report.
- Fee includes both the City and the DDA (\$3,000 per year allocated to the DDA).
- Fee includes a 20% discount as the City has a June 30 fiscal year end which coincides with our relatively slower audit season. We have offered this substantial discount to show our commitment to the City!

Firm Qualifications and Experience

Gabridge & Company currently has over 160 governmental and non-profit audit clients throughout the State of Michigan. We also have 15 employees, including eight governmental audit professionals. Gabridge & Company actively recruits prospective governmental audit staff members by seeking only individuals who are committed to serving our clients with integrity; while also being committed to becoming industry experts and providing proactive customer service. Gabridge & Company has offices located in Traverse City and Grand Rapids. Gabridge & Company will assign only accountants with extensive governmental experience to the audit of the City, including a principal in charge and an independent review principal. Joe Verlin (Principal in Charge of Audit Services) will be assigned full-time to the audit and will remain the primary contact for the City for the duration of the engagement term(s). Gabridge & Company is a member of the Michigan Association of Certified Public Accountants, the American Institute of Certified Public Accountants, the Governmental Audit Quality Center, the Michigan Municipal League and the Michigan Local Government Association.

Gabridge & Company is dedicated to serving municipal clients. We offer newsletters, webinars, and conferences at no charge to provide our clients with timely updates and best practices for the rapidly changing governmental financial regulations. We advise our clients before, during, and after the audit – and strive to be much more than what you would expect from your auditor.

Our firm has not been involved with any state or federal desk reviews or field reviews of its audits. Additionally, our firm has not been involved with any disciplinary action taken by state regulatory bodies or professional organizations. Our firm will also follow the American **Institute of Certified Public Accountants "Interpretation 501-3, Failure to Follow Standards and/or Procedures or Other Requirements in Governmental Audits."** Our firm will not subcontract any of the auditing services included in this proposal.

Our proposal will remain valid for 120 days past the deadline for submittal.

We warrant that all information provided in connection with this proposal is true and accurate to the best of our knowledge.

Team Qualifications and Experience

PRINCIPALS

Joseph Verlin, CPA, CGFM
Principal in Charge - Audit Services

Education

BA, Accounting
Ferris State University

Memberships

American Institute of Certified Public Accountants (AICPA)
Michigan Association of Certified Public Accountants (MICPA)
Michigan Municipal League
Michigan Local Government Management Association
AICPA Governmental Audit Quality Center
Association of Government Accountants (AGA)
Government Finance Officers Association (GFOA)

Committees

Co-Chair of the MICPA Governmental Accounting and Auditing Task Force

Recent Speaking Engagements

MICPA sponsored governmental auditing conferences
Internal Controls for Local Units of Government
Improving Audit Timelines
Implementing GASB 54, 63 & 65
Single Audit Update
Preventing Fraud, Waste and Abuse
AGA sponsored governmental accounting event
Implementing GASB 63 and 65

Joe will serve as the engagement principal with responsibility for planning and technical execution of all of Gabridge & Company's services. **Joe will ensure appropriate levels of staffing for your engagement, monitor your satisfaction, and manage regular communication with your executive leadership and Audit Committee.** Joe currently serves as the engagement executive or independent review partner on over 75 of our firm's audit clients.

Joe is certified to practice public accounting in Michigan. Joe is also a *Certified Government Financial Manager (CGFM)*, has earned the *Advanced Single Audit certification* from the AICPA, and is a **member of the Government Finance Officers Association's (GFOA) Special Review Committee** for the Certificate of Achievement for Excellence in Financial Reporting Program.

Sue Buitenhuis, CPA
Audit Manager - Independent Reviewer

Education

BA, Accounting
MSA, Accounting
Grand Valley State University

Memberships

American Institute of Certified Public Accountants (AICPA)
Michigan Association of Certified Public Accountants (MICPA)
AICPA Governmental Audit Quality Center

Professional History

- Over six years of governmental audit experience at Rehmann advancing to a senior auditor position prior to her current position with Gabridge & Company
- Has held an elected clerk position at a charter township and a finance director position at a Township for over seventeen combined years
- Has several years full-time experience using BS&A for general ledger, fixed assets, cash receipts, payroll, accounts payable, and long-term debt reporting

Sue will serve as the independent reviewer for this engagement. The independent review will be conducted in accordance with the guidelines of the AICPA Statements of Quality Control Standards. Sue currently serves as audit manager or independent reviewer for a significant number of other local units of government.

AUDIT TEAM MEMBERS

Neil Hammerbacher, CPA

Neil provides valued support in the role of audit manager. He is in the field routinely performing audit services. Neil serves in a similar role on a significant number of other governmental audits.

Education

BA, Business Administration
Saginaw Valley State University

Memberships

Michigan Association of Certified Public Accountants (MICPA)
AICPA Governmental Audit Quality Center
Government Finance Officers Association

Professional History

- Over eighteen years of governmental accounting and auditing experience in public accounting
- Also held a treasurer and finance director positions at a Township and City for over fifteen years
- Has several years full-time experience using BS&A for assessing, general ledger, fixed assets, cash receipts, payroll, accounts payable, and long-term debt reporting

Robert J. Klein

Robert provides valued support in the role of senior auditor. He is in the field routinely performing audit services. Robert serves in a similar role on a significant number of other governmental audits.

Education

BA, Accounting
Eastern Michigan University

Memberships

Michigan Association of Certified Public Accountants (MICPA)
AICPA Governmental Audit Quality Center

Professional History

- Over 16 years of public accounting experience with David E Wilson, CPA, which merged with Gabridge & Company, PLC in July 2010
- Serves local units of government, non-profit organizations, and privately held businesses

Kevyn Kozumplik, CPA

Kevyn provides valued support in the role of staff auditor. He is in the field routinely performing audit services. Kevyn serves in a similar role on a significant number of other governmental audits.

Education

Bachelor of Science in Public Accountancy
Central Michigan University

Memberships

Michigan Association of Certified Public Accountants (MICPA)
AICPA Governmental Audit Quality Center

Professional History

- Over three years of public accounting experience
- Serves local units of government and non-profit organizations
- Specializes entirely in governmental and non-profit audit

Matt Holland

Matt provides valued support in the role of staff auditor. He is in the field routinely performing audit services. Matt serves in a similar role on a significant number of other governmental audits.

Education

Bachelor of Science in Public Accountancy
Calvin College, Grand Rapids, MI

Memberships

Michigan Association of Certified Public Accountants (MICPA)
AICPA Governmental Audit Quality Center

Professional History

- Four years of public accounting experience with Gabridge & Company, PLC
- Serves local units of government and non-profit organizations
- Specializes entirely in governmental and non-profit audit

Other Services

Gabridge & Company, PLC is able to provide consulting services to its clients throughout the year *at no additional charge*. We feel that it is important to interact with our clients throughout the year, especially with the rapidly changing governmental accounting pronouncements. We find that these proactive discussions will ultimately reduce the upcoming audit workload for both our firm, and more importantly, the staff of the City. Joe Verlin will be your primary contact throughout the year to ensure continuity.

Our consulting services include (but are not limited to); assistance with BS&A, budgeting, general accounting questions, human resource consulting, financial reporting, internal control, grant compliance, implementation and assistance to the City with any new accounting principles required by GASB, or as required by State or Federal Law, etc. Our customer service policy allows us to handle our audit clients informal questions and consultations throughout the year without additional billings, unless the scope of the consultation becomes a project in nature. In these cases, our consulting projects will be documented in an engagement letter that will set forth the timing, scope and related fees.

Licensed to Practice in Michigan

Gabridge & Company is a CPA firm actively registered to practice public accounting in the **State of Michigan**. **Also, all assigned CPA's from** Gabridge & Company are properly registered and licensed to practice in public accounting in Michigan.

Independence and Conflict of Interest

Gabridge & Company, PLC is independent of the City as defined by generally accepted auditing **standards and the U.S. General Accounting Office's Government Auditing Standards** (2011 revision). Gabridge & Company is also independent of all component units of the City, as defined by the aforementioned standards. Gabridge & Company has had no professional relationships involving the City or any of its agencies, component units or primary governments during the past five years that would impair independence. Lastly, Gabridge & Company will give the City written notice of any professional relationship entered into with the City, or any of its agencies, component units or primary governments during the period of this agreement.

We warrant that no work included within this proposal will be subcontracted by Gabridge & Company, PLC.

Similar Engagements

Following is a list of similar engagements with other governmental entities in the State of Michigan:

City of Boyne City

Scope of Work – April 30, 2016 Governmental Financial Audit and *GFOA Submission*

Principal in Charge – Joe Verlin

Total Engagement Hours - 185

Contact – Cindy Grice, City Treasurer / Clerk

Phone – (231) 582.0334

City of Big Rapids (Includes a Dial-a-Ride audit)

Scope of Work – June 30, 2016 Governmental Financial Audit, Single Audit, and *GFOA Submission*

Principal in Charge – Joe Verlin

Total Engagement Hours - 325

Contact – Aaron Kuhn, Treasurer

Phone – (231) 592.4013

City of Cadillac

Scope of Work – June 30, 2016 Governmental Financial Audit and *GFOA Submission*

Principal in Charge – Joe Verlin

Total Engagement Hours - 300

Contact – Owen Roberts, Finance Director

Phone – (231) 775-0181 x110

City of Marshall (Includes a Dial-a-Ride audit)

Scope of Work – June 30, 2016 Governmental Financial Audit, single audit, and *GFOA Submission*

Principal in Charge – Joe Verlin

Total Engagement Hours – 350

Contact – Jon Bartlett, Finance Director

Phone – (269) 781.5183

City of Greenville (Includes a Dial-a-Ride audit)

Scope of Work – June 30, 2016 Governmental Financial Audit and Single Audit

Principal in Charge – Joe Verlin

Total Engagement Hours - 195

Contact – Norice Rasmussen, City Treasurer

Phone – (616) 754.5645

Further references are available upon request.

Following is a list of all Michigan governmental and nonprofit clients for which our firm has performed an audit for during the past five years:

Villages	Nonprofits	Charter Townships
Village of Bear Lake	Another Way Pregnancy Center	Charter Township of Breitung
Village of Benzonia	Association of Legal Writing Directors	Charter Township of Coloma
Village of Beulah	Big Brother Big Sister	Charter Township of East Bay
Village of Decatur	Choices of Manistee County	Charter Township of Gun Plain
Village of Detour	Community Action of Allegan County	Charter Township of Marquette
Village of Elk Rapids	Dispute Resolution Education Resources	Charter Township of Muskegon
Village of Fife Lake	Jubilee Jobs	Charter Township of Niles
Village of Honor	Marshall Area Economic Dev. Alliance	
Village of Kalkaska	Mi. Center for Clinical Systems Imp.	Libraries
Village of Lyons	Senior Services of Van Buren County	Brandon Township Public Library
Village of Morrice	Staircase Youth Services	Briggs District Library
Village of Muir	The Ridge Project	Cheboygan Area Public Library
Village of Pewamo		Coopersville Area District Library
Village of Sheridan	Cities	Eau Claire District Library
Village of Thompsonville	City of Auburn	Ferndale Area District Library
	City of Big Rapids	Galesburg-Charleston District Library
Townships	City of Boyne City	Grant Area District Library
Township of Acme	City of Cadillac	Hartford Library
Township of Allegan	City of Cheboygan	Lakeland Library Co-op
Township of Almira	City of Fennville	Manistee County Library
Township of Arcadia	City of Flushing	Marshall District Library
Township of Bear Lake	City of Greenville	Newaygo Area District Library
Township of Blue Lake	City of Laingsburg	Otsego District Library
Township of Centerville	City of Marshall	Parchment Community Library
Township of Cheshire	City of New Baltimore	Suburban Library Cooperative
Township of Covert	City of New Buffalo	Watervliet District Library
Township of Croton	City of Parchment	
Township of Detour	City of Potterville	Other
Township of Drummond Island	City of St. Johns	Bear Lake Improvement Board
Township of Everett	City of Wayland	Calhoun County Cons. Dispatch Authority
Township of Fredonia	City of White Cloud	Cass County Transit Authority
Township of Garfield		Central Cass Interlocal Fire Department
Township of Gilmore	Counties	City of Potterville TIFA
Township of Grattan	Alger County	Dowagiac Local Revenue Sharing Board
Township of Hagar	Allegan County	Fennville Area Fire Department
Township of Hartford	Calhoun County	Fife Lake Area Utility Authority
Township of Holton	Gogebic County	Firekeepers Local Revenue Sharing Board
Township of Hopkins	Luce County	Jordan Valley Emergency Med. Svcs. Auth.
Township of Howell	Manistee County	Kent County Conservation District
Township of LaGrange	Missaukee County	Lake Leelanau Lake Association
Township of Mancelona	Montcalm County	Ludington Mass Transit Authority
Township of Manistee	Oceana County	Manistee 9-1-1 Authority
Township of Otisco	St. Joseph County	Manistee-Blacker Airport
Township of Pentwater		Mason-Oceana 9-1-1
Township of Pleasanton	Schools	Match-E-Be-Nash-She-Wish Rev. Shg. Board
Township of Salem	Bessemer Area Schools	Miami University Men's Rugby Association
Township of Solon	Columbia School District	Mid-Michigan Area Cable Comm. Consortium
Township of Stronach	Manistee Area Public Schools	North Berrien Fire Rescue Board
Township of Trout Lake	Marcellus Community Schools	Oceana County Medical Care Facility
Township of Tuscarora	Michigan Center School District	Portland Area Fire Authority
Township of Tyrone	North Adams-Jerome Public Schools	Solon-Centerville Fire Department
Township of Vevay	Waldron Area Schools	Straits Regional Ride
Township of Wayland	William C. Abney Academy	St. Joseph County Transportation Authority
Township of Whitefish	Woodland School	Washtenaw County Conservation District
Township of Wilson		White Cloud-Sherman Utilities Authority

Continuing Education and External Quality Control Review

Continuing Education

Gabridge & Company, PLC and its professional staff members meet all continuing education and external quality control requirements as stated in the **U.S. General Accounting Office's** Government Auditing Standards (2017 revision).

External Quality Control Review

Included with this proposal is Gabridge & Company's most recent external quality control review (peer review) for which government engagements were included. The peer review is for the period ended June 30, 2015. Our firm continues to meet the external quality control review requirements by actively monitoring our staff member's continuing education and training (through frequent staff meetings, attending pertinent governmental conferences, and self-study courses focused on governmental accounting and auditing), participating in governmental associations, and internal inspections of audit files by partners not involved with the audit.

Quality Control Procedures

Some examples of our quality control procedures include:

- Draft versions of audit reports are reviewed by an independent review principal who was not involved with the audit.
- Our audit teams are trained prior to their arrival for fieldwork to ensure audit **efficiency and that you will not need to "train the auditor"**.
- An audit manager or the principal in charge of the audit will be on-site at all times during fieldwork to ensure that a properly trained decision-maker will be available throughout fieldwork.
- The principal in charge of each audit reviews the audit report and related letters with the client prior to finalizing.

Specific Audit Approach

Our goal is to provide a thorough and quality audit with as little disruption to our clients as possible. We achieve this by emphasizing planning procedures and having audit team members who specialize in governmental audit. For example, prior to our arrival for fieldwork, we will already have a working set of financial statements loaded into our proprietary software and will have identified the audit areas that we feel need to be emphasized in the field. We will know precisely what we need to look at prior to our arrival – this focused approach minimizes disruption to your staff while we are in the field. Also, our staff is made up of employees who specialize in governmental audit and who are fully dedicated to auditing **governmental agencies. In other words, our clients will not need to "train the auditors"**.

Interim Fieldwork and Audit Planning

During the interim fieldwork and audit planning phase, we gain an understanding of your current year operations, evaluate the reliability of your internal controls, identify any issues that may have audit significance, and complete planning in preparation for final audit fieldwork. Based on the information that we obtain during this phase, we can determine your general areas of audit risk, the extent to which we can rely on your internal controls for our audit testing, and whether any significant audit issues need to be discussed so they can be resolved prior to the start of fieldwork. Some of the areas addressed at this time include documentation of internal controls, preparation of confirmations as necessary, review of minutes, completion of the preliminary analytical procedures review, and tailoring the current year audit work programs.

Final Fieldwork

As we complete our interim fieldwork and engagement planning, you will be provided with a listing of audit schedules required for final fieldwork. Many of the schedules will be similar to what you have prepared for previous audits and may be provided to us in an electronic format. The final fieldwork phase of the audit will generally commence once the books are closed and the appropriate audit schedules have been completed. During this phase, we will perform the appropriate tests of account balances, using sampling, substantive, and analytical review procedures, in order to form an opinion on the financial statements as a whole.

Areas that we will test using substantive procedures include (not intended to be an all-inclusive list):

Cash and cash equivalents – we will inspect bank account reconciliations and prepare bank account confirmations to ensure that the balances agree to the financial statements.

Accounts receivable – we will test certain balances by using a combination of analytical procedures and tracing year end balances to subsequent receipts.

Interfund transactions – we will review the schedule of interfund transfers and balances to ensure that all entries are reconciled and eliminated properly for government-wide presentation.

Capital assets – we will obtain a depreciation lapse schedule and verify key additions by inspecting vouchers, while also testing the adequacy of depreciation expense.

Accounts payable – we will obtain a year end accounts payable aging report and test for accuracy by inspecting certain vouchers. We will also review subsequent expenditures (after year end) searching for possible unrecorded liabilities as of year-end.

Accrued payroll – We will obtain payroll registers for payrolls issued after year end and compare to the schedule of accrued salaries and wages. We will also test the year end balances for payroll taxes by tracing year end liabilities to their payments, while comparing to payroll forms.

Compensated absences – We will obtain a year end value of compensated absences and validate the balance by comparing to the employee handbook and / or union contracts.

Long-term debt – We will obtain a year end schedule of long-term debt and verify the accuracy of the current portion of long-term debt by reviewing amortization schedules. We will also confirm certain balances by inspecting vouchers or sending confirmations to lenders.

Equity – We will ensure that the beginning fund balance and net assets amounts agree to the prior year ending balances.

Property Taxes – We will examine taxable values and the City's millages to ensure that the tax revenues are properly supported and allocated to the proper funds.

State and Federal Grants – We will compare state and federal grant revenues and substantiate the activity with Treasury reports and grant documents. We will also review federal grant and loan activity verifying consistency between the financial statements and the Schedule of Expenditures of Federal Awards (if applicable).

Type and Extent of Statistical Sampling to be Used in the Engagement

Statistical sampling will be used extensively during field work to assist with our testing procedures. Sample size will be based primarily on the level of risk assigned to a given financial statement assertion, the potential magnitude of misstatement, the potential for non-compliance, and other factors based on our professional judgment. Most often the range of our sample size is between 25 and 40 items. We affirm that adequate tests of transactions will be performed.

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

Analytical procedures also will be used extensively during our planning and final fieldwork stages. We will rely on our analytical procedures to determine what areas may need additional attention based on the size of deviation from our expectations. Analytical procedures will be applied using key ratios compared to budget and historical figures. **Areas with large "gaps"** between actual and expected amounts will receive additional attention in the field, and the results of the extra attention will be documented and substantiated. Lastly, during field work we will gather sufficient audit documentation, clear all open items, complete our audit programs, and our quality control documents will be completed and reviewed.

Approach to be Taken to Document an Understanding of Internal Controls

As auditors for a significant number of governmental units, we have a good understanding of the significant areas of internal control that need to be tested and documented. We have tailored client questionnaires for each significant transaction class that allow our clients to review and document any changes in procedures in a timely and efficient manner. We then review the questionnaires and utilize them as a base for documenting our related tests and walkthroughs.

Approach to Determining Laws and Regulations that will be Subject to Audit Test Work

We have accumulated an extensive list of the significant laws and regulations that apply to governmental entities. Each year we review that list in relation to new State, Federal, and industry guidelines and make modifications as appropriate. During fieldwork, the list is reviewed with client personnel to ensure compliance with the identified laws and regulations.

Our firm has updated our disclosure library to ensure that all professional standards for testing and reporting in accordance with GASB 74, 75, and 77 will be met. Our tests, and reporting, include verifying that the actuaries properly valued the present value of projected benefit payments and the current year costs of the OPEB plan. Our reporting will be updated in accordance with GASB 74 and 75 to ensure that both the notes and required supplemental information sections of the report properly report the pension description, assumptions used, benefit changes, and the OPEB plan sensitivity to changes in return rates.

We will provide delivery dates during the planning phase of the audit and confirm these dates during our planning meeting with management. Following is our anticipated timetable to complete the audit:

<u>Description</u>	<u>Date(s)</u>
Detailed Audit Plan	June
Fieldwork	October
Draft Report	November
Final Report	November
<u>Council Presentation</u>	<u>December</u>

Identification of Potential Audit Problems

We begin the audit process each year by revisiting any prior year management recommendations and/or suggestions and inquiring of our clients regarding any action taken to remedy those recommendations. In addition, we engage in discussions with our clients regarding any potential areas of concern and if there are any specific procedures they would like us to perform during the audit process.

We will also provide monthly written reports to the City that communicates progress of the audit. Additionally, any irregularities, illegal acts, or indications of illegal acts will immediately be reported in writing to management. Also, any conditions, transactions, situations or circumstances that need special consideration or that prevent or impede the completion of the audit will be reported to the City officials.

Non-Discrimination Clause

Gabridge & Company, PLC does not discriminate against any individual for employment with **respect to such person's hire, tenure, terms, conditions, privileges of employment, or any matter directly or indirectly related to employment because of such person's race, color, religion, national origin, ancestry, age, sex, or disability as defined by law.**



8585 P.G.A. Drive, Suite 205
Commerce Township, Michigan 48390
cell: 248-735-2407 land: 248-313-9463
email: ringoepas@ringoepas.com

SYSTEM REVIEW REPORT

January 22, 2016

To the shareholders of Gabridge & Co.
and the Peer Review Committee of the Michigan Association of Certified Public Accountants

We have reviewed the system of quality control for the accounting and auditing practice of Gabridge & Co. (the firm) in effect for the year ended June 30, 2015. 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*.

In our opinion, the system of quality control for the accounting and auditing practice of Gabridge & Co. in effect for the year ended June 30, 2015, 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*. Gabridge & Co. has received a peer review rating of *pass*.

A handwritten signature in cursive script that reads "Ringo & Associates PC".

