



February 7, 2025

Proposal to provide independent
audit services to:

Midway City Sanitary District

Prepared by:

Tiffany Fung, CPA, Signing Director (Partner)

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CLAconnect.com

CPAS | CONSULTANTS | WEALTH ADVISORS

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1. Executive Summary

February 7, 2025

Board of Directors
Midway City Sanitary District
14451 Cedarwood Street
Westminster, CA 92683

Dear Board of Directors:

Thank you for inviting us to propose. We look forward to the opportunity to provide services to Midway City Sanitary District (the District).

We are confident that our extensive experience serving similar governmental entities, particularly those in California, 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 District'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 District with their audit needs. In addition to your experienced local engagement team, the District will have access to one of the country's largest and most knowledgeable pools of regulated industry resources.
- **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, including the District. 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 minimizes the disruption of your staff and operations and provides a blueprint for timely delivery of your required reports.
- **Communication and proactive leadership** – The District 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 District 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 District will enjoy the service of members

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

- **We know you!** We know and understand the District. By providing services to you in the past, we have established an understanding of your organization. The work we've performed provides your project with momentum before we begin the engagement. We don't have to spend a lot of time up front learning about your core operations, we know them well.

Scope of our Services

Our understanding of the objectives and scope of the work to be performed is as follows:

- A financial audit of the basic financial statements of the Midway City Sanitary District in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States, and preparation of the financial statements.
- A letter to management (SAS 115) containing any comments resulting from our review of the systems of internal controls in connection with the financial audit and recommendations for ways to improve these controls that will help to mitigate risk and strengthen the District's accounting processes
- A letter to those charged with governance (SAS 114) that present the results of the audit including any significant audit findings, audit adjustments, and other information.
- An agreed upon procedures review of the calculation of the District's GANN Appropriations Limit (GANN), as required by Section 1.5 of Article XIII B of the California Constitution.
- Prepare and transmit the Special District Financial Transactions Report to the State Controller's Office.

Verification statements

I, Tiffany Fung, your engagement partner-in-charge, will serve as the District's primary contact person for this engagement. Furthermore, as a signing director of CLA, I am authorized to sign, bind, and commit the firm to the obligations contained in this proposal and the District's scope of work for financial auditing services.

- (i) The firm's legal name is CliftonLarsonAllen LLP (CLA) - legacy firm White Nelson Diehl Evans LLP.
- (ii) Mailing address: 2875 Michelle Drive, Suite 300, Irvine, CA 92606.
- (iii) Telephone number and email address in the signature below.
- (iv) This proposal is valid for a period of 90 days from the due date.

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 come to appreciate when we exceed expectations.

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

Sincerely,

CliftonLarsonAllen LLP



Tiffany Fung, CPA

Signing Director (Partner)

714-795-5407

Tiffany.fung@CLAconnect.com

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2. 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. Detailed biographies can be found in the *Appendix* where information on continuing professional education of each team member is provided.

Engagement Team Member	Role	Years' Experience
Tiffany Fung, CPA	Engagement partner – Tiffany 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. Tiffany is responsible for total client satisfaction through the deployment of all required resources and continuous communication with management and the engagement team.	14+
Daphnie Munoz, CPA	Technical resource partner – Daphnie will be the technical resource for the audit team as well as District’s personnel. Daphnie’s many years of serving governmental entities will be an invaluable resource.	26+
Rebecca Hoang Tai, CPA	Engagement manager – Rebecca will act as the lead manager on the engagement. In this role, Rebecca will assist the engagement partner with planning the engagement and performing complex audit areas. He/She/They 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+
Stephen Coverstone, CPA	Senior – Stephen will be responsible for the day-to-day activities for this engagement, including the supervision of all staff assigned. He is the day-to-day contact person.	6+
Additional staff – We will assign additional staff to your engagement based on your needs and their experience providing services to similar clients.		

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



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 District 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.

Firm independence

CLA is independent of the District and all of the component units of the District as required by auditing standards generally accepted in the United States and the U.S. Government Accountability Office's Government Auditing Standards. Our firm-wide quality control policies and procedures foster strict compliance with these professional standards. In addition, the individuals assigned to your audit are independent of the District.

License to practice

CLA is a limited liability partnership and is duly licensed to practice public accountancy in the state of California. In addition, all assigned team members are properly licensed to practice in California. A copy of our state license is provided below:

BOARD OF ACCOUNTANCY	ISSUANCE DATE
LICENSING DETAILS FOR: 7083	JULY 27, 2006
NAME: CLIFTONLARSONALLEN LLP	EXPIRATION DATE
LICENSE TYPE: CPA - PARTNERSHIPS	JULY 31, 2026
LICENSE STATUS: CLEAR	CURRENT DATE / TIME
PREVIOUS NAMES: LARSONALLEN LLP & LARSON, ALLEN, WEISHAIR & CO., LLP	JULY 19, 2024
ADDRESS	6:17:15 AM
5901 PRIESTLY DRIVE	
SUITE 204	
CARLSBAD CA 92008	
SAN DIEGO COUNTY	



3. Firm Overview

It takes balance.™ With CLA by your side, you will 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.



