



August 11, 2023

Proposal to provide professional
audit services to:

City of Breezy Point

Prepared by:

Mary Reedy, CPA, CGFM, Principal

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CLAconnect.com

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Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.





Honorable Mayor and
Members of the City Council
City of Breezy Point
8319 County Road 11
Breezy Point, MN 56472

Dear David:

Thank you for inviting us to propose our services to you. We gladly welcome the opportunity to share our approach to continue helping the City of Breezy Point (City) meet its need for professional services. The enclosed proposal responds to your request for audit services for three fiscal years, beginning December 31, 2023.

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

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

compression typically experienced by firms that must meet public companies' SEC filing deadlines. CLA is organized into industry teams, affording our clients with specialized industry-specific knowledge supplemented by valuable local service and insight. Therefore, the City will enjoy the service of members of our state and local government services team who understand the issues and environment critical to governmental entities.

Verification statements

I, Mary Reedy, your engagement principal-in-charge, will serve as the City's primary contact person for this engagement. Furthermore, as a principal of CLA, I am authorized to sign, bind, and commit the firm to the obligations contained in this proposal and the City's RFP. My contact information is as follows:

Mary Reedy, CPA, CGFM
Office: 320-203-5534
Email: mary.reedy@claconnect.com

We are confident that our technical approach, insight, and resources will result in unsurpassed client service for the City.

We are eager to continue our work with you and welcome the chance to present our proposal to the City Council or entire management team. If you have any questions about our offerings, please do not hesitate to contact me via the information below.

Sincerely,

CliftonLarsonAllen LLP

A handwritten signature in cursive script that reads "Mary Reedy".

Mary Reedy, CPA, CGFM
Principal
320-203-5534
Mary.reedy@claconnect.com

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Executive Summary

Why choose CLA?

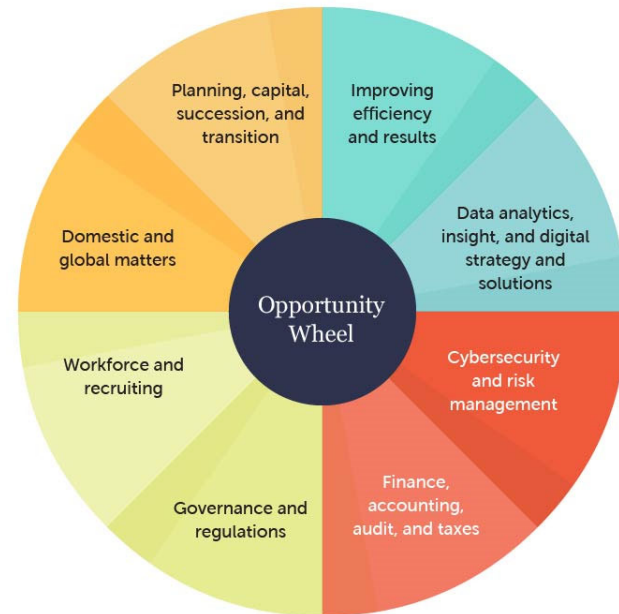
With CLA by your side, you can find everything you need in one firm. We know your industry, and we know you.

We have strong leadership and talent, commitment, and enthusiasm to provide our clients excellent service in a cost-effective manner. We commit to providing you a high level of personalized, responsive service. Communication is as important to us as it is to you.

Support at every turn

You can expect:

- **A proposed team of professionals carefully-selected for compatibility with the City's needs and circumstances** — Your service team understands the strategic, operational, and regulatory issues impacting your organization. These professionals dedicate a substantial percentage of their time assisting similar clients with financial, regulatory, and information security matters.
- **Diversity, equity, and inclusion (DEI)** — We are dedicated to building a diverse, equitable, and inclusive culture that thrives on different beliefs and perspectives. Our DEI team identifies strategies that foster and support the many dimensions of diversity within the firm. When we embrace an inclusive culture, we can truly know and help each other and our clients — that's how we create opportunities together.
- **Commitment to the community** — CLA family members bring meaningful social impact through volunteer efforts, charitable contributions, service on boards, and a focus on sustainable practices. Our community engagement team is bolstered by the diversity and inclusion team and the CLA Foundation — a philanthropic organization that has awarded more than \$8 million to advance career opportunities in communities across the nation.
- **Efficiency** — Our goal is to provide exceptional client service at the lowest possible cost. A well-planned and well-executed engagement by an experienced service team can minimize disruption to your staff and enable timely completion of all deliverables.
- **Experience and continuity** — Each engagement team member has in-depth experience in governmental accounting and auditing. We commit the necessary resources to provide quality client service and timely report delivery. We have an extensive local and national practice from which to draw resources.
- **We know you!** — We know and understand the City. 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 even before we begin the engagement. We don't have to learn about your core operations, we know them well.



Innovation at CLA

Artificial intelligence, machine learning, cryptocurrencies, and other technologies are disrupting the way we all do business. Disruption creates the need for innovation; innovation is an opportunity to improve the way we do our work and interact with you. Our entrepreneurial culture requires us to embrace change wherever we find it, learn from it, and create solutions designed to make interactions easier, more transparent, and more seamless.

We use a combination of technical and non-technical means to improve efficiency, enhance quality, and make your experience better.

As your organization continues to innovate, we're doing the same by continually increasing our knowledge of you and understanding of your industry so we can help you address the business issues you face.



Innovation at CLA is a purposeful approach to problem-solving that transforms technology into better experiences for our clients.

The CLA Seamless Assurance Advantage

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



A different approach

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



Insights through analytics

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



Effective technology

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



Firm Overview

Create opportunities

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

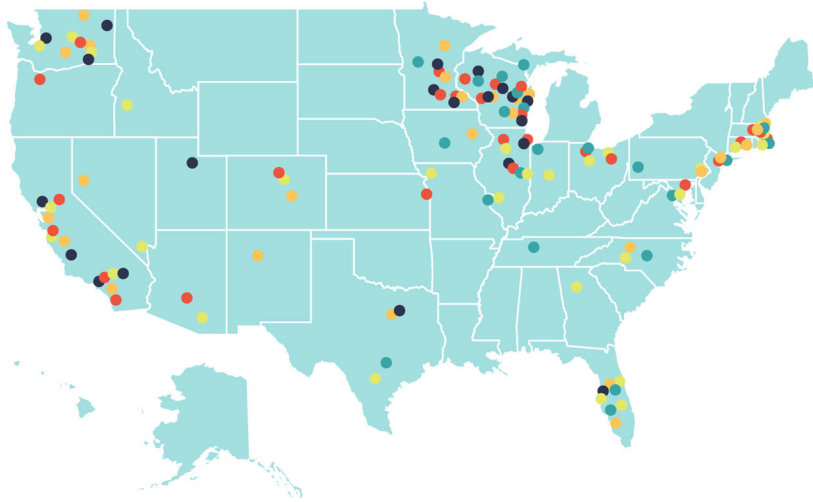
Our professionals are immersed in the industries they serve and have specialized knowledge of their operating and regulatory environments. With more than 8,500 people in nearly 130 U.S. locations and a global vision, we promise to know you and help you.

8,500+
PEOPLE

130
NEARLY 130 U.S. LOCATIONS

AN INDEPENDENT
NETWORK MEMBER OF

CLA Global



It takes balance

With CLA by your side, you can find everything you need in one firm. Professionally or personally, big or small, we can help you discover opportunities and bring balance to get you where you want to go.

For two consecutive years, CLA has been certified as a Great Place to Work[®], based on employee feedback and workplace experience.



What makes us different?

You can depend on CLA for several uncommon advantages:

Deep industry specialization

Our people are, first and foremost, industry practitioners. You will work with professionals who know you, your organization, and your industry. We combine their knowledge with yours to make you stronger.



Seamless, integrated capabilities

We offer planning and guidance from startup through succession, with a particular care for the people behind the enterprise. Your team connects with a broad network of resources behind the scenes to support you.