Ringo & Associates, PC



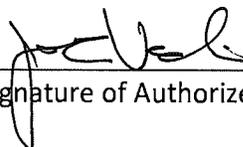
ATTACHMENT A

**REQUEST FOR PROPOSAL
AUDITING SERVICES**

Firm Submitting Proposal: Gabridge & Company, PLC

Proposed Fee:

Fiscal Year	Audit & Reports	Single Audit (if needed)	DDA
2019	\$ 12,790	\$ 3,000	\$ 3,000
2020	\$ 13,100	\$ 3,000	\$ 3,000
2021	\$ 13,400	\$ 3,000	\$ 3,000
2022	\$ 13,700	\$ 3,000	\$ 3,000
2023	\$ 14,000	\$ 3,000	\$ 3,000


11/2/2018

 Signature of Authorized Representative Date

Joe Vertin

 Print Name

Principal

 Title

November 5, 2018



Professional Auditing Services

PROPOSAL FOR
City of Manistee

Submitted by:

Rehmann
Stephen M. Peacock, CPA, Principal
steve.peacock@rehmann.com

 **Rehmann**
Business wisdom delivered.

A decorative horizontal bar at the bottom of the page, divided into three segments of red, green, and orange.

November 5, 2018

Mr. Edward Bradford, Chief Financial Officer
City of Manistee
70 Maple Street
Manistee, MI 49660

Thank you for the opportunity to submit our proposal to audit the financial statements of the City of Manistee and the City of Manistee Downtown Development Authority as of and for the years ending June 30, 2019-2023. Our audits will be conducted in accordance with generally accepted auditing standards; *Governmental Auditing Standards*, issued by the Comptroller General of the United States; and the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the “Uniform Guidance”).

Our engagement will provide for annual report issuance in accordance with the terms and conditions set forth in your request for proposals and will include:

- Financial audit of the City of Manistee for the years ending June 30, 2019-2023
- Financial audit of the City of Manistee Downtown Development Authority
- Single Audit, if necessary.
- Preparation of the required communication with the City Commission including a memorandum of comments and recommendations, if appropriate
- Management Discussion and Analysis
- State of Michigan Auditing Procedures Report
- Preparation of Executive Summary used as a tool to aid in understanding the audit results.
- Exit conference with management
- Presentations to the finance/audit committee and/or City Commission
- Availability for ongoing technical assistance throughout the year

Our proposed fee for the first year of the engagement is \$28,000. Details in support of this fee along with our multiyear prices are presented in the Fees section of this proposal, as listed in the table of contents. We would also like to emphasize our *no surprise invoice* policy that assures you will not be billed for any service that you did not request or otherwise agree to in advance.

As a leading public accounting firm serving the governmental industry, you can be confident that Rehmann Robson (“Rehmann”) is well positioned to serve you. We will leverage our industry experience, technical skills and broad knowledge of issues impacting you to provide high-quality assurance services in a timely, efficient manner.

Our mission is to *deliver governmental business wisdom*. This means that you will:

- Have your audits managed and performed by full-time governmental professionals.

- Work with a team known for excellence and efficiency in government financial reporting.
- Take comfort in our extensive experience auditing federal awards.
- Have access to customized governmental training and value-added services.
- Benefit from our extensive/unique use of technology, particularly Microsoft Excel.
- Enjoy our transparent audit process that eliminates surprises.
- Understand and appreciate our approach of budgeting *better hours* rather than *more hours*.

As you know, we do a large volume of governmental audits, including counties, cities, schools and other governmental and nonprofit entities. By virtue of this, we truly understand your unique challenges, we know what to expect, we can share best practices and we are intimately familiar with your industry. This depth allows us to serve you from the very beginning with minimal disruption while maintaining a high level of engagement effectiveness and efficiency. This is a great match of your needs with our skills and resources.

In addition to staffing your audits with experienced *governmental auditors*, we bring with us a commonsense customer service approach. For example, we will provide you with a preliminary notice of finding if we have a potential issue at the time such an item arises instead of days, weeks or months later when draft or final reports come out.

Our reporting and overall engagement efficiency – part of our *better hours* rather than *more hours* philosophy – is anchored by our innovative use of Microsoft Excel for auditing and reporting templates. Besides facilitating much of what is described above, our templates are readily transferable and, given the proliferation of Excel in our daily work lives, easily applied to your needs.

We believe trust is earned through timely preparation and delivery of all financial reports and meeting agreed-upon deadlines. Our team will be dedicated to working with you in meeting your established timeframes for completion, and managing your evolving expectations throughout the audit.

In summary, the Rehmann value proposition is its experienced governmental auditors and the high-quality services we provide on time and at competitive prices.

This proposal is a firm, irrevocable offer for 90 days to provide independent auditing services at the prices quoted herein. The undersigned is authorized to bind our Firm to any agreement resulting from this proposal and to make representations on behalf of our Firm.

Thank you for considering Rehmann. Feel free to contact us at any time.

Sincerely,

Rehmann Robson

A handwritten signature in black ink that reads "Stephen M. Peacock". The signature is written in a cursive, flowing style.

Stephen M. Peacock, CPA
Principal

Table of contents

Rehmann at a glance	1
Mandatory requirements	2
Firm qualifications and experience	3
Staff qualifications and experience	7
Specific audit approach.....	17
Similar engagements.....	21
Potential audit problems	23
Fees	24
Appendix.....	26
Attachment A	
Peer review report	
Public sector client list	
Detailed audit approach	
Detailed single audit approach	

Rehmann at a glance

Rehmann is a collection of professional service companies committed to providing valuable business solutions since 1941. We combine our knowledge and experience with our clients' to resolve the challenges they face. We call this promise "Business Wisdom Delivered."

At a glance (as of January 1, 2018)



(*Includes revenue of recently combined firm, Trivalent Group)



(According to Accounting Today's Top 100 Firms)

Office locations

Ann Arbor, MI.....	734.761.2005
Boca Raton, FL.....	561.912.2300
Bonita Springs, FL.....	239.992.6211
Cheboygan, MI	231.627.3143
Farmington Hills, MI	248.579.1100
Fort Myers, FL (by appt. only)...	239.992.6211
Grand Rapids, MI.....	616.975.4100
Jackson, MI.....	517.787.6503
Lansing, MI	517.316.2400
Midland, MI.....	989.631.3131
Muskegon, MI.....	231.739.9441
Naples, FL	239.254.5057
Saginaw, MI.....	989.799.9580
Stuart, FL.....	772.283.7444
Toledo, OH.....	419.865.8118
Traverse City, MI.....	231.946.3230
Troy, MI.....	248.952.5000
Vero Beach, FL.....	772.234.8484

International affiliation

Independent Member of Nexia International

A network of independent accounting and business services firms that enables members to provide clients with local knowledge in any overseas marketplace.

Rehmann Robson

Certified Public Accountants and Business Consultants

- Comprehensive tax planning, consulting and preparation
- Outsourcing of finance, accounting and human resource functions
- Audit and assurance services and merger and acquisition analysis
- Business valuation and litigation support
- Computer and information technology security solutions
- Strategic business planning, consulting and transition planning services

Rehmann Financial

A Registered Investment Advisor

- Comprehensive financial planning and investment management analysis
- Retirement, estate and education savings planning for individuals and businesses
- Risk analysis and evaluation of insurance coverage

Rehmann Corporate Investigative Services

Professional Investigation and Security Consulting

- Fraud, embezzlement, fire and background investigations
- Surveillance services and forensic accounting
- Computer security incident response
- Asset protection services for business, legal and insurance clients

Industries served

Rehmann serves a wide range of clients. A full list of industries can be found on rehmann.com.

- Commercial
- Financial services
- Healthcare
- Manufacturing
- Not-for-profit
- Education
- Government
- Individuals and private households
- Private equity

Mandatory requirements

Our role as your independent external auditor is to deliver assurance services in an efficient manner, without disruption to your staff, while maintaining a high level of quality. Accordingly, we affirm that:

INDEPENDENCE

Rehmann is independent (as defined under the independence standards in auditing standards generally accepted in the United States of America and the U.S. General Accounting Office's *Government Auditing Standards*) of City of Manistee and all of its component units. We are aware of no professional relationships involving the city or any of its agencies or component units within the last five years which would represent potential conflicts of interest; however, we will provide the city with written notice of any pertinent professional relationships entered into during the term of our contract.

LICENSE TO PRACTICE

Rehmann and each certified public accountant to be assigned to the engagement are properly licensed to practice public accounting in the State of Michigan. Our CPA Firm License number is A1366398.

PEER REVIEW

The AICPA's peer review program requires that a CPA firm have an independent audit of its quality control documents, systems and procedures every three years. A copy of our most recent peer review report, which included a review of specific government engagements and for which Rehmann received a peer review rating of pass, is included in the appendix.

AGENCY REVIEWS

The Firm has no record of substandard work. We have received no negative comments from the numerous routine field and desk reviews which have taken place on the audits submitted to the various state departments and single audit clearing house over the last several years.

Firm qualifications and experience

Rehmann formed in the early 1940's. We have since grown to become a fully integrated financial services firm of CPAs & consultants, wealth advisors and corporate investigators with over 800 associates in Michigan, Ohio and Florida. The firm employs a forward-thinking service model that guarantees complete client satisfaction and confidence.



Governmental industry experience

Providing governmental business wisdom requires that we have an intimate understanding of your operations. Rehmann's Governmental Industry Group includes 50 professionals who are dedicated full-time to governmental engagements on a year-round basis and another 75 full-time Rehmann associates who spend a significant amount of time working on public sector audits on a seasonal basis.



Industry involvement

Over the past year, we invested over 130,000 hours in governmental, not-for-profit and higher education clients including:

- Counties
- Cities
- Villages
- Townships
- Public school districts
- Transit agencies
- Public authorities
- Community mental health authorities

The infographic features four orange circular icons at the top: a scale of justice, a gavel, a classical building, and a hand holding a heart. Below these icons, the text reads: 'We serve 700 public sector entities comprised of'. This is followed by two brackets: the first contains '200 governmental clients' and the second contains '500 other clients', with a plus sign between them.

EXPERIENCE AUDITING FEDERAL AWARDS

Rehmann's government, not-for-profit and higher education team is staffed by professionals who primarily focus on governmental accounting, auditing and consulting, so all of the professionals assigned to the City's engagement will have extensive prior experience in auditing federal programs. Each year, we audit organizations administering hundreds of millions of dollars in federal awards. Accordingly, during 2016 (the last year for which complete data is available) we conducted 118 single audits for public sector clients totaling more than \$800 million in federal awards expended.



MORE EXPERIENCE

Our clients expect integrated solutions that provide real, tangible value — both short term and long term — and they know they can count on us to deliver.

One of the benefits in serving a large number of governmental entities is the experience that we gain from it. This includes experience with a broad range of federal programs. In addition, our executives routinely lead training seminars for the MICPA and other organizations on conducting federal single audits. What this means is that you will not have to educate your auditors about your federal programs, but instead you will receive meaningful comments and advice on how to enhance your financial management of those programs.

SINGLE AUDITS PERFORMED BY REHMANN FOR THE FISCAL YEARS ENDING IN 2016

Type of entity	Number of clients audited	Total federal expenditures
City	11	\$ 31,232,760
County	19	196,340,024
School	33	91,034,865
Tribe	2	24,009,796
Other governmental entity	15	86,916,632
Higher education	16	292,172,939
Not-for-profit	<u>22</u>	<u>118,142,622</u>
Grand total	<u>118</u>	<u>\$ 839,849,638</u>

CHARTER MEMBER OF THE AICPA GOVERNMENTAL AUDIT QUALITY CENTER

The AICPA Governmental Audit Quality Center (GAQC) is committed to helping its members achieve the highest standards in performing quality governmental audits. The Center's primary purpose is to promote the importance of quality governmental audits and the value of such audits to purchasers of governmental audit services. Members of the Center demonstrate their commitment to these standards by voluntarily agreeing to adhere to Center requirements. The Center provides an

online forum for sharing best practices as well as discussion on audit, accounting and regulatory issues.

REHMANN IS CONNECTED

Rehmann is actively involved in industry associations that provide access to professionals with governmental and not-for-profit experience across the country, including:

- American Institute of Certified Public Accountants (member of the Government Audit Quality Center and member of the State and Local Government Expert Panel)
- Florida Institute of Certified Public Accountants
- Ohio Society of Certified Public Accountants
- Michigan Association of Certified Public Accountants (member/past chair of the governmental taskforce, and regularly provide speakers to train other CPAs across the state)
- Institute of Internal Auditors
- Government Finance Officers Association (multiple special review committee members, and an advisor to the CAAFR Committee)
- Florida Government Finance Officers Association
- Michigan Government Finance Officers Association (board member and member of the Standards Committee)
- Michigan Local Government Managers Association
- Michigan Municipal Treasurers Association
- Michigan Association of County Treasurers
- Michigan Association of Counties
- Michigan School Business Officials
- Michigan Association of School Boards
- Michigan Committee on Governmental Accounting and Auditing Statements
- Michigan Association of Community Mental Health Boards
- Association of Government Accountants (four board members and 11 CGFM's)

COMMITMENT TO QUALITY

- Earned Inavero's Best of Accounting™ Award for providing exemplary client service – for three years in a row
- Registered with the Public Companies Accounting Oversight Board (PCAOB)
- Successfully completed all peer review requirements since inception of AICPA Quality Control Standards in 1979



“At Rehmann, we believe the experience you have working with us is as important as the services we deliver. Each day, our goal is to help you get the most out of your Rehmann Experience. Simply put, we want to exceed your expectations.”

RANDY RUPP, CPA
CEO

- Recognized as one of the 101 Best and Brightest Companies to Work For in both Metro Detroit and West Michigan
- Recognized as one of the Best Companies to Work For in Florida – Rehmann ranked ninth out of 28 large companies

ACCESS TO CUSTOMIZED TRAINING FOR GOVERNMENTAL ENTITIES

Drawing on our extensive background of providing auditing and consulting services to governmental and related nonprofit entities, Rehmann has developed a wide array of training sessions specifically targeted to the public sector. Following are several options we have for government financial managers:

Governmental webinar series

We host various webinars to update our clients and prospects on new issues related to the public sector. Following is a list of topics recently covered at our governmental seminar series:

- Mitigating the risk of fraud in the public sector
- Pension updates: GASB 67/68 (and OPEB under GASB 74/75)
- Excel tips and tricks for financial reporting
- Grants management
- 2 CFR Uniform Guidance
- Single audit: sub-recipient monitoring

Publications

We keep you informed about important issues through face-to-face communication and through our publications. Our monthly email newsletter, “BWDexpress,” covers technical changes and addresses relevant, practical issues – authored by our dedicated team of Rehmann advisors. You’ll also receive invites to exclusive Rehmann events and more.

Want to see a sample of what Rehmann has to offer? Visit our government publications and resources web page at www.rehmann.com/government_resources.

Staff qualifications and experience

Your audits will be managed by full-time governmental auditors. The benefit to the city is that your people will not waste their valuable time teaching auditors about governmental accounting and reporting, or the nuances of city operations. Instead, with Rehmann, your engagements will be staffed with a team of governmental professionals who can work with you as peers, sharing knowledge and best practices, and meeting your completion deadline. Another continuing benefit will be ready access to these professionals to answer questions, discuss options and receive timely technical assistance.



“With Rehmann’s client service philosophy, nothing is more important than a timely response to your questions and concerns. We will not keep you waiting.”

STEPHEN BLANN, CPA, CGFM, CGMA
Principal, Rehmann Governmental Industry Group

REHMANN CLIENT SERVICE PHILOSOPHY

One Team. One Focus. Your Success – Your Rehmann team will have the optimal combination of skills and experience to support your success. Your primary business advisor, **Stephen M. Peacock, CPA, Principal**, will:

- Be integrally involved in planning and overseeing your audits.
- Ensure we are meeting and exceeding your needs by delivering *governmental business wisdom*.
- Provide access to additional resources available within our Firm and through our industry networks.

The Rehmann client service delivery model ensures you will have *direct access* to all members of your Rehmann team. Throughout the year, you can expect an objective Rehmann advisor to serve as the City’s client ambassador. Your client ambassador will ask for feedback on the quality of our service and about your experience as a Rehmann client to ensure we are doing all that we can to exceed your expectations.

A subject matter expert, **Paul R. Matz, CPA, CGFM**, a governmental audit principal with nearly 20 years of experience, will be designated as signing principal for the engagement.

Stephen Blann, CPA, CGFM, CGMA will serve as your engagement quality control principal. He will conduct a technical review of the audited financial statements and provide additional support as needed.

Kadra Kierczynski, CPA, will serve as the engagement manager and will be responsible for overseeing the engagement, completing fieldwork and supervising staff. In addition to overseeing fieldwork, Kadra will maintain active communication with the City throughout the year. Kadra has been with Rehmann for approximately five years and has served governmental clients since joining the Firm.

In addition, we will assign **Lauren Braaten, CPA**, an assurance supervisor, one of our experienced senior auditors (in-charge) to conduct and supervise the daily fieldwork. Lauren will be on-site at the City on a full-time basis for the duration of the fieldwork for each annual audit and we will seek to assign the same in-charge for the entire audit contract term.

Our staff accountants have one to five years of experience and will perform many of the audit procedures, as directed by the engagement executives. The final decision of which individual staff we will assign to your audits will be made when we prepare our schedule.

Jessica Dore, Principal, Technology Risk Management, will perform the information system audit procedures and will be available as a consultative principal on cyber security matters.

William J. Kowalski, J.D., Principal and Director of Operations for Rehmann Corporate Investigative Services (CIS) will be available to the City as a consultative principal on background checks and forensic accounting matters.

Biographical resumes of these executives are included on the following pages.

EXCELLENCE IN GOVERNMENT FINANCIAL MANAGEMENT

Many of our professionals carry the dual designation of CPA/CGFM (Certified Government Financial Manager), which emphasizes our strong commitment to the governmental sector. Our executives are frequently featured as speakers, both locally and nationally, on topics of importance to local governments. Furthermore, Rehmann has a large number of registered reviewers for the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting (CAFR) Program.

Associates designated as “CPAs” are licensed to practice public accounting in the State of Michigan, and are current and in good standing with the Board of Accountancy’s continuing professional education requirements. In addition, all such individuals are current and in good standing with the yellow book governmental continuing professional education requirements.

Associates designated as “CGFMs” are recognized by the Association of Government Accountants as Certified Government Financial Managers. The CGFM designation is a mark of excellence in government financial management, which signifies the highest level of education, experience, and ethical standards in the governmental environment. Rehmann currently has 11 professionals with the CGFM designation.

CONTINUING PROFESSIONAL EDUCATION

To maintain our competitive edge and to stay ahead of the curve on technical quality, we place significant emphasis on continuing professional education with appropriate focus on industry specialization and relative responsibility levels. We readily exceed the State and GAO's biennial CPE hour requirements through a variety of external and internal programs.

External programs

- MICPA annual spring and fall governmental auditing and accounting updates - Rehmann sends several governmental team members.
- Annual GFOA national conference - Rehmann sends one to two people as speakers and attendees.
- Annual GFOA teleconference (conducted in November) - attended by many of Rehmann's senior and executive level staff.

Internal programs

- Rehmann sponsors multiple training opportunities in West Michigan each year through its involvement with the Association of Government Accountants (AGA). The opportunities total approximately 40 hours per year.
- Annual governmental technical updates, held in June and December, are mandatory for all industry group members.
- Annual audit and assurance service training provides updates on auditing standards with an emphasis on engagement planning, risk assessment, and analytical review techniques. Held in the summer, the training includes governmental breakouts with separate programs for beginning, intermediate and advanced staff.
- Quarterly webinars provide the latest developments in accounting, auditing, and financial reporting standards

Requirement details

We consider our professional staff members to be our most valuable asset and we are committed to their professional development throughout their career at Rehmann. Each of our professional staff members must spend 40 hours each year in accounting and related studies for his/her continuing education and related development.

You can be assured that all professionals designated as CPAs meet or exceed the State and GAO's CPE hour requirements. Rehmann logs each CPE course that associates attend through our centralized CPE tracking software. Detailed CPE reports are readily available for specific individuals upon request.



Stephen M. Peacock, CPA

PRINCIPAL
Governmental Services

 231.946.3230

 steve.peacock@rehmann.com

 Lake Superior State University
BS, accounting

“Steve works with his governmental clients to fulfill their financial stewardship to their constituents in the most effective and efficient manner.”

CURRENT ROLE

Steve leads the audit and assurance group in Traverse City and ensures our team is exceeding each client’s needs and expectations, while helping them identify value added business solutions.

SERVICE AREAS

- Audit and assurance
- Public Act 51 compliance
- F-65 consultation
- Bond issuance consulting and comfort letters
- Internal control consulting and risk management

EXPERIENCE

Steve has been with Rehmann since 1993. He has been the engagement principal for variety of counties, cities, townships, Native American government operations, transportation and bridge authorities, and a variety of federally chartered authorities for specific purposes, such as fishing and housing.

Prior to joining Rehmann, Steve was with a national firm for six years where he served as a manager on multiple moderate to large engagements, both public and private.

A CLOSER LOOK

- Steve is actively involved in the Lake Superior State University’s Alumni Association.
- Currently serving more than 30 municipal units of government, Steve performs internal control evaluations and audits, financial statement consulting, and feasibility analyses.
- Ask Steve how he can help address pension obligations, evaluate internal controls risks, and identify public financing options available to municipal units of government.



Paul R. Matz, CPA, CGFM

PRINCIPAL

Governmental and Not-for-Profit Services

 231.739.9441

 paul.matz@rehmann.com

 Calvin College
BS, accountancy

“ I focus on being responsive, proactive, and staying ahead of deadlines. As a result, our clients see us as part of their team — not just their auditor.

CURRENT ROLE

Paul is the primary business advisor for a multitude of governmental and not-for-profit clients, leading financial statement audit and single audit engagements. With a concentration on serving the public sector, Paul is committed to helping clients improve their operations by sharing best practices.

Paul serves on Rehmann’s government audit quality control subcommittee, ensuring compliance with technical standards and Firm-wide consistency.

SERVICE AREAS

- Governmental and not-for-profit auditing and consulting
- Federal award compliance auditing
- GASB standards implementation
- School district auditing and consulting

EXPERIENCE

Paul joined Rehmann in 2009, during which time he has concentrated exclusively in the governmental and not-for-profit sector. With deep knowledge in the industry, Paul has assisted governments in various stages and is able to draw upon that experience to provide fresh ideas to his clients. Paul’s public accounting career began in 2001 and he is licensed as a CPA in both Michigan and Florida.