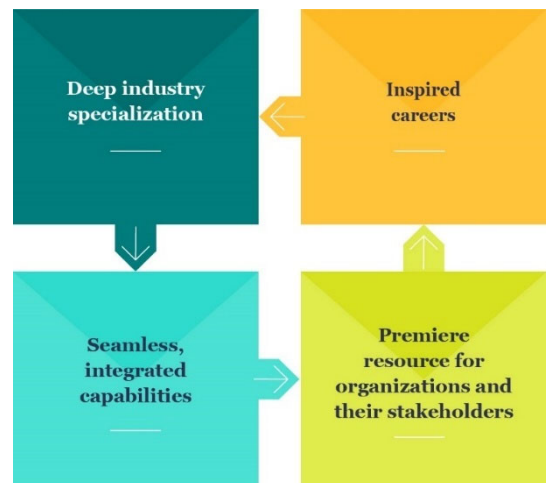
As a professional services firm, we exist to create opportunities ... for you, our people, and our communities through industry-focused wealth advisory, digital, audit, tax, consulting, and outsourcing services. We do this when we live the CLA Promise — a promise to know you and help you.

Opportunities for you

You'll find resources you would expect in the largest firms, with the personal touch of people who live and work in your community.

You'll access leaders and professionals in communities across the country, rather than from one central headquarters. We work together to look at your organization holistically, and then help you address challenges by offering support where you need it, from traditional audit and tax to outsourcing and wealth advisory.

As you navigate opportunities and challenges in a competitive and constantly changing environment, we'll embrace change, learn from it, and design processes to make interactions easier, more transparent, and seamless.



Opportunities for our people

At CLA, people find meaningful work in a fun, compelling, and energizing culture. Our people design their own customized careers through our inspired careers strategic advantage. In 2024 our total headcount was relatively the same as in 2023, and we continue to witness a remarkable retention rate of 89%. Inspired by their careers,



our family members develop client relationships that bring deeper knowledge and help you shine. We're one family, working together to create opportunities.

What's more, CLA is building a [diverse, inclusive, and equitable culture](#) that welcomes different beliefs and perspectives. We want to be representative of the communities we serve and foster an environment of inclusion and belonging, resulting in enhanced value for our clients, our communities, and each other.

Inclusive: *We embrace all voices and create opportunities by removing barriers and helping our people build inspired careers.*

Opportunities for our community

CLA's community impact team unifies the work and missions of our diversity, equity, and inclusion council and the CLA Foundation with a laser focus on advancing education, employment, and entrepreneurship within CLA and throughout our society.

Since 2015, our [CLA Foundation](#) has granted more than \$13 million from nominations made by and funds raised from CLA family members. Each grant recipient's work aligns with the foundation's mission to create career opportunities through education, employment, and entrepreneurship by connecting diverse networks inclusive of all genders and races, veterans, and the disability community.

Read more in CLA's annual [Promise and Transparency Report](#).

Size of firm's governmental audit staff

With more than 600 professionals dedicated to our state and local government practice, CLA has one of the largest governmental audit and consulting practices in the country and brings extensive experience providing a variety of such services to state and local government entities. Our state and local government team serves more than 4,200 governmental engagements nationwide, including numerous cities, counties, municipalities, states and state agencies, and school boards. In addition, we perform single audits for hundreds of organizations annually (1,681 according to the most recent Federal Audit Clearinghouse data), ranking top in the nation for the number of single audits performed by any CPA firm.

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 District higher-quality services and allows us to complete the engagement in a more efficient and effective manner with little interruption to your staff. The District will be served by an industry-specialized engagement team located in our Irvine, California office.

State and local government experience

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 changing budgetary priorities
- 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
- Association of Government Accountants

Our involvement in these professional organizations, combined with various technical services we subscribe to, allows us 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.

- [Audit](#), review, and compilation of financial statements
- Compliance audits (HUD, OMB Single Audits)
- [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](#)
- [Business opportunity assessments](#)
- [System optimization and selection](#)



Federal or state desk or field reviews

From time to time, CLA will be subject to federal and state desk reviews by oversight agencies. 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. In all cases, we cooperate in providing the information required for the reviews and will timely resolve all findings identified in those reviews.

Professional ethics and regulatory issues or complaints against team members

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.

Management and professional services philosophy

We exist to create opportunities — for our clients, our people, and our communities. This is the groundwork of everything we do.

Working with and being available for our clients during the year are mutually beneficial. We believe consistent, healthy communication is the foundation to any successful relationship, and we will engage in this type of communication from the start of your engagement to project completion as well as throughout the year. Your contact will be a signing director, not a staff person, so you will have a direct line to the firm's leadership and industry resources.



While not required by auditing standards, CLA's internal quality control standards mandate a concurring/independent review be performed on all assurance engagements. A member of the firm specifically designated to perform this review independent of your audit and knowledgeable about your industry performs this type of review. Because we work with so many similar clients throughout the country, we have dozens of qualified members who are able to perform this review. In addition, because we are paperless and wireless, this review can happen at anytime from anywhere.

We do not audit publicly traded companies, so while other firms are pressing to meet SEC reporting deadlines, we are serving our clients. Because you are our primary focus, your team has industry knowledge and experience.

Lastly, CLA also has a very balanced practice. Our revenue is generated evenly throughout the year, so we don't experience workload compression that most other firms have every year. CLA is a well-rounded firm with the ability to be more selective with our clients than other firms; our dedicated professionals are working year-round so we are always available when you need us to be.

