

SMITH SCHAFER IS AN **AWARD-WINNING**
ACCOUNTING & CONSULTING FIRM IN MINNESOTA.



PROPOSAL FOR
PROFESSIONAL AUDIT SERVICES

THE CITY OF PRINCETON

December 2022

PROPOSAL CONTACT

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EXECUTIVE SUMMARY

City of Princeton
Michele McPherson

Smith Schafer is pleased to submit our proposal to provide professional services to the City of Princeton. Smith Schafer is an **award-winning, community-oriented** public accounting and business consulting firm offering a thoughtful advisory relationship to cities, townships, businesses and individual clients.

**OUR GOAL IS TO PROVIDE THE CITY OF PRINCETON WITH HIGH-QUALITY,
TIMELY AND VALUE-ADDED SERVICES.**

WHY SMITH SCHAFER

OUR INDUSTRY EXPERIENCE & CLIENT BASE

- Smith Schafer is a recognized leader in providing accounting, auditing and consulting services to the government industry. Our Government Service Group, comprised of numerous professionals, is committed to serving over 90 Minnesota government entities. Our experts stay on top of changing trends and leverage years of experience, relationships, and continuing education. Smith Schafer's industry specialization allows us to stay on the leading edge of industry developments, regulations and opportunities, and will permit us to efficiently and effectively provide services tailored to the City of Princeton's needs and requirements. This level of specialization makes us uniquely qualified to provide the high-quality audit services the City of Princeton expects and deserves to receive.

OUR CULTURE

- Smith Schafer was recognized as a **Top 175 Workplace in Minnesota** in 2022 by the Star Tribune. We possess a firm culture and environment stressing an entrepreneurial approach to business and continued professional growth. We believe these core factors support our **very low staff turnover**.
- Smith Schafer has been ranked no. 214 on INSIDE Public Accounting's **Top 300 Firms** ranking list for 2022. INSIDE Public Accounting also named Smith Schafer one of the **Fastest-growing CPA firms in the Nation** in 2018!

"Our growth since 1971, is a testament to our longstanding technical excellence, passion to serve our clients and dedication to our internal culture."

- Managing Principal, Steve Erchul

OUR SERVICE APPROACH

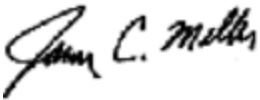
- We are a mid-sized firm with the **expertise and resources of a large firm**, but with the **personal contact and close relationships** you would expect from a smaller firm. With approximately 100 employees, we are large enough to have resources to **keep up with constantly changing rules and regulations**.
- Smith Schafer is one of 50 firms across the country recognized with ClearRated's **2022 Best of Accounting Award**, indicating we provide an exceptionally high service level. We received a **9.5/10 satisfaction rating from our clients!**
- Smith Schafer has been named a **Top Recommended Tax Firm** by Forbes. The list identifies 278 firms across the U.S. that are most recommended for their professional services.

The engagement team assigned to the City of Princeton are **highly-qualified** and possess the appropriate experience and expertise to effectively serve you. You will have continuous access to your engagement team. We encourage you to reach out whenever you have questions and **additional fees WILL NOT be charged** unless significant research is involved. The value in hiring our firm comes not only from the audit, but from our governmental experience and the education we can provide.

In summary, we will use our years of experience, training and knowledge to provide proactive, dedicated, value-added and cost-effective services to the City of Princeton. We have developed this proposal that follows with the City of Princeton in mind, providing information that is most relevant to your current business needs. Our understanding of the work to be done is outlined in the Audit Process section of this proposal. We commit to perform the work within the time period outlined in that same section. The proposal is a firm and irrevocable offer for 60 days.

Please call if you need further information or clarification. Thank you for the opportunity to present this proposal.

Sincerely,

A handwritten signature in black ink that reads "Jason C. Miller". The signature is written in a cursive style with a large initial "J" and "M".

SMITH, SCHAFER & ASSOCIATES, LTD.
Jason C. Miller, CPA
Principal

ABOUT US

We are focused on the best advice for every situation, presented in a timely and simple way that solves or avoids problems for our clients.

