

**CITY OF MILACA  
ORDINANCE NO. 396  
AN ORDINANCE ESTABLISHING REGULATION OF PAWN SHOPS**

**SECTION 1: THE CITY COUNCIL OF THE CITY OF MILACA, MINNESOTA DOES ORDAIN AS FOLLOWS:**

**118.01 Purpose.** The city council finds that use of services provided by pawnbrokers provides an opportunity for the commission of crimes and their concealment because pawn businesses have the ability to receive and transfer property stolen by others easily and quickly. The city council also finds that consumer protection regulation is warranted in transactions involving pawnbrokers. The city council further finds that the pawn industry has outgrown the city's current ability to effectively or efficiently identify criminal activity related to pawn shops. The purpose of this chapter is to prevent pawn businesses from being used as facilities for the commission of crimes, and to assure that such businesses comply with basic consumer protection standards, thereby protecting the public health, safety, and general welfare of the citizens of the city.

To help the police department better regulate current and future pawn businesses, decrease and stabilize costs associated with the regulation of the pawn industry, and increase identification of criminal activities in the pawn industry through the timely collection and sharing of pawn transaction information, this chapter also implements and establishes the required use of the automated pawn system (APS).

**118.02 Definitions.** When used in this article, the following words shall mean:

Pawnbroker: Any natural person, partnership or corporation, either as principal, or agent or employee thereof, who loans money on deposit or pledge of personal property, or other valuable thing, or who deals in the purchasing of personal property, or other valuable thing on condition of selling the same back again at a stipulated price, or who loans money secured by chattel mortgage on personal property, taking possession of the property or any part thereof so mortgaged. To the extent that a pawnbroker's business includes buying personal property previously used, rented or leased, or selling it on consignment, the provisions of this chapter shall be applicable.

Reportable transaction: Every transaction conducted by a pawnbroker in which merchandise is received through a pawn, purchase, consignment or trade, or in which a pawn is renewed, extended or redeemed, or for which a unique transaction number or identifier is generated by their point-of-sale software, is reportable except:

- (1) The bulk purchase or consignment of new or used merchandise from a merchant, manufacturer or wholesaler having an established

permanent place of business, and the retail sale of said merchandise, provided the pawnbroker must maintain a record of such purchase or consignment which describes each item, and must mark each item in a manner which relates it to that transaction record.

- (2) Retail and wholesale sales of merchandise originally received by pawn or purchase, and for which all applicable hold and/or redemption periods have expired.

**Billable transaction:** Every reportable transaction conducted by a Pawnbroker except renewals, redemptions or extensions of existing pawns on items previously reported and continuously in the licensee's possession is a billable transaction.

**118.03 License Required.** No person shall engage in the business of pawnbroker at any location without a pawnbroker license for that location. No pawnbroker license may be transferred to a different location or a different person. Issuance of a license under this chapter shall not relieve the licensee from obtaining any other licenses required to conduct business at the same or any other location.

**118.04 Application Required.**

- (A) (Contents.) An application form provided by the city clerk must be completed by every applicant for a new license or for renewal of an existing license. Every new applicant must provide all the following information:

(1) If the applicant is a natural person:

- a. The name, place and date of birth, street resident address, and phone number of applicant.
- b. Whether the applicant is a citizen of the United States or resident alien.
- c. Whether the applicant has ever used or has been known by a name other than the applicant's name, and if so, the name or names used and information concerning dates and places used.
- d. The name of the business if it is to be conducted under a designation, name, or style other than the name of the applicant and a certified copy of the Certificate of Assumed Name as required by Minnesota Statutes, Section 333.01.

- e. The street address at which the applicant has lived during the preceding five (5) years.
- f. The type, name and location of every business or occupation in which the applicant has been engaged during the preceding five (5) years and the name(s) and address(es) of the applicant's employer(s) and partner(s), if any, for the preceding five (5) years.
- g. Whether the applicant has ever been convicted of a felony, crime, or violation of any ordinance other than a traffic ordinance. If so, the applicant must furnish information as to the time, place, and offense of all such convictions.
- h. If the applicant does not manage the business, the name of the manager(s) or other person(s) in charge of the business and all information concerning each of them required in a. through g. of subdivision (1) of this section.

(2) If the applicant is a partnership:

- a. The name(s) and address(es) of all general and limited partners and all information concerning each general partner required in subdivision (1) of this section.
- b. The name(s) of the managing partner(s) and the interest of each partner in the licensed business.
- c. A true copy of the partnership agreement shall be submitted with the application. If the partnership is required to file a certificate as to a trade name pursuant to Minnesota Statutes, Section 333.01, a certified copy of such Certificate of Assumed Name must be attached to the application.

(2) If the applicant is a corporation or other organization:

- a. The name of the corporation or business form, and if incorporated, the state of incorporation.
- b. A true copy of the Certificate of Incorporation, Articles of Incorporation or Association Agreement, and By-laws shall be attached to the application. If the applicant is a foreign corporation, a Certificate of Authority as required by Minnesota Statutes, Section 303.06, must be attached.

- c. The name of the manager(s) or other person(s) in charge of the business and all information concerning each manager, proprietor, or agent required in a. through g. of subdivision (1) of this section.

(4)For all applicants:

- a. Whether the applicant holds a current pawnbroker, precious metal dealer or secondhand goods dealer license from any other governmental unit.
- c. Whether the applicant has previously been denied, or had revoked or suspended, a pawnbroker precious metal dealer, or secondhand dealer license from any other governmental unit.
- d. The location of the business premises.
- d. Such other information as the city council or issuing authority may require.

**118.05 Application Execution.** All applications for a license under this chapter must be signed and sworn to under oath or affirmation by the applicant. If the application is that of a natural person, it must be signed and sworn to by such person; if that of a corporation, by an officer thereof; if that of a partnership, by one of the general partners; and if that of an unincorporated association, by the manager or managing officer thereof. Any falsification on a license application shall result in the denial of a license.

**118.06 Persons ineligible for a License.** No license under this chapter will be issued to an applicant who is a natural person, a partnership if such applicant has any general partner or managing partner, a corporation or other organization if such applicant has any manager, proprietor or agent in charge of the business to be licensed, if the applicant:

- (A) Is a minor at the time that the application is filed;
- (B) Has been convicted of any crime directly related to the occupation licensed as prescribed by Minnesota Statutes, Section 364.03, Subd. 2, and has not shown competent evidence of sufficient rehabilitation and present fitness to perform the duties of a licensee under this chapter as prescribed by Minnesota Statutes, Section 364.03, Subd. 3; or (3) Is not of good moral character or repute.

**118.07 License fees.**

- (A) The annual license fees for licenses issued under this chapter shall be as adopted by resolution of the City Council and ~~included in Appendix E of the City Ordinances.~~
- (B) The billable transaction license fee shall reflect the cost of processing transactions and other related regulatory expenses as determined by the city council, and shall be reviewed and adjusted, if necessary every six (6) months. Licensees shall be notified in writing thirty (30) days before any adjustment is implemented.
- (C) Billable transaction fees shall be billed monthly and are due and payable within thirty (30) days. Failure to do so is a violation of this chapter.

**118.08 Bond Required.** Before a license will be issued, every applicant must submit a five thousand dollar (\$5,000.00) bond on the forms provided by the licensing authority. All bonds must be conditioned that the principal will observe all laws in relation to pawnbrokers, and will conduct business in conformity thereto, and that the principal will account for and deliver to any person legally entitled any goods which have come into the principal's hand through the principal's business as a pawnbroker, or in lieu thereof, will pay the reasonable value in money to the person. The bond shall contain a provision that no bond may be canceled except upon thirty (30) days written notice to the city, which shall be served upon the licensing authority.

**118.09 Records Required.** At the time of any reportable transaction other than renewals, extensions or redemptions, every licensee must immediately record in English the following information by using ink or other indelible medium on forms or in a computerized record approved by the police department.

- (A) A complete and accurate description of each item including, but not limited to, any trademark, identification number, serial number, model number, brand name, or other identifying mark on such an item.
- (B) The purchase price, amount of money loaned upon, or pledged therefor.
- (C) The maturity date of the transaction and the amount due, including monthly and annual interest rates and all pawn fees and charges.
- (D) Date, time and place the item of property was received by the licensee, and the unique alpha and/or numeric transaction identifier that distinguishes it from all other transactions in the licensee's records.
- (E) Full name, current residence address, current residence telephone number, date of birth and accurate description of the person from whom

the item of property was received, including: sex, height, weight, race, color of eyes and color of hair.

- (F) The identification number and state of issue from any of the following forms of identification of the seller:
  - 1. Current valid Minnesota driver's license.
  - 2. Current valid Minnesota identification card.
  - 3. Current valid photo identification card issued by another state or province of Canada.
- (G) The signature of the person identified in the transaction.
- (H) Effective sixty (60) days from the date of notification by the police department of acceptable video standards the licensee must also take a color photograph or color video recording of:
  - 1. Each customer involved in a billable transaction.
  - 2. Every item pawned or sold that does not have a unique serial or identification number permanently engraved or affixed.

If a photograph is taken, it must be at least two (2) inches in length by two (2) inches in width and must be maintained in such a manner that the photograph can be readily matched and correlated with all other records of the transaction to which they relate. Such photographs must be available to the chief of police or the chief's designee, upon request. The major portion of the photograph must include an identifiable front facial close-up of the person who pawned or sold the item. Items photographed must be accurately depicted.

The licensee must inform the person that he or she is being photographed by displaying a sign of sufficient size in a conspicuous place in the premises. If a video photograph is taken, the video camera must zoom in on the person pawning or selling the item so as to include an identifiable close-up of that person's face. Items photographed by video must be accurately depicted. Video photographs must be electronically referenced by time and date so they can be readily matched and correlated with all other records of the transaction to which they relate.

The licensee must inform the person orally that he or she is being videotaped and by displaying a sign of sufficient size in a conspicuous

place on the premises. The licensee must keep the exposed videotape for three (3) months.

- (I) Digitized photographs. Effective sixty (60) days from the date of notification by the police department licensees must fulfill the color photograph requirements in above section (H) by submitting them as digital images, in a format specified by the issuing authority, electronically cross-referenced to the reportable transaction they are associated with. Notwithstanding the digital images may be captured from required video recordings, this provision does not alter or amend the requirements in subdivision (H).
- (J) Renewals, extensions and redemptions. For renewals, extensions and redemptions, the licensee shall provide the original transaction identifier, the date of the current transaction and the type of transaction.
- (K) Inspection of records. The records must at all reasonable times be open to inspection by the police department or department of licenses and consumer services. Data entries shall be retained for at least three (3) years from the date of transaction. Entries of required digital images shall be retained a minimum of ninety (90) days.