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*.



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

4. Similar Engagements and References

Our clients say it best. And their independent, authentic perspective is invaluable in learning about the experience you'll have when working with us. We encourage you to connect with our clients to hear it firsthand.

Camrosa Water District	
Client Contact Information	Sandra Llamas, Senior Accountant 805-402-2696 sandral@camrosa.com
Services Provided	Audit
Length of Services	2020 – current
Total Hours	140
Engagement Team Personnel	Tiffany Fung Partner

Laguna Beach County Water District	
Client Contact Information	Brian Jewett, Finance Manager 949-464-3105 bjewett@lbcwd.org
Services Provided	Audit
Length of Services	2018 – 2022
Total Hours	180
Engagement Team Personnel	<ul style="list-style-type: none">• Tiffany Fung Manager• Rebecca Hoang Tai Manager

South Coast Water District	
Client Contact Information	Jenny Pan, Accounting Manager 949-832-0192 jpan@scwd.org
Services Provided	Audit, single audit
Length of Services	2018 – current
Total Hours	250
Engagement Team Personnel	<ul style="list-style-type: none">• Daphnie Munoz Former Partner• Tiffany Fung Partner

Transparent: We place honesty and integrity at the center of all communication. We welcome you to start an open and candid conversation with those who know us best.



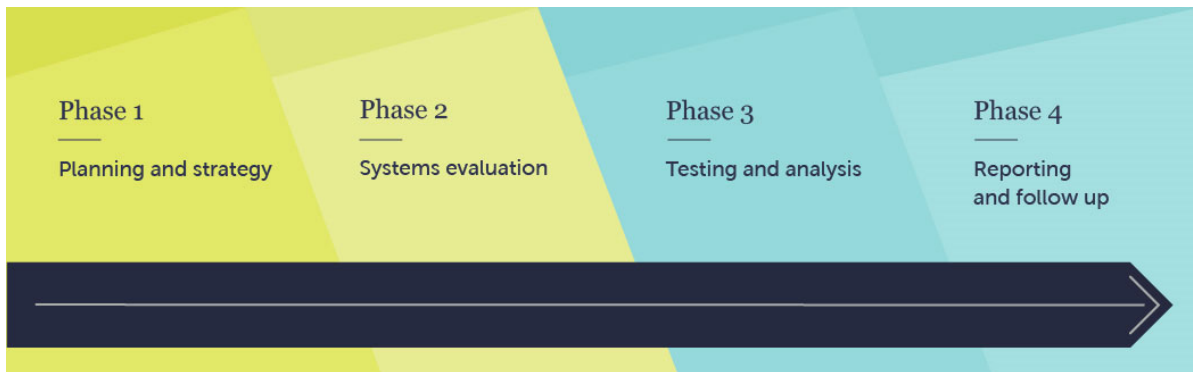
5. Audit Approach

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.

	<h3>A different approach</h3> <p>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.</p>
	<h3>Insights through analytics</h3> <p>CLA uses strategic data analysis to evaluate 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.</p>
	<h3>Effective technology</h3> <p>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.</p>
	 

Financial statement audit approach



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. Tiffany Fung and staff will meet with District personnel to agree on an outline of responsibilities and time frames
 - Establish audit approach and timing schedule
 - Determine assistance to be provided by District 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 District, and establish deadlines

We will document our planning through:

- **Entity profile** — This profile will help us understand the District'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 District 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.

The audit engagement will be planned under the direction of the engagement leader and in-charge. 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 District 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 District 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 District 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 District with status reports and be in constant communication with the District to determine that all identified issues are resolved in a timely manner. We will hold a final exit conference with the District 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 District
 - the District'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 District 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 Microsoft Copilot to ask questions and make requests of generative AI with secure access to 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.

Communication process

Effective communication is critical to a successful engagement. This includes regular 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 timely.

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.



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 **Risk Assessment, Data Analytics and Review (“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

