



REQUEST FOR PROPOSALS

FOR

PROFESSIONAL AUDITING

SERVICES

October 29th, 2021

907 First Street
P.O. Box 218
Princeton, MN 55371

INTRODUCTION

General Information

Princeton Public Utilities (PPU) is requesting proposals from qualified firms of certified public accountants to audit its financial statements for the fiscal years ending December 31, 2021, 2022, and 2023, with the option of auditing its financial statements for an additional three year period. To meet the requirements of this request for proposals, the audit shall be performed in accordance with generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants, the standards for financial audits set forth in the Government Auditing Standards issued by the Comptroller General of the United States, the provisions of the Single Audit Act and the provisions of U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. The audit also shall be performed in accordance with the Minnesota Legal Compliance Audit Guide for Local Governments and Minnesota Statutes.

To be considered, three copies of a proposal must be received by Keith Butcher at 907 First Street, P.O. Box 218, Princeton, MN 55371 by 3:00 p.m. on December 3rd, 2021. PPU reserves the right to reject any or all proposals submitted.

Term of Engagement

Subcontracting

Following the award of the audit contract, no subcontracting will be allowed without the express prior written consent of PPU.

NATURE OF SERVICES REQUIRED

General

PPU is requesting proposals from qualified firms of certified public accountants to audit its financial statements for the fiscal years ending December 31, 2021, 2022, and 2023, with the option of auditing its financial statements for an additional three year period. These audits are to be performed in accordance with the provisions contained in this request for proposals.

Scope of Work to be Performed

PPU desires the auditor to express an opinion on the fair presentation of its basic financial statements in conformity with generally accepted accounting principles.

The auditor is not required to audit the combining and individual fund financial statements and supporting schedules. However, the auditor is to provide an "in-relation-to" opinion on the combining and individual fund financial statements and supporting schedules based on the auditing procedures applied during the audit of the basic financial statements. The auditor is not required to audit the introductory or statistical sections of the report.

The auditor shall also be responsible for performing certain limited procedures involving required supplementary information required by the Governmental Accounting Standards Board as mandated by generally accepted auditing standards.

Auditing Standards to be Followed

To meet the requirements of this request for proposals, the audit shall be performed in accordance with:

- The auditing standards generally accepted in as set forth by the American Institute of Certified Public Accountants.
- The standards **applicable** to financial audits contained in the Government Auditing standards, issued by the Comptroller General of the United States
- The provisions of the Single Audit Act of 1984 (as amended by Uniform Guidance) and the provisions of U.S. Office of Management and Budget (OMB) Uniform Guidance Subpart F, as applicable.
- The provisions of the Minnesota Legal Compliance Audit Guide for Local Government
- Any other Federal, State and local requirements in effect now or placed into effect during the engagements.

Reports to be Issued

Following the completion of the audit of the fiscal year's financial statements, the auditor shall issue:

1. A report on the fair presentation of the financial statements in conformity with generally accepted accounting principles, including, if applicable, an opinion on the fair presentation of the supplementary schedule of expenditures of federal awards “in relation to” the audited financial statements.
2. A report on internal control over financial reporting based on the auditors understanding of internal control structure.
3. A report on compliance with applicable laws and regulations.
4. If applicable, a report on compliance and internal control over compliance with specific requirements applicable to each major federal program.

Irregularities and illegal acts: Auditors shall be required to make an immediate, written report of all irregularities and illegal acts or indications of illegal acts of which they become aware to PPU General Manager and the Chairman of the Princeton Public Utilities Commission.

Reporting to PPU Commission

Auditors shall assure themselves that PPU’s Commission is informed of each of the following:

1. The auditor's responsibility under generally accepted auditing standards
2. Significant accounting policies
3. Management judgments and accounting estimates
4. Significant audit adjustments
5. Other information in documents containing audited financial statements
6. Disagreements with management
7. Management consultation with other accountants
8. Major issues discussed with management prior to retention
9. Difficulties encountered in performing the audit.

Special Considerations

1. PPU may prepare one or more official statements in connection with the possible future sale of debt securities, which will contain the Basic financial statements and the auditor's report thereon. The auditor shall be required, if requested by the fiscal advisor and/or the underwriter, to issue a "consent and citation of expertise" as the auditor and any necessary "comfort letters."
2. If applicable, the Schedule of Expenditures of Federal Awards and related auditor's report, as well as the reports on compliance and internal controls are not to be included in the comprehensive annual financial report, but are to be issued separately.
3. Additional assistance regarding the specifics of the future implementation and compliance with the reporting requirements mandated by GASB statements may be required.

