

**LEMAN ACADEMY OF
EXCELLENCE**

PROPOSAL FOR AUDIT SERVICES

For the Year Ended June 30, 2019

With Option for Each of the Four Subsequent Years

Prepared by:

HOELTING & COMPANY, INC.
CERTIFIED PUBLIC ACCOUNTANTS
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Leman Academy of Excellence
Proposal for Audit Services
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Hc
Hoelting & Company, Inc.
CERTIFIED PUBLIC ACCOUNTANTS

April 5, 2019

To the Board of Directors
Leman Academy of Excellence

We are very pleased to submit a proposal to provide professional auditing services to Leman Academy of Excellence. Hoelting & Company has been auditing charter schools and school districts for more than three decades, and we look forward to the opportunity to work with you.

This proposal is for the audit of the financial statements of Leman Academy of Excellence for the year ending June 30, 2019, with the option for each of the four subsequent years. Our audit would be conducted in accordance with U.S. generally accepted auditing standards.

Our staff of experienced auditors has an in-depth knowledge of the issues affecting Colorado charter schools, and we endeavor to provide our clients with value-added service by offering benefits that exceed an auditor's traditional role. We will help the School keep pace with recent accounting developments, CDE pronouncements, and best practices. We believe that our services are further enhanced by our continued availability not only during the audit process, but throughout the year as well.

We greatly appreciate the opportunity to submit this proposal. Please feel free to contact me to discuss this information and any questions you may have.

Our proposal is a firm and irrevocable offer through May 15, 2019.

Sincerely,



Thomas Sistare, CPA
of Hoelting & Company, Inc.
Certified Public Accountants

AUDIT APPROACH

AUDIT APPROACH

Audit Objective

The objective of our audit is the expression of opinions as to whether your basic financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of supplementary information when considered in relation to the basic financial statements taken as a whole.

Our audit will be conducted in accordance with U.S. generally accepted auditing standards, and will include tests on internal controls, tests of accounting records, and other procedures we consider necessary to enable us to express such opinions and to render the required reports.

At the conclusion of the audit, we intend to provide:

- Audited financial statements in conformity with U.S. GAAP.
- Management letters communicating significant matters from the audits:
 - Control deficiencies considered to be significant deficiencies or material weaknesses.
 - Other matters of findings and recommendations.

Risk-Based Audit Approach and Process

Our audit approach includes interviews with management, review of processes and internal controls, and other assessments. Our audit approach will be developed to concentrate on areas of risk to your operations, including but not limited to financial, regulatory, internal growth, personnel, technology, and fraud. We design audit procedures to meet your audit and financial reporting objectives and to integrate objectives and concerns of management and the board. We tailor the audit engagement from the School's standpoint so that our services provide reasonable assurance, and the financial reporting reflects your operations fairly.

Our audits are conducted using a paperless audit platform that provides central access to firm-wide resources including technical research material, issue documents, benchmark information, and practical application information. We have invested in state-of-the art tools to add value to the audit process and to improve its efficiency. Increasingly, review of accounting transactions will be conducted using automated interfaces, and procedures will be designed to understand the controls inherent in those systems.

The audit process will be developed and closely coordinated with your management team. We communicate with management throughout the engagement process, including meeting with management before, during, and after the audit to review audit timing, scope, key areas to audit, and concerns that management may have.

AUDIT APPROACH—MULTIYEAR CONTRACT

The first year of an audit engagement involves one time start-up costs as we devote considerable time to learning about the School and its internal controls. Using this groundwork, we will be able to perform the audit in less time and at a lower cost in the succeeding years.

Each subsequent year, we will update our understanding of controls and processes in place and focus our testing on areas of greater risk or significance, and on those that have changed since the prior year. In addition, auditing standards require that we vary procedures from year to year to include an element of unpredictability.

At Hoelting & Company, we are able to maintain staff continuity on our audits as we experience very little staff turnover. During the past three years, we have had turnover of only one staff accountant position.

In order to infuse the audit process with fresh views and new perspectives, we endeavor to rotate staff assigned your audit after three to five years. This allows us both to enjoy the benefits of a long-term, ongoing relationship.

INDEPENDENCE

Hoelting & Company, Inc. is independent of Lemman Academy of Excellence as defined by generally accepted auditing standards and the U.S. General Accounting Office's *Government Auditing Standards* in that:

- a) No firm personnel have a direct or material financial interest in Lemman Academy of Excellence.
- b) No firm personnel or their relatives are associated with Lemman Academy of Excellence in the capacity of employee, manager or member of the board of directors.