#### **118.10: Daily Reports Too Police.**

- (A) Effective no later than sixty (60) days after the police department provides licensees with computerized record standards, licensees must submit every reportable transaction to the police department daily in the following manner:
  - 1. Licensees must provide to the police department all information required in the Records Required section (A) through (F) and other required information by transferring it from their computer to the Automated Pawn system via modem. All required records must be transmitted completely and accurately after the close of business each day in accordance with standards and procedures established by the issuing authority. The licensee must display a sign of sufficient size, in a conspicuous place in the premises, which informs all patrons that all transactions are reported to the police department daily.
- (B) Billable transactions fees. Licensees will be charged for each billable transaction reported to the police department.
  - 1. If a licensee is unable to successfully transfer the required reports by modem, the licensee must provide the police department printed

copies of all reportable transactions along with the video tape(s) for that date by 12:00 the next business day.

2. If the problem is determined to be in the licensee's system and is not corrected by the close of the first business day following the failure, the licensee must provide the required reports as detailed in section (DAILY REPORTS TO POLICE) (b) (1), and must be charged a fifty dollar (\$50.00) reporting failure penalty, daily, until the error is corrected, or:
3. If the problem is determined to be outside the licensee's system, the licensee must provide the required reports in (DAILY REPORTS TO POLICE) (B) (1) and resubmit all such transactions via modem when the error is corrected.
4. If a licensee is unable to capture, digitize or transmit the photographs required in (RECORDS REQUIRED) (I), the licensee must immediately take all required photographs with a still camera, cross-reference the photographs to the correct transaction, and make the pictures available to the Police Department upon request.
5. Regardless of the cause or origin of the technical problems that prevented the licensee from uploading their reportable transactions, upon correction of the problem, the licensee shall upload every reportable transaction from every business day the problem had existed.
6. (DAILY REPORTS TO POLICE) (B) (1) through (3) notwithstanding, the police department may, upon presentation of extenuating circumstances, delay the implementation of the daily reporting penalty.

**118.11 Receipt Required.** Every licensee must provide a receipt to the party identified in every reportable transaction and must maintain a duplicate of that receipt for three (3) years. The receipt must include at least the following information:

- (A) The name, address and telephone number of the licensed business.
- (B) The date and time the item was received by the licensee.
- (C) Whether the item was pawned, sold, or the nature of the transaction.
- (D) An accurate description of each item received including, but not limited to, any trademark, identification number, serial number, model number, brand name or other identifying mark on such an item.

- (E) The signature or unique identifier of the licensee or employee that conducted the transaction.
- (F) The amount advanced or paid.
- (G) The monthly and annual interest rates, including all pawn fees and charges.
- (H) The last regular day of business by which the item must be redeemed by the pledger without risk that the item will be sold, and the amount necessary to redeem the pawned item on that date.
- (I) The full name, current residence address, current residence telephone number and date of birth of the pledger or seller.
- (J) The identification number and state of issue from any of the following forms of identification of the seller:
  - 1. Current valid Minnesota driver's license.
  - 2. Current valid Minnesota identification card.
  - 3. Current valid photo driver's license or identification card issued by another state or province of Canada.
- (K) Description of the pledger or seller including sex, approximate height, weight, race, color of eyes and color of hair.
- (L) The signature of the pledger or seller.
- (M) All printed statements as required by state statute 325J.04 subdivision 2, or any other applicable statutes.

**118.12 Redemption Period.** Any person pledging, pawning or depositing an item for security must have a minimum of ninety (90) days from the date of that transaction to redeem the item before it may be forfeited and sold during the ninety (90) day holding period, items may not be removed from the licensed location except as provided in (BUSINESS AT ONLY ONE PLACE).

Licenses are prohibited from redeeming any item to anyone other than the person to whom the receipt was issued or, to any person identified in a written and notarized authorization to redeem the property identified in the receipt, or to a person identified in writing by the pledger at the time of the initial transaction and signed by the pledger, or with approval of the police license inspector. Written authorization for release of property to persons other than original pledger must be maintained along with original transaction record in accordance with (RECORDS REQUIRED) (J).

**118.13 Holding Period.** Any item purchased or accepted in trade by a licensee must not be sold or otherwise transferred for thirty (30) days from the date of the transaction. An individual may redeem an item seventy-two (72) hours after the item was received on deposit, excluding Sundays and legal holidays.

**118.14 Police Order To Hold Property.**

- (A) Investigative hold. Whenever a law enforcement official from any agency notifies a licensee not to sell an item, the item must not be sold or removed from the premises. The investigative hold shall be confirmed in writing by the originating agency with seventy-two (72) hours and will remain in effect for fifteen (15) days from the date of initial notification or until the investigative order is canceled, or until an order to hold/confiscate is issued, pursuant to ~~section~~ (POLICE ORDER TO HOLD PROPERTY) (B) whichever comes first.
- (B) Order to hold. Whenever the chief of police or the chief's designee, notifies a licensee not to sell an item, the item must not be sold or removed from the licensed premises until authorized to be released by the chief or the chief's designee. The order to hold shall expire ninety (90) days from the date it is placed unless the chief of police or the chief's designee determines the hold is still necessary and notifies the licensee in writing.
- (C) Order to confiscate. If an item is identified as stolen or evidence in a criminal case the chief or chief's designee may:
  - 1. Physically confiscate and remove it from the shop, pursuant to written order from the chief or the chief's designee, or
  - 2. Place the item on hold or extend the hold as provided in (POLICE ORDER TO HOLD PROPERTY) (B) and leave it in the shop.

When an item is confiscated, the person doing so shall provide identification upon request of the licensee, and shall provide the licensee the name and phone number of the confiscating agency and investigator and the case number related to the confiscation. When an order to hold/confiscate is no longer necessary, the chief of police or chief's designee shall so notify the licensee.

**118.15 Inspection of Items.** At all times during the terms of the license, the licensee must allow law enforcement officials to enter the premises where the licensed business is located, including all off-site storage facilities as authorized in (BUSINESS AT ONLY ONE PLACE), during normal business hours, except in an emergency for the purpose of inspecting such premises and inspecting the items,

ware and merchandise and records therein to verify compliance with this chapter and other applicable laws.

**118.16 Label Required.** Licensee must attach a label to every item at the time it is pawned, purchased or received in inventory from any reportable transaction permanently recorded on this label must be the number or name that identifies the transaction in the shop's records, the transaction date, the name of the item and the description or the model and serial number of the item as reported to the police department whichever is applicable and the date the item is out of pawn or can be sold, if applicable. Labels shall not be re-used.

**118.17 Prohibited Acts.**

- (A) No person under the age of eighteen (18) years may pawn or sell or attempt to pawn or sell goods with any licensee, nor may any licensee receive any goods from a person under the age of eighteen (18) years.
- (B) No licensee may receive any goods from a person of unsound mind or an intoxicated person.
- (C) No licensee may receive any goods, unless the seller presents identification in the form of a valid driver's license, a valid State of Minnesota identification card, or current valid photo driver's license or identification card issued by the state of residency of the person from whom the item was received.
- (D) No licensee may receive any item of property that possesses an altered or obliterated serial number or operation identification number or any item of property that has had its serial number removed.
- (E) No person may pawn, pledge, sell, consign, leave, or deposit any article of property not their own; nor shall any person pawn, pledge, sell, consign, leave, or deposit the property of another, whether with permission or without; nor shall any person pawn, pledge, sell, consign, leave, or deposit any article of property in which another person has a security interest; with any licensee.
- (F) No person seeking to pawn, pledge, sell, consign, leave, or deposit any article of property with any licensee shall give a false or fictitious name, nor give a false date of birth; nor give a false or out of date address of residence or telephone number; nor present a false or altered identification, or the identification of another; to any licensee.

**118.18 Denial, Suspension or Revocation.** Any license under this chapter may be denied, suspended or revoked for one or more of the following reasons, acts or conditions of the applicant or agent:

- (A) The proposed use does not comply with any applicable zoning code.
- (B) The proposed use does not comply with any health, building, building maintenance or other provisions of this Code of Ordinances or state law.
- (C) The applicant or licensee has failed to comply with one or more provisions of this chapter.
- (D) The applicant is not a citizen of the United States or a resident alien, or upon whom it is impractical or impossible to conduct a background or financial investigation due to the unavailability of information.
- (E) Fraud, misrepresentation or bribery in securing or renewing a license.
- (F) Fraud, misrepresentation or false statements made in the application and investigation for, or in the course of, the applicant's business.
- (G) Violation within the preceding five (5) years, of any law relating to theft, damage or trespass to property, sale of a controlled substance, or operation of a business.
- (H) The owner of the premises licensed or to be licensed would not qualify for a license under the terms of this chapter.

**118.19 Business At Only One Place.** A license under this chapter authorizes the licensee to carry on its business only at the permanent place of business designated in the license. However, upon written request, the police inspector may approve an offsite locked and secured storage facility. The licensee shall permit inspection of the facility in accordance with (INSPECTION OF ITEMS). All provisions of this chapter regarding record keeping and reporting apply to the facility and its contents. Property shall be stored in compliance with all provisions of the city code. The licensee must either own the building in which the business is conducted, and any approved off-site storage facility, or have a lease on the business premise that extends for more than six (6) months.

**118.20 Separability.** Should any section, subsection, clause or other provision of this chapter be declared by a court of competent jurisdiction to be invalid such decision shall not affect the validity of the ordinance as a whole or any part other than the part so declared invalid.

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**SECTION 2: EFFECTIVE DATE**

The ordinance shall become effective \_\_\_\_\_ 2012.

Adopted by the City Council of the City of Milaca this\_\_ day of \_\_\_\_\_, 2012.

\_\_\_\_\_  
Harold Pedersen, Mayor

ATTEST:

\_\_\_\_\_  
Greg Lerud, City Manager

RESOLUTION NO. 12 – 43

A RESOLUTION ADOPTING ASSESSMENTS FOR THE COMPLETION OF THE SURFACING OF  
STREETS IN FIELDSTONE GREENE SUBDIVISION

WHEREAS, pursuant to proper notice duly given as required by law, the council has met and heard and passed upon all objections to the proposed assessment for the completion of the asphalt wear course on the public streets within the Fieldstone Greene Subdivision, City of Milaca, Mille Lacs County, Minnesota.

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF MILACA, MINNESOTA:

1. Such proposed assessment, a copy of which is attached hereto and made a part hereof, is hereby accepted and shall constitute the special assessment against the lands named therein, said assessment being the minimum and reasonable cost to abate the nuisance caused by the obstruction to the free use of property within the Fieldstone Greene Subdivision and to bring the streets into compliance with City standards in as required by City Ordinance and the Development Contract entered into by the City and the Owners of the land being assessed.
2. Such assessment shall be payable in equal annual installments extending over a period of 10 years, the first of the installments to be payable on or before the first Monday in January 2013, and shall bear interest at the rate of 6 percent per annum from the date of the adoption of this assessment resolution. To the first installment shall be added interest on the entire assessment from the date of this resolution until December 31, 2012. To each subsequent installment when due, shall be added interest for one year on all unpaid installments.
3. The owner of any property so assessed may, at any time prior to certification of the assessment to the county auditor, pay the whole of the assessment on such property, with interest accrued to the date of payment, to the city treasurer, except that no interest shall be charged if the entire assessment is paid within 30 days from the adoption of this resolution; and said owner may, at any time thereafter, pay to the city treasurer the entire amount of the assessment remaining unpaid, with interest accrued to December 31 of the year in which such payment is made. Such payment must be made before November 15 or interest will be charged through December 31 of the next succeeding year.
4. The clerk shall forthwith transmit a certified duplicate of this assessment to the county auditor to be extended on the property tax lists of the county. Such assessments shall be collected and paid over in the same manner as other municipal taxes.