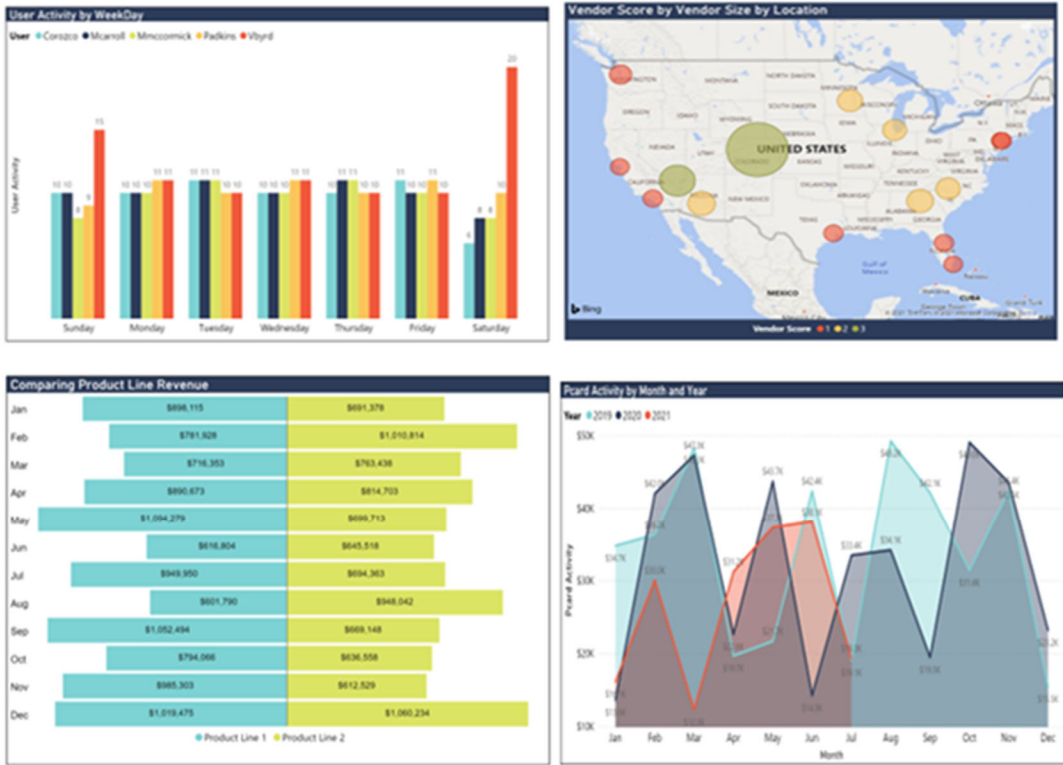
Trends and anomalies will be identified through the performance of the above referenced analytics. Comments regarding the interpretation of those trends and anomalies will be captured. When trends are identified, they are reconciled against expectations. For anomalies identified, the approach to further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

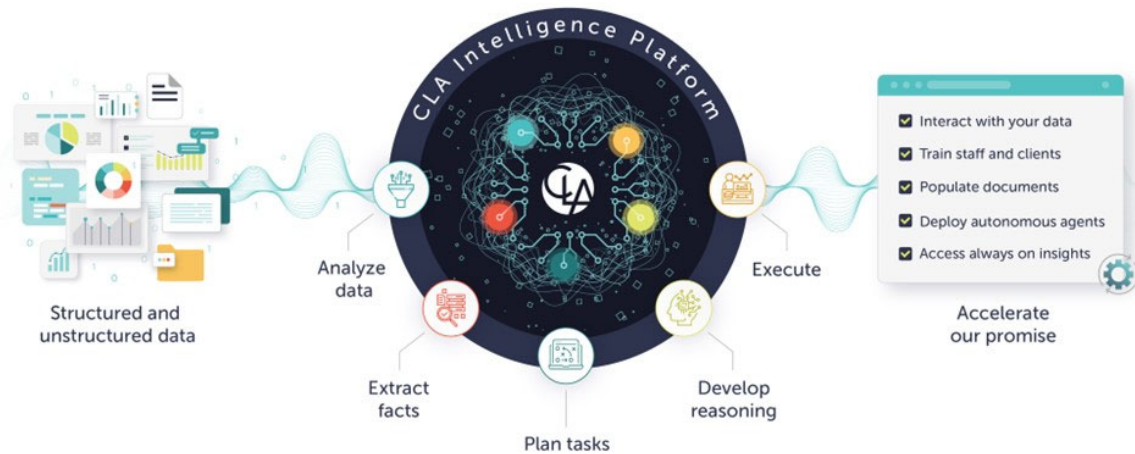
- Built-in audit functionality including powerful, audit specific commands and a self-documenting audit trail
- 100% data coverage, which means that certain audit procedures can be performed on entire populations, and not just samples
- Unlimited data access allows us to access and analyze data from 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



Consulting and outsourcing

An organization that is strong across functional areas can turn business challenges into opportunity. As human resources compliance issues become increasingly complex, organizations need flexibility to expand and contract to meet rapidly changing business needs.

CLA can help you manage your day-to-day operations so you can focus on what you do best. Whether you need a team to become an extension of yours or simply want resources to lean on, we have the experience to offer relevant guidance and services customized and scaled to your needs — even as those needs change.



6. Understanding of the work to be performed

We have read the Request for Proposal (RFP) and understand the scope of the work to be performed as detailed in the RFP under “Exhibit B to Agreement. Scope of Work.” Should CLA be selected to serve this engagement, we will perform these services within the time period specified in the RFP and as finalized in the planning stages of the engagement.

To meet the requirements of the RFP, the audit will be performed in accordance with auditing standards generally accepted in the United States of America, as set forth the American Institute of Certified Public Accountants; the standards set forth for financial audits in *Government Auditing Standards* issued by the Comptroller General of the United States; and any other applicable federal, state, and local laws or regulations.

7. Insurance

CLA carries commercially reasonable amounts of professional liability insurance. If requested, the firm will provide a certificate of coverage for an amount specified by the District upon being engaged.

8. Engagement Timeline

Count on clear communication and regular updates.

Proposed work plan

We have designed a plan that meets your needs and key deadlines. In our planning meeting, we'll discuss this timeline with you in greater detail and adjust as appropriate.

April	Initial planning meeting
June	Interim audit work begins
August	Field audit work begins
See below	Draft reports
October	Presentation to the Board
Ongoing	Planning and update meetings

Reliable: Look for us to respond in hours, not days. We strive to deliver service that exceeds your expectations.