Paul has extensive experience working with local and intermediate school districts, counties, cities, road commissions and a variety of not-for-profit organizations.

A CLOSER LOOK

- Keeping up-to-date on the latest industry standards, Paul is a member of the AGA West Michigan Chapter (membership chair), the AICPA and MICPA — and he attends national and local continuing professional education programs.
- Actively involved in his community, Paul serves as the board treasurer for Western Michigan Christian High School.
- Paul makes it a priority to proactively discuss new and changing standards with his clients; most recently his clients have recognized an easy implementation of pension-related GASB pronouncements.



Stephen W. Blann, CPA, CGFM, CGMA

PRINCIPAL

Governmental and Not-for-Profit Services

 616.975.2810

 stephen.blann@rehmann.com

 **Indiana Wesleyan University**
BS, accounting and business
administration

“In addition to their day to day responsibilities, our public sector clients must follow a wide array of compliance requirements and demonstrate their public accountability. Rehmann's governmental specialists have the technical expertise to help them meet these unique challenges, while delivering our services through a personalized, client-focused approach.

CURRENT ROLE

As the Firm's director of government audit quality, Stephen is responsible for setting quality control standards, developing practice aids and training programs (both internally and for clients), and serving as the technical quality control principal for audit reviews. Stephen also provides outsourced CFO services to governments and not-for-profit organizations.

SERVICE AREAS

- Governmental and not-for-profit auditing and consulting
- Outsourced CFO services and consulting
- Technology utilization and training
- Custom spreadsheet and database programming

EXPERIENCE

Stephen has been with Rehmann since 1995, during which time he has concentrated exclusively in the governmental and not-for-profit sector. Stephen is a Certified Government Financial Manager (CGFM) and a Chartered Global Management Accountant (CGMA) and is licensed as a CPA in both Michigan and Florida. Stephen's client base is comprised of counties, cities, villages, townships, road commissions, community mental health authorities, local and intermediate school districts, Native American tribal governments and a variety of not-for-profit organizations.

A CLOSER LOOK

- Stephen is an active member of and nationally recognized speaker for various professional organizations, including the GFOA, NAFOA, MACMHB, AGA, FICPA and MICPA. His presentations focus on current issues in governmental accounting and financial reporting, grant compliance, internal controls and technology utilization.
- Since 2003, Stephen has served as an advisor on the GFOA Standing Committee on Accounting, Auditing, and Financial Reporting.
- Stephen is a member of the AICPA State and Local Government Expert Panel and the education director of the West Michigan Chapter of the AGA.
- Stephen provides multiple CFO outsourcing clients with a broad range of services, including establishing effective internal controls, creating deficit elimination plans, developing budgeting strategies and managing grants.
- Through frequent interaction with governmental and industry organizations, such as GASB and the AICPA, Stephen continuously monitors and responds to professional changes as they are being developed to ensure clients and Rehmann associates have access to national resources and robust training opportunities.



Kadra R. Kierczynski, CPA, MBA

ASSURANCE MANAGER

 231.946.8517

 kadra.kierczynski@rehmann.com

 **Siena Heights University**
BBA, accounting, concentrations in
finance and management

Wayne State University
MBA

CURRENT ROLE

Kadra is an assurance manager with Rehmann and she is based in the Traverse City office. She is primarily responsible for the preparation and review of audit fieldwork and preparation of financial statements.

SERVICE AREAS

- Audit and review

EXPERIENCE

Kadra began her career in public accounting in 2010. Her experience includes providing audit, review and compilation services to a variety of industries including colleges and universities and not-for-profits. She is directly responsible for the preparation and review of audit fieldwork and preparation of financial statements. Kadra's current higher education clients include Glen Oaks Community College, Kirtland Community College, North Central Community College and Northern Michigan University.

Prior to joining Rehmann, Kadra prepared taxes for individuals, partnerships, and corporations as a staff accountant with a local accounting firm.

PROFESSIONAL ORGANIZATIONS

- American Institute of Certified Public Accountants
- Michigan Association of Certified Public Accountants



Lauren Braaten, CPA

ASSURANCE SUPERVISOR

 231.946.8385

 lauren.braaten@rehmann.com

 St. Cloud University
BBA, accounting

CURRENT ROLE

Lauren is an assurance supervisor based in Rehmann's Traverse City office.

SERVICE AREAS

- Audit and assurance
- Governmental and not-for-profit organizations
- Federal award compliance and auditing
- Higher education audits

EXPERIENCE

Lauren joined Rehmann in October 2015. Prior to that, she spent approximately two years as an assurance associate with a large regional public accounting firm in St. Cloud, Minnesota, serving predominantly governmental entities. Her current client base includes cities, counties, universities, community colleges and not-for-profit agencies.

PROFESSIONAL ORGANIZATIONS

- American Institute of Certified Public Accountants



Jessica R. Dore, CISA

PRINCIPAL

Technology Risk Management

 989.797.8391

 jessica.dore@rehmann.com

 **Northwood University**
BBA, management information systems

“I partner with clients to help them identify risks and protect their business. We’re constantly monitoring exploitive software and vulnerabilities so clients can feel confident their systems are safe.”

CURRENT ROLE

Jessica leads Rehmann’s Technology Risk Management Group, overseeing cybersecurity assessments, information security assessments, vulnerability and penetration testing, social engineering testing, information security training and Sarbanes-Oxley Act (SOX) 404 consulting engagements for publicly-traded companies.

Jessica provides information technology (IT) consulting and security services to a wide range of clients, primarily financial institutions. She is a member of the Firm’s Financial Institutions Leadership Group.

SERVICE AREAS

- Information systems and technology
- Cybersecurity assessments
- Information security awareness training
- Policy development
- Social engineering

EXPERIENCE

Jessica has extensive experience conducting IT security assessments for multiple institutions throughout the country. She has an in-depth knowledge of National Institute of Standards and Technology (NIST) standards, SOX 404 compliance, Gramm–Leach–Bliley Act (GLBA) compliance and Control Objectives for Information and Related Technology (COBIT) standards, as well as extensive knowledge of IT systems.

Prior to joining Rehmann in 2005, Jessica worked as an associate programmer at Auto-Owners Insurance Company in the financial systems group, where she designed and developed information systems. Jessica also worked in the e-commerce department at Dow Corning Corporation for five years.

A CLOSER LOOK

- Jessica has written several articles on security issues including “The Future of Money,” which explored the benefits and disadvantages of emerging payment platforms and digital currency.
- Jessica presents on a range of cybersecurity topics at industry conferences and for niche organizations. She has conducted numerous internal webinars at Rehmann and leads information technology and cybersecurity training sessions for clients.



William J. Kowalski, J.D.

PRINCIPAL, DIRECTOR OF OPERATIONS
Corporate Investigative Services

 248.458.7870

 bill.kowalski@rehmann.com

 **University of Detroit**
BS

University of Detroit Mercy,
School of Law
JD

CURRENT ROLE

Bill is a Principal and Director of Operations for Rehmann Corporate Investigative Services (CIS). He is based in the Troy office.

As Director of Operations for Rehmann CIS, Bill manages complex fraud investigations for public and private sector entities. He also performs fraud risk assessments throughout Michigan, helping agencies and corporations identify, eliminate, and prosecute fraud. Bill's investigations of financial misappropriation have resulted in numerous successful prosecutions throughout Michigan. He has been retained to advise key state agencies in fraud prevention strategies.

In addition, Bill manages a team of digital forensics experts providing breach response and data analysis services. He also conducts seminars on fraud prevention and educates about the threat and cost of cybercrime.

SERVICE AREAS

- Fraud and embezzlement investigations
- Litigation support
- Cybercrime investigations
- Crisis management

EXPERIENCE

Bill began his investigative career in 1983 with the Federal Bureau of Investigation (FBI). During his 25-year tenure with the FBI he served in the Detroit, Memphis, New York City, Flint, and Washington, D.C offices. Bill was most recently the Assistant Special Agent in Charge of the FBI office in Detroit with oversight responsibility for counter-terrorism and counterintelligence operations throughout Michigan.

PROFESSIONAL ORGANIZATIONS

- Society of Former Special Agents of the FBI
- Association of Certified Fraud Examiners | Member
- Oakland County Bar Association | Member
- Lebanese-American Chamber of Commerce | Advisory Board Member
- Orchard Lake Schools | Past Regent

Specific audit approach

Rehmann is committed to delivering high quality assurance services in a timely, efficient manner.

DELIVERABLES

- Financial audit of the City of Manistee for the years ending June 30, 2019-2023
- Financial audit of the City of Manistee Downtown Development Authority
- Single Audit, if necessary.
- Preparation of the required communication with the City Commission including a memorandum of comments and recommendations, if appropriate
- Management Discussion and Analysis
- State of Michigan Auditing Procedures Report
- Preparation of Executive Summary used as a tool to aid in understanding the audit results.
- Exit conference with management
- Presentations to the finance/audit committee and/or City Commission
- Availability for ongoing technical assistance throughout the year

The format and presentation of the financial statements will conform to the applicable standards set forth by:

- ✓ Governmental Accounting Standards Board (GASB)
- ✓ American Institute of Certified Public Accountants (AICPA)
- ✓ Government Finance Officers Association (GFOA)
- ✓ U.S. Office of Management and Budget

QUALITY CONTROL

In order to ensure that all our engagements meet our high quality standards, we have implemented a firm-wide system of quality control, or 'TSR'. The significant components of this system, as they relate to your audit, are as follows:

- All workpapers and audit programs are reviewed by the associates' immediate supervisors, and ultimately, the engagement principal.
- Draft financial statements and other reports are given a detailed review by an associate not connected with their preparation.
- Finally, the financial statements and other reports are reviewed for format, presentation, and compliance with all applicable professional guidance and technical pronouncements by the engagement principal and two top-level executives independent of the engagement team.

Through the 'TSR' process, we are able to assure our clients that their financial reports have been subjected to the most stringent review of technical compliance and reporting excellence available.

SCHEDULE

Our anticipated schedule of audit milestone dates is intended to comply with your filing date. An initial estimate of such dates is as follows:

Description	Date (s)
Interim work plan	June 1 st – along with pre-audit meeting with the City and the City Commission
Detailed audit plan	By July 1 st each year
Fieldwork	August of each year
Draft reports with exit conference	No later than September 30 th of each year
Final reports	No later than October 31 th of each year

APPROACH

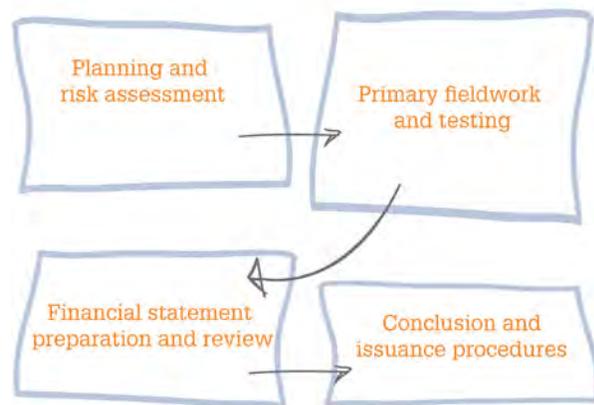
We will complete our work in four inter-related phases: (1) planning and risk assessment, (2) primary fieldwork and testing, (3) financial statement preparation and review, and (4) conclusion and issuance procedures. A brief overview of our audit approach is provided below. **A detailed explanation of the audit process and Rehmann's approach is provided in the appendix.**

Phase 1: planning/risk assessment

In accordance with your time schedule, we will hold a planning meeting prior to the start of the engagement involving all associates assigned to the job. We will schedule the dates of our on-site fieldwork, arrange for downloads from your computer systems, document internal controls over financial reporting and compliance, and review the materials you typically provide your auditors. At roughly the same time, we will work closely with you to begin preparing/updating the format and structure of the financial statements in Microsoft Excel and Word.

Once the city is ready and has available a reasonably-adjusted trial balance, we will complete the planning process. Our engagement executives will analytically review the draft financial statements, and document our assessment of audit risk by area. We will use this information to tailor our standard governmental audit programs to correlate with our risk assessment of the City's accounting and financial processing environment.

Rehmann Audit Process



Phase 2: primary fieldwork/testing

Working from the reasonably-adjusted trial balance used to complete our planning procedures, we will begin our year-end fieldwork. Our lead schedules and audit workpapers will be created based on the City's draft financial statements. This allows us to conduct our audit at the same level of detail on which our opinions will be expressed, and enhances the efficiency of the entire process. Each audit area will be tested through a combination of analytical, substantive, and sampling procedures, consistent with the tailored audit programs developed in Phase 1.

As the year-end fieldwork procedures are completed, we will review the workpapers, quality control documents, and checklists as part of our internal system of quality control. All comments and issues generated by these reviews will be resolved in the field.

Phase 3: financial statement preparation/review

Financial statement preparation actually begins in Phase 1, and continues throughout Phases 2 and 3. Once the financial statements and related notes have been compiled, they will be processed through our Technical Standards Review (TSR).

In most cases, the first level of this process is completed while we are still in the field, which allows for complete drafts (including any related audit findings and recommendations) to be reviewed with management before the audit team leaves the field, when information is still fresh and any issues are easily resolved.

Phase 4: conclusion/issuance procedures

After management has had an opportunity to thoroughly review the draft financial statements and any audit findings or recommendation, we will perform our conclusion and issuance procedures. These vary, but may include following up on outstanding confirmations, reviewing the minutes of board meetings held subsequent to our fieldwork, and obtaining written representations from management concerning the completeness and fair presentation of the financial statements. Once complete, we will produce final PDF versions of the financial statements and related reports, and provide them to you via email. Hard copy reports may also be printed and bound, depending on your needs.



“Our commitment to the governmental industry ensures that your reports will be completed timely, accurately and in accordance with professional standards.”

NATHAN BALDERMANN, CPA, CGFM
Principal, Rehmann Governmental Industry Group

SIGNIFICANT EXECUTIVE INVOLVEMENT = TIMELY COMPLETION AND DELIVERY

At Rehmann, we believe that engagement executives belong in the field, not the office. Accordingly, you can expect a substantial on-site presence by the executives responsible for your engagement. We have found that when our most experienced people are investing a significant amount of time in the planning and implementation of an engagement, we are able to achieve optimum efficiency in conducting the audit. We also believe that frequent principal interaction with our clients strengthens our business relationship, gives us a deeper understanding of your needs, and fully leverages the knowledge and experience of our professionals.



MORE IDEAS

We're continually collaborating with clients and each other to help find new opportunities to increase efficiency, save money, streamline operations and enhance service value.

Our assurance practice is structured to provide our clients with efficient, effective services. We have one goal: becoming THE Firm of Choice for both our clients and our associates. To accomplish that goal, we employ a regional organizational structure, in-depth associate training, an emphasis on on-site review and completion of audit procedures, and an enhanced client service focus through our Rehmann Client Ambassador program.

Similar engagements

Below are several engagements performed by our local office in the last five years that are similar to the City's engagement.

Client:	City of Escanaba
Total Staff Hours:	500 hours
Engagement Scope:	Financial and A-133 audits
Date(s):	June 30, 2016 - current
Service Team:	Doug Deeter, Michael Sparling, Melinda Maier
Client Contact:	Melissa Becotte, City Controller, 906.786.0240

Client:	City of Charlevoix
Total Staff Hours:	350 hours
Engagement Scope:	Financial and A-133 audits
Date(s):	1995 - current
Service Team:	Annette Eustice, Stephen Blann, Magdalena Hunt and Melinda Maier
Client Contact:	Mark Haldlauff, City Manager, 231.547.3251

Client:	City of Gaylord
Total Staff Hours:	375 hours
Engagement Scope:	Financial and A-133 audits
Date(s):	June 30, 2009 - current
Service Team:	Annette Eustice, Stephen Blann, Magdalena Hunt and Melinda Maier
Client Contact:	Joe Duff, County Administrator, 989.732.4060

Client:	Leelanau County
Total Staff Hours:	425 hours
Engagement Scope:	Financial and A-133 audit
Date(s):	December 31, 1998 to current
Service Team:	Stephen Peacock, Stephen Blann and Troy Kierczynski
Client Contact:	Michelle Crocker, County Clerk, 231.256.9824

Client:	Kalkaska County
Total Staff Hours:	350 hours
Engagement Scope:	Financial and A-133 audits
Date(s):	December 31, 2014 to current
Service Team:	Stephen Peacock, Stephen Blann and Troy Kierczynski
Client Contact:	Debra Hill, County Clerk, 231.258.3349

We strongly encourage you to contact our clients directly to learn about the service they receive from Rehmann.



“Easy to work with. Practical solutions to problems. Nice staff. Understanding of client issues. Always ready to help with any issue — auditing or not.”

CITY OF JACKSON
Philip Hones, Finance Director



“I appreciate that Rehmann wants to do things right. They don't want to just get the job done and move on to another audit.”

WASHTENAW COUNTY
Terrance Ballantyne, Senior Accountant



“We are very satisfied with the services Rehmann provides. The ease of contacting our Rehmann team with questions and their turnaround time with answers has been exceptional.”

CITY OF BAY CITY
George Martini, Finance Director



“The best part about working with our auditors is that we work as a team. We don't always agree, but we work through any issue and try to find common ground.”

NORTHWEST SCHOOL DISTRICT
Laurie Lewis, Chief Accountant



“Rehmann makes an effort to understand our business environment and provide knowledgeable advice and expertise. Their audit presentations to our boards are thorough and professional.”

LANSING ECONOMIC AREA PARTNERSHIP INC
Marchelle Smith, Controller



“Working with Rehmann was highly efficient. They were courteous of our time and we received quality work at a fair price.”

WEST MICHIGAN DISTRICT OF THE WESLEYAN CHURCH
Lynn Bruce, District Finance Director



Potential audit problems

ANTICIPATED PROBLEMS

Based on our understanding of current facts and circumstances, and our understanding of pending or potential changes in generally accepted accounting principles and auditing standards, there are no anticipated potential problems of which we are aware. However, if any unanticipated problems are encountered during the engagement, we will be proactive in bringing any such matters to your attention and finding a mutually acceptable solution. We also ask that you be honest and forthright in communicating any problems you have with us or any particular person at the earliest possible date. We care very deeply about our clients and their success, and so we will do whatever is reasonably necessary to rectify any problems.

TECHNICAL ISSUE AND TECHNICAL DISAGREEMENT RESOLUTION

Rehmann has both informal and formal paths for resolving technical issues and disagreements that may impact a client. The client service executive, who leads each service team, is responsible for identifying the appropriate experience needed to provide effective service. When a technical issue or disagreement requires additional consultation, the principal has two courses of action.

First, our flexible, internal communication system enables principals to leverage the individual knowledge found throughout the Firm's offices. Through various mediums such as e-mail, our paperless document management system, and the Firm's intranet, professionals have easy access to subject matter experts with relevant industry or practice area experience.

Should an extreme technical matter arise that requires a more formal consultation or dispute resolution, the Firm has established executive committees. These executive committees provide direction on emerging assurance, audit and tax issues. The committees are flexible, allowing for immediate access, and the individuals who serve on these committees are considered the Firm's definitive experts. In fact, many committee members are recognized speakers or serve on related committees for state and national industry groups such as the American Institute of Certified Public Accountants and Michigan Association of Certified Public Accountants. In situations of dispute resolutions, any member of the engagement team who disagrees with the final resolution has the right to document their disagreement in the workpapers.

Our Firm practices personal and responsive communication with our clients. No one in our Firm will dictate "from afar" problem resolutions without our clients having an opportunity to meet and carry on a dialogue face to face.

Fees

Based on our discussions and your request for proposal, the scope of the engagement and estimated fees are as follows:

Service	2019	2020	2021	2022	2023
Audit of financial statements for the years ending June 30, including the DDA	\$24,500	\$25,750	\$27,000	\$28,250	\$29,500
Single audit in accordance with the Uniform Guidance, if required	\$3,500	\$3,600	\$3,700	\$3,800	\$4,000
<u>Broken down as follows:</u>					
City of Manistee	\$20,000	\$21,000	\$22,000	\$23,000	\$24,000
Manistee Downtown Development Authority	\$4,500	\$4,750	\$5,000	\$5,250	\$5,500

The above fees are based on the assumption that the City will provide a reasonably adjusted trial balance at the beginning of fieldwork and that current auditing standards remain applicable. Should the City require assistance in obtaining a reasonably adjusted trial balance or auditing standards significantly change making our estimate unreasonable, we will work with the City in arriving at a new fee that is commensurate with the additional work and hours required prior to performing such services.

This proposal is based on professional standards in effect as of the date of our proposal. The fees quoted for years subsequent to 2019 may be subjected to renegotiation if significant changes in professional standards or reporting requirements make our initial estimate of hours to complete the audit unrealistic. If any such changes occur, we will discuss the reasons with you and arrive at a new fee arrangement.

Our fees for the single audit, which are included in the pricing table above, contemplate a single audit with up to two major programs. Additional major programs, if required, would be billed separately at \$2,500-\$3,000 each, depending on the size and complexity of the related compliance requirements to be tested.

HOURLY RATES

As shown above, we have provided a fixed fee (maximum not-to-exceed) for our base audit services. While this fee is certainly based on our estimate of the number of professional service hours that will be required, it is important to note that the risk of underestimating those hours rests solely with Rehmann. We will not charge the city more or less than the fees quoted herein, unless there is a significant change in the scope of the work being requested (as evidenced by an approved change order).

As a practical matter, it is impossible to predict the exact number of hours it will take to complete your audit and issue our reports. At best, an audit professional can make an educated guess at the range of hours and, as indicated above, accept the risk of underestimating. Another way to say this is that we are not selling you “x” number of hours; instead we are selling you a finished product and set of deliverables for a fixed price (based on value, rather than a rate multiplied by some number of hours).

NO SURPRISE INVOICES

We strive to deliver business wisdom for a fee that is fair, reasonable and representative of the value delivered. Our approach to establishing fees is to discuss expected outcomes and the proposed services to be provided before work is done. This reduces the possibility of surprises when invoices are ultimately delivered. If services are required beyond the scope of this engagement, we will discuss it with you before beginning any work, and provide a cost estimate for those additional services.



MORE SERVICE

We make it a priority to keep you informed about what we're doing for you — and what you're paying for it. Our transparent billing practices help clients clearly evaluate the value our services provide.