Adopted by the City Council of the City of Milaca this 15<sup>th</sup> day of November, 2012.

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Mayor Harold Pedersen

ATTEST

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Greg Lerud, City Manager

<b>NAME</b>	<b>PID #</b>	<b>LEGAL</b>	<b>ADDRESS</b>	<b>ASSESSMENT</b>
T & M PROPERTIES OF CENTRAL MINNESOTA, INC. 545 STATE HIGHWAY 23 E, #103 MILACA, MN 56353	21-265-0010	LOT 1, BLOCK 1 FIELDSTONE GREENE	1300 3 <sup>RD</sup> AVENUE NE	\$3,000.00
T & M PROPERTIES OF CENTRAL MINNESOTA, INC. 545 STATE HIGHWAY 23 E, #103 MILACA, MN 56353	21-265-0020	LOT 2, BLOCK 1 FIELDSTONE GREENE	1302 3 <sup>RD</sup> AVENUE NE	\$3,000.00
T & M PROPERTIES OF CENTRAL MINNESOTA, INC. 545 STATE HIGHWAY 23 E, #103 MILACA, MN 56353	21-265-0030	LOT 3, BLOCK 1 FIELDSTONE GREENE	1304 3 <sup>RD</sup> AVENUE NE	\$3,000.00
T & M PROPERTIES OF CENTRAL MINNESOTA, INC. 545 STATE HIGHWAY 23 E, #103 MILACA, MN 56353	21-265-0040	LOT 4, BLOCK 1 FIELDSTONE GREENE	1306 3 <sup>RD</sup> AVENUE NE	\$3,000.00
T & M PROPERTIES OF CENTRAL MINNESOTA, INC. 545 STATE HIGHWAY 23 E, #103 MILACA, MN 56353	21-265-0050	LOT 5, BLOCK 1 FIELDSTONE GREENE	1308 3 <sup>RD</sup> AVENUE NE	\$3,000.00
T & M PROPERTIES OF CENTRAL MINNESOTA, INC. 545 STATE HIGHWAY 23 E, #103 MILACA, MN 56353	21-265-0060	LOT 6, BLOCK 1 FIELDSTONE GREENE	1310 3 <sup>RD</sup> AVENUE NE	\$3,000.00

NAME	PID #	LEGAL	ADDRESS	ASSESSMENT
T & M PROPERTIES OF CENTRAL MINNESOTA, INC. 545 STATE HIGHWAY 23 E, #103 MILACA, MN 56353	21-265-0070	LOT 7, BLOCK 1 FIELDSTONE GREENE	1312 3 <sup>RD</sup> AVENUE NE	\$3,000.00
T & M PROPERTIES OF CENTRAL MINNESOTA, INC. 545 STATE HIGHWAY 23 E, #103 MILACA, MN 56353	21-265-0090	LOT 9, BLOCK 1 FIELDSTONE GREENE	1316 3 <sup>RD</sup> AVENUE NE	\$3,000.00
T & M PROPERTIES OF CENTRAL MINNESOTA, INC. 545 STATE HIGHWAY 23 E, #103 MILACA, MN 56353	21-265-0110	LOT 11, BLOCK 1 FIELDSTONE GREENE	1320 3 <sup>RD</sup> AVENUE NE	\$3,000.00
T & M PROPERTIES OF CENTRAL MINNESOTA, INC. 545 STATE HIGHWAY 23 E, #103 MILACA, MN 56353	21-265-0130	LOT 1, BLOCK 2 FIELDSTONE GREENE	1305 3 <sup>RD</sup> AVENUE NE	\$3,000.00
T & M PROPERTIES OF CENTRAL MINNESOTA, INC. 545 STATE HIGHWAY 23 E, #103 MILACA, MN 56353	21-265-0140	LOT 2, BLOCK 2 FIELDSTONE GREENE	1307 3 <sup>RD</sup> AVENUE NE	\$3,000.00
T & M PROPERTIES OF CENTRAL MINNESOTA, INC. 545 STATE HIGHWAY 23 E, #103 MILACA, MN 56353	21-265-0160	LOT 4, BLOCK 2 FIELDSTONE GREENE	1311 3 <sup>RD</sup> AVENUE NE	\$3,000.00

NAME	PID #	LEGAL	ADDRESS	ASSESSMENT
T & M PROPERTIES OF CENTRAL MINNESOTA, INC. 545 STATE HIGHWAY 23 E, #103 MILACA, MN 56353	21-265-0190	LOT 7, BLOCK 2 FIELDSTONE GREENE	1320 4 <sup>TH</sup> AVENUE NE	\$3,000.00
T & M PROPERTIES OF CENTRAL MINNESOTA, INC. 545 STATE HIGHWAY 23 E, #103 MILACA, MN 56353	21-265-0210	LOT 9, BLOCK 2 FIELDSTONE GREENE	1312 4 <sup>TH</sup> AVENUE NE	\$3,000.00
T & M PROPERTIES OF CENTRAL MINNESOTA, INC. 545 STATE HIGHWAY 23 E, #103 MILACA, MN 56353	21-265-0230	LOT 11, BLOCK 2 FIELDSTONE GREENE	1304 4 <sup>TH</sup> AVENUE NE	\$3,000.00
T & M PROPERTIES OF CENTRAL MINNESOTA, INC. 545 STATE HIGHWAY 23 E, #103 MILACA, MN 56353	21-265-0240	LOT 12, BLOCK 2 FIELDSTONE GREENE	1300 4 <sup>TH</sup> AVENUE NE	\$3,000.00
T & M PROPERTIES OF CENTRAL MINNESOTA, INC. 545 STATE HIGHWAY 23 E, #103 MILACA, MN 56353	21-265-0270	LOT 1, BLOCK 3 FIELDSTONE GREENE	1401 4 <sup>TH</sup> AVENUE NE	\$3,000.00
T & M PROPERTIES OF CENTRAL MINNESOTA, INC. 545 STATE HIGHWAY 23 E, #103 MILACA, MN 56353	21-265-0280	LOT 2, BLOCK 3 FIELDSTONE GREENE	1325 4 <sup>TH</sup> AVENUE NE	\$3,000.00

NAME	PID #	LEGAL	ADDRESS	ASSESSMENT
T & M PROPERTIES OF CENTRAL MINNESOTA, INC. 545 STATE HIGHWAY 23 E, #103 MILACA, MN 56353	21-265-0330	LOT 7, BLOCK 3 FIELDSTONE GREENE	1315 4 <sup>TH</sup> AVENUE NE	\$3,000.00
T & M PROPERTIES OF CENTRAL MINNESOTA, INC. 545 STATE HIGHWAY 23 E, #103 MILACA, MN 56353	21-265-0340	LOT 8, BLOCK 3 FIELDSTONE GREENE	1313 4 <sup>TH</sup> AVENUE NE	\$3,000.00
T & M PROPERTIES OF CENTRAL MINNESOTA, INC. 545 STATE HIGHWAY 23 E, #103 MILACA, MN 56353	21-265-0350	LOT 9, BLOCK 3 FIELDSTONE GREENE	1311 4 <sup>TH</sup> AVENUE NE	\$3,000.00
T & M PROPERTIES OF CENTRAL MINNESOTA, INC. 545 STATE HIGHWAY 23 E, #103 MILACA, MN 56353	21-265-0360	LOT 10, BLOCK 3 FIELDSTONE GREENE	1309 4 <sup>TH</sup> AVENUE NE	\$3,000.00
T & M PROPERTIES OF CENTRAL MINNESOTA, INC. 545 STATE HIGHWAY 23 E, #103 MILACA, MN 56353	21-265-0370	LOT 11, BLOCK 3 FIELDSTONE GREENE	1307 4 <sup>TH</sup> AVENUE NE	\$3,000.00
T & M PROPERTIES OF CENTRAL MINNESOTA, INC. 545 STATE HIGHWAY 23 E, #103 MILACA, MN 56353	21-265-0380	LOT 12, BLOCK 3 FIELDSTONE GREENE	1305 4 <sup>TH</sup> AVENUE NE	\$3,000.00

<b>NAME</b>	<b>PID #</b>	<b>LEGAL</b>	<b>ADDRESS</b>	<b>ASSESSMENT</b>
T & M PROPERTIES OF CENTRAL MINNESOTA, INC. 545 STATE HIGHWAY 23 E, #103 MILACA, MN 56353	21-265-0410	LOT 1, BLOCK 4 FIELDSTONE GREENE	301 13 <sup>TH</sup> STREET NE	\$3,000.00

**AGREEMENT OF ASSESSMENT AND WAIVER OF  
IRREGULARITIES AND APPEAL**

**THIS AGREEMENT** is made this \_\_\_\_ day of \_\_\_\_\_, 2012, by and between the City of Milaca whose address is Milaca City Hall located at 255 First Street E., Milaca, Minnesota 56353, a municipal corporation organized under the laws of the State of Minnesota, hereinafter referred to as the "CITY", and CONSTRUCTION & DEVELOPMENT FINANCE, LLC, a Minnesota Limited Liability Company whose address is 8338 Hwy 65 NE, Ste. C, Spring Lake Park MN 55432 hereinafter referred to as the "OWNER".

1. **WHEREAS**, the OWNER is the owner of real property in Fieldstone Greene Subdivision Mille Lacs County, Minnesota; which is described on the attached assessment roll and is hereinafter called the Assessed Property; and

2. **WHEREAS**, The CITY Engineer has drafted plans for public improvements (hereinafter called Wear Course Construction), consisting of the asphalt wear course applied to the streets within the Fieldstone Greene Subdivision; and

3. **WHEREAS**, the CITY solicited sealed bids by public advertisement for the completion of the Wear Course Construction within the Fieldstone Greene Subdivision and awarded the construction contract to the lowest responsible bidder, Hardrives Inc., in the amount of \$92,836.70; and

4. **WHEREAS**, the Wear Course Construction is necessary, in part, to bring the Fieldstone Greene Subdivision into compliance with Milaca City Ordinance Section 155.081 requiring that street pavement be constructed in accordance with the current Minnesota State Highway Department Road Design Manual; and

5. **WHEREAS**, the Wear Course Construction is necessary, in part, to bring the Fieldstone Greene Subdivision into compliance with Minnesota Statute 561.01 which prohibits obstructions to the free use of property and interference with the comfortable enjoyment of the property owners who purchased homes and lots within Fieldstone Greene Subdivision; and

6. **WHEREAS**, the CITY has proposed that a portion of the cost of the Wear Course Construction be paid by a special assessment against the Assessed Property in the amount of \$3000.00 for each lot within the Assessed Property and the OWNER agrees to accept such special assessment and waive procedural irregularities and any right of appeal thereof by this agreement.