Reports to be issued

Report	Draft Due Date	Final Due Date
Independent Auditors' Report on Financial Statements	Mid-September	October 15
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	Mid-September	October 15
Communication to Those in Charge of Governance SAS 115	Mid-September	October 15
Management Letter SAS 114	Mid-September	October 15
AUP reports on Compliance with Article XIII B Appropriation Limit	Mid-September	October 15
Special District Financial Transactions Report	Subject to availability of forms from SCO (normally available by 3 rd week of November)	Will be determined and discussed once forms are available



9. Pricing

Our fees are based on the timely delivery of services provided, the experience of personnel assigned to the engagement, and our commitment to meeting your deadlines.

CLA understands the importance of providing our clients with value-added strategies. As part of our fee, we propose to hold routine, proactive meetings to review and discuss the impact of new accounting issues and other business issues you are facing. We'll help you decide how to handle challenges as they come up — and take advantage of every potential opportunity.

	Fiscal Year Ending			Optional Years	
	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029
Midway City Sanitary District Audit, including SAS 114 and SAS 115 Letters	\$ 23,840	\$ 24,560	\$ 25,300	\$ 26,060	\$ 26,840
GANN Limit AUP Report	515	530	550	570	590
Special District Financial Transactions Report	1,390	1,430	1,470	1,510	1,560
Technology and Client Support Fee (5%)	1,287	1,326	1,366	1,407	1,450
Total Not-to-Exceed Maximum Price	\$ 27,032	\$ 27,846	\$ 28,686	\$ 29,547	\$ 30,440

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

Hourly rates

The table below shows our hourly billing rates by classification for services not included as part of this initial request for proposal:

	Fiscal Year Ending			Optional Years	
	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029
Engagement Partner	\$ 300	\$ 309	\$ 318	\$ 328	\$ 338
Manager	230	237	244	251	259
Supervisory Staff	170	175	180	185	191
Professional Staff	125	129	133	137	141
Clerical Staff	90	93	96	99	102



Out-of-pocket expenses

Our fees are firm-fixed fees and include out-of-pocket costs associated with the engagement such as local travel. We understand that clients do not want fee surprises; our fee and billing practices reflect this understanding.

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

- District personnel will provide documents and information requested in a timely fashion.
- The operations of your organization do not change significantly.
- There are not significant changes to the scope, including no significant changes in auditing, accounting, or reporting requirements.

No surprises

Our clients don't like fee surprises. Neither do we. If changes or complexities occur — or any “out-of-scope” work is required — we'll discuss a revised fee proposal with you first.

It's not our policy or practice to bill our clients every time we receive a phone call or email. We're invested in our relationships and strongly encourage intentional and frequent communication. Contact us year-round as changes or questions arise.

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



Appendix

A. Your service team biographies





Tiffany Fung, CPA

CLA (CliftonLarsonAllen LLP)

Signing Director (Partner)
Irvine, California

714-795-5407
tiffany.fung@CLAconnect.com



Profile

Tiffany is a signing director at CLA’s Irvine office, formerly White Nelson Diehl Evans (WNDE). She has more than 13 years of experience and focuses on overseeing all phases of local governmental audits including cities, successor agencies/redevelopment agencies, single audit of federal grants, special districts, and agreed-upon procedures engagements. As a signing director, Tiffany is responsible for planning and executing audits, ensuring compliance with regulatory requirements, preparation of financial statements, and supervision and training of staff accountants.

Technical experience

- Local government audits, including cities and special districts

Education and professional involvement

- Bachelor of art in economics with a minor in accounting from University of California Irvine, California
- Certified Public Accountant for the state of California
- American Institute of Certified Public Accountants (AICPA)
- California Society of Municipal Finance Officers (CSMFO)

Local government experience

Cities

- | | | |
|--------------------|------------------|-----------------|
| • El Segundo | • Norwalk | • Tustin |
| • Santa Fe Springs | • La Habra | • Glendale |
| • Westminster | • Santa Ana | • Vernon |
| • Lake Forest | • West Hollywood | • Laguna Niguel |

Special Districts

- | | |
|--------------------------------------|--|
| • Coachella Valley Water District | • South Coast Water District |
| • Inland Empire Utilities Agency | • Moulton Niguel Water District |
| • Laguna Beach County Water District | • Western Municipal Water District |
| • Orange County Water District | • Western Riverside County Regional Wastewater Authority |

Continuing professional education

Total hours were 146 in the last three years, of which 75 hours were for meeting the requirements of the *Government Auditing Standards*.





Rebecca Hoang Tai, CPA

CLA (CliftonLarsonAllen LLP)

Director
Irvine, California

714-795-5442
rebecca.hoang@CLAconnect.com



Profile

Rebecca is a director at our CLA’s Irvine office, formerly White Nelson Diehl Evans (WNDE) since 2012 and has been an integral member of the team. She currently serves in the firm’s Audit Department, as a director. In this role, she works with clients in a wide variety of industries, including manufacturing, professional services, construction contracting, government agencies, and employee benefit plans.

A knowledgeable professional, Rebecca is a great resource for her teammates. She credits her career success to having both a great support system and a number of wonderful mentors to guide her along the way. She was inspired to pursue a career in accounting after several introductory accounting classes she took in college sparked her interest.