Premier resource for governmental entities

You are at the core of our strategic focus because supporting you means a better world for all of us.



Inspired careers

Our team members are personally invested in your success. You will work with entrepreneurial people who are constantly developing capabilities to help you meet any challenge you face.

For more information about CLA, visit CLAconnect.com/aboutus.



Understanding Your Industry

Governmental experience

CLA offers the credibility, reputation, and resources of a leading professional services firm — without sacrificing the small-firm touch. We bring unsurpassed levels of technical excellence, commitment, and dedication to our clients, which have made us one of the most successful professional service firms serving governmental entities. Our strong reputation for serving state and local government units provides the City the confidence in their decision to select CLA as their professional service provider.

CLA has one of the largest governmental audit and consulting practices in the country, serving more than 4,200 governmental clients nationwide. Regulated industry clients represent approximately one-quarter of all firm-wide revenue, and each of the governmental services team members are well versed in the issues critical to complex governmental entities.

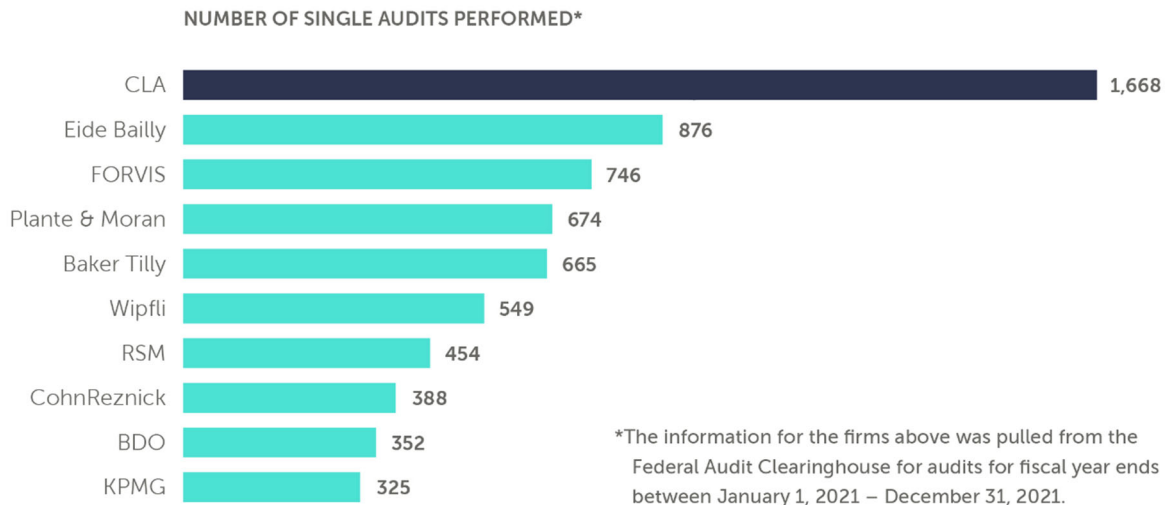
Our professionals have deep, technical experience in serving governmental entities. As a professional service firm experienced in serving state and local units of government, we are very aware of the financial and legal compliance requirements that government officials are faced with daily. This creates complexities and service issues within a unique operational and regulatory environment. Because of our experience, we have become adept at providing our clients with insights in this environment not typical of other professional service firms.



We differ from other national firms in that our corporate practice focuses on the needs of non-SEC clients, 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 specialized industry-specific knowledge supplemented by valuable local service and insight. Therefore, the City will benefit from working with members of our state and local government services team who understand the issues and environment critical to governmental entities.

Single audit experience

The chart below illustrates CLA’s experience in serving organizations that receive federal funds and demonstrates our firm’s dedication to serving the government and nonprofit industry. **CLA performs the largest number of single audits in the United States. We audited nearly \$278 billion dollars in federal funds in 2021.**



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

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



Clients served

The table below provides related and relevant projects CLA has successfully completed for similar local governmental entities with the last several years.