OUR CLIENT SERVICE - A PROVEN APPROACH

Smith Schafer has an approach to delivering value. Understanding your City's structure and the unique accounting and auditing issues you face is critical to providing sound advice. Smith Schafer is a recognized leader in providing accounting, auditing and consulting services to cities and townships.

We take pride in client service, which leads to maintaining solid business partner relationships with our clients' management. We strive to provide high-quality services in a timely, cost-effective manner. Our clients appreciate this approach, which is evidenced by the low level of lost clients which the firm has experienced.

We are committed to working with the City of Princeton and will be held accountable for:

- Enhancing our understanding of your specific municipality and operations.
- Meeting with you at regular intervals.
- Being available to you throughout the year. We encourage you to reach out whenever you have questions and additional fees WILL NOT be charged unless significant research is involved.
- Keeping you abreast of industry and technical information.
- Timely delivery of service.

PRIMEGLOBAL

Smith Schafer is a member of PrimeGlobal, the third largest association of independent accounting firms in the world, giving us access to a wide range of specialists with government accounting and auditing experience and affording our staff the opportunity to provide these special skills to other member firms within the PrimeGlobal network.

LICENSE TO PRACTICE IN MINNESOTA

Smith Schafer and each of the certified public accountants employed by Smith Schafer are licensed to practice public accounting in the State of Minnesota.

FIRM INDEPENDENCE

Smith, Schafer & Associates, Ltd. and its employees are independent of the City of Princeton under generally accepted auditing standards. We do not know of any professional or personal relationships between the City of Princeton and Smith Schafer, or any of Smith Schafer's employees that would be considered a conflict of interest. Smith Schafer and Associates, Ltd. has not had any professional or personal relationships with the City of Princeton, any related organizations (other than Princeton Public Utilities Commission) or any of the City's employees during the past five years. Although no other professional relationships are contemplated, if Smith Schafer enters into any such relationships during the period of the proposed engagement, written notice will be given to the City of Princeton.

"When Smith Schafer makes recommendations or lays out our options, I am always confident that their analysis of the situation is thorough and correct. They don't shoot from the hip."

- CURRENT SMITH SCHAFER CLIENT

OUR CLIENT SERVICE APPROACH

INDUSTRY EXPERTISE

1

Actively Involved in the Industry We Serve - Associations & Practice Groups
Industry CPE
Thought Leadership

ARE WE A GOOD FIT?

2

Our Experience
Our Culture
Our Client Base
Our Service Approach

CLIENT OBJECTIVES

3

Open Communication
Understanding Your Organization's Structure & Goals
Determine Value-Added Services

PROACTIVE, HIGH QUALITY SERVICE

4

Timely Delivery of Services
Meeting on Regular Intervals
Updates on Industry News & Trends

ARE YOU SATISFIED?

5

Feedback Encouraged
Annual Survey
What Can We Do Better?

COMMUNITY-ORIENTED CULTURE

Smith Schafer and its team members are committed to giving back to the local communities. Over the years, we have donated to many nonprofits and organizations.

BELOW IS A HANDFUL OF LOCAL GROUPS WE SPONSOR:

Achieve Services	Boys and Girls Club	H2O For Life	Hiawatha Homes Foundation
March of Dimes	Paws and Claws	PossAbilities Foundation	Seasons Hospice
The Salvation Army	The United Way	YMCA	Local Chambers

Smith Schafer is very proud of our team’s involvement in their communities. Our leadership encourages staff to dedicate their time and talents to give back to their community. We offer programs to inspire an environment of learning, giving, and supporting.

COMMITMENT EXAMPLE:

Every year, we organize a fundraiser for our staff to give back to the local communities. Team members participate in an array of events to raise money, such as a chili cook-off, bingo, photo guessing contests and so much more! Our last Charitable Giving campaign raised \$11,700!



FIRM EXPERIENCE & QUALIFICATIONS

OFFICE	PRINCIPALS	SENIOR MANAGERS	MANAGERS	SUPERVISORS	SENIORS	STAFF	ADMIN. STAFF	TOTAL
Minneapolis	14	3	6	4	5	10	7	49
Rochester	6	2	9	1	6	10	6	40
Red Wing	2	0	1	0	1	3	3	10
Total	22	5	16	5	12	23	16	99
CPAs	22	5	7	1	5	1	0	41

HISTORY & STRUCTURE OF SMITH SCHAFER



ESTABLISHED

1971 in Rochester, Minn.



