AGENDA
Blackduck City Council - Work Session Meeting
6:00 PM - Monday, October 21, 2024
City Hall, 8 Summit Drive, Blackduck MN

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1.	CALL TO ORDER		
	a.	Roll Call	
	b.	Pledge of Allegiance	
2.	APPROVAL OF AGENDA		
3.	OLD BUSINESS		
	a.	Request for Proposals - Auditor Services - CLAconnect - Christopher Knopik CLA_Response_City of Blackduck	2 - 38
	b.	PER / ER Report Updates	
	c.	Kitchigami Regional Library Improvement Project Updates	
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	e.	Blackduck City Hall Repairs - USDA & Beltrami Electric Partnership - Updates	
	f.	Combined Maintenance & Police Facility Warranty Punchlist - FRP 2024-03-08 Warranty Punchlist	48
	g.	Main Lift Station Repairs - updates	
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	i.	Adult-use Cannabis Business Ordinance - updates	
	j.	Pafko / Moon Performance State - Status of proposed project	
4.	NEW BUSINESS		
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October 9, 2024

Proposal to provide professional auditing services to:

City of Blackduck, Minnesota

Prepared by:
Christopher G. Knopik, CPA, CFE, Principal
Christopher.knopik@claconnect.com
Direct (612)397-3266 | Mobile (320)266-6424

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CliftonLarsonAllen LLP
CLAconnect.com

October 7, 2024

Christina Regas, City Administrator
City of Blackduck
8 Summit Ave, E.
PO Box 380
Blackduck, MN 56630

Dear Ms. Regas:

Thank you for inviting us to propose. We look forward to the opportunity to provide services to the City of Blackduck, Minnesota (the City).

We are confident that our extensive experience serving similar governmental entities, bolstered by our client-oriented philosophy and depth of resources, will make CLA a top qualified candidate to fulfill the scope of your engagement. The following differentiators are offered for the City's consideration:

- ***Industry-specialized insight and resources*** – As one of the nation's leading professional services firms, and one of the largest firms who specialize in regulated industries, CLA has the experience and resources to assist the City with their audit needs. In addition to your experienced local engagement team, the City will have access to one of the country's largest and most knowledgeable pools of regulated industry resources.
- ***OMB Uniform Guidance (UG) experience*** – CLA performs single audits for hundreds of organizations annually, ranking top in the nation for the number of single audits performed by any CPA firm. The single audit requires a specific set of skills to properly perform the procedures. As such, we have developed a group of professionals who specialize in providing single audit services.
- ***Strong methodology and responsive timeline*** – In forming our overall audit approach, we have carefully reviewed the RFP and other information made available and considered our experience performing similar work for other municipalities. Our local government clients are included amongst the more than 4,200 governmental organizations we serve nationally. Our staff understands your complexities not just from a compliance standpoint, but also from an operational point of view. The work plan also helps minimize the disruption of your staff and operations and provides a blueprint for timely delivery of your required reports.
- ***Communication and proactive leadership*** – the City will benefit from a high level of hands-on service from our team's senior professionals. We can provide this level of service because, unlike other national firms, our principal-to-staff ratio is similar to smaller firms – allowing our senior level professionals to be involved and immediately available throughout the entire engagement process. Our approach helps members of the engagement team stay abreast of key issues at the City and take an active role in addressing them.
- ***A focus on providing consistent, dependable service*** – We differ from other national firms in that our corporate practice focuses on the needs of non-SEC clients, thus allowing us to avoid the workload compression typically experienced by firms that must meet public companies' SEC filing deadlines. CLA is organized into industry teams, affording our clients with specialized industry-specific knowledge supplemented by valuable local service and insight. Therefore, the City will enjoy the service of

members of our state and local government services team who understand the issues and environment critical to governmental entities.

- ***Fresh perspective*** – By engaging CLA, the City will benefit from a fresh look at its business operations, information systems, and financial risk management policies and procedures. You will be served by an engagement team with enthusiasm and a desire to meet and exceed expectations. We are confident that our industry experience will bring to the City new ideas, creative approaches, and fresh opportunities to meet the financial management and accountability challenges before the City.

Verification statements

I, Christopher G. Knopik, your engagement principal-in-charge, will serve as the City's primary contact person for this engagement. This proposal is valid for sixty (60) days from the date of receipt. Furthermore, as a principal of CLA, I am authorized to sign, bind, and commit the firm to the obligations contained in this proposal and the City's RFP. My contact information is as follows:

Christopher G. Knopik, CPA, CFE, Principal
Office: (612)397-3266 / Mobile: (320)266-6424
Email: Christopher.knopik@claconnect.com

We want to serve you and we have the qualifications to deliver quality, timely work. Throughout this proposal, we take you on a journey outlining how we'll work together and the value you can expect

Please contact me if I can provide additional information on our firm or our proposal.

Sincerely,

CliftonLarsonAllen LLP

Christopher Knopik, CPA, CFE
Principal
612-397-3266
christopher.knopik@CLAconnect.com

iv. Detailed Proposal

1. Independence

CLA is independent of the City under the American Institute of Certified Public Accountant's Code of Professional Conduct and its interpretations, the U.S. Government Accountability Office's Government Auditing Standards, as required. Our firm-wide quality control policies and procedures foster strict compliance with these professional standards. In addition, the individuals assigned to your engagement are independent of the City.

Professional relationships involving the City

CLA has performed Utility Billing Procedure Compilation Services for The City of Blackduck in the past five years, the only engagement for the City was January of 2024. CLA was required to and has maintained its independence regarding these entities in accordance with both GAAS established by the American Institute of Certified Public Accountants (AICPA) and Government Audit Standards as established by the GAO. During this engagement CLA did not make any management decisions for the City. We met with City staff to understand the current utility billing process, made some process recommendations to Management, and then compiled the current process into an easy to use document for training and documentation purposes.

We have no conflicts of interest, either inherent or explicit with either the City or any of its component units. In situations where we perform services for a primary government and its component units, we generally assign independent engagement principals to each unit. We would not propose on an entity in which we determined there was an inherent or explicit conflict of interest or a lack of independence that existed either in fact or appearance.

Written notice of professional relationships

CLA will give the City written notice of any professional relationships entered into during the period of this agreement.

2. License to Practice in Minnesota

CLA is a limited liability partnership and is duly licensed to practice public accountancy in the state of Minnesota. All assigned key professional staff are licensed certified public accountants. A copy of our state license is provided below:

Firm Name	Cert #	Expiration
CliftonLarsonAllen LLP	00963	12/31/2024

3. Firm Qualifications and Experience

Size of the firm

Create opportunities

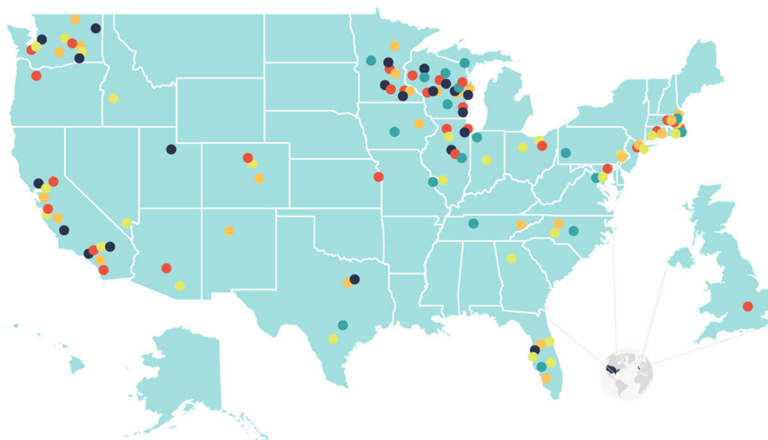
CLA exists to create opportunities for our clients, our people, and our communities through industry-focused wealth advisory, digital, audit, tax, consulting, and outsourcing services. Our broad professional services allow us to serve clients more completely — from startup to succession and beyond.

Our professionals are immersed in the industries they serve and have specialized knowledge of their operating and regulatory environments. With nearly 9,000 people in more than 130 U.S. locations and a global vision, we promise to know you and help you.

9,000
NEARLY 9,000 PEOPLE

130+
LOCATIONS

AN INDEPENDENT NETWORK MEMBER OF
CLA Global



It takes balance™

With CLA by your side, you can find everything you need in one firm. Professionally or personally, big or small, we can help you discover opportunities and bring balance to get you where you want to go. CLA has been recertified as a Great Place to Work in January 2024.

Size of firm governmental audit staff

You can benefit from a close personal connection with a team of professionals devoted to governments. Our goal is to become familiar with all aspects of your operations — not just the information needed for the year-end audit so that we can offer proactive approaches in the areas that matter most to you:

- Finding new ways to operate more effectively and efficiently
- Responding to regulatory pressures and complexities
- Maintaining quality services in the face of revenue reductions
- Providing transparent, accurate, and meaningful financial information to stakeholders, decision-makers, and your constituents

We understand the legislative changes, funding challenges, compliance responsibilities, and risk management duties that impact you. Our experienced government services team can help you navigate the challenges of today, all while seamlessly strategizing for the future.

Deep industry connections

CLA actively supports industry education as a thought leader and industry speaker. We focus on supporting the educational needs of the industry through nationally sponsored trade events. Our team of professionals is sought after, both as educators and as experienced speakers who are invited to speak and teach at major professional events by leading trade associations, including those shown here.

We are also actively involved in and/or are members of the following professional organizations:

- American Institute of Certified Public Accountants (AICPA)
- AICPA's State and Local Government Expert Panel
- AICPA's Government Audit Quality Center (GAQC)
- Government Finance Officers Association (GFOA)
- Special Review Committee for the GFOA's Certificate of Achievement for Excellence in Financial Reporting (Certificate) Program
- AICPA Single Audit Quality Task Force
- Association of Government Accountants

Our involvement in these professional organizations, combined with various technical services we subscribe to, allows use to be at the forefront of change in the constantly changing government environment. We take our responsibility for staying current with new accounting pronouncements, auditing standards, other professional standards and laws and regulations seriously.