Appendix

Attachment A
Peer review report
Public sector client list
Detailed audit approach
Detailed single audit approach



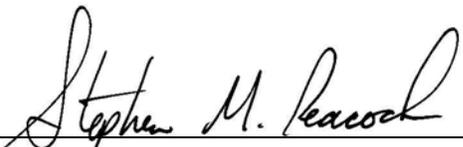
ATTACHMENT A

**REQUEST FOR PROPOSAL
AUDITING SERVICES**

Firm Submitting Proposal: Rehmann

Proposed Fee:

Fiscal Year	Audit & Reports	Single Audit (if needed)	DDA
2019	\$20,000	\$3,500	\$4,500
2020	\$21,000	\$3,600	\$4,750
2021	\$22,000	\$3,700	\$5,000
2022	\$23,000	\$3,800	\$5,250
2023	\$24,000	\$4,000	\$5,500


Signature of Authorized Representative

11/2/2018

Date

Stephen M. Peacock, CPA
Print Name

Principal
Title

Peer review report

Page 1 of 2



CliftonLarsonAllen LLP
CLAAconnect.com

REPORT ON THE FIRM'S SYSTEM OF QUALITY CONTROL

To the Principals of Rehmann Robson LLC
The National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Rehmann Robson LLC, a member of Rehmann, LLC (the Firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended March 31, 2017. 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 (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

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. The Firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

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.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards* (including compliance audits under the Single Audit Act), audits of employee benefit plans, an audit performed under the Federal Deposit Insurance Corporation Improvement Act (FDICIA) and examinations of service organizations (SOC 1 and SOC 2 engagements).

As a part of our peer review, we considered reviews by regulatory entities as communicated by the Firm in determining the nature and extent of our procedures.



Rehmann Robson LLC
Page 2

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Rehmann Robson LLC applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended March 31, 2017, 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*. Rehmann Robson LLC has received a peer review rating of *pass*.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
September 15, 2017

Public sector clients

Following is a list of Rehmann's public sector clients. Outsourcing clients are indicated with an asterisk (*).

CITIES

City of Battle Creek	City of Holland	City of Perrysburg, OH
City of Benton Harbor	City of Howell	City of Pontiac
City of Bridgman	City of Inkster	City of Royal Oak
City of Charlevoix	City of Jackson	City of Sebastian, FL
City of Charlotte*	City of Lansing	City of Sturgis*
City of Escanaba	City of Mackinac Island*	City of Tecumseh
City of Fremont Michigan	City of Milan	City of Three Rivers
City of Gaylord	City of Oak Park	City of Troy
City of Grand Blanc	City of Oregon, OH	City of Wyoming
City of Hastings	City of Owosso	City of Ypsilanti*

COUNTIES

Barry County	Indian River County	Midland County
Bay County Building	Isabella County	Monroe County
Berrien County	Kalamazoo County	Montcalm County*
Clinton County	Kalkaska County	Muskegon County
County of Jackson	Kent County	Newaygo County
County of Otsego	Leelanau County	Shiawassee County
County of Saginaw	Lenawee County	Washtenaw County
Dow Event Center	Mecosta County	Wexford County
Eaton County		

VILLAGES AND TOWNSHIPS

Blair Township	Macon Township	Superior Township*
Concord Township	Parma Township	Town of Orchid, FL
Glen Arbor Township	Penn Township	Watertown Charter Township
Green Lake Township*	Pittsfield Charter Township	Village of Augusta
Holly Township	Royal Oak Township	Village of Mackinaw City*
Little Traverse Township	Saginaw Charter Township	Village of Port Austin

LIBRARIES

Ann Arbor District Library	Kalamazoo Public Library	Shiawassee District Library
Chippewa River District Library	Portage District Library	Spring Lake District Library

Note: standalone library audit clients are listed. We audit additional libraries through various municipalities.

TRIBAL GOVERNMENT

Bay Mills Indian Community	Little Traverse Bay Band of Odawa Indians
Chippewa Ottawa Resource Auth.	Nottawaseppi Huron Band*
FireKeepers Casino*	Sault Ste. Marie Tribe of Chippewa Indians
Little River Band of Ottawa Indians	

SCHOOL DISTRICTS

Adrian Public Schools
Airport Community Schools
Anchor Bay School District
Ann Arbor Public Schools*
Bangor Township Schools
Battle Creek Public Schools*
Bedford Public Schools
Benton Harbor Area Schools*
Big Rapids Public Schools
Black River Public School
Chelsea School District
Crestwood School District
Dexter Community Schools
Dundee Community Schools
East Jackson Community Schools
Escanaba Public Schools
Flint Community Schools*
Freeland Schools
Fruitport Community Schools
Gibraltar School District
Grand Haven Area Public Schools
Grand Rapids Child Discovery Center
Grass Lake Community Schools
Harper Creek Community Schools
Harper Woods School District
Hesperia Community Schools

Hope Academy of West Michigan
Huron School District
Ida Public Schools
Ionia Public Schools
Jackson County ISD
Lakeview Community Schools
Lighthouse Academy
Lincoln Consolidated Schools*
Linden Community Schools
Mackinac Island School
Marshall Public Schools
Milan Area Schools
Mona Shores Public Schools
Monroe County ISD
Napoleon School District
Northwest School District
Pennfield Schools
Pinckney Community Schools
Portage Public Schools
Public Schools Of Petoskey
Sault Ste Marie Area Public Schools
Springport Public Schools
Summerfield Schools
Western School District
Ypsilanti Community Schools

COLLEGES & UNIVERSITIES

Baker College
Bay College
Bay Mills Community College
Cleary University
Glen Oaks Community College
Jackson College
Kirtland Community College
Lake Michigan College

Lansing Community College
Macomb Community College
Montcalm Community College
North Central Michigan College
St. Clair County Community College
Washtenaw Community College
West Shore Community College

ROAD COMMISSIONS

Branch County Road Commission
Cass County Road Commission
Hillsdale County Road Commission

Missaukee County Road Commission
St Joseph County Road Commission

TRANSIT

Toledo Area Regional Transit Authority

Van Buren Public Transit

Note: standalone transit audit clients are listed. We audit additional transit authorities through various municipalities.

MEDICAL CARE FACILITIES

Bay County Medical Care Facility

Tuscola County Medical Care Facility

COMMUNITY MENTAL HEALTH (CMH)

Detroit Wayne Mental Health Authority*

Genesee Health System*

Kalamazoo CMHSAS

Lifeways*

Muskegon County CMH*

Network 180*

Northern Lakes Community Mental Health

Northern Michigan Regional Entity*

Oakland Community Health Network

Ottawa County CMH*

Region 10*

Saginaw County CMH*

Sanilac Mental Health Authority

Shiawassee County Community Mental Health

St. Clair County CMH*

Woodlands Behavioral Healthcare Network

CMH AFFILIATED PROVIDERS

American Neuropsychiatric Association

Domus Vita, Inc.

Enhance, Inc.

New Outlook, Inc.

New Life Services Inc.

Oakland Community Alternatives

Rgrps, Inc.

Pappalardo Alternative Placements

Residential Alternatives, Inc.

HOUSING PROJECTS

Avery Square Senior Housing

Grand Rapids Housing Commission

Trinity Continuing Care

Wickes Park Homes LDHA, LP

OTHER

Battle Creek Promise Zone Authority

Bay Area Narcotics Enforcement Team

City of Grand Rapids Pension Systems

Downtown Development Authority (Jackson)

Gerald R. Ford International Airport Authority

Great Lakes Commission

Harbor-Petoskey Area Airport Authority

Health Department of Northwest Michigan*

Jackson Narcotics Enforcement Team (JNET)

Kent County Dispatch Authority

Kent County Land Bank Authority

Lansing Economic Development Corporation

Lansing Entertainment and Public

LAWNET

Lucas Co Board of Dev'l Disabilities

Lucas County Land Reutilization Corp

Mackinac Island Department of Public Works*

MBS International Airport

Michigan Department of Treasury*

Midland County Economic Development Corp.

Monroe County Agency

Resources Global Professionals

Saginaw County 9-1-1 Authority

Tri-County Office on Aging

Western Wayne Criminal Investigations

Ypsilanti Community Utilities Authority

Public sector clients (not-for-profits)

Following is a list of Rehmann's not-for-profit clients. Outsourcing clients are indicated with an asterisk (*).

PRIVATE AND COMMUNITY FOUNDATIONS

5 Healthy Towns Foundation	Indian River Community Foundation
Battle Creek Community Foundation	Jackson College Foundation
Battle Creek Promise Zone Authority	Kirtland Community College Foundation
Bay Area Community Foundation	Lansing Community College Foundation
Camp Leelanau & Kohahna Foundation	Lingap Children's Foundation
Chadtough Foundation	Macomb Community College Foundation
Cheboygan Communities Foundation	Metro Health Hospital Foundation
Cherryland Electric Community Caring Fund	Public Broadcasting Foundation of Northwest Ohio
CLA Foundation	Rotary Club of Lansing Foundation
Comerica Charitable Trust	SpartanNash Foundation
Community Foundation for Muskegon County	Stranahan Foundation
Dana Foundation	Toledo Community Foundation
Detroit Regional Chamber Foundation	Towsley Foundation
Fremont Area Community Foundation	Washtenaw Community College Foundation
Grand Rapids Public Museum Foundation	West Shore Community College Foundation
Highscope Educational Research Foundation	

PRIVATE SCHOOLS

Ave Maria School of Law	Saint Edward's School, Inc.
Blue Lake Fine Arts Camp	St. John's Jesuit High School
Emerson School	St. Ursula Academy
Maumee Valley Country Day School	The Leelanau School
Ox-Bow School of Art	The Roeper School

RELIGIOUS ORGANIZATIONS

Ada Bible Church	Dominican SMME Corporation
Adventist Frontier Missions, Inc.	Main Street United Brethren Church
Central Wesleyan Church of Holland	West Michigan District of the Wesleyan Church
Diocese of Saginaw	Zion Christian Church

COUNCILS & AGENCIES ON AGING

Child Care Network/Washtenaw Regional 4C	Region 2 Area Agency on Aging
Midland County Council on Aging	Region 3B Area Agency on Aging
NW Senior Resources, Inc.	Tri-County Office on Aging

CONDOMINIUM ASSOCIATIONS

Le Rivage Association, Inc.	Reflections on the River Association
The Reef Ocean Resort Association	Riverwood Community Association

COMMUNITY ACTION AGENCIES

Community Action Agency - Chippewa-Luce-Mackinac
Community Action Agency - Serving Jackson, Lenawee & Hillsdale Counties
Community Action - Serving Barry, Branch, Calhoun & St. Joseph Counties
EightCAP Inc./CAMWC
FOCUS - Toledo

ASSOCIATIONS

Ann Arbor Amateur Hockey Association
Council of Michigan Foundations
Festival of the Arts in Grand Rapids
Michigan Infrastructure & Trans. Association
Saginaw Township Soccer Association
Toledo Orchestra Association
The Community House Association and Foundation
University of Toledo Alumni Association

HEALTH PLANS & HEALTH CENTERS

Alcona Health Center
Dental Center of Northwest Ohio
Dental Clinics North
Genesee Health Plan
Hope Medical Clinic
Jackson Health Plan Corporation
Toledo Community Oncology Program
Washtenaw Community Health Organization

HEALTH & WELFARE ORGANIZATIONS

Addiction Treatment Services
Boy Scouts of America – Erie Shore
Boys & Girls Clubs of Toledo
Capital Area United Way
Catholic Social Services of Washtenaw County
The Cocoon Shelter
Crossroads of Michigan
Girl Scouts of Michigan Shore to Shore
Goodwill Industries of Greater Grand Rapids
Goodwill of West Michigan
Holy Cross Youth and Family Services
Holy Cross Children's Services
Jackson Interfaith Shelter
Leader Dogs for the Blind, Inc.
Lifeways
Samaritan Center, Inc.
SOS Community Services
United Way of Greater Toledo
United Way of Indian River County, Inc.
United Way of the Lakeshore
United Way of Washtenaw County
Washtenaw Health Plan
Women's Resource Center of the GT Area

OTHER

Admiralty Yacht Club Association
Altarum Institute
Ann Arbor YMCA
Arbor Research Collaborative for Health
Baruch SLS, Inc.
Calhoun County Conservation District
Cancer Alliance of Naples
Career Alliance Inc.
Cereal City Development Corporation
CIFT
Clean Energy Coalition
Community Healthcare Connections
Detroit Science Center
Everest Inc.
Foreign Links Around the Globe (FLAG)*
Grace Place for Children and Families
Grand Rapids Public Museum
Grand Traverse Industries
Greater Lansing Convention & Visitors Bureau
Ide I
Ide II
Imagination Station
Internet2
JC Dormitories, Inc.
Jewish Federation of Greater Toledo
Jewish Senior Services
John Ball Zoo
Junior Achievement of NWO, Inc.
Klingelberg America Inc.
Lansing Economic Area Partnership
Leisure Living Management of Fremont
Lott Industries
Lucas Co. Board of Developmental Disabilities
Mackinac Island Convention & Visitors Bureau
Main Street Business Improvement Zone
McKee Botanical Garden, Inc.
Mercy Education Project
Michigan Child Care Centers
Michigan Christian Home
Michigan Credit Union League
Michigan Family Resources, Inc.
Michigan Human Resource Development
Mid-Michigan Child Care Centers
MOKA Corporation
Northwest Ohio Scholarship Fund
Odawa Economic Development Management
Palmas Del Sol Condo Association Inc.
Pelham Manor
Red Stick Golf Club, Inc.
Ronald McDonald House Charities of Ann Arbor
Ronald McDonald House of Western Michigan
Rotary Club of Lansing
Samaritan Homes
Sarasota Convention & Visitors Bureau
Scholastic Shooting Sports Foundation, Inc.
Sleeping Bear Dunes Visitors Bureau
SMB Probation Center
SMRC LDHALP
Society for College and University Planning
Southwest Michigan Community Development
SVRC Industries, Inc.
Sweet Dreamzzz, Inc.
The Historical Society of Michigan
Toledo Day Nursery
Toledo Zoological Society
Tri-Cities Historical Museum
Underground Railroad
Unison Behavioral Health Group
West Side Montessori Center
White Lake Area Chamber of Commerce
Wings of Mercy, Inc.

Detailed audit approach

Each audit engagement is unique and requires different procedures to meet specific circumstances. However, the following broad approach is followed for most of our audits. While certain steps may occur in different order than presented below, a typical city audit would consist of the following audit procedures:

Phase 1: planning/risk assessment

Pre-engagement – Certain audit procedures and inquiries are completed prior to the commencement of audit fieldwork. This ensures that we have a complete understanding of the entity, agreement on the extent of procedures to be performed, and an anticipated timeline for completion.

Procedure	Description
Planning meeting	<p>All members of the audit team will meet with the key contacts at the government. All parties will set dates for the milestones of the audit:</p> <ul style="list-style-type: none">• Preliminary fieldwork (if requested)• Availability of reasonably adjusted trial balance• Primary fieldwork• Interim audit status meetings (for larger engagements)• Draft reports/exit conference• Final reports• Presentation to board(s)/committee(s), as requested <p>By agreeing to these dates up front, we are able to schedule the right people to have availability at the right time. During this meeting, both the city and the auditors will clarify expectations:</p> <ul style="list-style-type: none">• Requested downloads• Client-provided workpapers (content, format, timing, etc.)• Communication methods (phone vs. e-mail, etc.) and direction (all requests through the primary contact vs. inquiring directly of the employee responsible)
Draft preliminary financial statements	<p>Using the prior year trial balance and issued financial statements, the audit in-charge will gain an understanding of account groupings for financial statement presentation. This will simplify the process of compiling the financial statements by only requiring newly created general ledger accounts to be grouped. It will also ensure that the audited financial statements are being prepared consistently. We refer to this as “coding the trial balance” which will then link directly to the financial statements, management’s discussion and analysis tables, and leadsheets. If journal entries need to be posted after the auditors have received the trial balance, they can be posted in our Excel file and will flow</p>

	through automatically to the related files.
Engagement letter	The engagement letter will serve as the contract between the auditors and the city and will be sent each year. This letter contains information on the scope of the audit and the related fees. We ask that the city return a signed copy of the letter to us prior to the commencement of primary audit fieldwork.
Discussion with audit committee	Each year before the start of the audit, one of the audit executives assigned to your engagement will conduct a short meeting or phone call with the chair of your audit committee (or its equivalent in your entity). We will discuss timing and the planned scope of the audit. Your audit committee chair will be given the opportunity to provide us with any additional information he/she deems relevant and ask any questions about the audit process.
Communication with prior auditors	Auditing standards require that we make certain inquiries of your predecessor auditors. We will provide management with the template of a letter that the city will send to the predecessor audit firm authorizing them to answer our questions and allow us access to their prior year workpapers. We have the city send a copy of this letter to us so we know when to initiate communication. In addition to make standard inquiries as required by Statement on Auditing Standards No. 84: <i>Communications Between Predecessor and Successor Auditors</i> , we may also visit the prior auditors' offices to review their workpapers. If we can determine that the appropriate standards were followed in performing that audit, we may not consider it necessary to test opening balances.
Communication with other auditors	If the city has any funds or component units audited by other CPA firms, we need to make certain inquiries of these firms regarding their understanding of our reliance on their separately-issued report(s) and the auditing standards they plan to follow. This process requires minimal assistance from the city and is deemed to remain in effect unless the audit firm changes.

Phase 2: primary fieldwork/testing

Planning/Risk Assessment – In order to design our auditing procedures according to your unique operating environment, we will use various methods to gain an understanding of processes and internal controls. We will use the results of these inquiries and tests to assess risks and to further tailor our governmental audit programs. This process is more extensive in the first year as a base understanding is gained by the audit team, and may require a specially scheduled visit of 1-2 days. In future years, the process will consist primarily of updating our understanding for any procedural or personnel changes that may have occurred. Our standard planning/risk assessment procedures might include these tests:

Procedure	Description
Document financial systems	We will obtain any existing accounting policies and/or procedures manuals to gain an understanding of the operating environment. If no such materials are available, we have a form of basic questions that will guide you through the process of documenting your actual practices.
Review control activities	<p>A yes/no questionnaire will be provided that describes various typical control activities by transaction class (i.e., cash, accounts receivable, long-term debt, etc.). We will ask you to answer these questions and provide us with any additional information that may be helpful to us in understanding the internal control structure.</p> <p>Based on the responses to these questions, we will determine the 2-3 “key controls” over each transaction type.</p>
Walkthroughs	Once we have an understanding of internal controls and have identified the key controls, we will select a small sample of actual transactions and “walk through” each of the key controls to determine if the controls have been implemented and documented appropriately. The typical areas for which walkthroughs are performed are: cash disbursements, cash receipts, payroll, and general journal entries, though other areas may also be tested at this time.
Establish materiality and major funds	Using the reasonably adjusted trial balance and draft financial statements, the audit team will test the appropriateness of major funds. Materiality will then be calculated by opinion unit. Our substantive tests generally require the audit team to test all individually significant items and, depending on the remaining untested balance, may require sampling the remaining population.
Review of board minutes	In addition to discussing major activities in the year under audit with management (such as issuance of long-term debt, large capital-related purchases, new programs or services, etc.), we will review minutes from meetings of the Board and any committees. This will allow us to identify significant or unusual events or purchases and revise our planning audit procedures accordingly.
Analytical review	Using the current and prior years’ trial balances and the final amended budget, we will perform analytical procedures at the financial statement level. In general, we consider an income statement line item to be reasonable and consistent if it is within either 10 percent of the prior year actual or current year budget. Any financial statement line items with fluctuations outside of these parameters will be selected for additional procedures. We will review fluctuations at a greater level of detail (by general

	<p>ledger account) and have discussions with management to identify and document the reasons for the change. At times, this process will identify errors or inconsistencies in posting of transactions, or accruals that still need to be posted (or reversed from the prior year).</p> <p>Based on our preliminary analytical review, certain income statement accounts may be selected for substantive testing because of their significance and/or ease of testing. Common substantive tests over income statement accounts are described later in this appendix.</p>
Risk assessment and brainstorming	<p>At various times through the year, Rehmann’s governmental audit group will meet to discuss risks that are common to Michigan governments. The audit team will review the notes from these meetings at the beginning of the city’s audit to determine which of these risk factors might be applicable. The team will then use the information provided in the previous steps to identify additional risks and design audit procedures to address such risks. Our government-specific audit programs will be tailored to reflect the planned audit procedures.</p>
Consideration of fraud	<p>In accordance with Statement on Auditing Standards No. 99: <i>Consideration of Fraud in a Financial Statement Audit</i>, we will make certain inquiries of personnel in various departments and positions to obtain their views about the risks of fraud and how they are addressed. These inquiries are made in the form of written questionnaires which are provided to selected individuals with a postage-paid return envelope and mailed directly to us when completed.</p> <p>In addition, each year the audit team will conduct 2-4 “surprise” procedures that are outside the scope of the typical audit. The use of these unpredictability tests is a requirement of SAS 99. These tests are generally relatively simple and address various internal control, financial statement presentation, and compliance issues.</p>
Review of attorney invoices	<p>We will discuss any pending or anticipated litigation with upper management and review invoices for attorney services. If items are identified that may require accrual and/or disclosure in the financial statements, we may request written responses to certain inquiries from your attorneys. A pre-drafted letter to send to the attorney will be provided to management for preparation of inquiries, if deemed necessary.</p>

Substantive Audit Procedures – In general, our approach to this audit will be “balance sheet oriented”. This means that we will first focus our attention on testing the ending balances of the

assets and liabilities of each opinion unit. This approach has two distinct advantages: (1) it places greater emphasis on identifying potential misstatements in accounts that could have a carry-over effect on later periods (unlike income statement accounts that reset each year), and (2) it can reduce risk of material misstatement over the aggregate income statement accounts to a level where a primarily analytical approach can be applied with an acceptable detection risk for potential misstatements. This results in a very efficient audit process, and allows us to provide a high level of assurance in fewer hours. Of course, certain income statement accounts may still be tested substantively because of their ease of testing and/or significance.

Our auditors approach substantive balance sheet testing at the financial statement level (following our opinion) and not by individual trial balance accounts. Leadsheets are generated directly from the trial balance using grouping codes, and accounts are divided and subtotaled by opinion unit in order to easily determine whether appropriate testing has been completed. Each leadsheet contains both current and prior year balances to allow the auditors to quickly identify trends and expectations and document any significant fluctuations. Balance sheet accounts that have remained unchanged will be brought to the attention of management for inquiry and follow up.