**NOW THEREFORE**, pursuant to the mutual covenants and agreements herein provided, it is hereby agreed by and between the CITY and the OWNER as follows:

1. The OWNER represents and warrants that it constitutes 100 percent of the Owners of the Assessed Property and that it has full legal power and authority to encumber the Assessed Property and that as of the date of the execution of this agreement, the OWNER has fee simple absolute title to the Property subject only to the liens, interests or encumbrances which are listed and described on Exhibit 1 attached hereto and made a part hereof by reference.

2. The OWNER understands and agrees that the cost of the Improvement Project has been determined in accordance with Minnesota Statutes, and standard CITY practices, and that the total cost of the special assessment to the OWNER will be \$3000.00 for each lot within the Assessed Property and that the said cost will be assessed against each lot within the

Assessed Property and that the remainder of the cost of the improvement project will be absorbed by the CITY or assessed against any property other than the Assessed Property of the OWNER.

3. The OWNER hereby waives notice of public hearing and waives the public hearing required of Minnesota Statutes § 429.031 with respect to the special assessment.

4. The OWNER hereby waives notice of public hearing and waives the public hearing required by Minnesota Statutes § 429.061. The OWNER hereby specifically agrees that the Improvement Project was necessary, and agrees that the special assessments be levied against the Assessed Property without notice and hearing as described herein.

5. The OWNER waives its right, pursuant to Minnesota Statutes § 429.081, to appeal the levy of special assessments described herein, and further, the OWNER waives its right to appeal the future reapportionment of special assessments upon land divisions or combinations pursuant to Minnesota Statutes § 429.071, Subd. 3, or as otherwise authorized by law.

6. The OWNER specifically agrees with respect to the described special assessments levied against the Assessed Property or any reapportionment thereof as previously described, that:

- A. Any requirements of Minnesota Statutes, Chapter 429, with which the CITY does not comply are hereby waived by the OWNER;
- B. The increase in the fair market value to the each lot within the Assessed Property, resulting from the construction of the Improvement Project will be in an amount at least equal to

100 percent of the total assessment costs levied, and that such increase in fair market value is a special benefit to the Property.

- C. The assessment of \$3,000.00 of the costs of the Improvement Project to the each lot within the Assessed Property is reasonable, fair and equitable and that there are no other properties against which a portion of the costs described in this subparagraph should be assessed, nor should the CITY absorb any of the described costs.

7. The OWNER understands and agrees that the CITY may provide for the payment of such special assessments in installments bearing such interest as may be determined by the City Council and that the decision regarding the period of time over which the special assessments may be paid, and the interest rate to be applied, is within the absolute and sole discretion of the City Council, subject only to the limitations imposed by Ch. 429 and Ch. 475 of Minnesota Statutes.

8. The OWNER agrees that the covenants, waivers and agreements contained in this Agreement shall bind the successors and assigns of the OWNER and shall encumber the Assessed Property in accordance with the agreements described herein and bind all successors in interest thereof, and that the City shall raise no objection to the assumption, by purchasers of a lot in the Assessed Property, of responsibility for payment of any principle, interest or penalty remaining from the assessments described herein.

9. This Agreement shall remain in full force and effect until the final payment, with interest, of all special assessments levied against the lots within the Assessed Property resulting from the Wear Course Construction have been

paid and shall then terminate upon execution and delivery by the CITY of such releases and terminations as are necessary to extinguish all rights of all parties to this Agreement. Such releases and terminations shall be delivered in recordable form to the OWNER within 14 days of request by the OWNER.

10. The CITY and the OWNER further agree that for a period of 8 years from the date of approval and execution of this agreement, upon application for a building permit on any lot within the Assessed Property, a deduction of \$1,000.00 from the then existing Sewer Availability Charge shall be provided to the applicant for the building permit, provided, upon the condition that the lots within the Assessed Property shall be maintained in accordance with Milaca City ordinances, including without limitation, Ordinance § 94.38 requiring that weeds, grasses and rank vegetation not exceed 12 inches in height.

11. The parties agree that this Agreement shall be drafted in recordable form and shall be recorded with the Mille Lacs County Recorder.

In acceptance of this Agreement, the appropriate representatives of the OWNER and the CITY have executed this Agreement to be effective on \_\_\_\_\_, 2012.

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## COMPARISON

CITY	HAULER	CART SIZES			PICKUP	RECYCLING	OTHER	# haulers
		Small	Medium	Large				
Aitkin	Garrison Disposal	\$22.66	\$24.97	\$28.26	Weekly		F/S charge not included	**
Foley	Veolia	\$10.75			Weekly		tax not included	1
Foreston	BFI - Allied 1st year	18.6	22.15	24.22	Every 2 w	Free	F/S included	1
	BFI - Allied 2nd year	28.34	34.78	42.03	Every 2 w	Free	F/S included	
Isanti	ECS - 1st year	10.69	13.06	15.44	Weekly	Free	F/S charge not included 9%	2***
	ECS - 2nd year	14.27	19.02	23.18	Weekly	Free	F/S charge not included 9%	
Milaca	Jim's Mille Lacs Disposal	\$16.00	\$20.00	\$25.00	Weekly	Free	No F/S	1
Mora****	Quality Disposal	\$14.50	\$16.50	\$20.50		Free	F/S charge - 5%, Tax - 17% add	3
	ECS	\$27.00	\$37.00	\$47.00	Weekly	Free	billed every two months	
Ogilvie	Quality Disposal	14.26	16.65	21.4	Weekly	Free	No F/S	1
Onamia	Garrison Disposal		23.3		Weekly	Free	No F/S	1
Pierz*	Peirz Sanitation		14.53		Weekly		\$2 No F/S	1
Princeton	ACE	16.96	17.52	20.8	Weekly	Free	14.3% F/S charge	4
	BFI - Allied 1st year	18.6	22.15	28.26	Weekly	Free	F/S charge included	
	BFI - Allied 2nd year	26.75	33.18	40.44	Weekly	Free	F/S charge included	

\* The City of Pierz supplies carts and does the billing

\*\* Anyone can haul, they do not license

\*\*\* Presently have two haulers, but county licenses haulers

\*\*\*\* Knife Lake Sanitation was the other licensed hauler, but no pricing received

**PROPOSAL TO PROVIDE  
AUDIT SERVICES FOR**

**CITY OF MILACA,  
MINNESOTA**

*October 30, 2012*

*Presented by:*

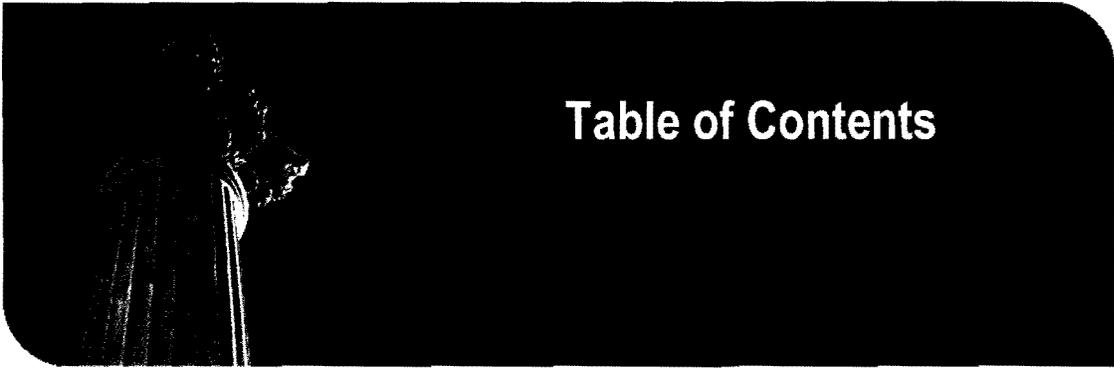


*Expert advice. When you need it.<sup>SM</sup>*

3800 American Boulevard West  
Suite 1000  
Bloomington, Minnesota 55431

220 Park Avenue South  
P.O. Box 1304  
St. Cloud, Minnesota 56302

Contact: Nancy Schulzetenberg  
Phone: 320.251.7010



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- Appendix A – Proposer Guarantees
- Appendix B – Proposer Warranties
- Appendix C – Peer Review



October 30, 2012

Greg Lerud  
City Manager  
City of Milaca  
255 First Street East  
Milaca, MN 56353

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

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

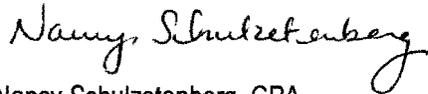
We are especially qualified because of our extensive experience working with a Cities and a variety of local units of governments in Minnesota. What makes us unique is not so much what we do, but how we do it. We believe our technical expertise, combined with our attention to service, will provide you with an audit process that is beneficial to your City.

**Our services would include, but not be limited to, the following:**

- Performing an audit of the City in accordance with U.S. generally accepted auditing standards, *Government Auditing Standards*, the provisions of the Federal Single Audit Act of 1996 and U.S. Office of Management and Budget (OMB) *Circular A-133, Audits of State and Local Governments*, and other federal, state and local requirements, as applicable.
- Providing an opinion on the City's basic financial statements and an "in-relation to" report on the supplementary information.
- Providing separate reports required under *Government Auditing Standards*, the Single Audit Act (as applicable) and the *Minnesota Legal Compliance Guide for Local Governments*.
- Reviewing, documenting and providing recommendations on improving the City's internal control and financial operations.
- Providing verbal and written guidance on new and ongoing GASB Statements.
- Meeting with City finance personnel and administration to review the financial statements and a draft of our letter of recommendations for improving the internal control and financial operations of the City.
- Presenting the financial statements and management letter to the City Council in a timely manner.
- Providing any necessary "comfort letters" and/or "consent and citation of expertise".
- Offering year-round availability for a wide range of consulting services and to answer your questions as they arise.
- Reviewing your Comprehensive Annual Financial Report for compliance with the GFOA Certificate of Achievement for Excellence in Financial Reporting.

We will work with your representatives to schedule specific fieldwork dates to ensure meeting your expectations. The undersigned is a partner and is authorized to make representations for the firm. This proposal is a firm and irrevocable offer for a 60-day period. **If you have any additional questions about our firm or the services we provide, please contact me by phone at 320-251-7010, by mail at 220 Park Ave S, St. Cloud, Minnesota 56301 or by email at nschulzetenberg@kdv.com.** I look forward to hearing from you.

Sincerely,



Nancy Schulzetenberg, CPA  
Audit Partner



## KDV Background and Services

Founded in 1945 as a CPA firm, KDV has built its success on a heritage of providing sound, strategic advice. With over 115 employees in offices in Bloomington and St. Cloud, we are a regional firm that offers a full range of business and advisory services to help small and mid-size clients increase their efficiency and financial performance.

We help organizations better manage their finances through CPA services, such as audit and tax planning, as well as daily accounting services such as payroll and general ledger. Our firm employs a total of 44 certified public accountants utilized within various departments. Our government audit team consists of 22 employees located in both Bloomington and St. Cloud offices. These employees are all dedicated to city, school district, and other government organizations auditing and consulting services. The firm employs over 50 individuals with audit experience.