FIRM AND STAFF PROFILE

OUR FIRM

Hoelting & Company, Inc. was organized in 1980 and is proud to be a local independent firm, serving clients located primarily along the Colorado Front Range. We effectively compete with much larger regional and national firms through the maintenance of the highest professional standards, an innovative approach and a proven ability to render diverse auditing, taxation, consulting and accounting services.

Members of our firm have worked for national, regional and local accounting firms located throughout the country before coming to Hoelting & Company. Many of our members have also worked in private industry. This diverse firm member experience has proven invaluable in providing the numerous services required by our clients.

What sets Hoelting & Company apart from other accounting firms, both large and small, is the active participation in all audits by the shareholders, not just in the planning stages and final report presentation, but throughout all phases of the audit. Our management is dedicated to fostering a team approach among all members of the firm. Our goal as a team is to provide the best service possible, both from a technical standpoint and a relational standpoint. In this regard, we are committed to serving and partnering with our clients by returning phone calls promptly and being available throughout the year.

The firm consists of approximately seventeen accountants and support staff who successfully provide ongoing services to hundreds of clients.

LICENSE TO PRACTICE

Hoelting & Company, Inc. is a licensed firm in the State of Colorado. A copy of our license is included in the “Additional Information” section of this proposal. Hoelting & Company has not been suspended or debarred by the federal government.

PEER REVIEW

Hoelting & Company participates in the coordinated AICPA and State Society peer review program. The firm has also been a member of the AICPA Governmental Audit Quality Control Center since 2008. As a member of the Center, we are subject to additional quality control standards and have access to additional resources which enhance the quality of our governmental audits.

Our most recent peer review, for the period ending May 31, 2017, resulted in an unmodified opinion, without a letter of comments. Prior peer reviews have also been unmodified. Copies of this peer review report are included in the “Additional Information” section of this proposal.

AUDITS OF CHARTER SCHOOLS AND SCHOOL DISTRICTS

Academy for Advanced & Creative Learning

Scope of work - Audit of basic financial statements
Date(s) - June 30, 2012 to Current
Engagement partner - Tom Sistare
Principal client contact - Tammy Crafts (719) 434-6566

Mountain Song Community School

Scope of work - Audit of basic financial statements
Date(s) - June 30, 2014 to Current
Engagement partner - Tom Sistare
Principal client contact - Dan Kurschner (719) 344-5770

James Madison Charter Academy

Scope of work - Audit of basic financial statements
Date(s) - June 30, 2010 to Current
Engagement partner - Tom Sistare
Principal client contact - Angie Skalla (719) 391-3025

Roosevelt Charter Academy

Scope of work - Audit of basic financial statements
Date(s) - June 30, 2017 to Current
Engagement partner - Tom Sistare
Principal client contact - Steve Tompkins (719) 637-0311 ext. 1139

Thomas MacLaren School

Scope of work - Audit of basic financial statements
Date(s) - June 30, 2013 to Current
Engagement partner - Tom Sistare
Principal client contact - Angie Stattman (719) 313-4489

AUDITS OF CHARTER SCHOOLS AND SCHOOL DISTRICTS (continued)

Manitou School District No. 14

Scope of work	- Audit of basic financial statements	
Date(s)	- June 30, 1982 to Current	
Engagement partner	- Tom Sistare	
Principal client contact	- Suzi Thompson	(719) 685-2015

Fremont School District RE-1

Scope of work	- Audit of basic financial statements and compliance audit in conformity with single audit requirements	
Date(s)	- June 30, 1994 to Current	
Engagement partner	- Tom Sistare	
Principal client contact	- Buddy Lambrecht	(719) 276-5707

Pueblo School District 60

Scope of work	- Audit of basic financial statements	
Date(s)	- June 30, 2011 to Current	
Engagement partner	- Tom Sistare	
Principal client contact	- Lana Niehans	(719) 523-3077

Widefield School District 3

Scope of work	- Audit of basic financial statements	
Date(s)	- June 30, 2010 to Current	
Engagement partner	- Tom Sistare	
Principal client contact	- Terry Kimber	(719) 391-3026

In addition to the references above, Hoelting & Company provides auditing and accounting services to other governmental entities, including school districts, charter schools, and special districts. A listing of these other governmental entities can be found in the “Additional Information” section of this proposal.