Working Paper Retention and Access to Working Papers

All working papers and reports must be retained, at the auditor's expense, for a minimum of three (3) years, unless the firm is notified in writing by PPU of the need to extend the retention period. The auditor will be required to make working papers available, upon request, to the following parties or their designees:

- Princeton Public Utilities
- U.S. General Accounting Office (GAO)
- Parties designated by the federal or state governments or by PPU as part of an audit quality review process
- Auditors of entities of which PPU is a sub-recipient of grant funds
- Others as they become known or required by PPU

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

DESCRIPTION OF THE UTILITY

Principal Contact

The auditor's principal contact with PPU will be Keith Butcher, General Manager, or a designated representative, who will coordinate the assistance to be provided by PPU to the auditor.

Background and General Information

Please refer to PPU's Audit for the year ended December 31, 2020 for a complete description of the utility and its financial operation. The Audit can be found on PPU's website at <https://princetonutilities.com/wp-content/uploads/2021/06/2020-Audit.pdf>.

PPU is organized into two departments. The accounting and financial reporting functions of PPU are centralized.

A list of key personnel with the location of their principal offices (Appendix A) is attached.

Fund Structure

PPU uses the following fund types in its financial reporting: Water Department and Electric Department

Budgetary Basis of Accounting

PPU follows the Uniform System of Accounting prescribed by the Federal Energy Regulatory Commission. The financial statements are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The financial statements include PPU-wide financial statements: statement of net position and statement of activities; and the fund financial statements: statement of net position; statement of revenues, expenses, and changes in fund net position; and the statement of cash flows.

Pension Plans

All full time employees of PPU are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). The association administers the General Employees Retirement Fund, which are cost sharing, multiple employer retirement plans.

Magnitude of Finance Operations

The Finance Department consists of one full-time employee. The principal functions performed in the department include Accounts Payable, Accounts Receivable, Payroll, Cash Receipts, Budgeting, Capital Asset recording and monitoring, Debt Management, Financial Reporting, and Cash Management.

Internal Audit Function

PPU does not maintain an internal audit function other than internal checks performed by the Administration Department.

Availability of Prior Audit Reports and Working Papers

Interested proposers who wish to review prior years' audit reports and management letters should contact Keith Butcher at (763) 389-2252 or kbutcher@princetonutilities.com. PPU will use its best efforts to make prior audit reports and supporting working papers available to proposers to aid their response to this request for proposals.

TIME REQUIREMENTS

Proposal Calendar

The following is a list of key dates up to and including the date proposals are due to be submitted:

Request for proposal issued	October 29 th , 2021
Inquiries deadline	November 19 th , 2021
Due date for proposals	3:00 p.m on December 3 rd , 2021
Potential Interviews	December 13 – 17 th , 2021

Notification

Selected firm notified	December 2021
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Date Audit To Commence

PPU will have all records ready for the audit as of March 18th, 2022 for the 2021 Fiscal Year Audit.

Schedule for the 2021 Fiscal Year Audit

The proposed timeline is meant to be a general guideline. There is some flexibility as long as a final report can be delivered to the City of Princeton in time for them to complete their City audit and meet all statutory deadlines. A similar or earlier time schedule will be developed for audits of future fiscal years if PPU exercises its option for additional audits.

Each of the following should be completed by the auditor no later than the dates indicated.

Detailed Audit Plan – The auditor shall provide PPU with both a detailed audit plan and a list of all schedules to be prepared by PPU as soon as possible after Commission approval of auditor selection.

Interim Work – The schedule for interim work will be determined upon completion of the selection process. It is desirable to complete as much work as possible on an interim basis.

Fieldwork – Fieldwork will commence on or after April 1st, 2022 and shall be completed within 14 days. It is PPU's preference that fieldwork be completed in one block of time.

Draft Reports – The auditor shall have drafts of the audit reports and recommendations to management available for review by June 1st, 2022.

Entrance Conferences, Progress Reporting and Exit Conferences

A similar or earlier time schedule will be developed for audits of future fiscal years if PPU exercises its

option for additional audits.

At a minimum, the following conferences should be held within reason to the related Fiscal Year End audit schedule:

1. Entrance conference with General Manager and Bookkeeper as soon as possible after Commission approves audit firm. The purpose of this meeting will be to discuss prior audits and the interim work to be performed. This meeting will also be used to establish overall liaison for the audit and to make arrangements for work space and other needs of the auditor.
2. Progress conferences with the General Manger and/or Bookkeeper on an “as needed” basis. The purpose of these meetings will be to discuss status of fieldwork and potential problem areas.
3. Exit conference with PPU General Manager and Bookkeeper by June 15th, 2022. The purpose of this meeting will be to summarize the results of the field work and to review significant findings.
4. Presentation to PPU Commission on a date to be determined (either in June or July). This will encompass a brief presentation to the Commission during a regular Commission meeting.