Insight to strengthen your organization

When you're ready to go beyond the numbers to find value-added strategies, we offer resources to help you respond to challenges and opportunities including:

- National webinars — Access complimentary professional development opportunities for your team.
- Articles and white papers — Stay current on industry information as issues arise.

***Curious:** We care, we listen, we get to know you.*

Support at every turn

With dedicated services specific to state and local governments, you have access to guidance on all aspects of your operations.

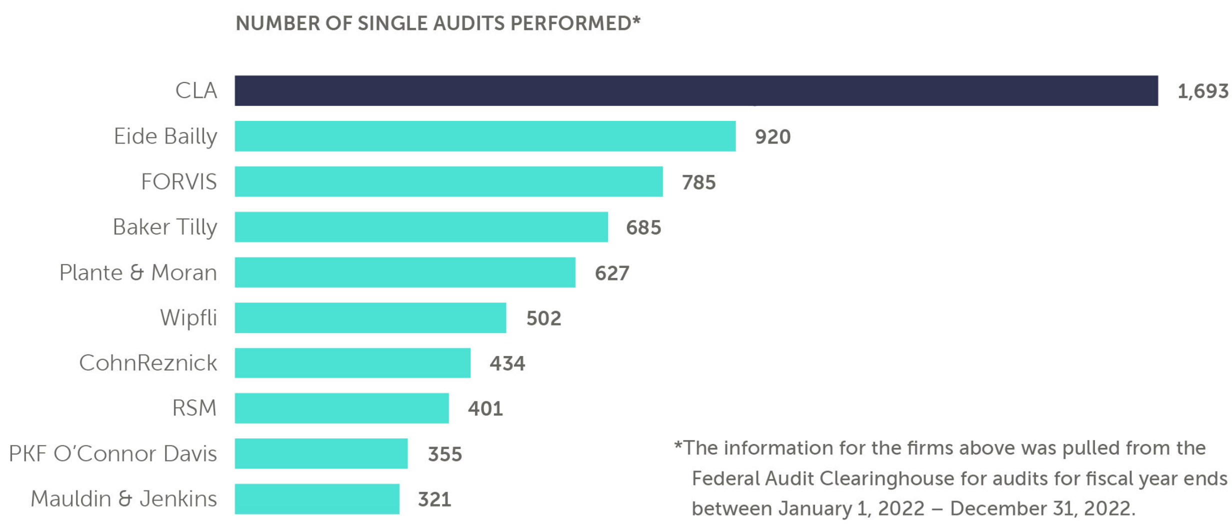
- Affordable Care Act (ACA) reporting and compliance
- Audit, review, and compilation of financial statements
- Compliance audits (HUD, OMB Single Audits)
- COVID-19 funding support
- Cybersecurity
- Enterprise risk management
- Forensic accounting, auditing, and fraud investigation
- Fraud risk management
- Grant compliance
- Implementation assistance for complex Governmental Accounting Standards Board (GASB) statements
- Internal audit
- Outsourced business operations
- Performance auditing
- Purchase card (p-card) monitoring and analytics
- Risk assessments
- Strategic, financial, and operational consulting
- Telecom management services

Independence can easily become impaired when providing consulting services; therefore, we do not provide any services to our audit clients beyond those allowed. If additional work is requested by the City outside of the scope of the audit, we will discuss with you our proposed fee for additional services prior to beginning the new services.

Single audit experience

CLA performs the largest number of single audits in the United States

We audited nearly $257 billion dollars in federal funds in 2022. The chart below illustrates CLA's experience in serving organizations that receive federal funds and demonstrates our firm's dedication to serving the government and nonprofit industry.



It is more important than ever to find qualified auditors who have significant experience with federal grants specific to the City and can enhance the quality of the City's single audit. Therefore, the single audit will be performed by a team of individuals who are managed by personnel who specialize in single audits in accordance with OMB's *Uniform Guidance* and who can offer both knowledge and quality for the City. As part of our quality control process, the single audit will be reviewed by a firm Designated Single Audit Reviewer.

> *You'll need an audit firm experienced in performing single audits and a familiarity with the specific programs in which you are involved and will benefit from CLA's experience in this area.*

Emerging accounting, financial service, and industry issues

Throughout the year, we inform and educate management, internal audit, and the supervisory committee on upcoming issues we see on the horizon for the credit union industry and help you resolve any concerns that arise. We help educate our clients through conversations in our exit meetings, newsletters, and multiple webinars on accounting-related topics.

Experience with implementation of GASB statements

CLA routinely assists clients with the implementation of GASB statements. In fact, many of our principals provide training and aid in implementation of new standards, including the accounting, preparation of financial statements, and required disclosures. We aid the understanding of reasons for the standards — as well as alternatives that may exist. This includes the creation of templates (general and client specific) in use today by some governmental entities.

A significant amount of time in that training is spent on financial statement preparation and understanding of the reporting models, as well as the impact of GASB standards. We have helped our clients produce financial statements that continue to receive the GFOA Certificate of Excellence in Financial Reporting, and have aided first-time filers in acquiring and maintaining their certificates.

Office location assigned to manage the engagement

Our firm matches the necessary skill set to an engagement before considering the geographic location of the staff. Assigning team members who specialize in working with similar clients can provide the City higher-quality services and allows us to complete the engagement in a more efficient and effective manner with little interruption to your staff.

The City will be served by an industry-specialized engagement team located in our Minneapolis office.

CLA Minneapolis
220 South Sixth Street
Suite 300
Minneapolis, MN 55402-1436

Number and nature of professional staff to be employed on this engagement

The table below provides a breakdown by staff level and denotes full- or part-time status of the engagement team that will serve the City. This team has extensive experience working with clients similar to the City.

Level of Staff	Full-Time Staff	Part-Time Staff
Principal/Signing Director	1	1
Director/Manager	1	0
Senior	1	0
Associate	2	0
Total	**5**	**1**

Quality control procedures and peer review report

In the most recent peer review report, dated November 2022, we received a rating of pass, which is the most positive report a firm can receive. We are proud of this accomplishment and its strong evidence of our commitment to technical excellence and quality service. The full report is provided on the following page. ***This quality control review included a review of specific government engagements.***

In addition to an external peer review, we have implemented an intensive internal quality control system to provide reasonable assurance that the firm and our personnel comply with professional standards and applicable legal and regulatory requirements. Our quality control system includes the following:

- A quality control document that dictates the quality control policies of our firm. In many cases, these policies exceed the requirements of standard setters and regulatory bodies. Firm leadership promotes and demonstrates a culture of quality that is pervasive throughout the firm's operations. To monitor our adherence to our policies and procedures, and to foster quality and accuracy in our services, internal inspections are performed annually.
- Quality control standards as prescribed by the AICPA. The engagement principal is involved in the planning, fieldwork, and post-fieldwork review. In addition, an appropriately experienced professional performs a risk-based second review of the engagement prior to issuance of the reports.
- Hiring decisions and professional development programs designed so personnel possess the competence, capabilities, and commitment to ethical principles, including independence, integrity, and objectivity, to perform our services with due professional care.
- An annual internal inspection program to monitor compliance with CLA's quality control policies. Workpapers from a representative sample of engagements are reviewed and improvements to our practices and processes are made, if necessary, based on the results of the internal inspection.
- Strict adherence to the AICPA's rules of professional conduct, which specifically require maintaining the confidentiality of client records and information. Privacy and trust are implicit in the accounting profession, and CLA strives to act in a way that will honor the public trust.
- A requirement that all single audit engagements be reviewed by a designated single audit reviewer, thereby confirming we are in compliance with the standards set forth in the *Uniform Guidance*.

Cherry Bekaert LLP
Your Guide Forward

Report on the Firm's System of Quality Control

To the Principals of CliftonLarsonAllen LLP
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of CliftonLarsonAllen LLP (the "Firm") applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended May 31, 2022. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants ("Standards").

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

Firm's Responsibility

The Firm is responsible for designing and complying with a system of quality control to provide the Firm with reasonable assurance of performing and reporting in conformity with the requirements of applicable professional standards in all material respects. The Firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported on in conformity with the requirements of applicable professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of and compliance with the Firm's system of quality control based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act; audits of employee benefit plans; audits performed under FDICIA; and examinations of service organizations (SOC 1® and SOC 2® engagements).

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

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of CliftonLarsonAllen LLP applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended May 31, 2022, 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.* CliftonLarsonAllen LLP has received a peer review rating of *pass*.

Cherry Bekaert LLP

Cherry Bekaert LLP
Charlotte, North Carolina
November 18, 2022

cbh.com

Good standing

CLA and the supervising certified public accountants are in good standing and our firm does not have a record of substandard audit work.

Federal or state desk or field reviews

CLA has been subject to several federal and state desk reviews by state oversight agencies during the past three years, and we have resolved all findings. In addition, our government audits are subject to review by each agency’s Office of Inspector General, as well as the U.S. Government Accountability Office, and we have also resolved all findings identified in those reviews.

Disciplinary action

From time to time, individuals in the firm are parties to an inquiry from a regulatory or ethics body. In all cases the individual, with the firm's backing, shall cooperate in providing the information required to respond appropriately to the inquiry.

The firm and professionals within the firm presently do not have any regulatory or ethics inquiries outside the normal course of our practice.

4. Partner, Supervisory and Staff Qualifications and Experience

Your Service Team

The true value in working with our team is developing a personal and professional relationship with leaders who understand your industry, challenges, and opportunities — with the full support of an entire CLA family behind them.

Meet your service team below. All proposed engagement team members are registered or licensed to practice as a certified public accountant in Minnesota.