Initially, all individually significant or unusual items are selected for testing and the percent of coverage by opinion unit is calculated and evaluated for adequacy to support our opinion. If, based on our risk assessment, we consider it necessary to obtain additional audit coverage, the remaining untested balance is stratified and sampled following professional standards. With each test performed, the auditors include sufficient documentation to both comply with professional standards and to allow the audit executives to understand the procedures performed and related conclusions reached during their review process.

Our entire audit process is facilitated electronically, using a paperless system. Accordingly, to the extent possible, we request that supporting schedules and documentation be provided to us in their native electronic format. The audit team will also come prepared with a high-speed scanner which will allow them to scan any hardcopy documents provided into the electronic audit file. The audit team will generally not require paper photocopies of supporting documents (unless the city is more comfortable providing photocopies). After testing is completed and any important items have been scanned into the file, the originals will be returned in-tact.

There are many advantages to a paperless system, or electronic audit file. As mentioned previously, the auditors will not require photocopies be made of supporting documentation. Workpapers and leadsheets can be updated and edited in the field without reprinting, and the auditors will have ready access to the prior year audit files in their entirety and can show you examples of what they are requesting. Throughout the year, if you contact the audit team with a question, they will have easy access to the audit files, regardless of whether they are in the office, at home, or at another client site.

While not all inclusive, the following listing summarizes many of the standard substantive audit procedures that may be performed, along with the requested documentation:

Audit Area	Substantive Test
Cash and investments	<ul style="list-style-type: none"> • Send bank confirmation forms (completed by management) to respective financial institutions, compare confirmed balances to bank statements, and investigate discrepancies. • Consider allowability of investments in accordance with State statute and the government’s investment policy. • Agree book balances to a trial balance account (or group of accounts for pooled cash systems). • Test bank reconciliations by tracing deposits in transit and outstanding checks to the subsequent period statement. Trace inter-bank transfers in transit between account reconciliations. Identify outdated or unusual reconciling items. • Consider the appropriateness of accrued interest on certificates of deposit and investments. • Calculate Federal Depository Insurance Coverage (FDIC). • Prepare financial statement disclosures such as those concerning interest rate risk, credit risk, and concentration of credit risk.
Receivables	<ul style="list-style-type: none"> • Obtain subledgers for significant account balances. Select items for detail testing and obtain subsequent receipt noting whether the amount was earned prior to year end and received in the next period. • Consider whether any receivables in governmental funds are collected outside of the period of availability (as it is defined by the government) and should be deferred in the fund financial statements. • Send confirmations for utilities receivable, pledges receivable, etc. • Trace grant receivables to financial status reports, subsequent receipts, and/or determine whether the recorded receivable is equal to grant expenditures, less actual cash receipts. • Trace special assessments receivable to signed special assessment rolls. Perform a rollforward of special assessments by taking the prior year receivable, subtracting special assessment revenue from the trial balance or financial statements, adding new assessments levied, and comparing the result to the amount of the current receivable.
Inventory	<ul style="list-style-type: none"> • Compare detailed listings of items, individual cost, and extended cost to the general ledger control accounts. • If deemed necessary, perform a physical observation of the inventory count at year-end. Select a sample of items from the inventory listing, locate and count the items, and compare to the recorded balance. Also select a sample of items directly from the floor, count, and compare to the actual amount recorded in the subledger.

	<ul style="list-style-type: none"> • Inquire about obsolete inventory.
Prepays	<ul style="list-style-type: none"> • Determine the nature of prepaid items in each general ledger account. • Recalculate prepaid balance using invoices and check vouchers and determine whether the amount was paid prior to year-end.
Capital assets	<ul style="list-style-type: none"> • Obtain rollforwards of capital asset activity. Agree beginning balances to prior year audited amounts and ending balances to general ledger control accounts. • Obtain a detailed listing of additions and agree to the rollforward. Test individually significant items by tracing to approved invoices. • Compare capital outlay expenditures to capital asset additions for reasonableness. If considered necessary, perform a search for unrecorded capital assets to audit completeness. • Agree approved capital items from board minutes to additions listing. • Obtain a detailed listing of disposals and agree to the rollforward. Determine whether any proceeds on the sale of such assets has been reported appropriately in the financial statements. • Obtain depreciation schedules and test the accuracy of calculation based on the selected depreciation method and useful life. • Test the accounting for and disclosure of amounts acquired through capital leases or installment purchase agreements. • Test the allocation of depreciation expense by function. • Inquire about timing of physical inventory observations, the existence of idle assets, and whether remaining useful lives are still appropriate. • Inquire about the existence of intangible assets such as usage or access rights. • Consider whether amounts remain on construction contracts related to construction in progress for disclosure in the notes to the financial statements.
Payables	<ul style="list-style-type: none"> • Obtain a detailed listing of the composition of general ledger control accounts and compare to year-end account balances. • Perform a completeness test by selecting certain subsequent disbursements, reviewing the invoice for information on the accounting period involved, and determining whether the amount is properly included or excluded from year-end accounts payable. • Trace fiduciary liabilities to subsequent disbursements or detailed subledgers of amounts held by individual/entity. • Determine whether any amounts are being held in agency

	<p>funds that represent funds of the primary government which should be accounted for in the respective funds.</p>
Accrued liabilities	<ul style="list-style-type: none"> • Recalculate accrued salaries and wages payable by gaining an understanding of the timing of service periods and pay dates, obtaining support for the first pay date in the subsequent period, determining the number of service days covered by the pay run and the number of service days during the period under audit, recalculating the accrual. • Recalculate the accrual for the employer's share of FICA taxes payable based on known rate of 7.65%. • Consider the reasonableness of other fringe benefit accruals such as health insurance, retirement, and workers' compensation. • For self-insurance programs, obtain calculations or third-party reports estimating incurred-but-not-report claims. Rollforward self-insurance claims payable for disclosure in the footnotes.
Long-term debt	<ul style="list-style-type: none"> • Obtain a rollforward of long-term debt activity. Compare the beginning balances to the prior year audit. • Obtain amortization schedules for bonds and notes payable. Consider whether any debt covenants exist and test accordingly. • Trace principal payments to the debt rollforward and the amortization schedules. • Agree the current portion of long-term debt and future minimum payments of principal and interest to the amortization schedules. • Determine whether new debt was approved by the governing body and issued in accordance with State statute. • Determine whether there were premiums and/or discounts associated with the issuance of the debt by obtaining the sources and uses statement. Consider whether any bond issuance costs should be capitalized and amortized over the life of the bonds. Recalculate such balances. • Recalculate accrued interest payable based on the first interest payable of the subsequent period, the length of time covered by this interest payment, and the length of time within the year under audit.
Compensated absences	<ul style="list-style-type: none"> • Obtain a detailed listing of compensated absences (accrued sick and vacation time) by employee and agree to general ledger control accounts. • Obtain an understanding of compensated absences policies, such as vesting, payment rates, and maximum payouts. • Select a sample of individuals for testing. Trace accrued hours to source files and pay rates to personnel files or

	<p>union/bargaining unit contracts. Recalculate accrual and determine whether hours are within the maximum amount.</p> <ul style="list-style-type: none"> • Determine whether FICA taxes are being accrued on the year-end balance. • Rollforward compensated absences liability by obtaining either the accrual for amounts earned or the amounts used/paid for disclosure in the notes to the financial statements. • Consider the appropriateness of the expense allocation for the change in compensated absences of governmental activities. • Inquire about an estimated current portion and consider whether this is being presented appropriately in the financial statements. Compare current portion to actual uses/payments for reasonableness. • Inquire about the existence of any severance agreements or termination benefits. Obtain supporting documentation and test accordingly.
Equity	<ul style="list-style-type: none"> • Compare beginning equity by fund to the prior year audit, and investigate any differences. • Review fund balance classifications based on the nature of the funds and board resolutions/policies (if applicable). • Review net asset classifications for accuracy. Recalculate net assets invested in capital assets net of related debt.

These substantive procedures will be completed primarily by our staff and senior auditors. Each workpaper will be reviewed by the engagement manager (and where appropriate, the engagement principal) during fieldwork so questions can be resolved while the team is still on-site.

Phase 3: financial statement preparation/review

Financial Statement Preparation - Another key element of the fieldwork process is the preparation of draft financial statements (including footnotes), the management letter, and other applicable reports/correspondence. As mentioned briefly in the beginning of this appendix, Rehmann uses a unique system for preparing the financial statements. The following are the primary steps in the preparation of the financial statements:

Procedure	Description
Downloads	<ul style="list-style-type: none"> • Obtain a download directly from the client's financial accounting system which includes: complete account number, account name, and account balance. For income statement accounts, the original and amended budgets will be downloaded as well. • Extract the system download into a usable Excel file using Monarch or other data extraction software. • Assign fund and government-wide financial statement captions to each account based on the level of detail in the financial statements. This effectively maps each account on the

	<p>government’s chart accounts to the appropriate sections of the financial statements.</p> <ul style="list-style-type: none"> • This process is most intensive in the first year of the audit, which is why we request a prior year trial balance before we arrive on-site. That way, we can have the initial set-up completed before the audit begins.
Linking	<ul style="list-style-type: none"> • Use Excel PivotTables to summarize the data in the trial balance based on the assigned captions. • Use Excel’s “VLookup” and “Match” functions to link the PivotTables to the actual financial statements. • The advantage of this system is that any account coding changes or journal entries discovered through the audit process can be posted to the auditors’ version of the trial balance and with the click of a button the PivotTables are refreshed and the financial statements are automatically updated. • Tables for the Management’s Discussion and Analysis are linked to the financial statements.
Footnotes	<ul style="list-style-type: none"> • Draft notes to financial statements using a current disclosure checklist to ensure completeness. • Obtain supporting documentation for disclosures not directly linked to the trial balance or financial statements, such as: retirement and other postemployment benefit plan funding progress and funded status, related party transactions, subsequent events, etc.
SAS 114 letter	<ul style="list-style-type: none"> • Through the audit process, the engagement team will keep a list of potential audit issues and/or internal control or efficiency recommendations. • Near completion of fieldwork, the potential items are reviewed and discussed amongst the audit team. • The method of communication for items deemed to be control and/or compliance deficiencies is determined and a SAS 114 letter (informally known as the “management letter”) is drafted.
Other reports	<ul style="list-style-type: none"> • If the government is subject to a single audit in accordance with the Uniform Guidance (by expending at least \$750,000 in Federal awards in any given fiscal year), the reports on Single Audit Act compliance will be prepared.
Detail check	<ul style="list-style-type: none"> • After the financial statements and notes are drafted and a disclosure checklist has been completed, the entire report is reviewed by another individual. Controls totals are compared between statements and schedules, numbers are footed and cross-footed, footnotes are agreed to the underlying financial statement amounts (when applicable), and overall presentation is reviewed for proper formatting, spelling, and grammar.

	<ul style="list-style-type: none"> • The audit opinion (and Yellow Book report and/or single audit report, as applicable) are compared to current professional standards for completeness and accuracy. • Any management letter comments are reviewed for clarity and appropriateness. • The preparer of these documents is then provided feedback from the independent review and follows up on questions/comments accordingly.
Technical standards review	<ul style="list-style-type: none"> • Generally on the final day of audit fieldwork, the engagement principal comes on-site to review the audit team's workpapers and perform a technical standards review of the financial statements and management letter. • Additional technical standards reviews are conducted after fieldwork by a principal not associated with the engagement (i.e., a "cold review" of the statements).
Exit conference	<ul style="list-style-type: none"> • While the auditors are still on-site, the draft financial statements and management letter are provided to and reviewed with management during an exit conference. • Audit findings or recommendations are explained in detail, and an open dialog is held to ensure that the facts and circumstances are properly understood by all parties. • A working draft of the management's discussion and analysis (with information related to the audited financial statement completed already) is provided. • Any open items are summarized in written format and reviewed with the client. • The timeline for engagement completion and issuance (initially agreed-upon as part of the planning meeting) is reviewed for reasonableness, and updated as needed.

At this point in the process, the auditors will pack up their equipment and leave the field. Management is then given as much time as requested to review the draft reports, provide feedback, and ask questions. Once management has proposed any necessary corrections and the management's discussion and analysis is completed, the entire financial reporting package is submitted to a second technical standards review. This review is always done by an audit executive in a different office with no continuing involvement in the audit process.

Any questions or issues that arise through the technical standards review are discussed between the audit team and management. If changes have been made to the initial drafts, management is provided with a final draft for its review and approval. We then provide management with a draft representation letter. This is a document that puts into writing the assertions made by management to the auditors throughout the audit process. We ask that this letter be printed on the government's letterhead and signed by two individuals (generally the equivalents of the CEO and CFO). We consider the signed representation letter to be management's assertion that drafts have been reviewed and our authorization for processing of final reports.

Phase 4: conclusion/issuance procedures

Rehmann's professional support staff will coordinate the printing and binding of final reports and will upload the required PDF to the State of Michigan. The printed copies will be mailed or delivered. Management will be provided with a final PDF of all reports produced in the audit. The government is free to use this document for distribution to grantor agencies and related parties, upload to the government's website, or to produce additional printed copies.

The audit process concludes with presentation to the governing body (or one of its committees), as requested. One of the executives assigned to the audit team will report on the result of the audit in whatever level of detail is requested. A typical presentation lasts 10-15 minutes, but can be as short as 5 minutes or as long as one hour, depending on your preferences.

While this concludes the formal process of the annual audit, your engagement team will be available for questions throughout the year. We will provide management with information on relevant upcoming changes in accounting standards and opportunities to participate in training events or webinars. We will also check in at times throughout the year to say hello and provide an opportunity for management to ask any questions or provide updates on the government's operations.

We are confident that our audit process maximizes efficiency while still providing the highest level of audit assurance. Our governmental auditing team has a deep understanding of accounting and financial reporting as it relates to local units of government. But our auditors also understand that you are busy and have priorities and responsibilities in addition to the annual audit. Your audit team will make as many requests ahead of time as possible, coordinate information requests and questions, and strive to keep the audit process as quick as possible.

Detailed single audit approach

Your single audit will be conducted in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the “Uniform Guidance”). Each audit engagement is unique and requires different procedures to meet the specific circumstances. However, the following broad approach is followed for most of our single audits. These procedures are generally performed concurrently with the financial statement audit and the reports are issued on the same date. However, this work can be performed at a separate time if requested by management. The following procedures describe our general approach in performing a single audit.

Testing of schedule of expenditures of federal awards and understanding internal controls over federal awards

Our first step in performing a single audit is obtaining a complete schedule of expenditures of federal awards (SEFA) from management. While the auditors may assist in the compiling and formatting the SEFA, the responsibility of identifying federal awards and providing information on the Catalog of Federal Domestic Assistance (CFDA) number, grant/pass-through award number, pass-through agency, and current year expenditures is the responsibility of management. We will request that a complete SEFA be provided before commencement of the single audit procedures. The following are the primary steps in testing the SEFA and obtaining and understanding the related procedures and internal controls:

Procedure	Description
Agree to general ledger	<ul style="list-style-type: none">• Obtain an understanding of the chart of accounts used to track federal revenue and expenditures and which identifying numbers correspond to each grant award.• Agree federal revenue (by grant and in total) to the SEFA• Agree federal expenditures to the SEFA• Inquire of the existence of non-cash awards that may recorded as a government-wide adjustment only
Agree to source documents	<ul style="list-style-type: none">• Obtain source documents to substantiate amounts/disclosures in the SEFA, such as grant award agreements, financial status reports, award close-out reports, etc.
Obtain understanding of internal controls	<ul style="list-style-type: none">• Review with management the overall controls over compliance with each of the applicable compliance requirements of the OMB Compliance Supplement• Inquire of any program audits or grantor agency monitoring during the year and results of those visits• Review prior year audits for instances of control deficiencies or noncompliance related to federal awards.

Determine major programs and perform controls/compliance testing

A single audit involves detail testing of individual programs (or clusters of programs) which are selected by the auditors using various criterion. Some of the factors are subjective and others have

very little flexibility. For example, programs of a certain size must be tested at least every third year. The audit team will select major programs based on the criteria listed in the Uniform Guidance and their risk assessment process. Programs/clusters selected as major will be communicated to management as soon as they are determined and a detailed request list will be provided. The following procedures describe our controls/compliance testing:

Procedure	Description
Determine major programs	<ul style="list-style-type: none"> • Determine whether the auditee meets “low-risk” criteria by reviewing single audit reports and Federal Audit Clearinghouse submissions from the past two years. Calculate the required audit coverage (20 percent or 40 percent, depending on whether the entity is “low-risk”) • Perform risk assessments and select those programs required to be tested in the current year • Select additional programs, as necessary, to obtain sufficient audit coverage • Calculate materiality for each major program/cluster
Gather information	<ul style="list-style-type: none"> • Extract the general ledger transaction detail for the revenue and expenditure accounts used for each major program (complete general ledger detail already obtained through financial statement audit procedures) • Group general ledger transactions based on transaction type (i.e., payroll, accounts payable, indirect charge, etc.) • Summarize transactions by type and agree expenditures in total to the SEFA • Review the matrix of compliance requirements as provided in the OMB Compliance Supplement (if available) for selected programs and determine applicable compliance requirements • Obtain the grant agreement and budget and review along with the summarized general ledger postings to determine whether the compliance requirements indicated on the matrix are all applicable • Review the detail compliance requirements and suggested audit procedures of the specific grant in the OMB Compliance Supplement • Determine whether any other authoritative guidance exists, such as pass-through grantor manuals or memos, and review such requirements
Controls/compliance testing (overall procedures)	<ul style="list-style-type: none"> • Perform tests of controls and compliance for each applicable compliance area. Such procedures are generally a combination of inquiries/observations along with a sample of actual transactions • Select individually significant items for testing and sample remaining balances to obtain sufficient audit coverage for controls and compliance • Inquire of the internal controls over each compliance area and the method of documenting such controls • Review source documentation and determine whether the entity

	<p>demonstrated compliance and documented controls over compliance.</p> <ul style="list-style-type: none"> • Document understanding of each applicable compliance requirement, related internal controls, testing performed, and audit conclusions
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General procedures for each of the applicable compliance requirements are as follows, but will vary based on audit risk assessment, materiality, provisions of the grant agreement, and other factors:

Procedure	Description
Allowable costs/cost principles	<ul style="list-style-type: none"> • Review invoices and purchase orders for accounts payable disbursements. Determine whether disbursements were allowable in accordance with the provisions of the grant agreement and whether the disbursement was made and documented in accordance with the entity's purchasing policies. • Recalculate payroll charges based on approved timesheets and pay rates (for hourly employees) • Determine whether time and effort were documented in accordance with the Uniform Guidance • Analytically compare fringe benefit charges for Federal programs to entity-wide averages for reasonableness • Agree indirect charges to approved rates or cost allocation plan
Cash management	<ul style="list-style-type: none"> • Determine whether cash advances are allowed for the grant or if it is operated strictly on a reimbursement-basis • Review a sample of actual cash draws and compare to source documentation (such as a general ledger expenditure report) • For reimbursement-based grants, determine whether cash was disbursed (and not just expended) within 3 days of receipt • Identify whether the cash draw was subjected to a documented independent review and approval
Eligibility	<ul style="list-style-type: none"> • Determine eligibility requirements under the grant and whether they apply to individuals or groups of individuals • Obtain an understanding of how eligibility is determined, documented, and independently verified • Obtain a detail listing of the individuals/groups receiving benefits under the grant. Select a sample and review source documentation to verify eligibility
Equipment and real property management	<ul style="list-style-type: none"> • Determine whether the entity has purchased capital items with federal funds in the current or previous years • Obtain a listing of capital items purchased with federal funds and ensure that each asset is being flagged as "federally-funded" and listed along with the grantor agency name and other required information • Inquire of the most recent physical inventory and reconciliation to

	<p>the accounting records and review documentation of this process</p> <ul style="list-style-type: none"> • Determine whether any disposals during the current year were made in accordance with Federal guidelines • Inquire of the controls over safekeeping and appropriate use of federally-funded equipment. Determine whether a physical inspection or tour is necessary
Matching, level of effort, and earmarking	<ul style="list-style-type: none"> • Review management’s documentation for compliance with minimum and maximum percentage requirements • Determine whether matching requirements were met and trace to supporting documentation
Period of performance	<ul style="list-style-type: none"> • Determine the period of performance of the grant by reviewing the award agreement • Select a sample of transactions and ensure that each was incurred during the period of performance • Determine whether grant funds were required to be expended in accordance with certain timelines and whether such requirements were met
Procurement, suspension and debarment	<ul style="list-style-type: none"> • Review the entity’s purchasing and procurement policies. Determine when competitive bidding is required • Review a sample of transactions and determine whether each was processed in accordance with entity policies and procedures • Determine the expenditures in which competitive bidding was required. Select a sample of such expenditures and review procurement files for evidence of full and open competition and compliance with entity policies • Determine whether any vendors/contractors were utilized in the amount of \$25,000 or more for which suspension/debarment procedures would apply. Search vendor/contractor name on the Federal Excluded Parties List System (EPLS) and identify whether any are listed as suspended or debarred • Inquire of the controls over doing business with suspended or debarred parties. Review corroborating evidence, such as: excerpts of contracts, signed certifications regarding suspension/debarment, or other documentation, as applicable to the entity
Program income	<ul style="list-style-type: none"> • Determine whether the entity generated any income through use of grant funds. If so, ensure that it was accounted for appropriately and reinvested in the program • Inquire of the controls over ensuring that all program income is appropriately captured as such in the general ledger and therefore identifiable for reinvestment in the grant
Reporting	<ul style="list-style-type: none"> • Gain an understanding of the required reports (financial, performance, and/or special), and submission frequency

	<ul style="list-style-type: none"> • Select a sample of each type of report (financial, performance, and special) and trace reported amounts and data to the general ledger or other underlying records • Determine whether selected reports were submitted by the required due date • Review evidence of independent review and approval of reports prior to submission
Subrecipient monitoring	<ul style="list-style-type: none"> • Obtain a listing of the grant subrecipients and dollars passed-through to each • Select a sample of subrecipients and review subaward agreements for appropriate communication of required items • Review monitoring files for evidence of on-site review. Determine whether any finding were noted and if appropriate follow-up action was taken • Obtain subrecipient single audit reports (if applicable) and determine whether the amounts reported by the subrecipient reconcile to the entity's records. Review paperwork to support that this review and reconciliation was completed and follow-up action was taken as necessary
Special tests and provisions	<ul style="list-style-type: none"> • Identify special tests and provisions through review of the OMB Compliance Supplement and the grant agreement. • Design tests to determine compliance with such requirements, obtain information on the population, select a sample of transactions, and review evidence to support compliance