Date Final Report is Due

PPU shall assist the auditor with draft financial statements, notes to the financial statements, and all required supplementary schedules and statistical data. The auditor shall provide all recommendations, revisions and suggestions for improvement to PPU by the date of the audit exit conference, June 8th, 2022. PPU will make revisions to the financial statements as recommended by the auditor. Upon final revisions, the auditor will prepare the final draft of the financial statements and audit opinion and deliver to PPU at least two days prior to the presentation to the Commission.

ASSISTANCE TO BE PROVIDED TO THE AUDITOR AND REPORT PREPARATION

PPU Personnel

PPU staff and responsible management personnel will be available during the audit to assist the firm by providing information, documentation and explanations. The preparation of confirmations will be the responsibility of PPU under the direction of the auditor.

Statements and Schedules

The staff of PPU will assist in the preparation of the statements and schedules identified in the detailed audit plan by the dates required to meet the proposed schedule.

Work Area, Telephones, and Wireless Internet

PPU will provide the auditor with reasonable workspace, table and chairs. The auditor will also be provided with access to telephone lines.

Report Preparation

The Auditor will prepare the Audit.

PROPOSAL REQUIREMENTS

General Requirements

Inquiries

Inquiries concerning the request for proposals and the subject of the request for proposals must be made to:

Keith Butcher, General Manager
907 First Street
PO Box 218
Princeton, MN 55371
763-389-2252
kbutcher@princetonutilities.com

Firms interested in receiving copies of questions regarding the request for proposals and PPU's response should submit an email to the General Manager, at the above email address, preferably by November 19th, 2021.

Submission and Content of Proposals

The following material is required to be received by 3:00pm on December 3rd, 2021 for a proposing firm to be considered.

Each proposal shall be prepared simply and economically, avoiding the use of elaborate promotional materials beyond those sufficient to provide a complete, accurate, and reliable presentation.

Proposals shall contain the following information:

Title Page

Showing the request for proposals subject; the firm's name; the name, address and telephone number of the contact person; and the date of the proposal.

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Transmittal Letter

Briefly stating the vendor's understanding of the work to be done, timetable for completion of the work, staff to be assigned to PPU, a statement why the firm believes itself to be best qualified to perform the engagement.

General Information

Firm qualifications and experience.

An affirmative statement that the firm is independent from PPU.

License to practice in Minnesota.

Partner, supervisor and staff qualifications and experience.
Name and qualifications of staff to be assigned to the audit.
Prior engagements with PPU.
Similar engagements with other governmental entities – references with phone numbers.
Specific audit approach.

Price

An all-inclusive maximum price for a three year engagement detailed by year.

Offer Expiration Date

Proposals in response to this RFP will be valid for thirty (30) days from the proposal due date. PPU reserves the right to ask for an extension of time if needed.

Selection

It is anticipated the selection of a firm will be considered on December 15th by the Public Utilities Commission.

During the evaluation process, PPU reserves the right, where it may serve the PPU's best interest, to request additional information or clarifications from vendors, or to allow corrections of errors or omissions. At the discretion of PPU, firms submitting proposals may be requested to make oral presentations as part of the evaluation process.

PPU reserves the right to retain all proposals submitted and to use any ideas in a proposal regardless of whether that proposal is selected. Submission of a proposal indicates acceptance by the firm of the conditions contained in this request for proposals, unless clearly and specifically noted in the proposal submitted and confirmed in the contract between PPU and the firm selected.

Award Notification

PPU will notify in writing the person or persons authorized to represent the prospective service provider of the contract award, whether or not if they were successful.

Ownership of Materials

All materials submitted in response to the RFP become the property of PPU and supporting materials will not be returned. PPU is not responsible for any costs incurred by the company in the preparation of the proposal.

Right to Reject Proposals

Submission of a proposal indicates acceptance by the firm of the conditions contained in this request for proposal unless clearly and specifically noted in the proposal submitted and confirmed in the contract between PPU and the firm selected.

Notwithstanding any other provisions of the RFP, PPU reserves the right to reject any or all proposals, to waive any irregularity in a proposal, and to accept or reject any item or a combination of items, when to do so would be to the advantage of PPU or its ratepayers. It is further within the right of PPU to reject proposals that do not contain all elements and information requested in this document.

APPENDIX A: LIST OF KEY PERSONNEL, OFFICE LOCATIONS AND
TELEPHONE NUMBER

<u>Name and Title</u>	<u>Location of Office</u>	<u>Telephone</u>
Administration:		
Keith Butcher, General Manager	907 First Street	763-389-2252
Kathy Ohman, Bookkeeper	907 First Street	763-389-2252
Department Heads:		
Jeremy Linden, Electric Superintendent	907 First Street	763-389-2252
Scott Schmit, Water Supervisor	907 First Street	763-389-2252