OFFICE LOCATIONS

Local to Minnesota - Rochester, Minneapolis & Red Wing.



STAFF

Today, with approximately 100 professionals, we have become one of the fastest-growing CPA firms in the United States.



LEADERSHIP

22 Principals



INTERNATIONAL AFFILIATION

PrimeGlobal.



FOCUS

Provide high-quality, timely and value-added services to our clients.

GOVERNMENTAL AUDIT TEAM

Jason Miller	Principal	28 years	Kali Lentz	Manager	10 years
Stave Salveson	Principal	26 years	Jenna P.G. Innes	Manager	12 years
Jason Boynton	Principal	25 years	Megan Houdek	Manager	6 years
Jill Schultz	Principal	17 years	Krista Heim	Senior Accountant	4 years
Andrew Forliti	Principal	11 years	Kelsey Moore	Senior Accountant	4 years
William Kalmes	Manager	17 years	Remi Allison	Staff Accountant	3 years

The firm's Twin Cities office will be primarily responsible for the audit of the City of Princeton. The proposed engagement team would consist of the following full-time team members from the Twin Cities office:

Jason C. Miller, CPA
 Jill L. Schultz, CPA
 Jenna P. G. Innes
 Remi Allison

MEET YOUR TEAM

Our firm places major emphasis on ensuring our team's background and capabilities are compatible with our clients' industries and specialties as well as with the client's Management Team. Accordingly, we have selected the following team consisting of competent and experienced professionals to provide professional services for the City of Princeton. Your engagement team will provide you the open and timely communications essential for effective engagement planning, performance and implementation. The following is the City of Princeton's proposed Engagement Service Team:



Jason C. Miller, CPA *AUDIT PRINCIPAL*

Learn a little about Jason...

Expertise

- Governmental audit and attest services
- Business consultation
- Employee benefit plan audits and consultation

How Jason got here

- Bachelor of Arts degree in Accounting from the University of Wisconsin, Superior
- Joined the Twin Cities practice in December 1994

Member

- AICPA
- MNCPA
- North Metro Chamber of Commerce
- White Bear Area Chamber of Commerce
- Club President - Mounds View/New Brighton Rotary Club

How Jason approaches work

"You cannot provide the highest quality of service to clients by taking shortcuts. Take time to find the source of problems and help fix them. Stay sensitive to the client's needs and be respectful of their time."

How Jason spends time elsewhere

"If you have not visited the State parks on the North Shore I highly recommend it. Camping with family in the State parks is a frequent summer activity of ours. I also enjoy playing baseball with hometown friends, tennis, biking, hiking, golfing and the less physical activities of movies and books."

MEET YOUR TEAM



Jill L. Schultz, CPA *AUDIT PRINCIPAL*

Learn a little about Jill...

Expertise

- Governmental audit & attest services
- Financial statement presentation
- Retirement plans & audits

How Jill got here

- Bachelor of Arts degree in Accounting from Luther College
- Joined the Twin Cities practice in December 2004

Member

- AICPA
- MNCPA
- Minnesota Council of Nonprofits
- Minneapolis Chamber of Commerce
- Executive Women's Council
- Association of Women Contractors

How Jill approaches work

"Every client deserves to feel like they are your most important client and that their project is the most important thing you are working on."

How Jill spends time elsewhere

"I enjoy cooking, traveling reading, spending time with friends and family, and watching the Twins."

MEET YOUR TEAM



Jenna P.G. Innes *MANAGER*

Learn a little about Jenna...

Expertise

- Governmental audit and attest services
- Financial statement presentation
- Retirement plans and audits

How Jenna got here

- Bachelor of Accounting from Winona State University
- Joined the Twin Cities practice in 2012

Member

- Association of Women Contractors
- Minnesota State High School Mathematics League Board of Directors
- ComMUSICation volunteer bookkeeper

How Jenna approaches work

"I strive to make my clients feel valued and important while providing solutions in a timely manner."