Report preparation and audit finalization

After all the detail testing is completed and related inquiries have been made, the auditors will identify whether any noncompliance or control deficiencies were noted. These instances will be evaluated for magnitude and materiality and an initial determination of method of communication will be made. The following summarizes the remaining procedures performed for the single audit:

Procedure	Description
Review of workpapers and evaluation of potential findings	<ul style="list-style-type: none"> • As with the financial statement audit, all workpapers will be subjected to an independent review while the auditors are on-site. This will allow for follow-up on any questions to be completed in the field • At the end of audit fieldwork, or shortly thereafter, the workpapers and potential finding listing will be reviewed by the engagement partner. The appropriate method of communication for any noncompliance or control deficiencies will be determined
Draft report	<ul style="list-style-type: none"> • Draft report on Single Audit Act compliance. This may be included in the back of the entity's financial statement audit, or as a free-standing document, based on management's preference • Prepare required reports in accordance with <i>Government Auditing</i>

	<p><i>Standards</i> and the Uniform Guidance and ensure that language is consistent with authoritative guidance</p> <ul style="list-style-type: none"> • Prepare the schedule of findings and questioned costs • Draft language for any items noted as control deficiencies and/or noncompliance. Each item will be identified by number, indicate the grant name and CFDA number, the pass-through agency (if applicable), and the pass-through/grantor award number. In accordance with professional standards, the write-up will include the <i>criteria</i> necessary for compliance, the <i>condition</i> noted in our testing, the primary reason(s) or <i>cause</i> for this condition, the related <i>effect</i> on the entity, and the auditors' <i>recommendation</i> for future action. In addition, there will be a section on the <i>view of responsible officials</i> where the entity can provide its perspective on the situation and planned corrective action • Enter data into the web-based data collection form for eventual submission to the Federal Audit Clearinghouse
Technical standards review	<ul style="list-style-type: none"> • Subject single audit report and data collection form to technical standards review by the engagement partner • Process draft report in PDF format and provide to management
Review report with management	<ul style="list-style-type: none"> • Either as part of the financial statement audit exit conference, or at a different pre-arranged time, meet with management to discuss the results of the audit • Discuss and clarify any reported audit findings and obtain initial management feedback. While reading of potential findings in written, draft report format may seem too formalized, we have found that it is best to communicate these items in writing, where they can be reviewed in detail by the engagement partner first. Our auditors are encouraged to avoid verbally concluding on the method of communication of audit findings or recommendations until they can be reviewed in context by the engagement partner. This limits the chance of miscommunication or misunderstanding • Agree to a timeline for report finalization, including: management feedback on drafts, "view of responsible officials" language for any findings, report issuance, and presentation to the governing body
Finalization	<ul style="list-style-type: none"> • Encourage management to review the draft reports in detail and agree reporting information to the entity's internal records • Obtain feedback from management on its review of the draft reports in detail • Discuss management objections to reported finding. Based on the extent of information and/or documentation provided, determine whether it is necessary to reclassify, reword, or remove any findings • Subject single audit report and data collection form to a second technical standards review by another audit partner • Provide management with final drafts

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- Auditors receive signed representation letter and management authorizes finalization of reports
 - Date audit reports to match the representation letter, prepare finals, and e-mail a clean PDF copy to management for distribution to the Board, grantor/pass-through agencies, or other interested parties.
 - Print, bind, and mail paper copies of the report
 - Initiate submission to the Federal Audit Clearinghouse. The audit principal will electronically certify the information and an e-mail with instructions will be provided for management to perform its certification
 - Receive auto-generated notification via e-mail when the Federal Audit Clearinghouse receives and accepts the reporting package and certifications
 - Present results of the audit to the governing body





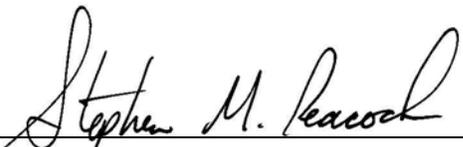
ATTACHMENT A

**REQUEST FOR PROPOSAL
AUDITING SERVICES**

Firm Submitting Proposal: Rehmann

Proposed Fee:

Fiscal Year	Audit & Reports	Single Audit (if needed)	DDA
2019	\$20,000	\$3,500	\$4,500
2020	\$21,000	\$3,600	\$4,750
2021	\$22,000	\$3,700	\$5,000
2022	\$23,000	\$3,800	\$5,250
2023	\$24,000	\$4,000	\$5,500



Signature of Authorized Representative

11/2/2018

Date

Stephen M. Peacock, CPA

Print Name

Principal

Title

Auditing Services Proposal

CITY OF MANISTEE

Years Ending June 30, 2019 through 2023

Submitted by:



2851 Charlevoix Drive SE, Suite 330
Grand Rapids, MI 49546

Contact Person:

William I. Tucker IV, CPA
Principal
(616) 825-6836 (Telephone)
btucker@sktcpas.com (e-mail)

Date Submitted:

October 30, 2018
Effective for 90 Days After Opening

TABLE OF CONTENTS

Letter of Transmittal	1-2
Independence, Licensing, Auditing Standards	3
◆ Independence Statement	
◆ Michigan License Statement	
◆ Auditing Standards	
Firm Profile	4-6
◆ Background of Firm	
◆ Structure of Firm	
◆ Single Audits	
◆ Total Client Service	
Firm Qualifications and Experience	7-13
◆ Your Audit Team	
◆ Profile Summaries	
◆ Auditing Governmental Units	
◆ Similar Engagements with Other Governmental Entities	
Specific Audit Approach	14-19
◆ Understanding of Work to be Performed	
◆ Audit Philosophy	
◆ Audit Work Plan / Methodology	
◆ Analytical Review	
◆ Interaction with Management	
◆ Sample Sizes and Extent of Statistical Sampling	
◆ Use of EDP Software in the Engagement	
◆ Understanding of Internal Control	
◆ New Auditor Transition	
◆ Time Table of Key Dates	
◆ Assistance Throughout the Year	
Why Choose SK&T?	20-22
◆ Governmental Experience	
◆ Commitment to Quality	
◆ Quality Control Procedures	
Total All-Inclusive Maximum Price	23-24
<u>Miscellaneous Documents</u>	
Resumes of Professionals	Appendix A
Proposed Fees	Appendix B



October 30, 2018

City of Manistee
70 Maple Street
Manistee, MI 49660

Dear ladies/gentlemen:

We are very excited about the opportunity to provide you with a proposal for professional auditing services for the **City of Manistee for the fiscal years ending June 30, 2019 through 2023**. Our services will include a financial audit of the Commission's financial statements. Our firm will provide timely audit services and a "big picture" report to the Board, reviewing operations, audit conclusions, and recommendations.

Our vision is to be a leading contributor to the public sector, providing top quality audit services. We hope you will select Stevens, Kirinovic & Tucker, P.C. for the following reasons:

Why We Believe We Are the Best Qualified -

- ◆ The engagement principal assigned to your audit has more than 17 years of experience in governmental auditing and accounting.
- ◆ The principals of Stevens, Kirinovic & Tucker, P.C. has significant familiarity with governmental operations, having provided service to more than 200 governmental entities including counties, cities, townships, villages, school districts, libraries, health departments, road commissions, district and circuit courts, other local authorities and agencies, and various departments of the State of Michigan.
- ◆ The engagement principal serves on the Michigan Government Finance Officers Association - Accounting Standards Committee, this committee supports the advancement of governmental accounting and financial reporting through active participation in the review and analysis of proposed pronouncements from authoritative accounting standard-setting bodies.
- ◆ The engagement principal serves on the Michigan Committee on Governmental Accounting and Auditing. This committee provided guidance that local units of government may use in complying with accounting and auditing requirements in the State of Michigan. As a result, he spent a considerable amount of time working with representatives of the State Treasury Department, Municipal Finance Commission, and the Department of Transportation.
- ◆ The engagement principal servers on the County Road Association of Michigan accounting manual committee.
- ◆ Our firm is a member of the Governmental Audit Quality Center (GAQC), established by the American Institute of CPA's (AICPA).

ProSystem fx Engagement (Engagement) Audit Software -

- ◆ We utilize ProSystem fx Engagement software to manage a paperless audit process. All year-end account analysis schedules as prepared by the **City of Manistee's** financial staff in Excel are easily imported into Engagement. Additionally, the individual laptop computers of our entire audit team are electronically linked via a wireless network and each audit team is equipped with a portable scanner for audit evidence that is not in an Excel/Word format. This approach maximizes efficiency for our audit team and the **City of Manistee's** financial staff.

Your Service Team -

- ◆ The service team assigned to your audit consists of highly experienced and reputable professionals. (See pages 7-9 and Appendix A).
- ◆ Our commitment is to the governmental industry, this is our focus - not a sideline or “filler work”.

The accompanying proposal is a firm and irrevocable offer for the audit of fiscal years 2019 through 2023 for the **City of Manistee**. We pride ourselves on completing our audits in a timely fashion and will perform the **City of Manistee's** audits within applicable deadlines. Our proposal is a written expression of our plan of services and qualifications, but it cannot completely convey the enthusiasm with which Stevens, Kirinovic & Tucker, P.C. approaches this opportunity.

Sincerely,

William I. Tucker IV, CPA

WILLIAM I. TUCKER IV, CPA
Principal

INDEPENDENCE, LICENSING, AUDITING STANDARDS

Independence Statement

Stevens, Kirinovic & Tucker, P.C. hereby certifies that it is independent with respect to the **City of Manistee**, as defined by *Government Auditing Standards* and generally accepted auditing standards. All principals and CPA's adhere to the professional standards of the AICPA, including Interpretation 501-3 related to standards for conducting governmental audits. As such, we always maintain an independent relationship with our audit clients and will provide an objective assessment of operations.

Michigan License Statement

Stevens, Kirinovic & Tucker, P.C. is Michigan-based and appropriately licensed. All of the firm's CPAs are licensed to practice public accounting in Michigan and meet or exceed requirements of the Michigan State Board of Accountancy for continuing education. Those who perform Yellow Book and Uniform Guidance audits meet all related continuing education requirements set forth by the Government Accountability Office.

Auditing Standards

Stevens, Kirinovic & Tucker, P.C. hereby affirms that our audit will be conducted in accordance with generally accepted auditing standards compliant with all professional standards requirements. Our audit will meet all requirements of Michigan Public Act 2 of 1968 as amended. In addition, our audits will be conducted in accordance with Yellow Book and Uniform Guidance (Single Audit) requirements, if necessary.

FIRM PROFILE

Background of Firm

Stevens, Kirinovic & Tucker, P.C. was founded in 2017, when Aaron M. Stevens, Steven R. Kirinovic, and William I. Tucker IV acquired the audit department of Abraham & Gaffney, P.C. While principals with Abraham & Gaffney, P.C., Aaron, Steve, and Bill were responsible for the substantial growth and development of the audit department. Stevens, Kirinovic & Tucker, P.C. has offices in East Lansing and Grand Rapids, and currently employs three (3) principals, three (3) managers, three (3) seniors, twelve (12) accountants, and three (3) administrative personnel. We will be performing your audit with full-time professional team members from our Grand Rapids office.

We provide a variety of services such as auditing of governmental and nonprofit organizations, federal grant analysis/monitoring, contracted controller services, expert witness services, tax and monthly business services, computer consulting, and other management services.

Structure of Firm

The firm is structured on five levels of responsibility as follows:

The first level is the **Principal**. At this level, the management of the firm takes place, along with responsibilities such as firm administration, business development, management advisory services, governmental and nonprofit auditing and accounting services, and business accounting and tax services. However, due to the size of the firm and the experience of the principals, a significant portion of a principal's time is expended on actual audit, business, and management advisory services fieldwork.

The second level is the **Manager**. Working closely with seniors and principals, managers supervise and direct several engagements simultaneously which are handled by senior accountants, and also are responsible for day-to-day execution of certain engagements. Managers also supervise the work of senior accountants and of accountants on certain engagements. Manager responsibilities also include business development and some firm administrative functions.

The third level is the **Senior Accountant**. Working closely with managers and/or principals, seniors direct day-to-day execution of each engagement to which they are assigned. Seniors also supervise the work of accountants, thus assuming an integral role in the firm's on-the-job training program.

The fourth level is the **Accountant**. At this level, accountants perform auditing and accounting fieldwork under the direct supervision of seniors, managers and/or principals. Conscientious effort of the accountants ensures the quality of our work. As experience is gained, accountants handle more complex accounting and auditing situations.

The final level is the **Administrative**. Such individuals will be assigned various firm administration functions and are responsible for typing and assembling the various reports issued by our firm.

With the blending together of the team member's expertise and talents, our firm is uniquely qualified to provide your organization with any service you may request including: auditing, accounting, tax, monitoring, or technical assistance. At the same time, you have the advantage of working with a firm small enough that principals perform a considerable amount of the audit work.

FIRM PROFILE (CONTINUED)

Single Audits

The “Single Audit” is required to be performed for governmental units that expend \$750,000 or more in federal financial assistance in a fiscal year. This type of audit covers compliance with grant regulations and contract provisions, along with financial areas.

We have attained extensive experience with governmental units related to grant funded programs, either by performing Single Audits or providing monitoring and technical assistance services. We have performed Single Audits for numerous governmental units and nonprofit organizations, and currently perform more than sixty (60) Single Audits annually. All team members assigned to the **City of Manistee’s** engagement have experience auditing federal programs. This experience would prove beneficial to the **City of Manistee** in assisting in applying for and auditing of grants.

Total Client Service

Throughout our history, the guiding principles of our firm have been integrity and to provide *total client service*. To us, this means creatively advising and serving the needs of our clients on a timely basis. The vision of the Stevens, Kirinovic & Tucker, P.C. Government and Nonprofit Group is “to be a leading contributor to the public sector, providing top quality audit, financial and operations services.”

A primary factor that differentiates our firm from larger regional accounting firms is that our principals have nearly 60 combined years of experience in serving governmental entities. This is our focus - not a sideline or “filler work.” Given the large number of municipalities we serve, we have relevant experience and insights that we can share with the **City of Manistee**. We understand governments like yours and have assembled a strong governmental team to meet your needs - now and in the future. The governmental industry is important to us and we work hard to maintain our leadership in the governmental industry.

This is advantageous to you in several ways:

1. Because our focus is on small to medium-sized governments, you would be very important client to us, and we would allocate our resources accordingly. You would receive the individual attention of a “*team*” of experienced professionals led by an experienced principal.
2. We understand and are concerned about the current financial conditions of many local governments in the State of Michigan. We are concerned about the success of our clients.
3. We are easily accessible and able to respond promptly and effectively to your needs. When you need assistance, you are just a phone call or a short trip away from resources that know you and are familiar with your operations.

FIRM PROFILE (CONCLUDED)

The following graphic illustrates the process by which we provide the highest quality audits. Level I represents the policies and procedures we follow as a member of the AICPA. Most firms will have a similar set of policies and procedures. We believe Levels II and III allow Stevens, Kirinovic & Tucker, P.C. to provide quality audits at a level above our peers.

**Standard policies
and procedures**
(where many firms stop)

Our higher level of quality

Level I

- ◆ External peer reviews
- ◆ Firm policies on consultation
- ◆ Identification of high risk clients
- ◆ Independent concurring partner reviews
- ◆ Firm policies on resolving differences of opinion

Level II

- ◆ Significant principal/manager involvement
- ◆ Our auditors deep understanding of compliance issues
- ◆ Training courses specific to GASB standards, local governments

Level III

- ◆ Audit team members focused on cities, counties, and other local government institutions
- ◆ Industry sub-specialization
- ◆ Membership in AICPA's Governmental Audit Quality Center

Our goal is to become an integral part of your success by becoming intimately familiar with all aspects of your operations, not just the information needed for the audit at year-end. This familiarity, gained through frequent contacts throughout the year, will allow us to respond to problems and offer input beyond the audit itself in a framework like this, the audit becomes another information gathering phase that enables us to better advise you in other areas.

The City of Manistee would be a significant client to our firm. We will provide you with a highly qualified team of experienced professionals to serve your organization. Beyond that, however, is our personal interest in your organization and our desire to help you achieve your financial goals. *We are striving for the same goal -- your success.*

FIRM QUALIFICATIONS AND EXPERIENCE

Your Audit Team

An important consideration in selecting an auditing firm is the personnel assigned to your audit. Because of the size of our firm and the expertise of our personnel, we are committing a limited number of highly qualified individuals. The audit team assigned to your engagement has significant experience in governmental accounting and auditing, and provides services to governmental units year round. See Appendix A for the resumes of the assigned audit team.

All audit team members obtain continuing professional education through the AICPA and MICPA as required, including the area of governmental accounting and auditing. In addition, we demonstrate our commitment to the governmental industry by participating in the following associations and organizations:

- ◆ American Institute of Certified Public Accountants
- ◆ Government Finance Officers Association
- ◆ Michigan Association of Certified Public Accountants
- ◆ Association of Government Accountants
- ◆ Michigan Government Finance Officers Association
- ◆ Michigan Local Government Management Association
- ◆ Michigan Municipal Treasurers Association
- ◆ Michigan Townships Association
- ◆ Michigan Committee on Governmental Accounting and Auditing
- ◆ Michigan Association of Counties
- ◆ Michigan School Business Officials
- ◆ Michigan Public Transit Association
- ◆ Michigan Association of Transportation Systems
- ◆ County Road Association of Michigan

The principal staff involved with your audit will include:

	Member (*)	Gov't Audit Experience	Position
William I. Tucker IV, CPA	1,2,3	17 years	Engagement Principal
Aaron M. Stevens, CPA	1,2,3	24 years	Independent Review Principal
Jordan E. Smith, CPA	2,3	12 years	Engagement Manager
To be determined (2)		0-2 years	Staff Auditor

(*) 1) Member of Michigan GFOA
2) American Institute of CPAs

3) Michigan Association of CPAs

To our knowledge, there have been no complaints leveled by the State Board of Accountancy or other regulatory authority against any of the principal staff assigned to your engagement.

Historically, our turnover ratio has been very low. It is in the best interest of the **City of Manistee** as well as Stevens, Kirinovic & Tucker, P.C. to maintain continuity of staff on every engagement from year to year and we make every effort to make that possible. In the unlikely event of staff turnover, our growing government audit/consulting staff will provide us with equally (or better) experienced personnel to serve the **City of Manistee** and we will obtain your permission before assigning any new staff to your service team.



FIRM QUALIFICATIONS AND EXPERIENCE (CONTINUED)

Profile Summaries

WILLIAM I. TUCKER IV, CPA - ENGAGEMENT PRINCIPAL

Bill will be the individual responsible for all fieldwork and reporting requirements of your audit. Bill is assigned to the governmental and nonprofit services department of our firm and has worked exclusively with those clients for seventeen (17) years. On January 1, 2010, Bill was added as principal responsible for a portion of the governmental accounting and auditing practice.

Bill graduated from Michigan State University with a Bachelor of Arts degree, major in accounting in 2001. Bill is a member of the MGFOA Accounting Standards Committee; this committee supports the advancement of governmental accounting and financial reporting through active participation in the review and analysis of proposed pronouncements from authoritative accounting standard-setting bodies. He is a member of the American Institute for Certified Public Accountants, the Michigan Association of Certified Public Accountants, and the Michigan Government Finance Officers Association. Along with these memberships Bill is also an Associate Member of many governmental associations in the State of Michigan, including the Michigan Association of Transportation Systems, the Michigan Public Transit Association, the Michigan Association of Counties, and the Michigan Local Government Management Association.

Bill has obtained the advance single audit certificate from the AICPA by demonstrating his commitment to performing the highest quality audits for this very specialized area of practice. Having a deep knowledge helps Bill provide the best possible insight for his clients and uphold his role of protecting the public interest.

AARON M. STEVENS, CPA - INDEPENDENT REVIEW PRINCIPAL

Aaron will be the individual responsible for independent review of all reporting requirements for your audit. Aaron has over three (3) years of accounting experience with a large banking institution and more than twenty (20) years of governmental and nonprofit accounting and auditing experience. Aaron is assigned to the governmental and nonprofit services portion of our firm and has worked exclusively in governmental and nonprofit accounting and auditing for the past twenty-four (24) years, including employment as City Treasurer for two (2) years.

Aaron graduated from Grand Valley State University with a Bachelor of Business Administration degree in accounting in 1991. Aaron is also a member of the Michigan Nonprofit Association, which has provided educational and networking opportunities with various types of nonprofit organizations. He is also a member of the American Institute for Certified Public Accountants, the Michigan Association of Certified Public Accountants, and the Michigan Government Finance Officers Association. Aaron has worked on various nonprofit audit engagements throughout his career, including serving as the engagement principal for the Michigan Nonprofit Association, Michigan Public Transit Association, Michigan Association of United Ways, and the Inland Seas Education Association.

Aaron serves as the firm's quality control principal and assumes firm-wide responsibility for the quality of the firm's governmental and nonprofit audit practice. In this role, he assists in the quality of audits and monitors the firm's compliance with the six elements of quality control: leadership responsibilities for quality within the firm, relevant ethical requirements, acceptance and continuance of client relationships and specific engagements, human resources, engagement performance, and monitoring of the quality control system.

FIRM QUALIFICATIONS AND EXPERIENCE (CONTINUED)

JORDAN E. SMITH, CPA - ENGAGEMENT MANAGER

Jordan will be the manager assigned to your audit. Jordan has twelve (12) years of accounting experience exclusively with our governmental and nonprofit clients. Jordan is assigned to the governmental and nonprofit services department of our firm and works exclusively with those clients. Jordan has worked on various governmental and nonprofit audits throughout his tenure at Abraham & Gaffney and continues to serve those same industries at Stevens, Kirinovic & Tucker, P.C.

Jordan graduated from Olivet Nazarene University with a Bachelor of Science degree, majoring in accounting in 2005. He is a member of the American Institute for Certified Public Accountants and the Michigan Association of Certified Public Accountants. He sits on the City of St. Johns Finance Committee and is a board member on a private family foundation. He is a regular attendee at various conferences hosted by professional organizations such as the Michigan Association of Certified Public Accountants and the Michigan School Business Officials.