**We offer comprehensive business solutions through the following services:**

- Certified Public Accountant Services
- Payroll Services
- Technology Services
- Wealth Management
- Business Valuations

**KDV demonstrates ongoing client support by offering the following specific services to our City clients:**

- Conducting independent audits of financial statements
- Assisting with budgeting processes and procedures
- Assisting governmental entities conform with the requirements to receive their Certificate of Achievement for Excellence in Financial Reporting
- Providing tax consultation for income tax and payroll-related matters
- Assisting City personnel with accounting and financial reporting decisions relating to current and new *Minnesota Statutes* and other regulations
- Assisting City personnel with completing various federal, state and county forms
- Assisting in implementing financial reporting systems
- Assisting City personnel on an as-needed basis with the year-end closing process and other accounting functions
- Training City personnel on a variety of accounting and specific City finance issues
- Performing revenue enhancement studies, reduction studies and accounting system and internal control studies



### Quality

KDV is committed to achieving the highest level of expertise and providing it to our clients when they need it most. Our clients rely on us for our in-depth knowledge and experience, and we work hard to continually earn their trust. We understand that it is not enough for us to simply know our business inside and out. We know that to perform at the highest level for our clients, we must also understand the world in which our clients work as well.

KDV has a high client retention record which demonstrates our commitment to **client satisfaction**. Nearly 60% of our governmental clients have worked with KDV for over 10 years.

We are a member of the Governmental Audit Quality Center of the American Institute of Certified Public Accountants (AICPA). The Center maintains standards for quality control in governmental audits for CPA firms nationwide.

KDV strives to achieve an **effortless transition** for audit clients. We believe we have accomplished this with recent relationship additions, including the cities of Brooklyn Park, Maplewood, Roseville and Osseo.

### Extensive Governmental Auditing and Consulting Experience

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

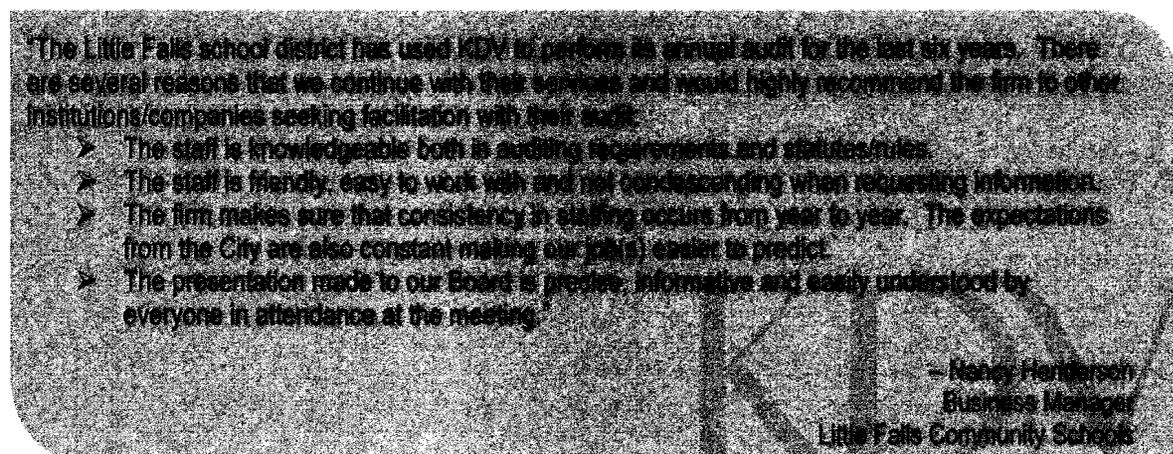
We are dedicated to **keeping informed** of significant developments in the government community and the impact of those developments on our clients. We accomplish this through formal training, including annual seminars, workshops and profession-sponsored classes on governmental accounting, auditing and reporting requirements.

**In addition, many employees of our firm are members of the following organizations and have participated as speakers for several of them:**

- Minnesota Association of School Business Officials
- National Association of School Business Officials
- Minnesota Government Finance Officers Association
- National Government Finance Officers Association (GFOA)
- Minnesota Clerks and Finance Officers Association (MCFOA)
- League of Minnesota Cities (LMC)
- Minnesota Society of Certified Public Accountants
- Association of Certified Fraud Examiners (ACFE)

**These presentations have included the following topics:**

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



## **Industry Presence**

Our firm is very active in government finance. Our staff are members of GFOA and MASBO and regularly present informational or training sessions at each organization's annual conference as well as MASBO's Institute of Business Management and Certification Program.

Our firm has the largest representation of any CPA firm in the Minnesota Society of CPAs School City and City Audit Review Task Forces and a KDV employee has chaired each Task Force. We are also regular participants in the Audits of Local Government and School City Conference Planning Task Forces.

We routinely analyze bills passed by the Minnesota Legislature and communicate to our clients any pitfalls or opportunities that may exist for them.

KDV has played an instrumental role in recent discussions and recommendations regarding the effects of GASB Statement Nos. 43, 45 and 54 on Minnesota school Districts. Matt Mayer and Nancy Schulzetenberg served on Department of Education subcommittees charged with establishing guidelines and Uniform Financial Accounting and Reporting Standards (UFARS) updates for these new standards and also provide updated guidance on GASB Statement Nos. 16 and 27. Nancy was also appointed by the Commissioner of Education to serve as the CPA representative on the current Minnesota Department of Education Advisory Committee on Financial Management, Accounting and Reporting. This Committee was established to advise the department on matters of school accounting, reporting, budgeting and financial management.

## **Assistance with Certificate of Achievement**

Several members of our firm are members of the special review committee of the Government Finance Officers Association whose purpose is to review comprehensive annual financial reports to determine eligibility for the Certificate of Achievement for Excellence in Financial Reporting. In addition, Caroline Stutsman from our firm is one of only five professional reviewers throughout the United States for the National Association of School Business Officials Certificate of Excellence program. Our firm is very familiar with the requirements necessary to obtain the Certificate of Achievement under each program and have worked with over ten entities to obtain certification for the first time.

## **Peer Review Results**

Our firm is a member of the Private Companies Section of the AICPA Division for CPA Firms. This Division was founded in 1977 by the AICPA to promote CPA excellence and to provide a voluntary, objective means of monitoring adherence to professional standards. Each member firm is required to periodically subject its audit and accounting practice to a comprehensive quality review by specially trained outside CPAs. Our last such review was in August of 2011, at which time we received a clean report on our practices and methods. This peer review included an inspection of eight governmental engagements. A copy of our peer review report is included within Appendix A.

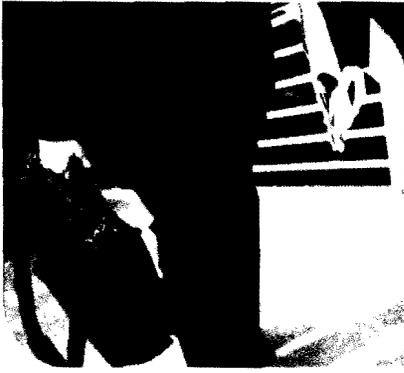
## Certifications and Independence

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

- Our firm and all assigned key professional staff are properly licensed to practice in the State of Minnesota.
- Our firm is a member of the American Institute of Certified Public Accountants and the Minnesota Society of Certified Public Accountants.
- Our firm meets the independence requirements relating to City of Milaca, as defined by U.S. generally accepted auditing standards and the U.S. General Accounting Office's *Government Auditing Standards*.
- Our firm has provided auditing and consulting service to the City the past five years.
- Our firm has never had a report rejected or classified as substandard by any state or federal agency, by the Government Finance Officers Association or Association of School Business Officials.
- Our firm has never had and currently does not have any pending disciplinary actions or investigations for alleged improper, fraudulent, disreputable or unfair activities against our firm with state regulatory bodies or professional organizations.
- We accept the professional obligation concerning the American Institute of Certified Public Accountants Interpretation 501-3 "Failure to Follow Standards and/or Procedures or Other Requirements in Governmental Audits."
- Our professional personnel have received adequate continuing education to be in compliance with *Government Auditing Standards*.
- Our firm is an equal opportunity employer and does not discriminate in employment of persons upon the basis of race, color, creed, national origin, sex, age or physical handicap, and we have an affirmative action plan in place.
- There is no current, pending or threatened litigation directly or indirectly involving our firm.

"Over the 15 years KDV has performed our annual audit, they have consistently assigned a capable and responsive team to do the work. We don't have to spend time "training" the new audit staff. The partner and in-charge auditor check in with us regularly throughout the year and are always available to answer questions and offer accounting advice at no extra charge. We feel KDV's services have provided a good value for our city—we're very pleased to have them as our auditor."

— Tom Pepper  
Chief Financial Officer  
City of Eagan, Minnesota



## Government Audit and Consulting Clients

KDV serves as independent accountants for many governmental entities throughout the state, as listed below. Those clients participating in the Certificate of Achievement program for Excellence in Financial Reporting are marked with an asterisk.

### CITIES AND TOWNSHIPS

#### Population (0-2,000)

Bock  
 Browns Valley  
 Carlton  
 Clear Lake  
 Clearwater  
 Cyrus  
 Eden Valley  
 Freeport (Consultant)  
 Gillman  
 Maine Prairie Township  
 Millerville  
 Osaksi  
 Richmond  
 Royalton  
 Silver Bay  
 Watkins  
 Waverly

#### Population (2,001-5,000)

Cold Spring  
 Deephaven\*  
 Elko New Market  
 Greenfield (Consultant)  
 Hanover  
 Haven Township  
 Milaca  
 Osseo  
 Park Rapids  
 Princeton  
 Princeton Township  
 Rockford Township  
 Two Harbors

#### Population (5,001-15,000)

Albertville\*  
 Baldwin Township  
 Big Lake  
 Corcoran (Consultant)  
 Dayton  
 Falcon Heights\*  
 Fergus Falls\*  
 Lake Elmo (Consultant)  
 Mendota Heights  
 Oak Grove\*  
 Otsego (Consultant)  
 Sauk Rapids  
 St. Joseph

#### Population (15,001<)

Apple Valley  
 Brooklyn Park\*  
 Crystal\*  
 Eagan\*  
 Eden Prairie\*  
 Forest Lake\*  
 Ham Lake\*  
 Inver Grove Heights\*  
 Mapplewood  
 Minnetonka\*  
 New Brighton\*  
 Roseville\*  
 Sartell  
 Savage\*  
 Shakopee\*  
 Woodbury\*

### Fire Relief Associations

Albertville  
 Apple Valley  
 Becker  
 Browns Valley  
 Clear Lake  
 Cold Spring  
 Columbia Heights  
 Colvin  
 Coon Rapids

Eden Prairie  
 Eden Valley  
 Falcon Heights  
 Farmington  
 Fridley  
 Goodview  
 Ham Lake  
 Hanover  
 Inver Grove Heights

Lakeville  
 Lester Prairie  
 Mendota Heights  
 Milaca  
 Minnetonka  
 Oak Grove  
 Osakis  
 Princeton  
 Rockville