PROPOSED AUDIT TEAM

Tom Sistare is a principal shareholder of Hoelting & Company and would be responsible for the supervision and review of all work related to the financial audit. During the engagement, Tom will also be available to assist the School with governmental GAAP, new accounting developments, CDE pronouncements, and best practices.

Melissa Sainz and Jessie Seibert are senior auditors at Hoelting & Company. Both have extensive experience auditing charter schools, school districts and other Colorado local governments.

Both Tom and Melissa are licensed as Certified Public Accountants in the State of Colorado and are members of the American Institute of Certified Public Accountants (AICPA) and the Colorado Society of Certified Public Accountants (CSCPA). Jessie is actively pursuing her licensure and expects to be licensed in May 2019.

Assistance from other staff accountants may be required on a full or part-time basis.

No staff members have been subject to corrective action by regulatory authorities.

QUALIFICATIONS OF STAFF

Resumes of the proposed audit team are included in the “Additional Information” section of this proposal. A listing of staff responsibilities is listed in the “Audit Plan” section of this proposal.

CONTINUING PROFESSIONAL EDUCATION

All staff assigned to the audit have met the continuing education requirements of the 2011 Yellow Book (most recent addition). Individuals who work on audits subject to the *Government Auditing Standards*, and those responsible for planning, directing, conducting substantial portions of the fieldwork, or reporting on audits subject to *Government Auditing Standards* must obtain at least eighty hours of CPE every two years, with a minimum of twenty hours of CPE completed each year. At least eighty hours of CPE must directly enhance the auditor’s professional proficiency to perform audits and/or attestation engagements. Twenty-four of the eighty hours of CPE must be in subjects directly related to the government environment and government auditing. Specific or unique environments of our governmental audit clients are considered in selecting CPE programs.

TRANSITION PROCESS

TRANSITION PROCESS

An essential step when starting work with a new audit client is reviewing the work of the predecessor audit firm and inquiring about the prior year's audit. Following a successful award, we will ask that you contact your prior audit firm and request that they allow us to review their workpapers from your most recent audit and respond to our inquiries. Generally, this can be accomplished with a letter to the auditor in charge last year's audit.

We will arrange a time and date with that firm to review their workpapers. During that meeting, we will inquire about their knowledge of any instances of fraud, internal control matters, and any unusual accounting policies. We will also request certain workpapers in order to substantiate opening balances for the current audit period.

Prior to the start of interim work, we will ask that you provide the following items for our permanent file:

- Articles of Incorporation
- Bylaws
- Charter Contract
- IRS Determination Letter
- Organizational chart.
- Copies of School policies, specifically:
 - Deposit and investment
 - Capital assets
 - Vacation and sick leave
 - Retirement
 - Conflict of Interest
 - Others as they relate to the audit
- Documentation of internal controls.
- Completed "Flow of information documentation" form (provided by Hoelting).
- Copies of bond official statements, COPs, loans, and capital leases, along with debt service schedules for each.
- Schedule of defeased debt.
- Copies of pension or other retirement plans.
- Copies of contracts/agreements of audit significance.
- Documentation of any voter authorized TABOR exceptions.

ASSISTANCE FROM SCHOOL PERSONNEL

We presume the books and records will be in good condition, closed timely, and that accounts will be fully adjusted and reconciled with adequate detail scheduling. Assistance by your staff will be needed to accumulate and understand information, to make supporting documentation and records available, and to assist in schedule preparation or analysis as necessary.

It is our understanding that School personnel will prepare/provide the following:

- Excel file of trial balances for each fund a week prior to start of fieldwork
- For interim control testing, documentation of internal controls of specific accounting systems in the areas of cash receipts, cash disbursements, purchasing, capital assets, payroll, financial reporting, computer processing, and budgeting
- Copies of supporting audit working papers
- Preparation of all written confirmation documents for mailing by our firm
- Management discussion and analysis

AUDIT PLAN

BUDGETED HOURS & SEQUENCE FOR AUDIT PROCEDURES

Proposed segmentation of the engagement, level of staff and number of hours to be assigned to each proposed segment of the engagement:

<u>Segment</u>	<u>Level of Staff</u>	<u># of Hours</u>
Interim:		
• Gather information to make decision whether to accept engagement	Shareholder	1
• Prepare engagement letter	Staff Accountant	1
• Perform procedures to obtain an understanding of internal control	Senior & Staff Accountants	4
• Documentation of understanding of controls	Senior & Staff Accountants	2
• Testing selected controls	Senior & Staff Accountants	6
• Assessing control risk	Shareholder	1
• Determine audit risk and materiality	Shareholder	1
• Prepare audit programs	Shareholder	1
Planning:		
• Staff conferences to draw up initial audit strategy.	All Staff	1
• Brainstorming	All Staff	1
Fieldwork:		
• Complete work as outlined in audit programs	All Staff	24
• Prepare financial statements	Staff Accountant	9
• Processing of report and clerical	Clerical	3
• Review of workpapers and financial statements	Shareholder/Senior Auditor	11
• Exit conference with client	Shareholder	1

Budgeted Hours & Sequence for Audit Procedures (continued)

- a. Preplanning sets the stage for the audit. Our audit team gains a basic understanding of the organization and its operations by reviewing financial statements and determining other areas that need further examination.
- b. An understanding of the School's internal control structure will be gathered by review of internal control documentation, and interview and observation of the School's personnel. Significant controls will be tested for effectiveness.
- c. Risk assessment includes evaluating operations of all significant functional areas by interviewing management and observing processes and procedures. Procedures in this phase include documenting your accounting system, evaluating internal controls, understanding revenue generation, reviewing executed agreements, reviewing minutes, evaluating fraud risk, and performing a preliminary analysis of financial information for historical trends and comparisons.
- d. Brainstorming evaluates conditions and findings identified in order to develop a strategic audit plan that is responsive to any fraud risks.
- e. Substantive tests when applied will probably not include statistical sampling, as other tests, through past experience, have proven to be more efficient and cost effective. However, we may use random sampling. If sampling is used, a sample size of 25-80 would generally be used.
- f. Analytical procedures will include comparison of revenue and expenditures for the current year to the prior, and the comparison of actual to budget. Amounts in excess of materiality specifications will be further examined.
- g. Our approach in determining the compliance with laws and regulations that will be subject to audit test work will be to test the School's compliance with the requirements as set forth by the Colorado Department of Education. These requirements are set forth in the Colorado Department of Education Financial Policies and Procedures Handbook of Rules and Regulations.
- h. We will prepare the draft financial statements for management review and assist with implementation of GASB pronouncements, including GASB 68.

TIMELINE FOR AUDIT PROCEDURES

Planning	By June 30
Fieldwork	By August 16
Submission of final audit report and management letter	By District deadline

Audit work will be completed by the above deadlines.

Working papers will be maintained for 7 years following each year's audit.

ADDITIONAL INFORMATION



Report on the Firm's System of Quality Control

November 30, 2017

To the Shareholders of
Hoelting & Company, Inc.
and the Peer Review Committee of the Colorado Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Hoelting & Company, Inc. (the firm) in effect for the year ended May 31, 2017. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

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

Firm's Responsibility

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

Peer Reviewer's Responsibility

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

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including a compliance audit under the single audit act.

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 Hoelting & Company, Inc. in effect for the year ended May 31, 2017 has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Hoelting & Company, Inc. has received a peer review rating of *pass*.

Watson Coon & Associates P.C.

Watson Coon & Associates P.C.

Other Governmental Audit and Accounting Services Performed in Colorado

Listed below are governmental organizations to which we have provided auditing and accounting services to in recent years:

Charter Schools

Atlas Preparatory School
Banning Lewis Ranch Academy
Community Prep School
Eastlake High School
GOAL Academy Charter School
Mountain View Core Knowledge Academy
Pueblo School for Arts and Sciences
Rocky Mountain Classical Academy

School Districts

Cripple Creek-Victor School District
Harrison School District 2
Falcon School District 49
Woodland Park School District RE-2

Special Districts

Aurora-Colorado Springs Joint Water Authority
Broadmoor Fire Protection District
Center of Colorado Water Conservancy District
Cheyenne Manor Nursing Home
Colorado Centre Metropolitan District
Constitution Heights Metropolitan District
Donala Water and Sanitation District
Donald Wescott Fire Protection District
Forest Lakes Metropolitan District
Fountain Valley Authority
Rampart Regional Library District
Security Fire Protection District
Security Sanitation District
Security Water District
Stratmoor Hills Fire Protection District
Stratmoor Hills Sanitation District
Stratmoor Hills Water District

Resume of **THOMAS G. SISTARE, CPA**

Experience and Responsibilities:

12/00 - Present

Hoelting & Company, Inc.