Engagement Team Member	Role	Experience
Christopher Knopik, CPA, CFE	***Relationship and engagement principal*** – Christopher Knopik will serve as the City's relationship principal. He will have overall engagement responsibility including planning the engagement, developing the audit approach, supervising staff, and maintaining client contact throughout the engagement and throughout the year. Christopher is responsible for total client satisfaction through the deployment of all required resources and continuous communication with management and the engagement team.	21+ years
Anita Supinski, CPA	***Quality assurance principal*** – Anita Supinski will complete the quality review of all work performed and of all audit reports prior to issuance. The focus of this review is to confirm adherence to industry and firm quality control guidelines and to make sure the work performed supports the audit opinions issued.	30+ years
Lucas Chase, CPA	***Engagement manager*** – Lucas Chase will act as the lead manager on the engagement. In this role, Lucas will assist the engagement principal with planning the engagement and performing complex audit areas. He will perform a technical review of all work performed and is responsible for the review of the annual comprehensive financial report and all related reports.	12+ years

Engagement Team Member	Role	Experience
Siona Kelly	***Senior*** – Siona Kelly will be responsible for the day-to-day activities for this engagement, including the supervision of all staff assigned.	3+ years
Information systems – an IT professional will be assigned to assist the audit team in documenting and evaluating general computer controls and IT application controls.		
Additional staff – We will assign additional staff to your engagement based on your needs and their experience providing services to similar clients.		

Information of the government auditing experience of each person can be found in the detailed biographies in the **Appendix** of this proposal.

Collaborative: *Support from a responsive local team complemented by national resources. We consider the whole of your organization, bringing innovative teams to the table.*

Commitment to continuing professional education (CPE)

With one of the largest regulated industry groups in the nation, CLA is committed to providing regular and robust training to our government practitioners. We hold regular governmental accounting and single audit updates throughout the year. All of our staff assigned to the City audit will have the required Yellow Book (Government Auditing Standards) CPE.

Engagement team continuing professional education

Total Yellow Book CPE by Year			
Professional	**2023**	**2022**	**2021**
Chris Knopik	66	49	62.5
Anita Supinski	57	48	68
Troy Gabler	51.5	46	79
Josh Robertson	38.5	41.5	53.5

Continuity of service

We are committed to providing continuity throughout this engagement. It is our policy to maintain the same staff throughout an engagement, providing maximum efficiency and keeping the learning curve low. With a solid, steady engagement team, each year brings the additional benefits of trust and familiarity. We are also flexible in exploring alternative strategies to non-mandatory rotation policies.

In any business, however, turnover is inevitable. If and when it happens, we will provide summaries of suggested replacements and will discuss re-assignments prior to finalizing. We have a number of qualified staff members to provide the City with quality service over the term of the engagement.

CLA is committed to maintaining high staff retention rates, which we believe are a strong indicator of service quality. High retention rates also indicate that our staff members have the resources they need to perform their tasks and maintain a positive work/life balance.

Right to approve or reject replacements

Engagement principals, managers, other supervisory staff, and professionals may be changed if those personnel leave the firm, are promoted, or are assigned to another office. These personnel may also be changed for other reasons with the express prior written permission of the City. In all instances, the City would retain the right to approve or reject replacements.

Consultants and firm specialists mentioned in the response to this request for proposal may be changed with express prior written permission of the City, which retains the right to approve or reject replacements.

Any other audit personnel may be changed at the discretion of the proposer, provided that replacements have substantially the same or better qualifications or experience.

5. Similar Engagements with Other Government Entities

The below table lists three references for the City to utilize. This is a very small sample size of our over 250 Minnesota governmental clients.

Client Name	Scope of Work	Client Contact
City of Deerwood, MN	Financial statement audit, Minnesota Legal Compliance, Financial statement drafting, and single audit, when required	Lee Russell, Clerk-Treasurer leerussel@cityofdeerwood.com 218-534-3152
City of Rice Lake, MN	Financial statement audit, Minnesota Legal Compliance, Financial statement drafting, and single audit, when required	Toni Blomdahl, City Administrator tblomdahl@ricelakecitymn.com 218-249-0733
City of Hermantown, MN	Financial statement audit, Minnesota Legal Compliance, Financial statement drafting, and single audit, when required	Kevin Orme, Finance Director korme@hermantownmn.com 218-729-3602

6. Specific Audit Approach

Proposed work plan

Easing the transition

We recognize that a move to a new firm presents an opportunity as well as a challenge. Over our 60-year history, we have transitioned many clients and have a collegial and professional relationship with many firms.

The CLA Seamless Assurance Advantage (SAA)

The CLA Seamless Assurance Advantage (SAA) is an innovative approach to auditing that utilizes leading technologies, analytics, and audit methods to help solve client problems and create a seamless experience.

A different approach

SAA is unlike any conventional audit process. SAA does not depend on physical location. It reduces the time our professionals spend on site, creates fewer disruptions, enables more efficient use of resources (yours and ours), and allows for more impactful interactions with your people.

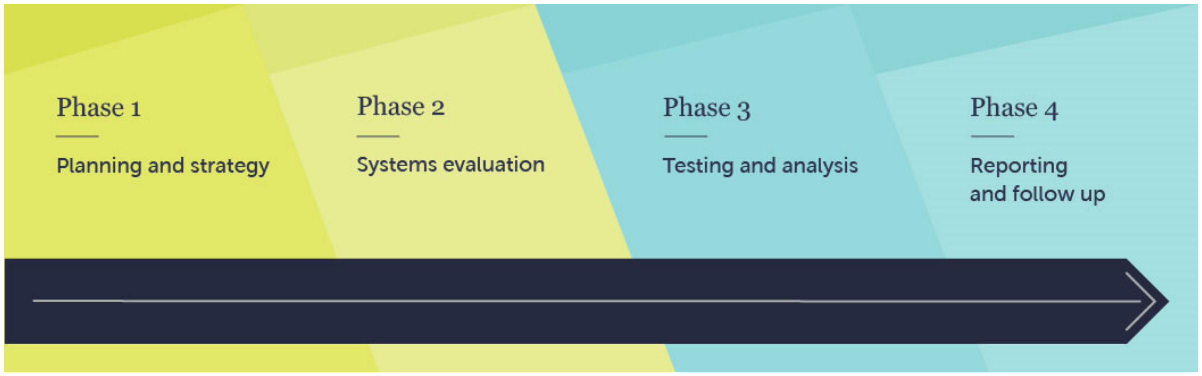
Insights through analytics

CLA uses strategic data analysis to examine whole data sets to gain a deeper understanding of your organization. Insights that were once impossible can now come into focus to help you measure performance, enhance strategic decision making, and understand your competitive opportunities.

Effective technology

CLA embraces technologies that help solve client problems and create a seamless experience. Assurance Information Exchange (AIE) is a web-based application developed by CLA to digitally request and obtain audit documents through a secure and efficient online portal.

Financial statement audit approach and methodology



Phase 1: Planning and strategy

The main objective of the planning phase is to identify significant areas and design efficient audit procedures.

- Conduct an entrance meeting. Christopher Knopik and staff will meet with the City personnel to agree on an outline of responsibilities and time frames
    - Establish audit approach and timing schedule
    - Determine assistance to be provided by the City personnel
    - Discuss application of generally accepted accounting principles
    - Address initial audit concerns
    - Establish report parameters and timetables
    - Progress reporting process
    - Establish principal contacts
- Gain an understanding of your operations, including any changes in organization, management style, and internal and external factors influencing the operating environment
- Identify significant accounts and accounting applications, critical audit areas, significant provisions of laws and regulations, and relevant controls over operations
- Determine the likelihood of effective Information Systems (IS) - related controls
- Perform a preliminary overall risk assessment
- Confirm protocol for meeting with and requesting information from relevant staff
- Establish a timetable for the fieldwork phase of the audit
- Determine a protocol for using TeamMate Analytics and Expert Analyzer (TeamMate), our data extraction and analysis software, to facilitate timely receipt and analysis of reports from management
- Compile an initial comprehensive list of items to be prepared by the City, and establish deadlines

We will document our planning through:

- **Entity profile** — This profile will help us understand the City's activities, organizational structure, services, management, key employees, and regulatory requirements.
- **Preliminary analytical procedures** — These procedures will assist in planning the nature, timing, and extent of auditing procedures that will be used to obtain evidential matter. They will focus on enhancing our understanding of the financial results and will be used to identify any significant transactions and events that have occurred since the last audit date, as well as to identify any areas that may represent specific risks relevant to the audit.
- **General risk analysis** — This will contain our overall audit plan, including materiality calculations, fraud risk assessments, overall audit risk assessments, effects of our IS assessment, timing, staffing, client assistance, a listing of significant provisions of laws and regulations, and other key planning considerations.

- **Account risk analysis** — This document will contain the audit plan for the financial statements, including risk assessment and the extent and nature of testing by assertion.
- **Prepared by client listing** — This document will contain a listing of schedules and reports to be prepared by the City personnel with due dates for each item.
- **Assurance Information Exchange (AIE)** — CLA uses a secure web-based application to request and obtain documents. This application allows clients to view detailed information, including due dates for all items CLA is requesting. Clients can attach electronic files and add commentary directly on the application.

A key element in planning this audit engagement will be the heavy involvement of principals and managers. We will clearly communicate any issues in a timely manner and will be in constant contact as to what we are finding and where we expect it will lead.

Using the information we have gathered and the risks identified, we will produce an audit program specifically tailored to the City that will detail the nature and types of tests to be performed. We view our programs as living documents, subject to change as conditions warrant.

Phase 2: Systems evaluation

We will gain an understanding of the internal control structure of the City for financial accounting and relevant operations. Next, we will identify control objectives for each type of control material to the financial statements, and then identify and gain an understanding of the relevant control policies and procedures that effectively achieve the control objectives. Finally, we will determine the nature, timing, and extent of our control testing and perform tests of controls. This phase of the audit will include testing of certain key internal controls:

- Electronic data, including general and application controls reviews and various user controls
- Financial reporting and compliance with laws and regulations

We will test controls over certain key cycles, not only to gather evidence about the existence and effectiveness of internal control for purposes of assessing control risk, but also to gather evidence about the reasonableness of an account balance. Our use of multi-purpose tests allows us to provide a more efficient audit without sacrificing quality.