Silver Bay  
 Spring Lake Park  
 Taylors Falls  
 Two Harbors  
 Watkins  
 Waite Park

*Government Audit and Consulting Clients continued on next page*

## SCHOOL DISTRICTS AND CHARTER SCHOOLS

ADMs (0-500)	ADMs (501-1,000)	ADMs (1,001-2,500)	ADMs (2,501<)
Academy of North Minneapolis	Atwater-Cosmos-Grove City	Albany	Becker
Cedar Riverside Community School	Belgrade-Brooten-Elrosa	Annandale	Big Lake
Face to Face Academy	Deer River	Cass Lake	Bloomington
Fraser Academy	East Central	Crosby-Ironton	Buffalo-Hanover-Montrose
Minneapolis Academy	Eden Valley-Watkins	Delano	Columbia Heights*
Pine Point	Isle	Foley	Detroit Lakes
West Central Education District	Kimball	Howard Lake-Waverly-Winsted	Farmington*
Yinghua Academy	Moose Lake	Little Falls	Fridley
Wright Technical Center	Onamia	Long Prairie - Grey Eagle	Princeton
Oakland Vocational		Milaca	Sartell-St. Stephen
Lighthouse Academy of Nations		Pierz	Sauk Rapids-Rice
Wrenshall		Rockville-Cold Spring-Richmond	Shakopee
		Sauk Centre	St. Cloud Area Schools
		Westonka	

## MINNESOTA STATE COLLEGES AND UNIVERSITIES

Minnesota State University-Mankato	St. Cloud State University
Minneapolis Community and Technical	Normandale Community College
Minnesota State University-Moorhead	Hennepin Technical College
Winona State University	MNSCU System-Wide, Revenue Fund

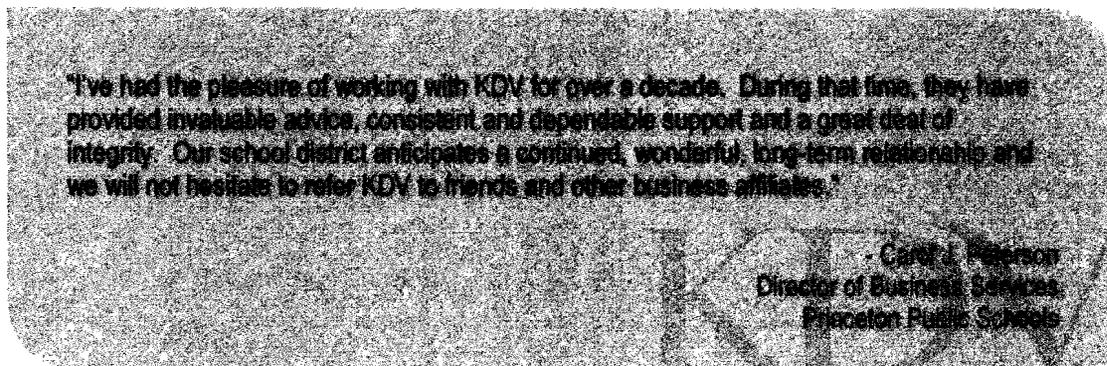
## OTHER GOVERNMENT AND RELATED ENTITIES

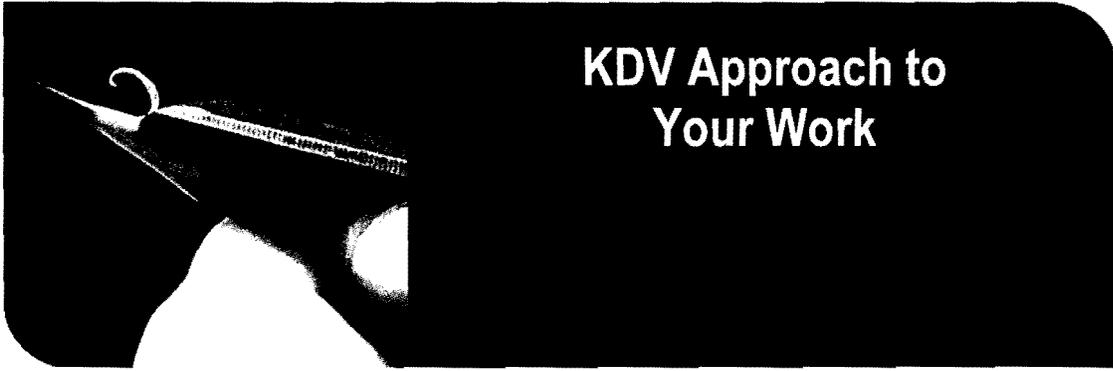
Benton Stearns Education District	Great River Regional Library	St. Cloud Metro Transit Commission	Southwest Metro Drug Task Force
Central MN Area Learning Center	Itasca ASC	St. Louis Park Housing Authority	Southwest Transit
Central MN Educational Research and Development Council	Midstate Education District	Sauk River Watershed District	Stearns County Family Services Collaborative
Clearwater/Clear Lake Sewer Authority	Minnesota Higher Education Facilities Authority +	Scott Joint Prosecution Association +	Suburban Transit Association
Dakota County Drug Task Force +	Northwest Suburban Integration District +	Shakopee Public Utility Commission	West Central Education District
East Lake Clinic District	Region III	South St. Paul Housing Rehabilitation Authority	
	Resource Training and Solutions		
	St. Cloud Area Planning Organization		

## REFERENCE CLIENTS

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

CLIENT	SCOPE OF WORK	HOURS	ENGAGEMENT PARTNER	PRINCIPAL CLIENT CONTACT
City of Fergus Falls	Audit	350	Nancy Schulzetenberg	Bill Sonmor 218-332-5407
City of Apple Valley	Audit	350	Nancy Schuzetenberg	Ron Hedberg 952-953-2540
City of Cold Spring	Audit	250	Nancy Schulzetenberg	Paul Hetland 320-685-3653
City of New Brighton	Audit	400	Steve Wischmann	Dan Maiers 651-638-2102
City of Princeton	Audit	200	Steve Wischmann	Steve Jackson 763-389-2040



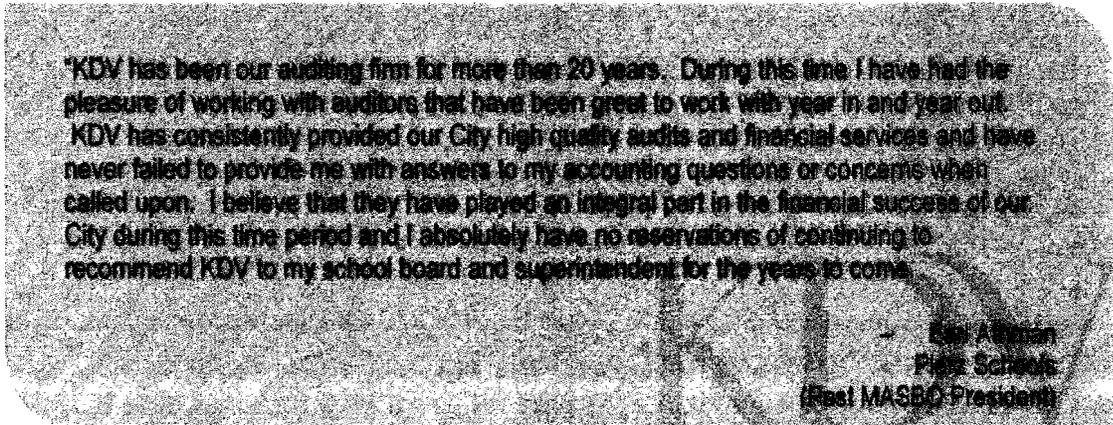


## KDV Approach to Your Work

Year-end fieldwork will be scheduled to meet your timetable. Be assured we will meet all deadlines, with "deadlines" being defined as "your expectations". To maximize our efficiency and to minimize professional fees, we plan to coordinate our work with you. Our comprehensive audit planning and coordination with your staff would begin immediately after our appointment as your auditors. Our experience has shown that careful planning and coordinating result in optimum efficiency.

Your audit program will be created and custom-tailored to your City's specific accounting procedures and required reporting. The extent of the work we do will depend upon the size and complexity of your financial transactions and systems, as well as the quality and effectiveness of your procedures. Through our use of ProSystem fx® Audit Engagement software, we are able to develop the best audit program possible, providing the greatest efficiency with the least amount of disruption to your operations and personnel. We use PPC audit programs for most audit areas but will use firm-generated programs for areas unique to your City. We will request information electronically from the City, but have the capability and flexibility to accept information in various formats.

The audit will be conducted in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. The primary purpose of the audit is to express an opinion on the financial statements. If conditions are discovered which lead to the belief that material errors or other irregularities such as noncompliance with specific laws, regulations and contracts exist that require extended services, we will promptly advise the appropriate officials. No extended services will be performed unless they are authorized by the appropriate City officials.



Your service plan provides continuous involvement with you, which we have summarized in three phases. Briefly, the phases are:

## PHASE ONE

**Initial Planning and Program Development** – The planning stage, the most crucial part of the engagement, involves preliminary judgments of materiality, audit or engagement risk and evaluation of the internal control of the City. During this phase, we will work with your personnel to learn more about the City's operations through the following actions:

- Interview finance committee representatives and key personnel to gain information from their perspective relating to internal control and overall operations.
- Obtain and update an understanding of the City's operations through interviews, a review of policies relating to the internal control and financial reporting systems, and a walk-through of key operational systems to determine their compliance and effectiveness. We will conduct the analysis of your internal controls by obtaining documentation already prepared by the City. A thorough review of this documentation will be performed and individually discussed with City personnel to ensure full understanding of internal controls.
- Obtain population sizes for certain transaction-based finance systems and select which transactions we will target for internal control and compliance testing.
- Obtain your current financial reports and budgets and perform overall analytical review procedures.
- Obtain applicable organizational charts, board policies, bond documents, leases and other legal contracts.
- Obtain City transaction data and analyze using data mining techniques to assess audit risk.

Based on these procedures and our knowledge the City, we will determine the extent of audit testing required and prepare our detailed audit program. As more information is obtained through analytical review, inquiry and observation, the preliminary judgments will be modified to reflect the additional information.

## PHASE TWO

**Program Execution** – During this phase, we will perform the procedures outlined in your audit plan. This includes internal control and compliance testing to determine if your systems and controls are functioning as planned. This phase also includes our auditing of year-end account balances, with review and observation of financial and accounting records. All information required from City Staff for this phase will be requested in a letter well before final fieldwork. During the program execution phase, we will use sampling techniques to test such areas as transactions, internal controls, legal compliance, and Single Audit compliance testing if necessary. These sample sizes will vary based on City activity and internal controls evaluations but generally are between 25 and 60. This phase may also include additional analytical procedures specific to audit areas and surprise audit tests as required by auditing standards. Our final audit procedure during the program execution stage includes an overall analytical review process to determine if the results obtained are consistent and reasonable with the City's activities for the year. As we identify opportunities for improvement and determine appropriate recommendations, we will discuss them with City personnel. We anticipate 4-5 days of on-site fieldwork.