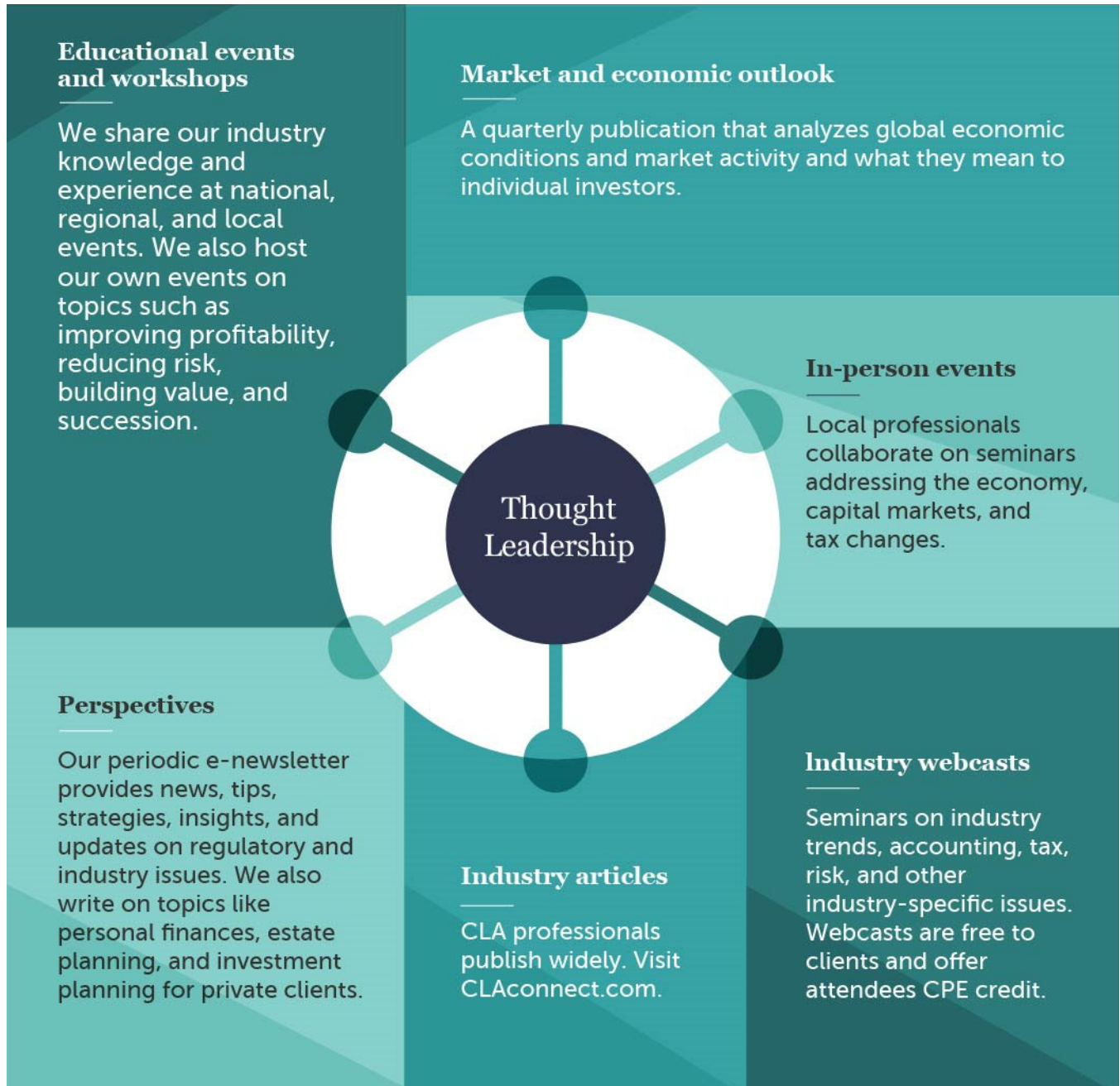
Sampling of Similar Local Governmental Clients		
Client Name	Services Performed	Years Served
City of Crosslake	Audit	18+
City of Crosby	Audit	18+
City of Rice Lake	Audit	18+

Our continuous growth in working with the government sector has come about because we continually provide assistance to our clients in meeting their objectives.