How Jenna spends time elsewhere

"I enjoy spending time with family and friends, cooking and baking, crafting, traveling, and being outdoors."

MEET YOUR TEAM



Remi Allison *STAFF ACCOUNTANT*

Learn a little about Remi...

Expertise

- Audit and attest services
- Financial statement services

How Remi got here

- Bachelor of Science in Accounting and Finance from Northern State University
- Joined the Twin Cities practice in 2020

Member

- Minneapolis Chamber of Commerce

How Remi approaches work

"I am committed to creating strong client relationships and fulfilling all client needs."

How Remi spends time elsewhere

"Outside of work I enjoy spending time playing video games, watching sports, and hanging out with friends."

REFERENCES

OUR INDUSTRY EXPERIENCE & CLIENT BASE

Our Government Service Group is comprised of numerous professionals committed to serving over **90 Minnesota Government entities**. Our experts stay on top of changing trends and leverage years of experience, relationships, and continuing education. Smith Schafer's industry specialization allows us to stay on the leading edge of industry developments, regulations, and opportunities and will permit us to efficiently and effectively provide services tailored to the City of Princeton's needs and requirements. This level of specialization makes us **uniquely qualified** to provide the high-quality audit services the City of Princeton expects and deserves to receive.

There is no greater way to define our industry expertise than through the clients we serve. We have **very minimal client turnover** which speaks volumes as to our expertise and client service. The following are some of our government clients:

SIMILAR CLIENT ENGAGEMENTS

City of Houston	City of Stewartville	City of Lanesboro
City of Rochester	City of Rushford	City of Houston
City of Wykoff	City of Spring Valley	City of Kellogg
City of Hugo	City of Hammond	Linwood Township
City of Spring Lake Park	City of St. Paul Park	City of St. Augusta

REFERENCES

City of Hugo
Anne Wobse, Finance Director
651-762-6338

City of St. Paul Park
Kim Sommerland, Finance Director
651-459-9785

City of St. Augusta
Bill McCabe, City Administrator
320-654-0387

AUDIT APPROACH

Smith Schafer has significant experience relating to the transition of accounting firms as the successor auditor. We strive to make the transition smooth for our clients and pride ourselves in performing this process professionally and with courtesy as it relates to working with an organization's predecessor auditor. First-year costs, related to file set-up, transition and communication and other out-of-pocket expenses, will be absorbed by Smith Schafer and are not included in the fees communicated in the price section of this proposal.

AUDIT PLANNING PHASE (20-30 hrs)

Smith Schafer is **proactive** in our planning approach. The goal in this phase is to **gain a thorough understanding of your internal controls**, processes and procedures. We identify most potential problems before the audit and thus are able to resolve issues that might otherwise impede the engagement. We utilize our planning conference to review standard changes impacting the current audit. At Smith Schafer, we emphasize planning in order to ensure an audit engagement with a **minimal level of disruption** to City of Princeton staff. This phase will be performed by the Principals and Manager. During this phase we will:

- Assess current year activity.
- Review expectations of client assistance.
- Develop a schedule for the completion of the audit fieldwork and reporting phases of the engagement.
- Perform preliminary materiality determinations and risk assessment.
- Perform preliminary assessment of fraud factors.
- Assess control risk.
- Determine type and extent of substantive transaction and analytical review testing based on assessed level of control risk.
- Make inquiries of management and other employees regarding fraud in accordance with Auditing Standards.

This is an excellent time for City of Princeton personnel to resolve any questions they have regarding the audit. The value in hiring our firm comes from not only the audit, but from our experience and the education we can provide. As questions and concerns arise throughout the year, we encourage City of Princeton personnel to contact us and draw on our knowledge and experience.