### PHASE THREE

**Post Audit Critique and Presentation** – After completion of the audit fieldwork, we will review the financial statements and draft the audit report, management letter and other required reports. We will meet with the administration to review the preliminary audit report and management letter and discuss the financial trends of your City.

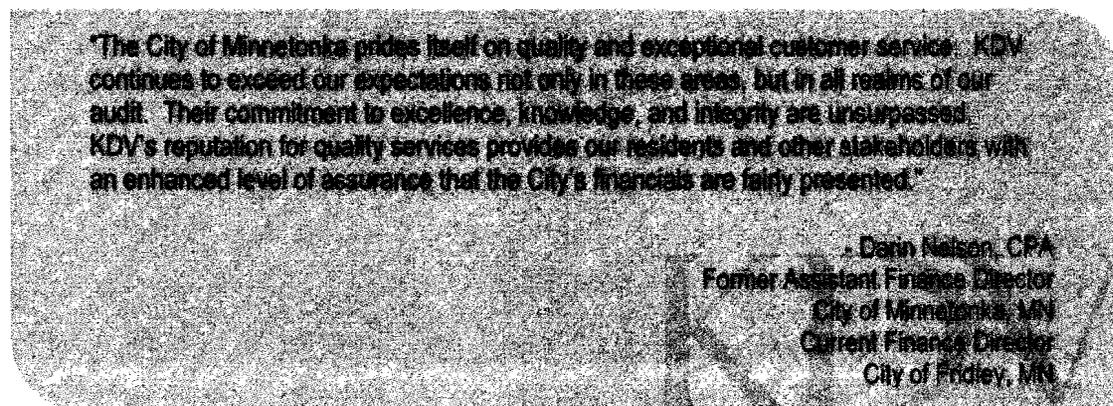
The final phase of the audit also includes the presentation of the reports and our letter of recommendations and financial analysis to the City Council. The presentation will provide the City Council with information about the year's financial activity compared to past trends and expected results. It will also provide information about your City in relation to state statistical data. We understand that all organizations have individual needs, so we will adapt our presentation to your specific requests, such as using Microsoft PowerPoint®, transparencies or written handouts to enhance our presentation

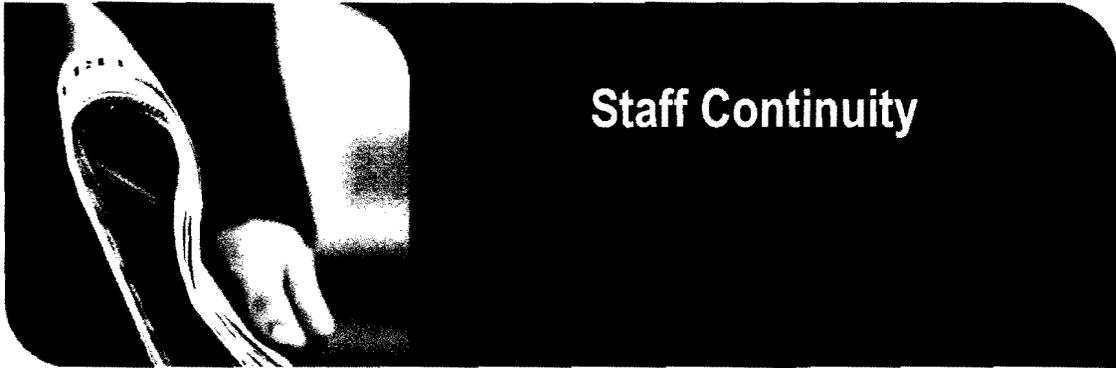
This phase will conclude with a presentation to the City Council as scheduled by the City.

### MANAGEMENT LETTER

Our services to you include a discussion and written summary of required communication and recommendations for improvement on significant matters concerning operations and controls. These recommendations will first be discussed with City personnel during the program execution stage of the audit. The quality of our letters is one of the factors that differentiate us from other firms; we emphasize solid, practical suggestions in addition to traditional control comments.

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





## Staff Continuity

Our hiring philosophy has been—and will continue to be—focused on recruiting skilled and passionate individuals to be trusted advisors to our clients. This philosophy is founded on our firm's values of excellence, collaboration, trust and care. These values and our philosophy exist externally with our clients and internally with our staff.

Your team was selected to best match the unique requirements of the City of Milaca. We believe that consistent team members are advantageous for both our firm and your City to keep continuity and efficiencies high. Also, with our accounting and consulting expertise, you will never have to spend valuable time "training in" our staff. With KDV, you can be assured that your team, once assigned, will remain constant. If you request a rotation arrangement, we will honor this request.

Our client service team includes full-time individuals who have extensive governmental experience from our Bloomington and St. Cloud offices. This commitment will assure that you receive quality service backed by the full resources of our firm. The resumes on the following pages describe the experience of the professional staff assigned to the engagement. In addition, we will assign 3 additional government staff auditors to the engagement. A specific assignment of these additional individuals will occur when fieldwork is scheduled.

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

<u>Specialist</u>	<u>Area of Expertise</u>
Steve Leen	Employee Benefit Tax Issues
Jennifer Thienes	Exempt Tax Issues
Earl Edeburn	Information Technology
Joe Rigdon	Government Consulting
Nancy Schulzetenberg	Certified Fraud Examiner

# Nancy Schulzetenberg, CPA



## Role in Engagement

- Audit Partner

## Education

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

## Experience

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

## Professional and Civic Activities

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

## Loren Viere, CPA

### Role in Engagement

- Consulting Partner

### Education

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



### Experience

- Managing Partner for Kern, DeWenter, Viere, Ltd.
- Thirty two years experience in auditing governmental and nonprofit entities
- Audit partner in-charge for numerous governmental engagements
- Speaker at Kern, DeWenter, Viere, Ltd. and governmental organization sponsored seminars
- Attends workshops on governmental and single audit accounting, auditing and reporting on an annual basis that qualify as *Government Auditing Standards* continuing professional education
- Appointed by Minnesota Department of Education to Accounting Guidelines Committee – Accounting Guidelines Committee establishes accounting and reporting requirements for Minnesota School Districts
- Member of Firm's Quality Review team which reviews other accounting firms to determine their compliance with auditing and accounting pronouncements.
- Certified Public Accountant, licensed to practice in the State of Minnesota

### Professional and Civic Activities

- Minnesota Society of Certified Public Accountants
- American Institute of Certified Public Accountants
- Board Chair of St. Cloud Area Chamber of Commerce
- Member of Executive Committee of St. Cloud Area Chamber of Commerce
- Serves on numerous advisory boards for closely held businesses
- Member of Granite Rotary Club

# Janel Bitzan, CPA



## Role in Engagement

- Audit Manager

## Education

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

## Experience

- Fourteen years experience in auditing governmental clients
- Audit Manager for numerous school district and city audits
- Member of the Special Review Committee of the Government Finance Officers Association whose purpose is to review Comprehensive Annual Financial Reports to determine eligibility for the Certificate of Achievement for Excellence in Financial Reporting
- Member of the Special Review Committee of the Government Finance Officers Association whose purpose is to review Budget Presentations to determine eligibility for the Distinguished Budget Award
- Member of Minnesota Society of CPA's School District and City Audit Review Task Force whose purpose is to conduct reviews of financial statements to increase member awareness and understanding of accounting principles by providing specific constructive comments on reviews
- Presenter at the Government Finance Officers Association Annual Conference, Minnesota Association of School Business Official's Institute of School Business Management, first Certification Program class, and Annual Conference, Central Minnesota Educational Research & Development Council's Annual Business Conference, the Minnesota Society of CPAs School District Audits Conference and KDV sponsored seminars
- Attends workshops on school district, city and nonprofit governmental accounting and reporting requirements on an annual basis that qualifies as "yellow book" continuing professional education
- Certified Public Accountant, licensed to practice in the State of Minnesota

## Professional and Civic Activities

- Minnesota Society of Certified Public Accountants
- American Institute of Certified Public Accountants
- Government Finance Officers Association
- Minnesota Association of School Business Officials
- Minnesota Society of Certified Public Accountants School District Audit Conference Planning Task Force
- Minnesota Society of Certified Public Accountants Audits of Local Governments Conference Planning Task Force
- Past Treasurer and Finance Committee Chair of the Minnesota Women of Today
- Past President and Past Treasurer of the St. Cloud Women of Today



## Fees

Our proposed fees to provide audit services, which are itemized on page 19-21, include the following assumptions:

- KDV representatives will prepare a management letter and required communication for the governing body.

### **AVAILABILITY AND COUNSEL**

We encourage our clients to contact us whenever they have questions during the year. We will not invoice the City additional amounts unless substantial research or work is required, in which case we will discuss the scope of any additional work and proceed only after we have reached a mutually agreeable fee arrangement.

### **UNEXPECTED TIME AND CHARGES**

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

### **BILLINGS**

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

**SCHEDULE OF PROFESSIONAL FEES AND EXPENSES FOR THE AUDIT OF THE  
2012 FINANCIAL STATEMENTS**

	<u>Hours</u>	<u>Standard Hourly Rates</u>	<u>Quoted Hourly Rates</u>	<u>Total</u>
Partners	15	175	\$ 160	\$ 2,400
Managers	20	150	130	2,600
Supervisory Staff	50	120	105	5,250
Staff	75	95	90	6,750
Administrative Staff	<u>10</u>	75	60	600
Subtotal	<u><u>170</u></u>			<u><u>17,600</u></u>
Other (Specify):				<u>N/A</u>
<b>Total All-Inclusive Maximum Price for 2012 Audit</b>				<u><u>\$ 17,600</u></u>
<b>Single Audit Cost (A-133) if Necessary</b>				<u><u>\$ 1,500 - \$ 2,000</u></u>

**SCHEDULE OF PROFESSIONAL FEES AND EXPENSES FOR THE AUDIT OF THE  
2013 FINANCIAL STATEMENTS**

	<u>Hours</u>	<u>Hourly Rates</u>	<u>Rates</u>	<u>Total</u>
Partners	15	180	\$ 163	\$ 2,445
Managers	20	155	133	2,660
Supervisory Staff	50	125	108	5,400
Staff	75	100	93	6,975
Administrative Staff	<u>10</u>	80	63	630
Subtotal	<u><u>170</u></u>			<u><u>18,110</u></u>
Other (Specify):				<u>N/A</u>
<b>Total All-Inclusive Maximum Price for 2012 Audit</b>				<u><u>\$ 18,110</u></u>
<b>Single Audit Cost (A-133) if Necessary</b>				<u><u>\$ 1,500 - \$ 2,000</u></u>

**SCHEDULE OF PROFESSIONAL FEES AND EXPENSES FOR THE AUDIT OF THE  
2014 FINANCIAL STATEMENTS**

	<u>Hours</u>	<u>Standard Hourly Rates</u>	<u>Quoted Hourly Rates</u>	<u>Total</u>
Partners	15	185	\$ 166	\$ 2,490
Managers	20	160	136	2,720
Supervisory Staff	50	130	111	5,550
Staff	75	105	96	7,200
Administrative Staff	<u>10</u>	85	66	660
Subtotal	<u><u>170</u></u>			<u><u>18,620</u></u>
Other (Specify):				<u>N/A</u>
<b>Total All-Inclusive Maximum Price for 2012 Audit</b>				<u><u>\$ 18,620</u></u>
<b>Single Audit Cost (A-133) if Necessary</b>				<u><u>\$ 1,500 - \$ 2,000</u></u>

**APPENDIX A – PROPOSER GUARANTEES**

I. The Proposer certifies it can and will provide and make available, as a minimum, all services set forth in Section II, Nature of Services Required.