- In charge of financial audits, reviews, and compilations of various entities (school districts, charter schools, other local governments, low-income housing projects).
- Auditing compliance with Federal and State statutory regulations (TABOR, Single Audit Act of 1996, etc.)
- Supervision of staff accountants; managing concurrent assignments; reviewing workpaper preparation.
- Preparation and review of complete GAAP financial statements including footnote disclosures.
- Assisting individuals, partnerships, and corporations in tax preparation.

Education:

University of Connecticut, Bachelor of Science in Business Administration, Accounting

Professional activities and certificates:

Treasurer, Life Network

Member, Colorado Society of Certified Public Accountants

Member, American Institute of Certified Public Accountants

Yellow Book Certified

Certified Public Accountant, Colorado

Resume of **MELISSA SAINZ, CPA, Senior Auditor**

- Experience**
- Hoelting & Company, Inc.** Colorado Springs, CO
- Senior Accountant* January 2004 – Present
- Performed audits of school districts, charter schools, not-for-profit entities, and low-income housing projects
 - Prepared individual, corporate, and not-for-profit tax returns
 - Prepared monthly and quarterly compilations for small corporations
 - Quarterly and yearly preparation of payroll and sales tax forms
- Sainz Software Solutions, LLC** Colorado Springs, CO
- Treasurer* 1996 – 2003
- Prepared company financial statements and tax returns.
- Premier Sports Group, Inc.** Boulder, CO
- Operations Manager & Asst. Treasurer* 1996 – 2004
- Coordinated transportation and financing of products from overseas vendors
 - Worked with U.S. Custom Brokers, shipping companies, and financial institutions
 - Accounting responsibilities: A/R, A/P, Payroll, Letters of Credit, and cost calculations

- Education**
- Regis University** Denver, CO
Bachelor of Science: Accounting—Summa Cum Laude
- University of Georgia** Athens, GA
Bachelor of Business Administration: Marketing

- Certifications**
- Yellow Book Certified
Certified Public Accountant, Colorado

Resume of **JESSIE L. SEIBERT, Senior Auditor**

Experience

January 2008-Current—Hoelting & Company

Responsible performing audits of school districts, charter schools, local governments, non-for-profit entities, and low income housing projects. Also, responsible for various company write-ups, payroll and sales tax filing, individual and corporate tax returns, compilations and other miscellaneous duties.

May 2007-December 2007—National Driver Training Institute—Financial Administrator

Responsible for financial transactions of the company. Transactions included payroll, accounts receivable and accounts payable. Assisted CEO in generating revenue and reducing expenses.

August 2006-May 2007—Ranch Steak House—Financial Administrator

Responsible for financial transactions of the company. Transactions included managing accounts payables and receivables. Generated payroll checks for all employees. Assisted General Manager in reducing operating expenses and hiring new employees.

August 2004-July 2005—Capital Banc Mortgage—Loan Officer

Responsible for financial consulting and debt consolidation of new and existing clients. Refinanced home mortgage loans while consolidating credit card debt. Shopped market for competitive interest rates. Obtained credit history reports and Notarized documents.

Education

University of Colorado Colorado Springs, CO
Bachelor of Science Economics major and Accounting minor

Certifications

Yellow Book Certified
Currently pursuing licensure as Certified Public Accountant—expect to be licensed in May 2019.

PRICING

Leman Academy of Excellence
All Inclusive Fixed-Fee Schedule

Time and cost to perform audit

Total All-Inclusive Maximum Price:

Fiscal year	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Hours	67	61	61	61	61
Fee	\$ 7,400	\$ 6,950	\$ 7,150	\$ 7,375	\$ 7,600

Rates of Staff and Anticipated Hours - FY 2019:

	<u>Hours</u>	<u>Standard Hourly Rates</u>	<u>Extended Cost Total</u>
Shareholder	8	\$ 220	\$ 1,760
Senior Accountants	17	120	2,040
Staff Accountants	39	90	3,510
Clerical	<u>3</u>	30	<u>90</u>
Total	<u><u>67</u></u>		<u><u>\$ 7,400</u></u>

The all-inclusive maximum price is based on no changes in the scope of the engagement, but includes all out of pocket costs. For additional services, the above standard hourly rates would be charged based on the level of responsibility. However, phone calls for general questions on technical matters will not incur additional charges.

Additional services

Preparation of Federal Form 990

Fiscal year	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Fee	\$ 1,150	\$ 1,200	\$ 1,250	\$ 1,300	\$ 1,350