Thought leadership

CLA goes beyond the numbers and offers value-added strategies. Rest assured, you will hear from us throughout the year. We send periodic email publications and host webcasts to keep clients and friends of the firm informed of relevant industry updates. Below are just a few of the resources we offer. You can register for our webcasts and find our extensive resource library on our website, [CLAconnect.com](https://www.claconnect.com).



Additional services

In addition to the services outlined for this proposal, CLA collectively offers a wide breadth of highly customized services and capabilities to meet our clients' wants and needs, including a sampling of the following:

- Forensic audits
- Internal audit, risk assessments, and evaluations
- Implementation assistance for complex accounting standards
- ACA Reporting
- Operational and financial systems consulting
- Operations and performance improvement
- Self-insured medical and PBM claim audits
- IT security and network vulnerability assessments
- Fraud risk assessment and investigations
- Strategic, financial, and operational consulting
- Outsourced accounting and public administration
- Strategic, business, and capital planning
- Organizational and financial health assessment
- Training and educational seminars
- Telecom cost savings assessments

We pride ourselves on taking the initiative to meet each and every need of our clients, and therefore are always prepared to take on additional projects. However, independence is our first concern when providing additional services. Independence can easily become impaired when providing consulting services; therefore, we do not provide any services to our audit clients beyond those allowed.

If additional work is requested by the City outside of the scope of the audit, we will discuss with you our proposed fee for additional services prior to beginning the new services.



Services Approach

Seamless assurance advantage: a different way to audit

Many organizations view an audit as a requirement that doesn't contribute to their overall operations or value. At CLA, we believe an audit should be an annual check-up that gives you insight into your organization, allowing you to take advantage of opportunities and improve your operations.

Our industry experience makes it easier — CLA auditors are industry aligned, making our audit process fast and smooth. We focus on operational efficiency and leverage our industry experience to bring you meaningful insights that go beyond compliance requirements. A dedicated team of professionals will listen to your goals and concerns, then work with you to navigate industry pressures, changing markets, and complex standards, all with a common goal to drive your organization toward success.

Your time has value — Your day is filled with competing priorities and constant distractions. We elevate your experience by using a variety of communication tools, such as a web-based document portal, video conferencing, email, and phone calls, to keep everyone informed and on track. These tools provide flexibility to choose where and how your audit is performed. In contrast to a traditional engagement, where a team spends weeks on site at your location, our Seamless Assurance Advantage focuses on having the right team members on your engagement and isn't dependent on physical locations.

Familiarity — As a current beneficiary of CLA's services, your organization will benefit from consistent and familiar services and resources.

No surprises — We will provide the City with a no-surprises approach to our services, based on frequent and timely communication and clarity around roles and expectations. If issues arise during your audit, we engage the right people in a frank discussion to resolve them.

Significant involvement of principals and managers — Our principals and managers are directly involved in your engagement and can proactively identify significant issues and resolve them with management. Your time is best spent with key decision makers so you can ask clarifying questions, discuss organizational strategies, and navigate sensitive reporting issues.

We tailor the audit just for you — While our audit programs provide typical approaches for given audit areas, CLA designs a client-specific, risk-based audit approach for each client. We use custom, industry-tailored programs, procedures, and tools designed specifically to focus on applicable issues.

You'll learn about what we're doing and what we've found in plain, everyday language — By working closely with your staff, CLA continuously learns about your organization. This involvement enables us to offer recommendations for improvements in your systems and procedures that are more comprehensive, better understood, and more frequently implemented.