**Signature of Official:** *Nancy Schulzetenberg*  
**Name (typed):** Nancy Schulzetenberg  
**Title:** Government Audit Partner  
**Firm:** Kern, DeWenter, Viere, Ltd.  
**Date:** October 25, 2012

**APPENDIX B – PROPOSER WARRANTIES**

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

**Signature of Official:** *Nancy Schulzetenberg*  
**Name (typed):** Nancy Schulzetenberg  
**Title:** Government Audit Partner  
**Firm:** Kern, DeWenter, Viere, Ltd.  
**Date:** October 25, 2012

APPENDIX C – PEER REVIEW

**Lewis, Kisch & Associates, Ltd.**

CERTIFIED PUBLIC ACCOUNTANTS  
1303 South Frontage Road, Suite 3  
Hastings, Minnesota 55033

James V. Lewis, C.P.A.  
Carol J. Sailer, C.P.A.  
Thomas A. Madsen, C.P.A.

Telephone: (651) 437-3356  
FAX: (651) 437-3808  
email: admin@lewiskisch.com

**SYSTEM REVIEW REPORT**

August 18, 2011

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

We have reviewed the system of quality control for the accounting and auditing practice of Kern, DeWenter, Viere, Ltd. (the firm) in effect for the year ended March 31, 2011. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary).

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

In our opinion, the system of quality control for the accounting and auditing practice of Kern, DeWenter, Viere, Ltd. in effect for the year ended March 31, 2011, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)*, or *fail*. Kern, DeWenter, Viere, Ltd. has received a peer review rating of *pass*.

Respectfully submitted,

*Lewis, Kisch & Associates, Ltd.*



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

Audit Proposal for  
City of Milaca  
Milaca, Minnesota 56353

Submitted by:  
Althoff & Nordquist, LLC, CPA's  
505 Second Street SE  
Pine City, Minnesota 55063  
Telephone number: 320-679-4846  
Date of quote: October 25, 2012

# Althoff and Nordquist, LLC

CERTIFIED PUBLIC ACCOUNTANTS  
www.althoffandnordquist.com

505 - SECOND STREET SE  
PINE CITY, MINNESOTA 55063  
TELEPHONE: 320-629-6185

124 EAST FOREST  
MORA, MINNESOTA 55051  
TELEPHONE: 320-679-4846

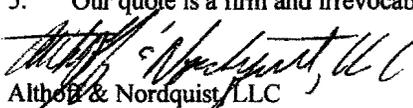
CARL D. NORDQUIST, JR., C.P.A.  
ROBERT R. ALTHOFF, C.P.A.

MEMBERS  
AMERICAN INSTITUTE OF C.P.A.'S  
MINNESOTA SOCIETY OF C.P.A.'S

Members of the City Council  
Milaca, Minnesota 56353

This letter is written to briefly state our understanding of the work to be done and other requirements.

1. The audit is to be performed in accordance with generally accepted auditing standards of the United States, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of the Legal Compliance Audit Guide promulgated by the legal compliance task force pursuant to Minnesota Statutes Sec. 6.65.
2. All working papers are to be retained seven years unless notified in writing by the City of Milaca of the need for an extended period. Working papers will be made available upon request to the following parties or designees:
  - City of Milaca
  - U.S. General Accounting Office (GAO)
  - Other parties designated by the federal or state governments or by the City of Milaca as part of an audit quality process.
3. The audit is to be completed by no later than the date indicated.
  1. Detailed audit plan – Dec (2012)
  2. Interim work - Jan
  3. Field work – Feb
  4. Draft report – March
  5. Final report – April 1
  6. Present to the City Council - At the next Regular City Council Meeting following the Final Report.
4. It is our opinion all CPA firms should be qualified the same for the following reasons:
  1. Anyone doing governmental auditing is required to have continuing education of 80 hours every two years of which 24 hours must be in governmental accounting.
  2. All firms are now required to have a peer or quality review every three years. We received pass with deficiency as of September 2, 2009. A copy is attached.
  3. In our firm, all work is done by one of the two partners with over 20 years experience, one staff person, and will work directly under the supervision of the engagement partner.
5. Our quote is a firm and irrevocable offer for 60 days.

  
Althoff & Nordquist, LLC  
October 25, 2012



The CPA. Never Underestimate The Value.®

# Althoff and Nordquist, LLC

CERTIFIED PUBLIC ACCOUNTANTS  
www.althoffandnordquist.com

505 - SECOND STREET SE  
PINE CITY, MINNESOTA 55063  
TELEPHONE: 320-629-6185

124 EAST FOREST  
MORA, MINNESOTA 55051  
TELEPHONE: 320-679-4846

CARL D. NORDQUIST, JR., C.P.A.  
ROBERT R. ALTHOFF, C.P.A.

MEMBERS  
AMERICAN INSTITUTE OF C.P.A.'S  
MINNESOTA SOCIETY OF C.P.A.'S

Members of the City Council  
Milaca, Minnesota 56353

Our firm, Althoff & Nordquist, LLC, CPA's, is properly licensed by the State of Minnesota, as well as both partners and the staff person who will be performing the audit. Our firm consists of two partners and one staff person, including several support staff. Our main office is located at 505 Second Street SE, Pine City, Minnesota, and both partners and staff person are available to perform the audit and answer questions during the balance of the year.

Our firm is independent of the City of Milaca, Minnesota. We have not had prior engagements with the City of Milaca, except through the City of Ogilvie's annual audit.

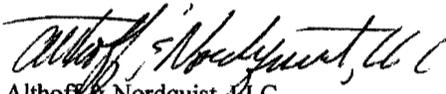
The firm's current billing practice is to bill for 1/3 of the fee at the completion of field work, the balance is due upon completion of the report and presentation.

The following are the personnel anticipated to be assigned to this audit, including years of experience:

Carl D. Nordquist Jr. CPA (Partner), 20 years of experience  
Robert Althoff CPA (Partner), 30 years of experience

A general break-out of our firm's activities:

45% Audit includes School Districts, Cities, other governmental entities and nonprofits.  
26% Individual tax returns.  
29% Corporate tax, review, other write-up services.

  
Althoff & Nordquist, LLC  
October 25, 2012



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Similar Engagements:

City of Mora  
Mora, Minnesota 55051  
Contact person: Mason Hjelle, 320-679-1511

City of Ogilvie  
Ogilvie, Minnesota 56358  
Contact person: Mark Nilson, 320-272-4027

City of Hinckley  
Hinckley, Minnesota 55037  
Contact person: Kyle Morell 320-384-7491

City of Pine City  
Pine City, Minnesota 55063  
Contact person: Susan Smetana, 320-629-2575

City of Sandstone  
Sandstone, Minnesota 55072  
Contact person: Sam Griffith, 320-245-5241

**CITY OF MILACA  
QUOTE SHEET  
THREE (3) YEAR AUDIT SERVICES  
FY-2012, FY-2013, FY-2014**

WE SUBMIT THE FOLLOWING QUOTES:

	CITY OF MILACA
FY-2012	\$ <u>10,500</u>
FY-2013	\$ <u>10,815</u>
FY-2014	\$ <u>10,950</u>

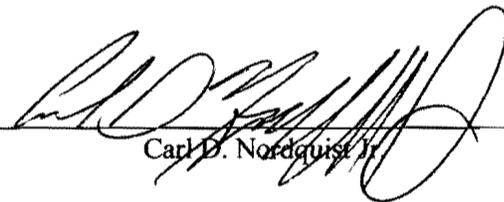
**SUBMITTED BY:** Althoff & Nordquist, LLC, CPA's

**ADDRESS:** 505 Second Street SE

Pine City, MN 55063

**PHONE:** 320-679-4846      **DATE:** October 25, 2012

**SIGNATURE:**

  
\_\_\_\_\_  
Carl D. Nordquist Jr.

**APPENDIX A**

Page 2

Breakdown of cost FY-2012 ONLY:

	CITY OF MILACA	
Partners	Hrs <u>40</u>	Rate \$ <u>6,000</u>
Managers	Hrs _____	Rate \$ _____
Supervisory	Hrs _____	Rate \$ _____
Staff	Hrs <u>68</u>	Rate \$ <u>3,400</u>
Clerical	Hrs <u>15</u>	Rate \$ <u>450</u>
Other Expenses	<u>Copies</u>	Rate \$ <u>150</u>
Other Expenses	_____	Rate \$ _____
<b>TOTAL</b>	Hrs <u>123</u>	Rate \$ <u>10,500</u>

Note: Total rate should equal Total on page 1 of Appendix A for FY-2012 Quote.

**Lewis, Kisch & Associates, Ltd.**

CERTIFIED PUBLIC ACCOUNTANTS

1303 South Frontage Road, Suite 3

Hastings, Minnesota 55033

James V. Lewis, C.P.A.  
Carol J. Sailer, C.P.A.  
Thomas A. Madsen, C.P.A.

Telephone: (651) 437-3356  
FAX: (651) 437-3808  
email: admin@lewiskisch.com

**SYSTEM REVIEW REPORT**

Of Counsel

John T. Kisch, C.P.A.

September 2, 2009

To the Members  
Althoff and Nordquist, LLC  
and the Peer Review Committee of the Minnesota Society of Certified Public Accountants

We have reviewed the system of quality control for the accounting and auditing practice of Althoff and Nordquist, LLC (the firm) in effect for the year ended June 30, 2009. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary).

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

We noted the following deficiency during our review:

1. **Deficiency**— The firm's quality control policies and procedures are adequately designed to ensure compliance with professional standards. However, our peer review found inconsistent compliance with the firm's policies and procedures. As a result, while there was generally good compliance with standards, we found instances where audit planning, including risk assessment were inadequately documented and instances where the firm's reports were deficient. As relates to the audit planning, it does appear that sufficient procedures were performed to support the audit opinion. As to reporting matters, the deficiencies did not result in significantly misleading reports.

**Recommendation**— The firm should emphasize consistent and uniform compliance with its quality control policies and procedures. We suggest the firm consider a staff meeting to communicate its requirements. We further recommend that owners carefully review for compliance. The firm should also consider expanding its monitoring procedures until there is consistent compliance.

In our opinion, except for the deficiency described above, the system of quality control for the accounting and auditing practice of Althoff and Nordquist, LLC in effect for the year ended June 30, 2009, 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*. Althoff and Nordquist, LLC has received a peer review rating of *pass with deficiency*.

Respectfully submitted,

*Lewis, Kisch & Associates, Ltd.*



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