Technical experience

- Local government audits, including cities and special districts

Education and professional involvement

- Bachelor of arts in business economics from University of California, Irvine, Irvine, California
- Certified Public Accountant in the state of California
- American Institute of Certified Public Accountants (AICPA)
- California Society of Certified Public Accountants (CalCPA)

Local government experience

- Laguna Beach County Water District
- Midway Sanitary District
- City of Escondido
- City of Norco
- City of Lake Forest
- City of Vernon
- City of Colton
- City of Irvine
- City of Temple City
- City of Chino

Continuing professional education

Total hours were 117 in the last three years, of which 88 hours were for meeting the requirements of the *Government Auditing Standards*.





Stephen Coverstone, CPA

CLA (CliftonLarsonAllen LLP)

Senior
Irvine, California

714-795-5362
stephen.coverstone@CLAconnect.com



Profile

Stephen is a senior associate with CLA working primarily with state and local governments. Stephen has more than five years' experience performing audits for local governments. Proven to deliver high quality work products using efficient and effective communication styles, problem-solving leadership, and detail-oriented planning abilities. Continues to develop and apply a growing knowledge of different accounting principles and auditing standards throughout every engagement. Strives to ensure all engagements are progressing timely and being accurately carried out by working directly with experienced staff, as well as engagement leaders. In-charges the overall audit process including the planning, performing, and preparation of numerous financial statement audits, single audits, and agreed upon procedures for various cities and water districts.

Technical experience

- Local government audits, including cities and special districts

Education and professional involvement

- Bachelor of science in accounting from Portland State University, Portland, Oregon
- Certified Public Accountant in California
- American Institute of Certified Public Accountants
- California Society of Certified Public Accountants

Local government experience

- Inland Empire Utilities Agency
- Moulton Niguel Water District
- La Habra Heights County Water District
- Valley Wide Recreation and Park District
- City of Colton
- City of Escondido
- City of Pico Rivera
- City of Placentia
- City of Santa Barbara
- City of Camarillo
- City of Irvine

Continuing professional education

Total hours were 122 in the last three years, of which 87 hours were for meeting the requirements of the *Government Auditing Standards*.





Daphnie Munoz, CPA

CLA (CliftonLarsonAllen LLP)

Audit and Assurance Principal
Irvine, California

714-978-1300
daphnie.munoz@CLAconnect.com



Profile

Daphnie is an assurance principal at our CLA’s Irvine office, formerly White Nelson Diehl Evans (WNDE). She has 25 years’ experience with a focus on state and local government audit and assurance services. She earned her CPA designation in 2001 and became an audit and assurance principal in 2011. A key figure in the firm’s government audit practice, Daphnie works closely with government entities to provide thorough attestation services, including single audits. She has extensive experience with a wide range of local government related audit engagements, including cities, successor agencies/redevelopment agencies, federal grants, special districts, compliance audits, and agreed-upon procedures engagements.

Technical experience

- Government entities, including nonprofits and special districts

Education and professional involvement

- Bachelor of science in accounting from De La Salle University, Manila
- Certified Public Accountant in the state of California
- American Institute of Certified Public Accountants (AICPA)
- California Society of Certified Public Accountants (CalCPA)
- California Society of Municipal Finance Officers (CSMFO)
- Government Finance Officers Association (GFOA)

Local government experience

Special Districts

- Western Municipal Water District
- Grossmont Healthcare District
- Fallbrook Public Utility District
- Heber Public Utilities District
- Midway City Sanitary District
- Placentia Library District
- South Coast Water District
- Rancho Santa Fe Community Services District
- Valley Wide Recreation and Park District
- Vista Irrigation District
- Whispering Palms Community Services District
- Yorba Linda Water District

CLAconnect.com

CPAS | CONSULTANTS | WEALTH ADVISORS

CLA (CliftonLarsonAllen LLP) is an independent network member of CLA Global. See [CLAGlobal.com/disclaimer](https://www.claglobal.com/disclaimer). Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.



B. Exceptions to the Sample Agreement for Professional Services



We have reviewed the sample Professional Services Agreement with our internal legal, insurance, and assurance service teams and have summarized our proposed revisions below. These revisions specifically tailor the contract to better align with the scope of work and remove generic language not applicable to the related services.

We believe the District will find these modifications reasonable and appropriate. However, we are willing to discuss these proposed revisions in an effort to achieve a mutually agreed-upon contract.

1. Term and Termination

We request the following modifications:

1. Term and Termination. This Agreement shall commence upon full execution by the Parties _____, 2025, and shall continue until completion of the Services provided for under this Agreement, unless earlier terminated by DISTRICT. This Agreement shall cover the Services associated with audits of the DISTRICT's financial statements for the three (3) fiscal years ending June 30, 2025, 2026 and 2027 ("Initial Term"). At DISTRICT's sole option, DISTRICT, through its General Manager, may extend the term of this Agreement to cover Services associated with the audit(s) of the DISTRICT's financial statements for either one or two additional fiscal years, the fiscal year(s) ending June 30, 2028|and June 30, 2029 ("Extended Term"). This Agreement may be terminated by DISTRICT either party without cause upon thirty (30) days written notice to the other party. In such event, the DISTRICT will compensate CONSULTANT for work performed to date in accordance with Section 3.4 of this Agreement. CONSULTANT is required to present evidence to support performed work completion.