Our assessment of internal controls will determine whether the City has established and maintained internal controls to provide reasonable assurance that the following objectives are met:

- Transactions are properly recorded, processed, and summarized to permit the preparation of reliable financial statements and to maintain accountability over assets
- Assets are safeguarded against loss from unauthorized acquisition, use, or disposition
- Transactions are executed in accordance with laws and regulations that could have a direct and material effect on the financial statements

We will finalize our audit programs during this phase. We will also provide an updated prepared by client listing based on our test results and anticipated substantive testing.

During the internal control phase, we will also perform a review of general and application information services/information technology (IS/IT) controls for applications significant to financial statements to conclude whether IS general controls are properly designed and operating effectively.

Based on our preliminary review, we will perform an initial risk assessment of each critical element in each general control category, as well as an overall assessment of each control category. We will then assess the significant computer-related controls.

For IS/IT-related controls we deem to be ineffectively designed or not operating as intended, we will gather sufficient evidence to support findings and will provide recommendations for improvement. For IS controls we deem to be effectively designed, we will perform testing to determine if they are operating as intended through a combination of procedures, including observation, inquiry, inspection, and re-performance.

Phase 3: Testing and analysis

The extent of our substantive testing will be based on results of our internal control tests. Audit sampling will be used only in those situations where it is the most effective method of testing.

After identifying individually significant or unusual items, we will decide the audit approach for the remaining balance of items by considering tolerable error and audit risk. This may include (1) testing a sample of the remaining balance; (2) lowering the previously determined threshold for individually significant items to increase the percent of coverage of the account balance; or (3) applying analytical procedures to the remaining balance. When we elect to sample balances, we will use TeamMate to efficiently control and select our samples.

Our workpapers during this phase will clearly document our work as outlined in our audit programs. We will provide the City with status reports and be in constant communication with the City to determine that all identified issues are resolved in a timely manner. We will hold a final exit conference with the City to summarize the results of our fieldwork and review significant findings.

Phase 4: Reporting and follow up

Reports to management will include oral and/or written reports regarding:

- Independent Auditors' Report
- Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards
- Independent Auditors' Report on Compliance for Each Major Federal Program, Report on Internal Control Over Compliance, and Report on the Schedule of Expenditures of Federal Awards Required by the *Uniform Guidance*
- Management Letter
- Written Communication to Those Charged with Governance, which includes the following areas:
    - Our responsibility under auditing standards generally accepted in the United States of America
    - Changes in significant accounting policies or their application
    - Unusual transactions
    - Management judgments and accounting estimates
    - Significant audit adjustments
    - Other information in documents containing the audited financial statements
    - Disagreements with the City
    - the City’s consultations with other accountants
    - Major issues discussed with management prior to retention
    - Difficulties encountered in performing the audit
    - Fraud or illegal acts

Once the final reviews of working papers and financial statements are completed, our opinion, the financial statements, and management letter will be issued.

The City will be given a draft of any comments we propose to include in the management letter. Items not considered major may be discussed verbally with management instead of in the management letter. Our management letter will include items noted during our analysis of your operations.

We will make a formal presentation of the audit results to those charged with governance, if requested.

Elevating with artificial intelligence (AI)

CLA is committed to harnessing cutting-edge technology to enhance client service. We may use AI to enhance your audit engagements. This can include:

- **Research and document drafting**: CLA professionals may use CLAgpt, our secure, proprietary tool to ask questions and make requests of generative AI trained on several CLA-specific resources.
- **Document summarization**: We may use CLA Family Assistant to help extract and summarize information relevant to our audits, including minutes review, leases, debt agreements, and other document types.
- **Invoice extraction**: CLA may use AI tools to extract relevant fields from invoices and other documents.

When AI is used, the work is supervised by CLA professionals who verify results before making final decisions. Client information remains confidential when working with these tools.

Single audit approach

The OMB's *Uniform Guidance* (2 CFR Part 200) is effective for federal grants made on or after December 26, 2014. This affects how federal grants are managed and audited and impacts every organization that receives federal assistance. Grant compliance can be a confusing topic and many of our clients rely on their federal funding as a major revenue source, so it is important that they understand what these changes mean to their organization. As a leader in the industry, CLA was out in front of these changes and informed our clients of how to be proactive about these changes and how they could impact their entity. CLA professionals are available to provide guidance and tools tailored to the City's needs, and to assist in compliance with these rules.

The AICPA clarified auditing standard, AU-C 935 "Compliance Audits," requires risk-based concepts to be used in all compliance audits including those performed in accordance with 2 CFR Part 200. Our risk-based approach incorporates this guidance.

We will conduct our single audit in three primary phases, as shown, below:

Phase 1: Risk assessment and planning

The risk assessment and planning phase will encompass the overall planning stage of the single audit engagement. During this phase, we will work closely with the City's management to determine that programs and all clusters of programs are properly identified and risk-rated for determination of the major programs for testing. We will also review the forms and programs utilized in the prior year to determine the extent of any changes which are required.

We will accomplish this by following the methodology below:

- Determine the threshold to distinguish between Type A and B programs, including the effect of any loans and loan programs
- Utilizing the preliminary Schedule of Expenditure of Federal Awards, we will identify the Type A and significant Type B programs (25% of Type A threshold) in accordance with the *Uniform Guidance*
- Identify the programs tested and the findings reported for the past two fiscal years. Determine and document the program risk based on the past two single audits
- Prepare and distribute Type B program questionnaires to determine risk associated with Type B programs
- Determine the major programs to be tested for the current fiscal year based on the previous steps
- Based on our determination of the major programs, we will obtain the current year compliance supplement to aid in the determination of direct and material compliance requirements, and customize the audit program accordingly
- Determine the preferred methods of communication during the audit

Phase 2: Major program testing

We will determine the programs to be audited based on the risk assessment performed in the planning phase. We will perform the audit of the programs in accordance with UG.

To accomplish this, we will perform the following:

- Schedule an introductory meeting and notify the City's management of the major programs for the current fiscal year
- Plan and execute the testing of the expenditures reported on the Schedule of Expenditures of Federal Awards
- Perform tests of compliance and internal controls over compliance for each major program identified
- Schedule periodic progress meetings to determine that schedules are adhered to and identify issues as they arise
- Conduct entrance and exit conference meetings with each grant manager

Phase 3: Final assessment and reporting

We will re-perform the steps noted in the preliminary assessment and planning stage once the final Schedule of Expenditures of Federal Awards is received to determine if additional major programs were identified.

Based on the final determination of the programs we will perform the following:

- Identify Type A and significant Type B programs which were not previously identified
- Re-assess the risk and determine if we are required to audit additional programs
- Perform compliance testing at the entity wide level related to procurement and cash management requirements

- Perform testing to validate the status of prior year findings for those programs not selected for audit
- Prepare the Schedule of Findings and Questioned Costs
- Conduct exit conference with the City's management to review drafts of required reports:
    - Independent Auditors' Report on Internal Control over financial reporting and on compliance and other matters based on an audit of Financial Statements Performed in accordance with Government Auditing Standards
    - Independent Auditor's Report on Compliance for Each Major Federal Program, Report on Internal Control Over Compliance, and Report on the Schedule of Expenditures of Federal Awards Required by the *Uniform Guidance*

Throughout the single audit, we will maintain communication through periodic progress meetings with those designated by the City. These meetings will be on a set schedule, but as frequently as the City determines. During these meetings, we will discuss progress impediments and findings as they arise.

Data analytics

In addition to standard auditing methodology, a distinguishing aspect of CLA's audit services incorporates the power of data analytics to multiply the value of the analyses and the results we produce for clients. CLA's data methodology is a six-phase, systematic approach to examining an organization's known risks and identifying unknown risks. Successful data analysis is a dynamic process that continuously evolves throughout the duration of an engagement and requires collaboration of the engagement team.

Data analytics are utilized throughout our audit process, our **R**isk Assessment, **D**ata **A**nalytics and **R**eview ("RADAR") is a specific application of general ledger data analytics that has been implemented on all audit engagements. RADAR is an innovative approach created and used only by CLA that aims to improve and replace traditional preliminary analytics that were being performed.

The phases in our data analytics process are as follows:

1. Planning

In the planning stage of the engagement, the use of data analysis is considered and discussed to determine that analytics are directed and focused on accomplishing objectives within the risk assessment. Areas of focus, such as journal entries, cash disbursements, inventory, and accounts receivable are common.

2. Expectations

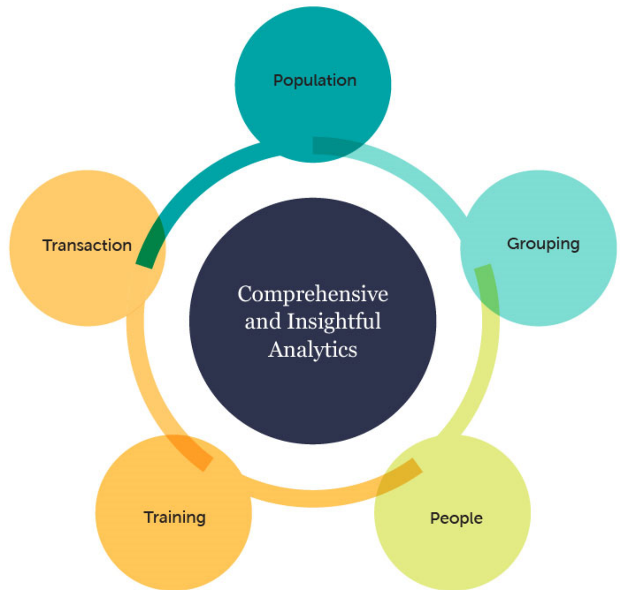
We consider the risks facing our client and design analytics to address these risks. Through preliminary discussions with management and governance, we develop and document expectations of financial transactions and results for the year. These expectations will assist in identifying anomalies and significant audit areas in order to assess risk.

3. Data acquisition

Sufficient planning, a strong initial risk assessment, and an adequate understanding of your systems will serve as the foundation necessary to prepare our draft data request list. We will initially request information in written format and conduct follow-up conversations helping CLA practitioners share a mutual understanding of the type of data requested and the format required. If there are going to be any challenges/obstacles related to obtaining data, or obtaining data in the preferred format, they will generally be discovered at this point.