STAFF AUDITORS - TO BE DETERMINED

Stevens, Kirinovic & Tucker, P.C. routinely hires high quality college graduates and CPA candidates who join our audit staff each year. The staff auditors form the foundation of our audit teams now and into the future as they develop into Senior Auditors, Managers, and possibly into Principals. All of our staff auditors work exclusively with our governmental and nonprofit audit clients. Closely supervised by Senior Auditors, Managers, and Principals, the work of the staff auditors is important to the success of our firm and our clients. We make every effort to maintain continuity of the audit staff, but some rotation is inevitable as these professionals become certified public accountants and develop into supervisory roles.

FIRM QUALIFICATIONS AND EXPERIENCE (CONTINUED)

Auditing Governmental Units

As the successor auditing firm of Abraham & Gaffney, P.C., we have performed services for various governmental units throughout Michigan. The following lists the governmental clients we are currently serving, have served, or have recently been appointed to serve:

Cities

City of St. Johns	City of Albion
City of DeWitt	City of Linden
City of Portland	City of Ann Arbor
City of Corunna	City of Mason
City of Ionia	City of Pleasant Ridge
City of Laingsburg	City of Fenton
City of Montrose	City of Ferndale
City of Ypsilanti	City of Springfield
City of St. Clair	City of Kalamazoo
Village of Grosse Pointe Shores, a Michigan City	City of the Village of Douglas
City of Fraser	City of Niles
City of Utica	City of Eaton Rapids
City of Utica	City of Eaton Rapids
City of Traverse City	City of Watervliet
City of Croswell	City of Hart
City of St. Joseph	City of Hudsonville

Counties

Branch County	Shiawassee County
Gratiot County	Ionia County
Montcalm County	Barry County
Van Buren County	Lake County
Missaukee County	Lenawee County
Isabella County	St. Joseph County
Cass County	Clare County
Oceana County	Jackson County
Sanilac County	

Road Commissions

Lenawee County Road Commission	Shiawassee County Road Commission
Sanilac County Road Commission	Oceana County Road Commission
Clinton County Road Commission	Eaton County Road Commission

FIRM QUALIFICATIONS AND EXPERIENCE (CONTINUED)

Auditing Governmental Units (Continued)

Townships

Fulton Township
Williamstown Township
Essex Township
Chippewa Township
Ovid Township
Washington Township
Westphalia Township
DeWitt Charter Township
Dallas Township
Duplain Township
Vevay Township
Lafayette Township
Bath Charter Township
Elba Township
Eagle Township
North Plains Township
Olive Township
Union Charter Township
Carmel Township
Pipestone Township

Lansing Charter Township
Chester Township
Williams Charter Township
Brookfield Township
Benton Township
Bruce Township
North Shade Township
Montrose Charter Township
North Star Township
Lebanon Township
Ypsilanti Charter Township
Bingham Township
Locke Township
Bengal Township
Seville Township
East Bay Charter Township
Ray Township
Conway Township
Whiteford Township
Sodus Township

Villages

Village of Ovid
Village of Pewamo
Village of Perrinton
Village of Spring Lake
Village of Eagle
Village of Galien
Village of Hubbardston
Village of Decatur

Village of Ashley
Village of Fowlerville
Village of Fowler
Village of Maple Rapids
Village of Westphalia
Village of Brooklyn
Village of Oxford
Village of Baroda

Libraries

City of St. Johns Library
Community District Library (Corunna)
Ionia Community Library
City of Laingsburg Library
Grand Ledge Area District Library
Albion District Library
Tecumseh District Library
Pottersville Benton Township District Library
Orion Township Public Library

Ovid Public Library
Maple Rapids Public Library
Flat River Community Library
Charlotte Community Library
Marshall District Library
White Lake Community Library
Detroit Public Library
Cromaine District Library
Brighton District Library

FIRM QUALIFICATIONS AND EXPERIENCE (CONTINUED)

Auditing Governmental Units (Concluded)

Transportation Authorities and Agencies

Bay Metropolitan Transportation Authority	Lenawee Area Transit System
St. Joseph County Transportation Authority	Shiawassee Area Transportation Agency
Isabella County Transportation Commission	Barry County Transit
Jackson Transportation Authority	Flint Mass Transportation Authority
Saginaw Transit Authority Regional Services	Kalamazoo Metro Transit System
Kalamazoo County Transportation Authority	

School Districts

Lenawee County Regional Educational Service Agency	Potterville Schools
St. Johns Public Schools	Fulton Schools
New Lothrop Area Public Schools	Central Montcalm Public Schools
Eaton Intermediate School District	Mason Public Schools
Montabella Community Schools	Webberville Community Schools
Williamston Community Schools	Tri County Area Schools
Charlotte Public Schools	Oneida Township School District #3
Lake City Public Schools	Stockbridge Community Schools
Wexford-Missaukee Intermediate School District	Melvindale/Northern Allen Park Schools
Dansville Public Schools	Taylor School District
Woodhaven - Brownstown Schools	Mesick Consolidated Schools
Lewis Cass Intermediate School District	Dearborn Heights School District #7
Redford Union School District #1	Madison District Public Schools
School District of the Commission of River Rouge	Hastings Area School System
Hillsdale County Intermediate School District	Blissfield Community Schools
Tecumseh Public Schools	

Health Departments

Branch-Hillsdale-St. Joseph Community Health Agency	District Health Department #10
Central Michigan District Health Department	Mid-Michigan District Health Department
Van Buren-Cass County District Health Department	Shiawassee County Health Department
Ionia County Health Department	

Other Public Authorities and Agencies

Lenawee Area Ambulance Authority	DeWitt Area Recreation Authority
Ovid-Middlebury Emergency Services Authority	Fowlerville Area Fire Authority
DeWitt Area Emergency Services Authority	Tri-County Office on Aging
Southern Lenawee County Municipal Utilities Authority	Mid-Michigan Water Authority
Meceola Consolidated Central Dispatch Authority	Kalamazoo Area Transportation Study
Mancelona Area Water and Sewer Authority	Tri-County Regional Planning Commission
Traverse City & Garfield Township Recreation Authority	Mid-Michigan Water Authority

FIRM QUALIFICATIONS AND EXPERIENCE (CONCLUDED)

Similar Engagements with Other Governmental Entities

Our firm has considerable recent governmental accounting and auditing experience and currently serves more than 200 entities. Below are five (5) engagements performed in the last five years that are similar to the **City of Manistee** engagement:

		<u>Information</u>
City of Portland Portland, Michigan	Scope of work: Contact person:	Financial Audit Kristina Kinde, Finance Director/Treasurer (517) 647-2931 citytreasurer@portland-michigan.org
City of Niles Niles, Michigan	Scope of work: Contact person:	Financial Audit and Single Audit, when necessary Sandra Naugle, Finance Director/City Treasurer (269) 683-4700 FinanceDirector@nilesmi.org
City of St. Clair St. Clair, Michigan	Scope of work: Contact person:	Financial Audit Mike Booth, City Superintendent/Finance Director (810) 329-7121 mbooth@cityofstclair.com
City of Albion Albion, Michigan	Scope of work: Contact person:	Financial Audit Thomas Mead, Finance Director (517) 629-5535 tmead@ci.albion.mi.us
City of Springfield Springfield, Michigan	Scope of work: Contact person:	Financial Audit and Single Audit, when necessary Ethan Moody, Finance Director (269) 441-9274 emoody@springfieldmich.com

Our expectation is to deliver value to the **City of Manistee** that exceeds your expectations. We take great pride in our client service and attribute that client service to the significant growth in the governmental industry that we have enjoyed since the inception of Stevens, Kirinovic & Tucker. We are confident that the references listed above will attest to our exceptional client service. We look forward to the opportunity to serve you and bringing our exceptional client service to the **City of Manistee**.

SPECIFIC AUDIT APPROACH

Understanding of Work to be Performed

- ◆ The audits will be performed for the years ended June 30, 2019 through 2023 in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*. We will audit the **City of Manistee's** basic financial statements and supplementary information and will issue auditors' reports as follows:
 1. Annual audit of the **City of Manistee's** basic financial statements in accordance with generally accepted auditing standards (GAAS) and *Government Auditing Standards*.
 2. Preparation of the financial statements, including the related notes, and required and other supplementary information.
 3. Single Audit report of **City of Manistee's** federal financial assistance and preparation of related reports and schedules, if required.
 4. Report on internal control related to the financial statements and compliance with laws, regulations, and the provisions of contracts and agreements, noncompliance with which could have a material effect on the financial statements.
 5. Communication to management and those charged with governance regarding the planned scope and timing of the audit, internal controls, and other matters, including the schedule of passed adjustments (if applicable).
 6. A stand-alone, plain language, explanatory summary of the results of the City's audit, separate from the MD&A.
 7. Assistance with submission of audited financial information, including the Auditing Procedures Report, as required by the State of Michigan.
 8. Assistance with the preparation of the F-65.
 9. An oral presentation to the City Council highlighting key areas of the audited financial statements and related reports.

SPECIFIC AUDIT APPROACH (CONTINUED)

Understanding of Work to be Performed (Concluded)

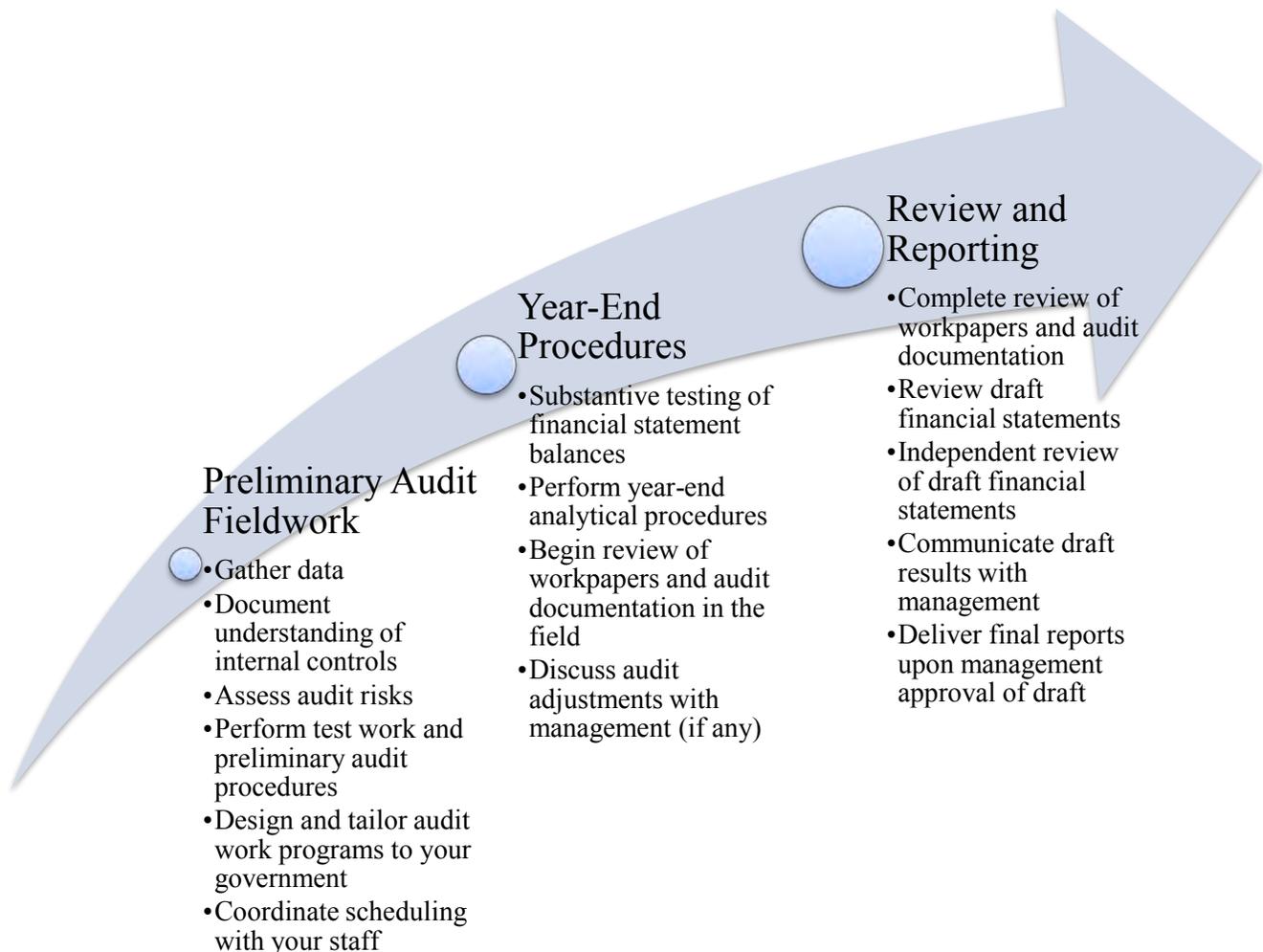
- ◆ The audits will be performed for the years ended June 30, 2019 through 2023 in accordance with auditing standards generally accepted in the United States of America. We will audit the **Manistee Downtown Development Authority's** basic financial statements and supplementary information and will issue auditors' reports as follows:
 1. Annual audit of the **Manistee Downtown Development Authority's** basic financial statements in accordance with generally accepted auditing standards (GAAS) and *Government Auditing Standards*.
 2. Single Audit report of **Manistee Downtown Development Authority's** federal financial assistance and preparation of related reports and schedules, if required.
 3. Report on internal control related to the financial statements and compliance with laws, regulations, and the provisions of contracts and agreements, noncompliance with which could have a material effect on the financial statements.
 4. Communication to management and those charged with governance regarding the planned scope and timing of the audit, internal controls, and other matters, including the schedule of passed adjustments (if applicable).
 5. Assistance with submission of audited financial information, including the Auditing Procedures Report, as required by the State of Michigan.

SPECIFIC AUDIT APPROACH (CONTINUED)

Audit Philosophy

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

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



SPECIFIC AUDIT APPROACH (CONTINUED)

Audit Work Plan / Methodology

We utilize a comprehensive set of audit work programs as published by PPC's Guide to Audits of State and Local Governments. These government audit programs cover 15 key areas relating to government auditing. As part of our audit planning process, each of the work programs is reviewed and customized based on the unique needs of each government entity that we audit.

The programs are designed to increase audit efficiency by linking financial statement assertions, audit objectives, and procedures that are basic to most government audit engagements. Behind each set of basic procedures are additional procedures that may be necessary on some engagements. Each audit program also includes practical considerations designed to provide useful advice that auditors should consider in applying specific audit steps.

Analytical Review

In accordance with generally accepted auditing standards, analytical review will be utilized in the planning process and during the final review stage of the audit. Our analytical procedures consist of five components: expectation development, explanation generation, information search and explanation evaluation, decision making and documentation. Specific procedures would include comparison of actual results to prior years and to adopted budget (as amended), comparison of expected dues revenue to actual revenue recognized, and a reasonableness test for return on investments. Other substantive procedures may be supplemented by analytical procedures, depending on our audit risk assessment process.



SPECIFIC AUDIT APPROACH (CONTINUED)

Interaction with Management

In order to obtain a quality audit, Stevens, Kirinovic & Tucker, P.C. believes that all professional staff need direct access to the client's accounting/finance department in order to discuss various accounting and auditing issues with your organization's staff.

The audit exit conference will include applicable **City of Manistee** representatives and William I. Tucker IV, CPA, from your audit team. The audited financial statements and other required communications will be presented to the City Council, at your direction, by your audit team's principal.

Sample Sizes and Extent of Statistical Sampling

Our utilization of sampling in auditing generally centers on compliance and controls testing, rather than substantive testing of account balances. We use quality control materials from PPC in all our audit engagements. These forms guide our staff through a logical process of assessing inherent risk, control risk, and combined audit risk, followed by an assessment of appropriate sample size for testing the following areas:

- ◆ Controls Over Expenditures
- ◆ Michigan Legal Compliance

Sample sizes obtained via the PPC guidance system fall into categories of 25, 40, or 60, depending on circumstances. The most common scenario would be a selection of 40 transactions in the first year of our engagement, followed by a sample size of 25 in subsequent years, assuming no significant problems are discovered in the first year.

We are usually able to cover a substantial portion of the two categories of testing with one sample, resulting in a very efficient transaction testing phase.

Use of EDP Software in the Engagement

We utilize ProSystem fx Engagement (Engagement) software to manage a paperless audit process. All year-end account analysis schedules as prepared by the **City of Manistee's** financial staff in Excel are easily imported into ProSystem fx. Additionally, the individual laptop computers of our entire audit team are electronically linked via a wireless network and each audit team is equipped with a portable scanner for audit evidence that is not in an Excel/Word format. This approach maximizes efficiency for our audit team and the **City of Manistee's** financial staff.

Understanding of Internal Control

Statements on Auditing Standards require us to gain an understanding of the control environment and to assess control risk in planning our audit. In order to accomplish this, we will utilize PPC's "Government Organization Planning Forms", and by discussion with appropriate **City of Manistee** staff, we will document significant internal control points in the cash and investments, revenue expenditures and expenses, general ledger, payroll, accounts payable, and purchasing systems.

SPECIFIC AUDIT APPROACH (CONCLUDED)

New Auditor Transition

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

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

Time Table of Key Dates

We propose the following tentative time table for the audit of the 2019 fiscal year:

Preliminary fieldwork	June 2019
Year-end fieldwork	August 2019
Draft reports provided to management	October 4, 2019
Final reports issued no later than	October 31, 2019
Presentation to Commission Board	November 2019

Assistance Throughout the Year

One of our firm's strengths is our ability to provide continual management assistance during the audit and throughout the year. Because our on-site audit team has considerable governmental experience, they are easily accessible to assist you with any issue that may arise. We are also available throughout the year for questions as needed. **We do not charge additional fees for these services unless extensive research or services are needed.**

WHY CHOOSE SK&T?

Governmental Experience

- ◆ We have performed services for various cities, villages, townships, counties, health departments, transit authorities, and other governmental entities throughout Michigan.
- ◆ Our firm has considerable recent governmental accounting and auditing experience and currently serves more than 200 entities. We are proposing to staff the **City of Manistee's** audit engagement with individuals who perform 100% governmental accounting and auditing service year-round. We believe that no other firm will be able to match that commitment to the governmental industry.
- ◆ We have significant Single Audit and other Federal and State grant experience. We currently perform approximately sixty (60) Single Audits annually and provide independent monitoring and technical assistance services related to federal grants.
- ◆ We are committed to governmental accounting and auditing quality and exert considerable effort in providing continuing education to our team members. Our firm is a member of the Government Audit Quality Center of the AICPA, which is a firm-based voluntary membership designed to help CPA's meet the challenges of performing quality audits in this unique and complex area.
- ◆ We work closely with the State of Michigan and are well informed as to the State's interpretation of new accounting, auditing, and reporting requirements. The engagement principal serves on the board of the Michigan Committee on Governmental Accounting and Auditing, this committee provided guidance that local units of government may use in complying with accounting and auditing requirements in the State of Michigan.
- ◆ The engagement partner serves on the Michigan Government Finance Officers Association - Accounting Standards Committee, this committee supports the advancement of governmental accounting and financial reporting through active participation in the review and analysis of proposed pronouncements from authoritative accounting standard-setting bodies.
- ◆ The engagement principal servers on the County Road Association of Michigan accounting manual committee.
- ◆ We will commit high quality, knowledgeable professionals to your engagement on a consistent basis so the Commission will not have to work with new, inexperienced professionals throughout the engagement.

WHY CHOOSE SK&T? (CONTINUED)

Commitment to Quality

Stevens, Kirinovic & Tucker is dedicated to providing excellent service and producing a quality product in our accounting and auditing practice. Our system of quality control includes the following:

◆ ***Peer Review***

As the successor firm to Abraham & Gaffney, P.C., our audit team has been subjected to numerous peer reviews in the past. However, because Stevens, Kirinovic & Tucker, P.C. was recently established a peer review has not yet been required or performed.

Stevens, Kirinovic & Tucker, P.C. is quality conscious, and maintains a high level of quality control throughout the firm. Our first peer review will be performed within eighteen months of our first report issuance. This peer review will include a review of specific government (Yellow Book) engagements.

◆ ***Internal Quality Control***

Stevens, Kirinovic & Tucker, P.C. follows a system of internal quality control policies and procedures, including Leadership Responsibilities for Quality within the Firm; Relevant Ethical Requirements; Acceptance and Continuance of Client Relationships and Specific Engagements; Human Resources; and Monitoring. These six policies ensure the quality of every audit and every report issued. More specifically, our policies on Leadership Responsibilities for Quality within the Firm and Monitoring directly ensure the quality of each audit and report issued.

◆ ***Maintenance of Secondary Partner and Rotation of Partners***

As a part of our quality control policies, we are committed to maintain two partners on every audit engagement. We believe that this “second set of eyes” provides a very valuable perspective and positively impacts the quality of the end product. Our firm also offers periodic rotation of partners on audit engagements. This is generally discussed after three to five years of an audit engagement, but we are very open to this possibility if desired by the client.

◆ ***Continuing Professional Education***

Our people participate in continuing professional education and are actively involved in organizations such as the American Institute of Certified Public Accountants (AICPA), the Michigan Association of Certified Public Accountants (MICPA), Michigan Government Finance Officers Association (MGFOA), and a host of other civic, trade, and professional associations.

Government Auditing Standards, known as the “Yellow Book”, require that “auditors responsible for planning, directing, conducting, or reporting on government audits should complete, every two years, at least eighty hours of continuing education and training which contributes to the auditor’s professional proficiency. At least twenty hours should be completed in any one year of the two-year period. Individuals responsible for planning, directing, conducting substantial portions of the field work, or reporting on the government audit, should complete at least twenty-four of the eighty hours of continuing education and training in subjects directly related to the government environment and to government auditing.”

◆ ***Desk and Field Reviews***

All of our Single Audits have been subjected to desk reviews by Federal and State agencies and we have always received acceptable results on these reviews. We have also received acceptable results on all Federal or State field reviews on our Single Audits. As mentioned previously, our governmental principal has extensive experience with the Single Audit, which assures that audit coverage and reporting requirements are met.

WHY CHOOSE SK&T? (CONCLUDED)

Quality Control Procedures

- ◆ ***Governmental Audit Quality Center***

At Stevens, Kirinovic & Tucker, P.C., we are committed to achieving the highest quality and most efficient audits possible with our specialized team of auditors. The principals of Stevens, Kirinovic & Tucker, P.C. has significant familiarity with performing governmental and nonprofit organization audits and we presently audit nearly 200 entities.

We joined the American Institute of Certified Public Accountants' (AICPA) Governmental Audit Quality Center to gain access to comprehensive resources that will assist us in further enhancing the quality of your nonprofit organization's audit. The Center membership provides us with timely information on a variety of technical, legislative, and regulatory subjects that we can in turn apply to your audit to help ensure compliance with the appropriate standards and changes in regulations.