2.1. Scope of Services

We request the following modifications:

2.1 Scope of Services. In compliance with all terms and conditions of this Agreement, CONSULTANT agrees to provide and perform professional services for the Project as set forth in (a) the Proposal, which is attached hereto as Exhibit "A" and incorporated herein by reference, and (b) the Scope of Work included in the Request for Proposals, which is attached hereto as Exhibit "B" and incorporated herein by reference (hereinafter referred to as the "Scope of Services," the "Services" or "Work"). As a material inducement to DISTRICT entering into this Agreement, CONSULTANT acknowledges and understands that the Services and Work contracted for under this Agreement require specialized skills and abilities and that, consistent with this understanding, CONSULTANT's Services and Work shall be performed in a skillful and competent manner and ~~shall be held to a standard of quality and workmanship prevalent in the industry for such Services and Work and with the standards recognized as being employed by professionals in the same discipline in the State of California in accordance with applicable professional standards.~~ CONSULTANT represents and warrants that it is skilled in the professional discipline necessary to perform the Services and Work and that it holds the necessary skills and abilities to satisfy the standard of work as set forth in this Agreement. CONSULTANT represents and warrants that it and all of its employees, subconsultants and subcontractors providing any Work or Services under this Agreement shall have sufficient skill and experience to perform the Services and Work assigned to them. All Services and Work shall be completed to the reasonable satisfaction of the DISTRICT. The Proposal, the Request for Proposals, and this Agreement do not guarantee any specific amount of work.



3.4 Termination

We request the following modifications:

3.4 Termination. ~~DISTRICT~~ Either party shall have the right to terminate this Agreement, without cause, by giving thirty (30) days written notice of termination to the other party. If the Agreement is terminated by DISTRICT, then the provisions of paragraph 3 would apply to that portion of the work completed.

4.4 A.1. Additional Insured

Please note that additional insured is done as a blanket endorsement such that the District is not specifically named as an additional insured but is an additional insured by nature of the contractual obligation.

4.5 Deductibles and Self-Insured Retentions

We request the following to be removed. CLA will not disclose the exact amount of its deductible or SIR.

~~4.5 — **Deductibles and Self Insured Retentions.** Any deductible or self insured retention must be approved in writing by the DISTRICT in advance and shall protect the DISTRICT, its officials, officers, employees, agents and volunteers, in the same manner and to the same extent as they would have been protected had the policy or policies not contained a deductible or self insured retention.~~

4.8 Evidence of Coverage

We request the following modifications. CLA will not provide copies of its insurance policies.

4.8 Evidence of Coverage. Concurrently with the execution of the Agreement, CONSULTANT shall deliver certificates of insurance together with original endorsements affecting each of the insurance policies required by this section. Required insurance policies shall not be in compliance if they include any limiting provision or endorsement that has not been submitted to the DISTRICT for written approval. The certificates of insurance and original endorsements for each insurance policy shall be signed by a person authorized by that insurer to bind coverage on its behalf. At least fifteen (15) days prior to the expiration of any such policy, evidence of insurance showing that such insurance coverage has been renewed or extended shall be filed with the DISTRICT. If such coverage is cancelled or reduced and not replaced immediately so as to avoid a lapse in the required coverage, CONSULTANT shall, within ten (10) days after receipt of written notice of such cancellation or reduction of coverage, file with the DISTRICT evidence of insurance showing that the required insurance has been reinstated or has been provided through another insurance company or companies. CONSULTANT shall promptly furnish, at DISTRICT's request, copies of actual policies including all declaration pages, endorsements, exclusions, and any other policy documents DISTRICT requires to verify coverage.

4.12 Other Insurance Requirements

We request the following modifications:

4.12 Other Insurance Requirements. The following terms and conditions shall apply to the insurance policies required of CONSULTANT pursuant to this Agreement:

A. CONSULTANT shall provide immediate written notice to DISTRICT if (1) any of the insurance policies required herein are terminated, cancelled, or suspended, (2) the limits of any of the insurance coverages required herein are reduced, ~~or (3) the deductible or self-insured retention is increased.~~

12 Indemnification

We request the following modifications:

12. Indemnification. CONSULTANT agrees to protect, defend, and hold harmless DISTRICT and its elective or appointive boards, officers, agents, and employees ("Indemnitees") from any and all third party claims, liabilities, expenses, or damages of any nature, including attorneys' fees, for bodily injury or death of any person, or damage to property, or interference with use of property ("Claims"), to the extent caused by negligent acts, errors or omissions or willful misconduct by CONSULTANT, CONSULTANT's agents, officers, employees, subcontractors, or independent contractors hired by CONSULTANT. The exception to CONSULTANT's responsibility to protect, defend, and hold harmless DISTRICT, is due to the active negligence of DISTRICT, or any of its elective or appointive boards, officers, agents, or employees. CONSULTANT'S indemnification obligations hereunder shall not extend to Claims arising from the sole negligence or willful misconduct of Indemnitees."

13 Reports

We request the following modifications:

13. Reports.

(a) Each and every report, draft, work product, map, record and other document, hereinafter collectively referred to as "Report", reproduced, prepared or caused to be prepared by CONSULTANT pursuant to or in connection with this Agreement, shall be the exclusive property of DISTRICT. CONSULTANT shall not copyright any Report required by this Agreement and shall execute appropriate documents to assign to District the copyright to Reports created pursuant to this Agreement. Any Report, information and data acquired or required by this Agreement shall become the property of DISTRICT, and all publication rights are reserved to DISTRICT. For the avoidance of doubt, Report(s) do not include CONSULTANT'S workpapers which are proprietary information and access is restricted.