4. Technical data analysis

Technical analysis of the data requires the skillful blend of knowledge and technical capability. Meaningful technical analysis provides the engagement team with a better understanding of the organization. The additional clarity assists the engagement team to better assess what is "normal" and, in turn, be better suited to spot anomalies, red flags, and other indications of risk. Analytics generally fall into five categories, each looking into the data set in a different way and deployed with a different purpose.



5. Interpret results and subsequent risk assessment

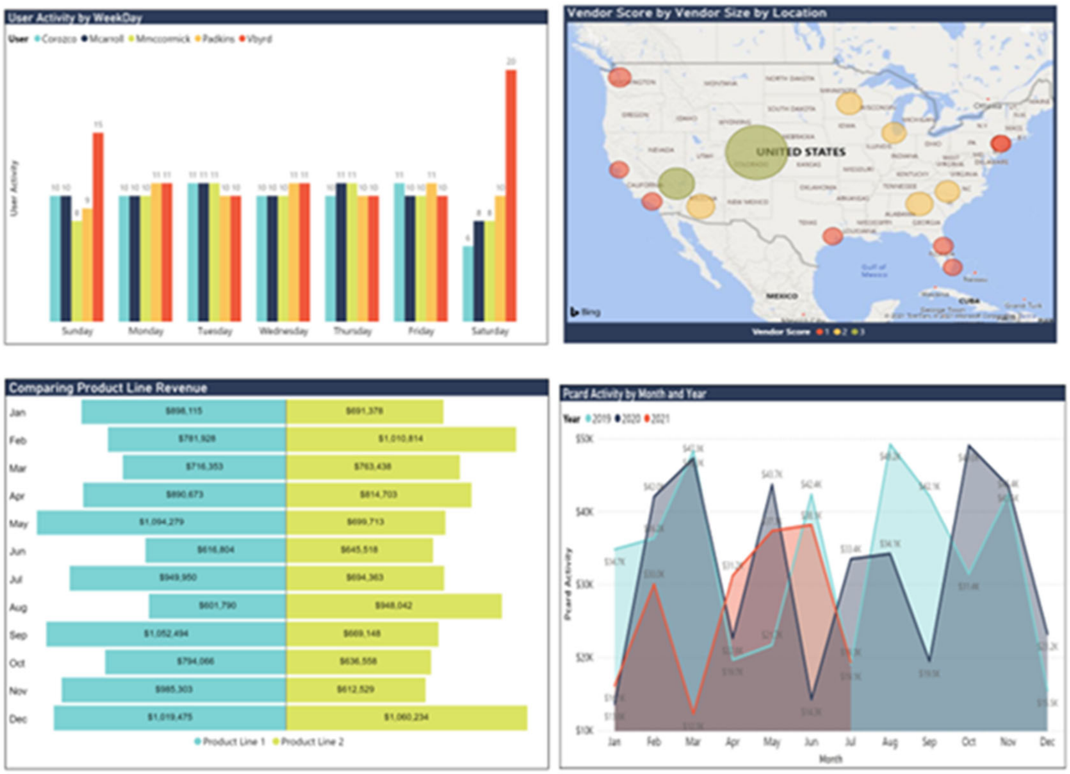
Trends and anomalies will be identified through the performance of the above referenced analytics. Comments regarding the interpretation of those trends and anomalies will be captured. When trends are identified, they are reconciled against expectations. For anomalies identified, the approach to further audit procedures will be considered.

6. Response and document

The last process is to capture responses and determine that our procedures are properly documented. Abstracts, charts, or summaries of both trends and anomalies are retained in audit documentation to support our identification of risks. Our analysis can be tailored and customized to help analyze an array of information, including client-specific and proprietary data. Key benefits of data analytics include:

- Built-in audit functionality including powerful, audit specific commands and a self-documenting audit trail
- 100% data coverage, which means that certain audit procedures can be performed on entire populations, and not just samples
- Unlimited data access allows us to access and analyze data from virtually any computing environment
- Eliminates the need to extrapolate information from errors (a common effort when manually auditing data) and allows for more precise conclusions

The below figure illustrates typical data analytics scenarios.



CLA Intelligence Platform: Digital services and generative AI

Let us help you harness cutting-edge technology to transform the way your teams work and uncover deeper business and financial insights.

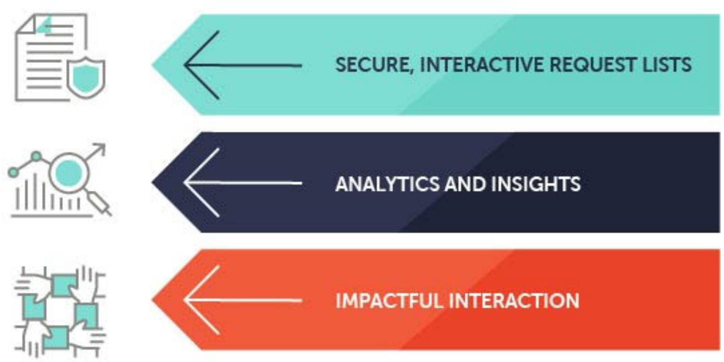
Digital transformation is no longer optional, it's a necessity. With CLA, you'll find a [comprehensive suite of capabilities] spanning automation and integration, data analytics, software, and cybersecurity — offering you new opportunities to navigate and thrive in the digital age.

By leveraging digital product solutions and services, you can improve your business operations and achieve big goals, whether that's streamlining processes, enhancing customer experiences, embracing generative artificial intelligence (AI), or driving innovation. We help you put digital solutions in place to:

Drive growth and profitability	Drive more value from software	Gain efficiencies and quality
Improve employee experience and retention	Make data-driven decisions	Make your data work for you
Manage security more effectively	Put the power of AI in your hands	Reduce cyber and other threats

Use of technology in the audit

We're reimagining the audit process through technology to elevate your experience!



Assurance Information Exchange (AIE) — CLA offers a secure web-based application to request and obtain documents necessary to complete client engagements. This application allows clients to view detailed information, including due dates for items that CLA requests. Additionally, the application allows clients to attach electronic files and add commentary related to the document requests directly on the application. AIE is provided at no additional cost, subject to the terms of the Assurance Information Exchange Portal Agreement.

Assurance Integrated System (AIS) – AIS is CLA's new assurance methodology platform and includes audit programs, risk assessments, and many of our template forms that can be completed and updated online by individuals that you designate.

TeamMate Analytics and Expert Analyzer (TeamMate) — To analyze and understand large data sets, we use TeamMate Analytics and Expert Analyzer. We customize the application by industry in order to perform the most applicable procedures. This allows us to go beyond sampling and instead analyze the entire general ledger for targeted anomalies. Far beyond the audit application, our six-phase process of Risk Assessment, Data Analytics and Review (RADAR) can also provide actionable insights to help you understand your entity better.

Microsoft® Teams — Our services approach focuses on impactful interactions. We've said goodbye to the days of setting up camp in our clients' conference rooms for weeks on end. We know our clients have organizations to run, so our interactions have purpose. To assist with communications when we are not onsite, we utilize tools such as Microsoft Teams, which allow for two-way screen sharing and video. We've found this helps reduce disruptions in our clients' environments while continuing to effectively communicate with each other.

Communication process

Effective communication is critical to a successful engagement. This includes weekly status meetings where observations, potential exceptions, and leading practices are discussed. To avoid surprises at the end of the engagement, we discuss and document our observations, clarify fact patterns, and confirm management's understanding and agreement with our findings.

CLA adheres to all auditing standards related to reporting observations, recommendations, and findings. All significant deficiencies and material weaknesses will be reported to the audit committee/governance in writing. Best practices, observations, and other matters will be reported to management in a management letter that can be used as a tool to track the implementation of our recommendations.

Report to those charged with governance — In addition to observations and recommendations, we will inform the audit committee of:

- Significant accounting policies
- Management judgments and accounting estimates
- Significant audit adjustments and passed adjustments, if any
- Disagreements with management, if any
- Management consultation with other accountants, if any
- Major issues discussed with management prior to retention
- Difficulties encountered in performing the audit, if any

We are sensitive and understanding of the fact that we report to those charged with governance, and our audit professionals maintain objectivity and independence in issuing audit opinions. If we identify significant fraud, illegal acts, or significant delays during the audit process, we will alert the audit committee immediately.

Information related to overall fiscal health or other concerns of your organization observed during audit testing will be presented in the exit presentation and as part of the management letter. We will also help you create opportunities for improvement through recommendations and suggestions for strengthening your policies, accounting procedures, and processes.

7. Compensation

Total all-inclusive price

Having upfront conversations builds relationships.

The value we can provide your organization starts with helping you uncover revenue opportunities and put dollars in your pocket. While we are addressing your compliance needs, our insights and strategies also represent a return on your investment.

See below for a breakdown of the fees by services.

Professional Services	2024	2025	2026
Financial statements audit	$30,000	$31,100	$32,200
Drafting the financial statements	$5,000	$5,000	$5,000
Technology and client support fee (5%)	$1,750	$1,805	$1,860
Total (Not including travel costs)	**$36,750**	**$37,905**	**$39,060**

Our fixed-fee quote is designed with an understanding that:

- The City personnel will provide documents and information requested in a timely fashion.
- The operations of your organization do not change significantly and do not include any future acquisitions or significant changes in your business operations.
- If there is additional time due to errors that require prior period adjustments, that time will be discussed with the City and billed at our standard hourly rates, which range from $140 to $550 per hour, depending on the level of the assistance, required.
- There are not significant changes to the scope, including no significant changes in auditing, accounting, or reporting requirements.
- Travel costs will be billed at actual travel time and out-of-pocket expenses.
- If a single audit is required, our cost for that is $4,500 per major federal program.

The 5% technology and client support fee supports our continuous investment in technology and innovation to enhance your experience and protect your data.