AUDIT FIELDWORK PHASE (130-145 hrs)

We assess risks, design procedures and obtain evidence to support financial statement amounts and disclosures during fieldwork. We utilize a **methodology designed for government units**. Our process emphasizes continuous **communication and training** with your staff. This phase will be performed by all members of the engagement team. During this phase we will:

- Perform preliminary analytical review of account balances including budget variations.
- Document internal accounting controls through review of accounting procedure manuals and discussion with City of Princeton personnel.
- Review account reconciliations and related detail.
- Test the propriety of all material account balances.
- Perform substantive testing of transactions of selected accounts, with sample sizes to be based on assessed level of control risk.

- Obtain permanent file documentation.
- Perform general audit procedures including compliance questionnaires, management inquiries and final analytical review procedures.

POST-FIELDWORK PHASE (50-60 hrs)

The post-fieldwork and reporting phase will be completed by the Principals and Manager. During this phase we will:

- Conduct an exit interview with management at the end of fieldwork.
- Prepare the City of Princeton's financial statements using the audited trial balance, review the financials for compliance with the regulatory basis of accounting and the City of Princeton's financial statement policies.
- Provide drafts of financial statements and our audit management letter.
- Review financial statements, management letter and governance letter with management and make any adjustments/changes.
- Provide all recommendations, revisions to the financial statements and/or accounting policies and procedures, and other suggestions for improvement to City of Princeton personnel.
- Present PowerPoint financial summary and historical financial activity to the City of Princeton City Council (if requested).

TIMELINE

Preliminary Procedures and Controls Documentation - January

Audit Fieldwork - April

Drafts of Financial Statements - Early June

Final Financial Statements - Late June

Council Presentation - First meeting after financial statements are finalized

We understand if the City of Princeton will require flexibility in scheduling the audit, and it may be necessary to reschedule fieldwork to accommodate workload demands. We commit to being flexible with fieldwork dates and will work with the City of Princeton to determine potential fieldwork dates during a collaborative planning process.

AUDIT SAMPLES FOR PURPOSES OF TESTS OF COMPLIANCE

Since each client is different and may differ from year to year, we use a variety of statistical designs in our compliance testing. The size of the sample considers many factors: size, materiality, complexity, level of oversight and prior audit findings. Ultimately, our professional judgment determines that a representative number of transactions have been selected.

USE OF TECHNOLOGY

- Smith Schafer is a paperless firm and will prepare workpapers electronically. For workpapers and support prepared by City of Princeton personnel, we generally request the items in electronic or scanned form. Smith Schafer utilizes an online portal environment to easily exchange information.
- Smith Schafer offers a secure portal to audit clients to facilitate the exchange of financial information and schedules.
- Smith Schafer utilizes Computer Aided Auditing (data mining) software to supplement its audits and fraud related procedures and testing. The information gathered through the software provides powerful insights and recommendations for organizational improvement opportunities. Trends and patterns are more easily identified and detected for efficient and accurate audit results.

IDENTIFICATION OF ANTICIPATED POTENTIAL AUDIT PROBLEMS

At this time, we do not anticipate any potential audit problems. If problems do arise, Smith Schafer will work carefully with City management to resolve the matter.



EXPENSES & FEES

Our fees are based on the amount of time estimated to be required and discounted from our standard hourly rates. As such, this proposal reflects a three year period beginning with the 2022 audit. The following are our all-inclusive fees estimated for the City of Princeton for the services requested.

	2022	2023	2024
Audit and Preparation of Financial Statements	\$36,950	\$38,750	\$40,500
Single Audit (for 1-2 programs), if required	\$4,000	\$4,200	\$4,400
Total All-inclusive Maximum Bid	\$40,950	\$42,950	\$44,900

OUT OF POCKET EXPENSES & MISCELLANEOUS ASSISTANCE

All out of pocket expenses are included in the above schedule/fee quote. Miscellaneous other assistance related to the audit and telephone inquiries requiring a minimum amount of time are also included in the above schedule/fee quote.

MANNER OF PAYMENT

Progress payments will be made on the basis of hours of work completed during the course of the engagement in accordance with the firm's dollar cost bid proposal. Interim billings will cover a period of not less than a calendar month.

CONTACT US

Smith Schafer is very interested in working with the City of Princeton and would love to set up a meeting with you to answer any questions you may have and determine the next steps in this process.

Jason C. Miller, CPA
PRINCIPAL

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