By joining the Center, we committed to adhere to the highest quality standards by voluntarily agreeing to the Center membership requirements, which include designating a partner responsible for the quality of our governmental and nonprofit organization audit practice, establishing quality control programs, performing annual internal inspection procedures, and making our peer review report findings publicly available.

Governmental Audit Quality Center membership allows us to continue our quality initiatives within our audit practice and demonstrates our continued commitment to deliver the most efficient quality audit possible.

TOTAL ALL-INCLUSIVE MAXIMUM PRICE

The cost of the audit is based on the amount of time it takes to perform the audit of the **City of Manistee**. Our charges for audit or management services are based on the level of team member necessary to perform the services. The hourly governmental audit billing rates are as follows:

Principal	\$ 170 - 230
Manager	120 - 165
Senior	105 - 115
Accountant	75 - 100
Administrative	60 - 75

These billing rates would also apply to any management services assistance or other services that the City may request that are not covered by the scope of the audit. While we do not charge additional fees for these services unless extensive research or services are needed, we will charge at the hourly rates provided above for any projects that the City may request throughout the year.

The hours summarized below represent the estimated hours we believe it will take to perform the 2019 audit of the **City of Manistee**. It is our policy to perform audits in the most efficient manner possible, thus reducing hours and creating as little disruption to the client's routine as possible.

William I. Tucker IV, CPA Engagement Principal	32	\$ 190	\$ 6,080
Aaron M. Stevens, CPA Independent Review Principal	1	230	230
Jordan E. Smith, CPA Engagement Manager	40	140	5,600
To be determined Auditor - 2	100	75	7,500
Administrative Personnel	<u>8</u>	65	<u>520</u>
	<u>181</u>		\$ 19,930
Out-of-pocket (travel, meals, etc.) - no charge			-
Less: Discount			<u>(930)</u>
Total Not-to-Exceed (City's Financial Audit)			<u>\$ 19,000</u>
Downtown Development Authority (Financial Audit)			<u>\$ 5,000</u>

The fees quoted above are based on anticipated levels of client assistance and expertise. Should any of these levels of assistance or expertise change significantly during the period of our engagement, we will need to discuss this situation with the City to determine a plan of action for the remainder of the agreement. If circumstances are encountered (i.e., unrecorded accruals, unbalanced records, significant audit journal entries, inadequate staff assistance, etc.), that cause us to have to spend additional time that was not planned we will discuss that situation with you prior to performing any additional services.

TOTAL ALL-INCLUSIVE MAXIMUM PRICE (CONCLUDED)

Because we believe that building relationships with our clients through multi-year engagements proves to be mutually beneficial, we propose with the following cost schedule for three-year engagement:

Year Ending June 30,	Audit and Financial Statements	F-65 Report	Single Audit (if required)	DDA	Total Maximum Audit Price
2019	\$ 19,000	\$ 1,000	\$ 2,500	\$ 5,000	\$ 27,500
2020	20,000	1,000	2,500	5,200	28,700
2021	21,000	1,000	2,500	5,400	29,900
2022	22,000	1,000	2,500	5,600	31,100
2023	23,000	1,000	2,500	5,800	32,300

The fee quoted above assumes the City will have no more than one (1) major federal program. If additional major federal programs are required to be audited under the Single Audit Act in any given year, there will be an additional charge of \$1,500 per additional major federal program audited. **If a Single Audit is not necessary in any of the above years, we will revise the engagement letter accordingly.**

In any year the City would like us to prepare any additional forms or reports not previously listed (i.e., Act 51, Form 5572, etc.), the preparation of each will be at our hourly governmental audit billing rates.

Our proposal is to provide the City with auditing services (attest services), rather than accounting services (nonattest services). The cost schedule detailed above assumes that extensive journal entries to adjust the accounting records (i.e., bookkeeping) will not be required as part of the audit and review process. If journal entries are required in order for the financial statements to be fairly presented, we propose a per entry fee of \$100. This fee will not be billed if there are ten (10) entries or less in a given year.

Because we are extremely interested in serving the City and the fact that our audit team members have a great deal of experience working with governmental entities, we are proposing a substantial discount to our audit cost estimate. The price schedule detailed above is a firm price assuming the City records are in reasonable condition and that we are provided reasonable City staff assistance. If our team members spend more hours than the projected hours detailed above that are not due to certain circumstances (i.e., unrecorded or improperly recorded journal entries or activities, or any other GASB's when applicable, unbalanced records, inadequate staff assistance, circumstances different than what was communicated to us during the bid process, etc.) then we will not bill for any amounts over the audit cost estimate.

The fees quoted above are based on anticipated levels of client assistance and expertise. Should any of these levels of assistance or expertise change during the period of our engagement, we may need to arrive at a new fee arrangement for the remainder of the agreement.

If certain circumstances are encountered, such as significant areas not being ready for audit that delay or disrupt fieldwork or those issues listed above we will discuss them with you and negotiate additional billings. While we do not expect that there will be additional billings in any audit year, because of the discounted fee that is being proposed it is important that the City adhere to the agreed-upon audit schedule - allowing us to conduct the audit as efficiently as possible.

MISCELLANEOUS DOCUMENTS



WILLIAM I. TUCKER IV, CPA
Principal



EDUCATION:

2001 Graduate of Michigan State University - Major in Accounting
1996 Graduate of Waverly High School

PROFESSIONAL BACKGROUND:

- CPA Certificate #28806 on November 21, 2003
- Michigan Association of Certified Public Accountants - Member
- American Institute of Certified Public Accountants - Member
- Michigan Government Finance Officers Association - Accounting Standards Committee - Member
- Association of Government Accountants (Lansing Chapter) - Member
- Michigan Public Transit Association - Associate Member
- Michigan Association of Transportation Systems - Associate Member
- Michigan Association of Counties - Associate Member
- Michigan Government Finance Officers Association - Associate Member
- Michigan Local Government Management Association - Associate Member
- Michigan Association of Certified Public Accountants - Governmental Accounting and Auditing Task Force - Member
- County Road Association of Michigan Account Manual Committee - Member

OCCUPATIONAL EXPERIENCE:

8/17 - Present	Stevens, Kirinovic & Tucker, P.C. (Principal)
1/10 - 7/17	Abraham & Gaffney, P.C. (Principal)
1/07 - 12/09	Abraham & Gaffney, P.C. (Manager)
1/04 - 12/06	Abraham & Gaffney, P.C. (Senior Accountant)
6/01 - 12/03	Abraham & Gaffney, P.C. (Accountant)
6/00 - 6/01	Robinson, Robinson & Associates (Accountant)

CONTINUING EDUCATION:

- Conferences and Seminars (Last three years)
 - MICPA - Governmental Accounting & Auditing Conference (8 hours - May 2018)
 - MICPA - Early Bird Ethics: Michigan Specific Ethics 2018-19 Edition (1 hour - May 2018)
 - SKT - Ultratax CS - On-demand Training Webinar (1 hour - December 2017)
 - AICPA - Governmental and not-for-Profit Training Program 2017 (25 hours - October 2017)
 - MSBO - Business Manager/CPA Workshop (6.6 hours - June 2017)
 - MICPA - School District Update (8 hours - June 2017)
 - MICPA - Governmental Accounting & Auditing Conference (8 hours - May 2017)
 - MICPA - Early Bird Ethics: Dealing with the Conceptual Framework (1 hour - May 2017)
 - MGFOA - Spring Seminar (7.5 hours - March 2017)
 - MICPA - Governmental Accounting & Auditing Conference (7 hours - December 2016)
 - A&G - Procurement Policies under the Uniform Guidance (Instructor) (4.5 hours - December 2016)
 - A&G - Understand the Importance of Good Communication Skills (Upstream Academy Webinar) (1 hour - September 2016)
 - AICPA - Governmental and Not-for-Profit Training Program (25 hours - October 2016)
 - A&G - Presentation: Ask the Auditor (4.5 hours - June 2016)
 - MSBO - Business Manager/CPA Workshop (8 hours - June 2016)
 - MICPA - Governmental Accounting & Auditing Conference (8 hours - May 2016)

- Conferences and Seminars (Last three years) - continued
 - MICPA - Early Bird Ethics (1 hour - May 2016)
 - MICPA - Governmental Accounting & Auditing Conference (8 hours - May 2016)
 - A&G - Invigorating the Focus on Quality (1 hour - December 2015)
 - A&G - Debt Issuance and Refundings Training (1.4 hours - November 2015)
 - AICPA - Governmental & Not-for-Profit Training (25 hours - October 2015)
 - A&G - GASB Statement No. 72 Training (1 hour - October 2015)

- Various other meetings and in-house training

- Member of the QuickBooks Professional Advisors program.

- Specialize in setup and utilization of QuickBooks software.

PUBLIC AND COMMUNITY SERVICE:

- Discussion leader for Michigan Townships Association - 2009 Educational Conference
Subject: "Understanding Bookkeeping Basics"
- Michigan Government Finance Officers Association - Accounting Standards Committee Member
- Michigan Association of CPA's - Governmental Accounting and Auditing Task Force
- Discussion leader for Michigan Association of CPA's - Spring 2012 governmental conference
Subject: "GASB 54"
- Discussion leader for Michigan Association of CPA's - 2016 spring governmental conference
Subject: "GASB 77"
- Lansing Legion Hockey - Head Coach
- Team Manager for 2007 Lansing Spartans Travel Hockey Team



AARON M. STEVENS, CPA
Principal



EDUCATION:

1991 Graduate of Grand Valley State University
1988 Graduate of DeWitt High School

PROFESSIONAL BACKGROUND:

- CPA Certificate #24055 on May 20, 1996
- Michigan Association of Certified Public Accountants - Member
- American Institute of Certified Public Accountants - Member
- Michigan Municipal Treasurer’s Association - Associate Member
- Michigan Government Finance Officers Association - Associate Member
- Michigan Committee on Governmental Accounting and Auditing - Member
- Michigan Nonprofit Association - Associate Member
- Michigan Society of Association Executives - Associate Member
- Michigan Association of Transportation Systems - Associate Member
- Michigan Public Transit Association - Associate Member

OCCUPATIONAL EXPERIENCE:

8/17 - Present	Stevens, Kirinovic & Tucker, P.C. (Principal)
1/03 - 7/17	Abraham & Gaffney, P.C. (Principal)
6/00 - 12/02	Abraham & Gaffney, P.C. (Manager)
6/98 - 6/00	City of St. Johns (Treasurer/Finance Director)
1/98 - 6/98	Andrews, Hooper & Pavlik, PLC (Senior)
1/97 - 1/98	Abraham & Gaffney, P.C. (Senior)
4/94 - 12/96	Abraham & Gaffney, P.C. (Accountant)
12/91 - 4/94	State Employees Credit Union (Accounting Assistant)
5/91 - 8/91	State Employees Credit Union (Accounting Intern)

CONTINUING EDUCATION:

- Conferences and Seminars (Last three years)
 - AICPA - Performance Measurement: Not-for-Profit Governance and Assurance (2 hours - July 2018)
 - AICPA - Statement of Functional Expenses: Not-for-Profit Financial Reporting (1.5 hours - July 2018)
 - AICPA - Financial Statement Note Disclosures: Not-for-Profit Financial Reporting (2 hours - July 2018)
 - AICPA - Form 990 Preparation - Core Form: Not-for-Profit Tax Compliance (2.5 hours - July 2018)
 - AICPA - Form 990 Preparation - Schedules: Not-for-Profit Tax Compliance (2.5 hours - July 2018)
 - AICPA - Statement of Financial Position: Not-for-Profit Financial Reporting (1 hour - July 2018)
 - AICPA - Statement of Cash Flows: Not-for-Profit Financial Reporting (1.5 hours - July 2018)
 - AICPA - Statement of Activities: Not-for-Profit Financial Reporting (1.5 hours - July 2018)
 - AICPA - UBIT Case Studies: Not-for-Profit Tax Compliance (2 hours - July 2018)
 - AICPA - Maintaining Tax Exemption: Not-for-Profit Tax Compliance (1.5 hours - July 2018)
 - AICPA - Preparing Consolidated Financial Statements: Financial Reporting (1.5 hours - July 2018)
 - AICPA - Applying the COSO Enterprise Risk Management Framework:
 - Not-for-Profit Governance and Assurance (2 hours - July 2018)
 - AICPA - Interpreting & Analyzing Financial Statements: Financial Reporting (2 hours - July 2018)
 - AICPA - Aligning Mission and Strategy: Not-for-Profit Governance (1.5 hours - July 2018)
 - AICPA - Budgeting Considerations: Not-for-Profit Governance (2 hours - July 2018)
 - AICPA - Risk Assessment: Not-for-Profit Governance and Assurance (1 hour - July 2018)
 - AICPA - Ethical Issues: Not-for-Profit Governance (2 hours - July 2018)
 - AICPA - Not-for-Profit Financial Storytelling (2 hours - June 2018)
 - AICPA - ENGAGE 2018 (35.5 hours - June 2018)

- Conferences and Seminars (Last three years) - continued

AICPA - Not-for-Profit Governance: Financial Oversight, Budget and Strategy (3 hours - May 2018)
AICPA - Not-for-Profit Governance: Risk Assessment and internal Controls (2 hours - May 2018)
AICPA - Not-for-Profit Governance: Fraud Overview and Prevention (2 hours - May 2018)
AICPA - Not-for-Profit Auditing: Planning the Audit Engagement (1.5 hours - May 2018)
AICPA - Not-for-Profit Auditing: Auditing Considerations (1.5 hours - May 2018)
AICPA - Not-for-Profit Tax Compliance: Introduction to Form 990 (2.5 hours - May 2018)
AICPA - Not-for-Profit Tax Compliance: Unrelated Business Income Tax (1.5 hours - May 2018)
AICPA - Not-for-Profit Governance: Best Practices in Board Governance (1 hour - May 2018)
AICPA - Not-for-Profit Tax Compliance: Federal and State Filing Requirements (1 hour - May 2018)
AICPA - Not-for-Profit Tax Compliance: Tax-Exempt Status (2 hours - May 2018)
MICPA - Governmental Accounting & Auditing Conference (8 hours - May 2018)
MICPA - Early Bird Ethics: Michigan Specific Ethics 2018-19 Edition (1 hour - May 2018)
AICPA - 2018 GAQC Annual Update Webcast (2 hours - May 2018)
AICPA - Not-for-Profit Tax Compliance: Private Foundations (1 hour - May 2018)
AICPA - Not-for-Profit Accounting & Financial Reporting: Liabilities (2 hours - May 2018)
AICPA - Risk Management for Not-for-Profit Organizations (2 hours - March 2018)
AICPA - Not-for-Profit Accounting: Split Interest Agreements & Endowments (2 hours - March 2018)
AICPA - Not-for-Profit Accounting & Financial Reporting: Investments (1 hour - March 2018)
SKT - Ultratax CS - On-demand Training Webinar (1 hour - December 2017)
AICPA - Governmental and not-for-Profit Training Program 2017 (25 hours - October 2017)
MICPA - Nonprofit Conference (8 hours - October 2017)
MICPA - Early Bird Ethics: Clarity for the World of Ethics in Non-Traditional Services (1 hr. - Oct. 2017)
AICPA - New NFP Financial Reporting Standard: Top 5 Things Board Should Know! (2 hrs. - Sept. 2017)
FASB - Proposed Improvements to Not-for-Profit Grant & Contribution Accounting (1.2 hrs. - Sept. 2017)
AICPA - Implementing the Financial Statement Presentation Standard: Mastering the Most Difficult Challenges (2 hours - June 2017)
FASB - FASB Update for Private Companies & Not-for-Profit Organizations (2 hours - June 2017)
MICPA - Governmental Accounting & Auditing Conference (8 hours - May 2017)
MICPA - Early Bird Ethics: Dealing with the Conceptual Framework (1 hour - May 2017)
AICPA - 2017 GAQC Annual Update Webcast (2 hours - May 2017)
AICPA - Implementing the New Not-for-Profit Standard - Practical Considerations (2 hours - Mar. 2017)
AICPA - Developing and Reporting Audit Findings (2 hours - March 2017)
AICPA - Form 990: Learn from the Experts (2 hours - December 2016)
AICPA - Governmental and Not-for-Profit Training Program 2016 (25 hours - October 2016)
AICPA - The New Data Collection Form and FAC Update (2 hours - September 2016)
AICPA - Not-for-Profit Accounting & Financial Reporting: Expenses (2.5 hours - July 2016)
AICPA - Not-for-Profit Accounting & Financial Reporting: Fair Value (2 hours - July 2016)
AICPA - The Impact of the New Revenue Recognition Standard on Not-for-Profits (2 hours - July 2016)
AICPA - Optimizing Your Budgeting Process (2 hours - June 2016)
AICPA - 2016 State and Local Government Audit Planning Considerations (2 hours - May 2016)
MICPA - Governmental Accounting and Auditing Conference and Ethics (9 hours - May 2016)
AICPA - 2016 GAQC Annual; Update Webcast (2 hours - April 2016)
AICPA - Understanding the New Leases Standard (1 hour - March 2016)
A&G - Invigorating the Focus on Quality - Instructor (3 hours - December 2015)
A&G - Debt Issuance and Refundings Training (1.4 hours - November 2015)

- Various other meetings and in-house training - concentration in governmental areas

- Twenty-four years of diversified accounting experience in governmental, nonprofit, and other accounting services

PUBLIC AND COMMUNITY SERVICE:

- Discussion leader for Michigan Townships Association - 2009 Educational Conference
Subject: "Understanding Bookkeeping Basics"
- Former Board Member and Treasurer for Clinton County Family Resource Center
- Former Treasurer for Friends of Clinton Area Transit
- President for '98 Hockey Boosters, Inc.
- Team Manager for '98 Lansing Capitals Travel Hockey Team
- Discussion leader for MALPH Administrators Forum - 2003 Annual Accounting Conference
Subject: "Governmental Accounting/Auditing Update"
- Discussion leader for MALPH Administrators Forum - 2002 Annual Accounting Conference
Subject: "GASB 34 Statement"
- Discussion leader for MALPH Administrators Forum - 2001 Annual Accounting Conference
Subject: "Management and Internal Controls over Accounts Receivable"
- Discussion leader for Abraham & Gaffney GASB Statement 34 Seminars
Subject: "GASB Statement 34 for Cities and Villages"
Subject: "GASB Statement 34 for School Districts"
Subject: "GASB Statement 34 for Counties and Road Commissions"
Subject: "GASB Statement 34 for Townships and Other Governments"
- Former Treasurer for St. Johns Area Skating Association



JORDAN E. SMITH, CPA
Manager

EDUCATION:

2005 Graduate of Olivet Nazarene University, Illinois
2001 Graduate of Faith Christian School, Wisconsin

PROFESSIONAL BACKGROUND:

- CPA Certificate #1101032083 on April 28, 2010

OCCUPATIONAL EXPERIENCE:

8/17 - Present	Stevens, Kirinovic & Tucker, P.C. (Manager)
1/13 - 7/17	Abraham & Gaffney, P.C. (Manager)
1/09 - 12/12	Abraham & Gaffney, P.C. (Senior Accountant)
7/06 - 12/08	Abraham & Gaffney, P.C. (Accountant)

CONTINUING EDUCATION:

- Conferences and Seminars (Last three years)
 - MSBO - Business Manager/CPA Workshop (8 hours - June 2018)
 - MICPA - Governmental Accounting & Auditing Conference (8 hours - May 2018)
 - MICPA - Early Bird Ethics: Michigan Specific Ethics 2018-19 Edition (1 hour - May 2018)
 - Thomson Reuters - Checkpoint Functionality: Beyond Keyword Searching (1 hour - January 2018)
 - SKT - Ultratax CS - On-demand Training Webinar (1 hour - December 2017)
 - MICPA - Governmental Accounting & Auditing Conference (8 hours - December 2017)
 - MICPA - Early Bird Ethics: Why do Ethical People do Unethical Things? (1 hour - December 2017)
 - MICPA - Nonprofit Conference (6 hours - October 2017)
 - Thomson Reuters - SMART Practice Aids Functionality: Getting Started with Disclosure (1 hour - September 2017)
 - MSBO - Business Manager/CPA Workshop (8 hours - June 2017)
 - MICPA - Governmental Accounting & Auditing Conference (6.8 hours - May 2017)
 - MICPA - Early Bird Ethics: Dealing with the Conceptual Framework (1 hour - May 2017)
 - MICPA - Governmental Accounting & Auditing Conference (8 hours - May 2017)
 - MICPA - Nonprofit Conference (7 hours - October 2016)
 - MICPA - Ethics: Case Studies in Independence (1 hour - October 2016)
 - A&G - Understand the Importance of Good Communication Skills (Upstream Academy Webinar) (1 hour - September 2016)
 - MSBO - Business Manager/CPA Workshop (8 hours - June 2016)
 - MICPA - Governmental Accounting and Auditing Conference (8 hours - May 2016)
 - MICPA - Ethics (1 hour - May 2016)
 - A&G - Excel Tips & Tricks (1 hour - March 2016)
 - A&G - Employee Benefit Plan Training (5.2 hours - March 2016)
 - A&G - Senior Training (Instructor) (26.1 hours - January 2016)
 - A&G - Invigorating the Focus on Quality (1 hour - December 2015)
 - A&G - Debt Issuance and Refundings Training (1.4 hours - November 2015)
 - A&G - GASB Statement No. 72 Training (Instructor) (3 hours - October 2015)
- Various other meetings and in-house training

PUBLIC AND COMMUNITY SERVICE:

- Member of the City of St. Johns, Michigan, Finance Committee
- Board member on a private family foundation
- Board member of the St. Johns Church of the Nazarene



ATTACHMENT A

**REQUEST FOR PROPOSAL
AUDITING SERVICES**

Firm Submitting Proposal: Stevens, Kirinovic & Tucker, P.C.

Proposed Fee:

Fiscal Year	Audit & Reports	Single Audit (if needed)	DDA
2019	\$20,000	\$2,500	\$5,000
2020	\$21,000	\$2,500	\$5,200
2021	\$22,000	\$2,500	\$5,400
2022	\$23,000	\$2,500	\$5,600
2023	\$24,000	\$2,500	\$5,800

William I. Tucker IV, CPA

October 30, 2018

Signature of Authorized Representative

Date

William I. Tucker IV, CPA

Print Name

Principal

Title