Fee increase

Our fees are based on professional standards and regulations currently in effect and barring any changes in the nature or requirements of the engagement, our annual fees will increase in accordance with the increases in our payroll and overhead costs. In addition, costs could increase due to substantial changes in your office locations, asset size and/or operational structure. If fee increases are expected outside of the ranges provided above, we would discuss with management prior to the completion of the work.

No surprises

Our clients don't like fee surprises. Neither do we. If changes occur, we will discuss a revised fee proposal with you before beginning any work. For any "out-of-scope" work, we will provide an estimate for your approval.

We're invested in our relationships and strongly encourage intentional and frequent communication. Contact us year-round as changes or questions arise — we do not bill for routine inquiries or advice.

We are committed to creating a long-standing relationship. If you have concerns about the fee structure, give us a call and let's discuss.

Transparent: *Clear, authentic communication and market-based fees.*

Appendix

Your service team biographies

Christopher Knopik, CPA, CFE

CLA (CliftonLarsonAllen LLP)

Principal
Minneapolis, Minnesota

612-397-3266
christopher.knopik@CLAconnect.com

Profile

Christopher is a principal at CLA and has more than 20 years of public accounting experience. He works exclusively with state and local government clients (including colleges and universities, cities, towns, counties, special districts, and state agencies) and has extensive experience with Uniform Guidance single audits of federal grant programs.

Technical experience

- State and local government experience
- Higher education
- Single audit under Uniform Guidance

Education and professional involvement

- Bachelor of science in accounting from Bemidji State University, Bemidji, Minnesota
- Certified Public Accountant, Minnesota, Texas, and Hawaii
- Oregon Municipal Auditor
- American Institute of Certified Public Accountants
- Minnesota Society of Certified Public Accountants
- Minnesota Government Finance Officers Association
    - Executive Board, At-large member
    - Education Committee
    - Social Committee
- Minnesota Office of the State Auditor – Audit and Reporting Group
- Association of Certified Fraud Examiners
- National Association of College and University Business Officers
- Certified Fraud Examiner

Speaking engagements

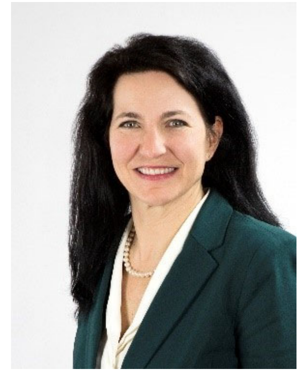
- March 2024, March 2022, March 2020, March 2018, March 2017, March 2016, March 2015, March 2014 – CiftonLarsonAllen Government Training Academy

Key relevant clients

- City of Stillwater, Minnesota (ACFR Award)
- City of Mahtomedi, Minnesota (ACFR Award)
- City of Lakeville, Minnesota (ACFR Award)
- City of Hermantown, Minnesota
- Dakota County, Minnesota (ACFR Award)
- Carver County, Minnesota (ACFR Award)
- Three Rivers Park District (ACFR Award)
- Sherburne County, Minnesota (ACFR Award)
- Minnesota Zoo
- Minnesota Sports Facilities Authority (ACFR Award)
- Minnesota State Colleges and Universities
- West Virginia University
- West Virginia University – Parkersburg
- West Virginia University Research Corporation
- West Virginia State University
- Southwestern Oregon Community College
- Auxiliary and ancillary organizations of Eastern Washington University
- St. Paul Public Schools
- Hopkins Public Schools
- Eastern Carver County Public Schools
- Roseville Public Schools
- Legislative Coordinating Commission
- Minnesota Office of the Legislative Auditor

Anita M. Supinski, CPA

CLA (CliftonLarsonAllen LLP)



Principal
Brainerd, Minnesota

218-825-2919
anita.supinski@CLAconnect.com

Profile

Anita is a CLA national assurance technical group principal who started with the firm in 1989 and works primarily with state and local government engagements. Anita serves as the CLA state and local government industry assurance leader and manages the efforts of the CLA GASB GAAP implementation task force. Additionally, her responsibilities include being a firm wide technical resource for the governmental agencies audit and assurance practice and quality review of assurance engagements of government agencies. Anita also develops and conducts training sessions for audit and accounting staff within the firm. Anita is an experienced member of peer review teams and is involved with the firm's peer review and internal inspection process.

Technical experience

Anita assists governmental audit engagement teams and clients with technical audit and accounting issues and works with the CLA state and local governments group to formulate audit and financial statement report planning. She has experience working with more than 300 audits including states, schools, counties, local municipalities, as well as numerous special-purpose governments across the nation. Additionally, she consults with engagement teams on technical issues related to audits of federal and state awards and *Government Auditing Standards.*

Education and professional involvement

- Participates as a reviewer in the AICPA's enhanced peer review oversight program
- Past member of the AICPA State and Local Government Expert Panel
- Bachelor of science in accounting from St. Cloud State University, St. Cloud, Minnesota
- American Institute of Certified Public Accountants
- Minnesota Society of Certified Public Accountants
- Certified Public Accountant, Minnesota

Speaking engagements

- AICPA National Governmental Accounting and Auditing Update and other AICPA learning webcasts
- Presenter for internal annual CLA audit and accounting updates
- CLA external Local Government Training Academy Presenter
- Instructor for firm's annual Minnesota School District update as well as other internal learning sessions

Lucas Chase, CPA

CLA (CliftonLarsonAllen LLP)

Director
Minneapolis, Minnesota

612-397-3267
lucas.chase@CLAconnect.com

Profile

Lucas is a director with CLA and provides assurance services to state and local governments. He has worked exclusively with local governments for more than 12 years and has extensive experience with audits under the *Uniform Guidance* for federal grant programs.

Technical experience

- State and local government
- GASB standards and implementation
- The *Uniform Guidance* and federal single audit requirements
- Grant compliance and policies
- ACFR preparation

Education and professional involvement

- Bachelor of science in accounting from Bemidji State University, Bemidji, Minnesota
- Certified Public Accountant in the state of Minnesota
- American Institute of Certified Public Accountants
- Minnesota Society of Certified Public Accountants
- Minnesota Government Finance Officers Association

Key relevant clients

- Dakota County (GFOA Certificate Program – ACFR)
- City of Lakeville (GFOA Certificate Program – ACFR)
- City of Stillwater (GFOA Certificate Program – ACFR)
- City of Mahtomedi (GFOA Certificate Program – ACFR)
- City of Minnetrista (GFOA Certificate Program – ACFR)
- Sherburne County (GFOA Certificate Program – ACFR)
- Port Authority of the City of St. Paul
- Minnesota Zoo
- Owatonna Schools (ASBO Certificate Program – ACFR)
- Glencoe Public Schools
- Eastern Carver County Schools

Siona Kelly

CLA (CliftonLarsonAllen LLP)

Senior
Minneapolis, Minnesota

612-215-1764
siona.kelly@CLAconnect.com

Profile

Siona is a senior associate at CLA and has 3 years of public accounting experience. She works exclusively with state and local government clients (including school districts, charter schools, state agencies, special districts, cities and counties) and has a passion for serving and connecting with clients.

Technical experience

- State and local government experience

Education and professional involvement

- Bachelor of Arts in International Studies with a concentration in Economics from Macalester College
- Accounting Certificate from Normandale Community College

Government auditing experience

- City of Minnetrista, Minnesota (ACFR Award)
- City of Lakeville, Minnesota (ACFR Award)
- City of Coon Rapids, Minnesota
- Dakota County, Minnesota (ACFR Award)
- Scott County, Minnesota (ACFR Award)
- Minnetonka Public Schools
- St. Paul Public Schools
- Roseville Area Public Schools
- Minnesota Zoo
- Three Rivers Park District

Continuing professional education

- Single Audit Training
- Yellow Book Training
- Minnesota school districts internal training
- Government conference internal training

KCI Conservation - Sculpture & Object Conservators
2220 Bayard Ave. - St. Paul, MN 55116 - 612.564.3176 - kciconservation.com

CONDITION ASSESSMENT & TREATMENT PROPOSAL

Client Name: City of Blackduck, Minnesota
Contact Info: Christina Regas, City Administrator
Christina.regas@blackduckmn.com
(218) 835-4803

Object/Title: New Duck / Lion's Duck
Artist: F.A.S.T Corporation
Object Date: 1983
Materials: Painted fiberglass, masonry base, wooden plaque, bronze plaque
Location: Blackduck Wayside Rest Park, 72 Frontage Rd, Blackduck, MN 56630

Description

The painted fiberglass sculpture is of a duck in flight coming in for a landing. The sculpture has a fiberglass self-base with a chipboard or particle board core. It is mounted on a masonry base that is comprised of a hollow poured concrete block with stone veneer panels around all four edges on top of a poured concrete slab. There are two square openings on each side of the masonry base that allow limited access to view the interior. There is a painted wooden plaque mounted on the front stone veneer panel and a small bronze Lions International plaque.

Previous Repairs

A polyester resin fill material was applied along the edges of the fiberglass self-base in an attempt to fill the open cracks in fiberglass, and the cracks between the stone veneer and the poured concrete base. The sculpture has been partially repainted at least once, as evidenced by slight variations between an undated photograph[1] found online and this examination (fig. 1). Also, upon close examination of the bill, the original yellow paint can be seen through areas of thin orange overpaint.

CONDITION:

Summary: The sculpture is fair condition overall. There are numerous structural cracks in the fiberglass, as well as in the paint layers. The masonry base is also in fair condition with gallons of trapped water present on the interior. There are cracks and numerous disfiguring losses on the exterior.

[1] Image source: https://opendcl.elevator.umn.edu/asset/viewAsset/5a09f9743f3cb17ecf7b3653#5a09fa673f3cb17eae2cc234

Figure 1. Left: undated image found online. Note the beak is yellow, the feet are dark orange, the head and neck are predominately brown. There is no evidence of fill material around the edges. See footnote on page 1 for link to image source.

Right: Image taken during examination on August 1, 2024. The beak and feet are vibrant orange, the body is brown and black. The wings in both photos are very similar.