Additional language to be added to the agreement

CONSULTANT’s services cannot be relied upon to disclose all errors, fraud, or noncompliance with laws and regulations. Except as described in this Agreement or any applicable SOW, CONSULTANT has no responsibility to identify and communicate deficiencies in DISTRICT’S internal controls as part of any services.

Time limitations

The nature of CONSULTANT’s services makes it difficult, with the passage of time, to gather and present evidence that fully and fairly establishes the facts underlying any dispute that may arise between DISTRICT and CONSULTANT. The parties agree that, notwithstanding any statute or law of limitations that might otherwise apply to a dispute, including one arising out of this Agreement or the services performed under an SOW, for breach of contract or fiduciary duty, tort, fraud, misrepresentation or any other cause of action or remedy, any action or legal proceeding by DISTRICT against CONSULTANT must be commenced as provided below, or DISTRICT shall be forever barred from commencing a lawsuit or obtaining any legal or equitable relief or recovery. An action to recover on a dispute shall be commenced within these periods (“Limitation Period”), which vary based on the services provided, and may be modified as described in the following paragraph:

Service	Time after the date CONSULTANT delivers the services or work product*
Examination, compilation, and preparation services related to prospective financial statements	12 months
Audit, review, examination, agreed-upon procedures, compilation, and preparation services other than those related to prospective financial information	24 months
All Other Services	12 months

* pursuant to the SOW on which the dispute is based

If this Agreement is terminated or DISTRICT’S ongoing relationship with CONSULTANT is terminated, then the applicable Limitation Period is the lesser of the above periods or 12 months after termination of this Agreement or DISTRICT’S ongoing relationship with CONSULTANT. The applicable Limitation Period applies and begins to run even if DISTRICT has not suffered any damage or loss, or have not become aware of the existence or possible existence of a dispute.

CONSULTANT will not disclose any of DISTRICT’S confidential, proprietary, or privileged information to any person or party, unless DISTRICT authorizes CONSULTANT to do so, it is published or released by DISTRICT, it becomes publicly known or available other than through disclosure by CONSULTANT, or disclosure is required by law, regulation or professional standard. This confidentiality provision does not prohibit CONSULTANT from disclosing DISTRICT’S information to one or more of CONSULTANT’S affiliated companies in order to provide services that DISTRICT has requested from CONSULTANT or from any such affiliated DISTRICT. Any such affiliated DISTRICT shall be subject to the same restrictions on the use and disclosure of DISTRICT’S information as apply to CONSULTANT. DISTRICT also consents to CONSULTANT’S disclosure of information regarding the nature of services CONSULTANT provide to DISTRICT to another independent network member of CLA Global, for the limited purpose of complying with professional obligations regarding independence and conflicts of interest.

The workpapers and files supporting the services CONSULTANT performs are the sole and exclusive property of CONSULTANT and constitute confidential and proprietary information. CONSULTANT does not provide access to its workpapers and files to DISTRICT or anyone else in the normal course of CONSULTANT. Unless required by law or regulation to the contrary, CONSULTANT retain its workpapers and files in accordance with its record



retention policy that typically provides for a retention period of seven years. After this period expires, CONSULTANT's workpapers and files will be destroyed. Furthermore, physical deterioration or catastrophic events may shorten the time CONSULTANT's records are available. The workpapers and files of CONSULTANT are not a substitute for DISTRICT's records.

Pursuant to authority given by law, regulation or professional standards CONSULTANT may be requested to make certain workpapers and files available to a regulator for its regulatory oversight purposes. CONSULTANT will notify DISTRICT of any such request, if permitted by law. Access to the requested workpapers and files will be provided to the regulator under the supervision of CONSULTANT personnel and at a location designated by CONSULTANT. Furthermore, upon request, CONSULTANT may provide copies of selected workpapers and files to such regulator. The regulator may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

CONSULTANT may, at times, utilize external web applications to receive and process information from its clients; however, any sensitive data, including protected health information and personally identifiable information, must be redacted by DISTRICT to the maximum extent possible prior to uploading the document or file. In the event that DISTRICT is unable to remove or obscure all sensitive data, please contact CONSULTANT to discuss other potential options for transmitting the document or file.

CONSULTANT and certain owners of CONSULTANT are licensed by the California DISTRICT Board of Accountancy. However, CONSULTANT has owners not licensed by the California DISTRICT Board of Accountancy who may provide services under this Agreement. If DISTRICT has any questions regarding licensure of the personnel performing services under this Agreement, please do not hesitate to contact CONSULTANT.

CONSULTANT regularly aggregates anonymized client data and perform a variety of analyses using that aggregated data. Some of these analyses are published to clients or released publicly. However, CONSULTANT is always careful to preserve the confidentiality of the separate information that CONSULTANT obtains from each client, as required by the AICPA Code of Professional Conduct and various laws. DISTRICT's acceptance of this Agreement will serve as DISTRICT's consent to CONSULTANT's use of anonymized data in performing and reporting on these cost comparison, performance indicator and/or benchmarking analyses.

CONSULTANT may, at times, use third-party software applications to perform services under this Agreement. DISTRICT acknowledges the software Consultant may have access to its data.