FIBERGLASS SCULPTURE

Structural: The sculpture is in fair condition structurally. There are localized groups of open cracks in the fiberglass resin that are less than 2 inches in length (fig. 2). The self-base is significantly warped overall. The previous polyester resin repairs along all four edges are cracked and failing (fig. 3). Approximately 35-40% of this fill material has detached and been lost. There are open cracks along 50% of the edges. There are at least three upward facing holes on the self-base which are intentional and may have originally been intended for additional anchoring hardware. The chipboard/particle board encased in the fiberglass self-base has deteriorated due to trapped moisture entering through these openings. It has disintegrated and is no longer providing structural support (fig. 4). The anchoring bolt in the proper left back corner is missing. The other bolts are not security hardware and are at risk for tampering or vandalism.

Figure 2. Detail of small cracks that extend through the paint layers and the fiberglass resin. Cracks are less than 1 inch. Also note some original yellow paint visible through the orange overpaint along the left side of the image.

Figure 3. Detail of gray polyester resin fill material along the edge.

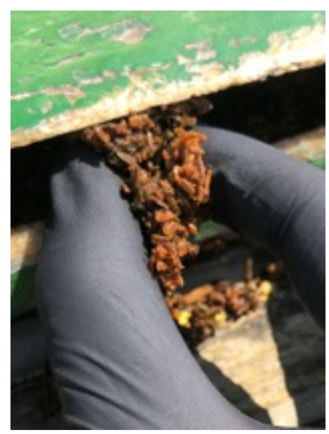


Figure 4. Pulling disintegrated wood out from a crack in the self-base.

Surface: The surface of the sculpture is in fair condition. Overall, the paint layer is weathered, faded, and chalky. There is significant cracking in the painted layers on the majority of the surface which includes complex network cracks around chips and losses as well as aging cracks and fissures ranging from very small to approximately 2 inches. There are large swathes of drying cracks found overall (fig. 5). This is also known as 'alligatoring' and occurs when the upper layers of the paint pull away in a pattern that resembles an alligator's hide during the drying stage of paint layers due to chemical processes, material incompatibility, and/or physical influences. Although the paint appears flaky and friable in these areas, the majority of the paint is securely attached to the surface. There are several dozen localized areas of abrasion, chips, and scratches ranging in size from less than ½ inch to over 18 inches (fig. 6). There are dozens of instances of scratchiti on the self-base, and at least two marker tags. Approximately 15-20% of the green paint on the self-base has worn away. Foliose and crustose lichens are growing on the surface, along with traces of biofilm. There is a moderate to heavy accumulation of dirt, grime, and organic accretions on the surface.

Figure 5. Examples of drying cracks/ alligatoring.

Figure 6. Detail of chips and paint loss.

MASONRY BASE

<u>Structural:</u> The base is in fair structural condition. There are at least 6 inches of standing water inside the base and no weep holes for water egress (fig. 7). Water was also seen dripping from the fiberglass self-base into the standing water inside the base. The stone veneer panels obscure the poured concrete base and the full extent of its condition is unknown. However, when viewed through the square openings located at each side of the base, the poured concrete appears to be in generally good condition.

The stone veneer panel at the back is missing one large stone in the upper right corner. There is an open vertical crack that begins at the top edge and is approximately 2 feet long. This veneer panel is nearly fully detached from the poured concrete base and is somewhat mobile with applied pressure (fig. 8). The proper left veneer panel is missing at least six stones along the bottom edge. The jagged edges of the poured concrete slab are unearthed and exposed along the entire proper right half of the base.

<u>Surface:</u> The surface of the base is in fair condition. There are lichens and biofilm growing on all masonry surfaces. Grass and moss are growing healthily along the lower edges between the base and the concrete slab it sits on. There is a moderate to heavy accumulation of dirt, grime, insect and other organic debris on the surface and in recessed areas.

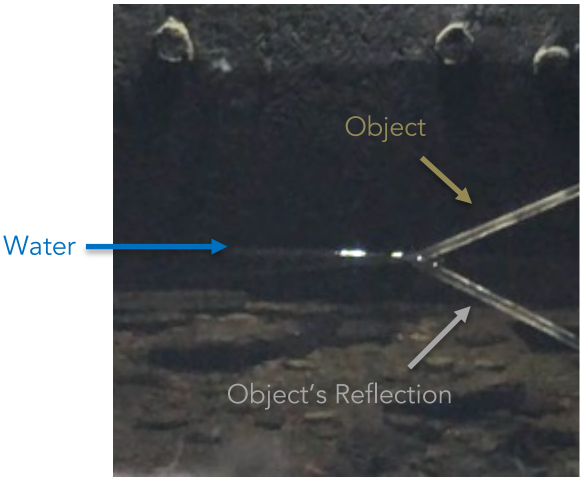


Figure 7. Still image captured from video taken inside the concrete base showing the water trapped inside.

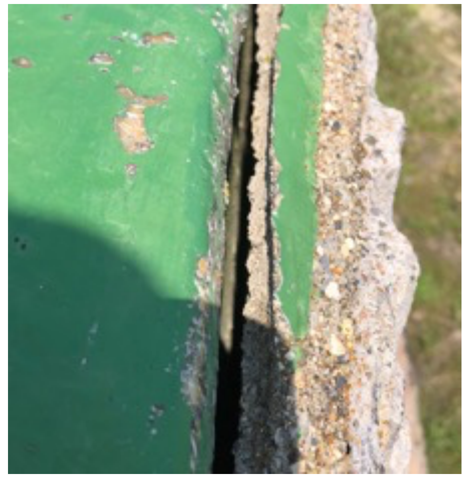


Figure 8. Detail of open gap between back stone veneer panel and concrete base.

WOODEN PLAQUE

Structural: The plaque is in fair structural condition. The knot in the wood located in the letter "C" is rotten and soft. The knot in the letter "U" has been lost. The sign is anchored to the masonry base with flathead screws.

Surface: The surface of the plaque is in good to fair condition. There is paint loss along the top edge and throughout the front face (fig. 9). There are dozens of cracks in the paint due to fluctuations in temperature and relative humidity that cause the wood to expand and contract.

Figure 9. Wooden plaque with paint loss seen throughout.

BRONZE PLAQUE

Structural: The plaque is in good structural condition, with no concerns.

Surface: The surface of the bronze plaque is in good condition. Light blue-green corrosion is beginning to develop in low points where the relief holds water (fig. 10). There is a moderate layer of dirt and grime on the surface.

Figure 10. Bronze plaque is developing light corrosion.

RECOMMENDATIONS:

Immediate Recommendation:

We strongly recommend draining the standing water in the base as soon as possible, before winter this year. A few small holes carefully drilled through the mortar and the poured concrete base should be sufficient. A long masonry drill bit will be necessary. Two holes on opposite sides should suffice. Screens should be positioned in the two open windows to deter people from inserting trash or animals from nesting in the masonry base.

Recommendations for Next Steps:

Fiberglass sculpture

We recommend deinstalling the sculpture from the masonry base. The City should arrange for temporary fencing around the work area to protect the sculpture while it is deinstalled. KCI will work with professional riggers to detach the anchoring bolts, remove the fiberglass sculpture from the masonry base, and place it nearby to complete the proposed treatment. The sculpture will be placed on custom pallets or another supportive working platform. The disintegrated chip board will be removed from the self-base and replaced with a durable auxiliary support made from aluminum, stainless steel, or another appropriate material. We may need to cut away part of the self-base, along edges that are already cracked and partially detached, in order to fully remove the rotten board and replace it with a new support. This may need to occur while the sculpture is suspended.

The sculpture will be washed with an anionic detergent and gentle bristle brushes. A biodegradable biocide will be applied according to the manufacturer's specifications to remove lichens and other biofilm. The cracks and losses in the sculpture will be repaired by a fiberglass specialist who will fill losses with new fiberglass material and resin, and will sand to level the repairs to match the surrounding areas. The fiberglass specialist will also repair the base after the new auxiliary support is in place.

As needed, the work area will be masked off and/or tented to protect the surrounding environment during painting. The sculpture will be lightly sanded overall before applying a primer. Paint will be applied by spray and/or brush to replicate the original design.

After the work on the base is also complete (see next section), the professional riggers will reinstall the fiberglass sculpture on the masonry base under the supervision of a KCI conservator. The existing anchoring hardware will be replaced with new security hardware when it is reinstalled.

Masonry Base

While the sculpture is deinstalled, the masonry base will be further examined to determine if there are additional structural condition issues not identified during this examination.

The base will be washed overall and a biodegradable biocide will be applied to remove lichens and biofilm from the surfaces. Further investigation is needed to understand how the veneer panels are anchored to the concrete base. We need to ensure the back panel is secured to the underlying concrete base. If possible, we will reposition the back veneer panel and re-anchor it. We will fill upward facing gaps and the vertical crack using compatible restoration mortar or patching cement, color matched to the surrounding surfaces. Weepholes will be added if they have not already been drilled. Screens will be secured over the open windows to deter accumulation of trash and other debris as well as prevent animals from nesting or becoming trapped.

As an optional step, approximate replications of the lost stones on the veneer panels can be refabricated and attached to the panels. This is only addresses a minor aesthetic problem and is not necessary from a strictly preservation prospective. The missing stones are located along the lowest edge on the proper left and the back veneer panel. This step could be completed at a future date if desired, or not at all.

Plaques
The plaques will be washed to remove dirt and grime. Corrosion products on the bronze plaque will be removed using bamboo picks and stiff bristle brushes. A protective was coating will be applied cold and allowed to dry before buffing.

The rotten knots in the wooden plaques will be removed and filled with fill material suited for outdoor use on wood substrates. If additional areas of deterioration are found, they will be consolidated or treated in consultation with the client. The fills will be leveled and shaped to match the surrounding texture. Fills and losses will be primed and painted with outdoor primer and paints suitable for wood. Colors will be matched to the original paint.

Results of treatment: A conservation treatment will return the sculpture to very good condition. The sculpture will be structurally sound with a new auxiliary support and repairs made to the fiberglass. It will look fresh and vibrant, and will be protected with a new coat of paint, while still retaining its original colors and appearance. The new anchoring hardware will provide added security and be better integrated with the base. The cracks and gaps on the masonry base will be repaired, and weep holes will be added to provide water drainage. The wooden plaque will be strengthened and losses in the wood and paint visually integrated and complete. The bronze plaque will be cleaned, corrosion removed, and a protective wax coating applied.

PROPOSED TREATMENT:

Documentation and Preparation

1. Examine and write Condition Report and Treatment Proposal. (complete)
2. Consult with the client to discuss the new auxiliary self-base support (replacement for chip board), final intended appearance of paint, and additional matters as they arise.
3. Color match and procure paint that matches the desired appearance.
4. Communicate with client and contractors to schedule work.
5. Pack supplies and travel to and from site.
6. Photodocument before, during, and after treatment.
7. At the end of the treatment, write Final Report and Maintenance Plan for the sculpture.

Sculpture

8. Schedule and coordinate deinstallation with professional riggers.
9. KCI will supervise the deinstallation.
10. The anchor bolts will be loosened and removed.
11. Riggers will pad and lift the sculpture off the masonry base.
12. The condition of the self-base will be observed during the deinstallation; it may be necessary to cut away the bottom part of the self-base if it is cracked and detaching.
13. Remove the disintegrated chipboard.
14. Install a new auxiliary support in the self-base.
15. Riggers will place the sculpture on a padded level surface in a predetermined location.
16. Wash surfaces with gentle anionic detergent and a plastic bristle brush to remove dirt, grime, and organic debris.
17. Apply biodegradable biocide to remove lichens and other biofilms and follow manufacturer's instructions for use.
18. A specialty fiberglass repair contractor will repair areas of damaged fiberglass under the supervision of a KCI Conservator:
    a. Cut away damaged areas of fiberglass
    b. Fill in repair areas with new fiberglass material
    c. Shape and level repair areas flush with surrounding areas.
19. KCI will work with an experienced painter to repaint the sculpture overall:
    d. Mask surrounding areas as needed. This may include erecting a tent or similar enclosure to protect the surrounding environment during painting process.
    a. Lightly sand sculpture overall to remove old paint and prepare surface for repainting.
    b. Apply primer by spraying.
    c. Apply paint by brushing and/or spraying, following original color schemes.
20. Riggers will pad the sculpture and return it to the masonry base, supervised by a KCI Conservator.
21. New security anchoring hardware will be used to secure the sculpture to the base.

Masonry Base

22. Wash surfaces with gentle anionic detergent and a plastic bristle brush to remove dirt, grime, and organic debris.
23. Apply biodegradable biocide to remove lichens and other biofilms and follow manufacturer's instructions for use.
24. Investigate how veneer panels are anchored to underlying concrete base.
25. Reposition and re-anchor back veneer panel if possible. Otherwise, fill open upward facing gap with compatible restoration mortar or patching cement.
26. Fill open upward facing cracks and gaps along the remaining edges with compatible restoration mortar or patching cement.
27. Repair vertical crack in back veneer panel with restoration mortar.
28. Drill weep holes to allow water egress (if not already done).

Plaques

29. Wash both plaques with gentle anionic detergent and a plastic bristle brush to remove dirt, grime, and organic debris.

30. Use bamboo tools and stiff bristle brushes to reduce corrosion on the bronze plaque.
31. Clean bronze surface with solvents to reduce deteriorated coatings.
32. Apply a protective coat of clear paste wax.
33. Allow the wax to dry.
34. Buff the wax with a soft horsehair brush.
35. Remove rotten knots from wooden sign.
36. Fill losses with non-dimensional fill materials compatible with wood.
37. Level and shape fill to match texture of surrounding areas.
38. Prime fills and areas of paint loss with outdoor wood primer.
39. Tone fills and losses with appropriate outdoor wood paint to match the surrounding areas.

Optional Step(s):

40. Refabricate missing veneer panel stones out of restoration mortar. Texture and color will be matched as close as possible to surrounding stones. Adhere replacements to veneer panels with strong natural masonry adhesive.

Blackduck Responsibilities

- Arrange to have temporary chain link or other security fencing installed around sculpture to ensure overnight security.
- Provide access to water, ideally a water spigot for a hose.

Cost Estimate Steps 1-39: $ 25,322.00 –31,616.00

Cost estimate includes:

KCI Labor: $14,160.00 - $16,880.00
8% for supplies and materials: $1,036.00 - $1,350.00
KCI Lodging 7 nights for 2 people: $2,100.00
KCI Per Diem 7 days for 2 people: $826.00

Henning Fiberglass: $5,000.00 - $7,000.00

Rapid Crane and Rigging: $2,200.00- $3,460.00

Cost of Optional Step #40: an additional $ 1,050.00 – $ 1,200.00 Yes _____ *or* No ______

Prepared by Conservators: Nicole Flam and Laura Kubick **Report Date:** August 19, 2024

CLIENT AGREEMENT:

The undersigned authorizes and directs KCI Conservation to carry out the aforementioned conservation and/or restoration treatment and take such action as KCI deems appropriate in connection with the treatment. The undersigned warrants: (i) that the undersigned is the sole owner(s) (or authorized agent of the owners) of the work(s) of art described above and has full authority to direct KCI to undertake the proposed treatment; (ii) the work(s) of art described above is insured by the institution or owner against any and all losses, and that such insurance will be in place from the time the artwork is delivered to KCI until it is received back by the owner/agent.

The above pricing is valid for 90 days. The depositing institution or owner agrees to pay the cost of all conservation services plus materials (8%), not exceeding the above estimated cost by more than (10%) without the express written approval of the depositing institution or owner. All transportation and related insurance costs are the responsibility of the owner or agent of the item.

Conservator will retain files pertaining to work performed under this Agreement, whether in hard copy or digitized, for a minimum of five (5) years after the conclusion of work performed. After this five (5) year period has elapsed, Conservator may destroy the contents of Client's file in a responsible and ethical manner.

Conservator shall have the right to publish or otherwise share materials relating to work performed under this Agreement, including but not limited to photographs, videos, digitized images, recordings, or other reproductions of the Object(s) for academic, pedagogical, promotional, or other related purposes, including on social media. Client's identifying information shall be redacted in any publication of materials pursuant to this subparagraph.

Owner: ____ Date: ________________

Institution: ____

11 Mo. WARRANTY PUNCHLIST

PROJECT NAME: Combined Maintenance and Police Facility
WiDSETH #: 2020-11912
Review Date: March 8, 2024
Present: Mike Schwanke, Angela Bokovoy, Clay Witkofsky, Brent Dammann, Caleb Stradlie

		Completed	
Location	**Description**	**Initial**	**Date**
	The windows continue to have issues with leaking. Occurs at all of the windows. The leaking seems to be occuring at the center area of the sill. A hose test should be conducted first to determine the cause of the leak and then corrected.		
	The boilers are not operating according to Mike. The sub-contractor had been back to work on them. The issue was resolved, but seems to have resurfaced recently.		
	At the south overhead door within the washbay, the gap below the door and the floor was not able to be closed off. Clay indicated they would pour a Tammspatch along the length of the overhead door and then would cut in a control joint back to the floor drain to eliminate any minor ponding.		
	The pressure valve within the washbay continues to leak. They needs to be looked at again. In addition, the relief opening should be piped to direct the water away from the wall so it goes to a floor drain.		
	The bubbling of the FRP within the washbay continues to be an issue. Some areas don't look as bad as last year. Suspicion is that it may be caused by different coefficients of expansion in the FRP and substrate. Additional study of corrective measures is needed		
	The exterior lights on the east side of the building continue to be an issue. They currently were not working.		

From: Andersen, Daniel
To: Christina Regas
Cc: Ippel, Mary
Subject: RE: Question on LOST ballot potential scenario results
Date: Tuesday, October 15, 2024 9:05:46 AM

[EXTERNAL]

Good morning, Christina. Thank you for your feedback regarding the questions flowing from the form of ballot. As you note, regardless of the number of projects approved, the maximum sales tax that can be imposed is 0.5%. If it is helpful, you can point voters to the language in each ballot question indicating that "[t]he total sales and use tax approved by voters at this election to finance this project and any other project will not exceed one-half of one percent (0.5%)."

Regarding your first question, if 1 of the 5 ballot questions are voted YES and the rest all get voted NO, you are correct that the City can then only put sales tax towards that one project that was approved. You would then need to find other ways of financing the remainder of the projects.

On your second question, the state will review and report the results of the ballot question in much the same manner that it reviews and reports the other measures on the ballot. We will review those results and follow up with you regarding next steps if any of the ballot questions pass.

Please reach out if you have any further questions!

Thank you,

Dan

Daniel E. Andersen
Attorney
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Dir: 612.977.8290
Tel: 612.977.8400 | Fax: 612.977.8650
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80 South 8th Street
Minneapolis, MN 55402-2157

Taft Bio
Download vCard
taftlaw.com

From: Christina Regas <Christina.Regas@blackduckmn.com>
Sent: Tuesday, October 15, 2024 8:40 AM

To: Andersen, Daniel <DAndersen@taftlaw.com>
Cc: Ippel, Mary <MIppel@Taftlaw.com>
Subject: Question on LOST ballot potential scenario results

Good morning Dan and Mary,

In typical voter form, our prescient voters have big questions because of the format of our ballot. Knowing the ballot had to list all 5 projects approved by the legislature; now voters think each question if approved is a 0.5% addition to the sales tax here in Blackduck.

Making the potential local sales tax 2.5% more than what it is now. I know that isn't the case but that is how our ballot is being interpreted.

I can handle that with the voters BUT my question from our City Council revolves around the 5 projects on the ballot.

Scenario: 1 of the 5 ballot questions are voted YES – the rest all get NO. Does that mean the City can only put sales tax revenue to that one ballot question that was voted YES?

Similarly, how does the state review the results of the ballot questions? If only the questions that get any YES votes get approved for the sales tax increase?

These are questions that keep me up at night.

Thank you for your time.

Christina Regas
City Administrator

Blackduck
A GREAT PLACE FOR FAMILIES

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218-835-4803