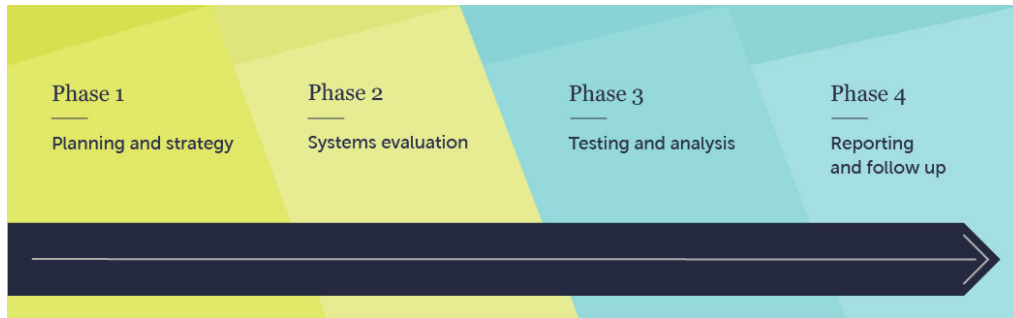
When performing an audit, we are sensitive and understanding of the fact that we report to those charged with governance. We maintain objectivity and independence to be able to issue our audit opinions. We will act within our philosophy of total client service, maintain the professional relationship refined with management, and fulfill our responsibilities with the utmost professionalism.

Year-long support — We encourage your staff to take advantage of our accessibility throughout the year for questions that may arise. Our people can provide proactive advice on new accounting or GAAP pronouncements



and their potential impact; help with immediate problems, including answers to brief routine questions; and share insights and leading practices to assist in planning for your future success.

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.

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

We will document our planning through:

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



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

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

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

Phase 2: Systems evaluation

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

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

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

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

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

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

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

Phase 3: Testing and analysis

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

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

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

Phase 4: Reporting and follow up

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

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

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



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

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

Single audit approach, if necessary

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

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

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



Phase 1: Risk assessment and planning

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

We accomplish this by following the methodology below:

- Determine the threshold to distinguish between Type A and B programs, including the effect of any loans and loan programs
- Utilizing the preliminary Schedule of Expenditure of Federal Awards, we can identify the Type A and significant Type B programs (25% of Type A threshold) in accordance with the *Uniform Guidance*

- Identify the programs tested and the findings reported for the past two fiscal years. Determine and document the program risk based on the past two single audits
- Prepare and distribute Type B program questionnaires to determine risk associated with Type B programs
- Determine the major programs to be tested for the current fiscal year based on the previous steps
- Based on our determination of the major programs, we obtain the current year compliance supplement to aid in the determination of Direct and Material Compliance requirements, and customize the audit program accordingly
- Determine the preferred methods of communication during the audit

Phase 2: Major program testing

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

To accomplish this, we perform the following:

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

Phase 3: Final assessment and reporting

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

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

- Identify Type A and significant Type B programs which were not previously identified
- Re-assess the risk and determine if we are required to audit additional programs
- Perform compliance testing at the entity wide level related to procurement and cash management requirements
- Perform testing to validate the status of prior year findings for those programs not selected for audit.
- Prepare the Schedule of Findings and Questioned Costs
- Conduct exit conference with the City's management to review drafts of required reports:
 - Independent Auditors' Report on Internal Control over financial reporting and on compliance and other matters based on an audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
 - Independent 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*

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

Commitment to communication with management

Continual communication starts when an engagement letter is issued and continues throughout the remainder of the year. This includes the exchange of ideas and advice as changes are considered or implemented by the entity or the accounting profession. Our commitment to this practice encourages open lines of communication and often prevents or mitigates service delivery issues.

During the engagement, we will hold regular status meetings with the City to address and understand day-to-day operations, results, and outlying issues. Tracking and formally reporting the engagement status can:

- Provide a consistent technique for monitoring progress against plan
- Identify issues quickly to allow for timely corrective action
- Provide an objective rather than subjective evaluation of status
- Provide timely information on a regular basis
- Assist with obtaining buy-in of audit recommendations on a timely basis

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 assist in identifying anomalies and significant audit areas to appropriately assess risk.



3. Data acquisition

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

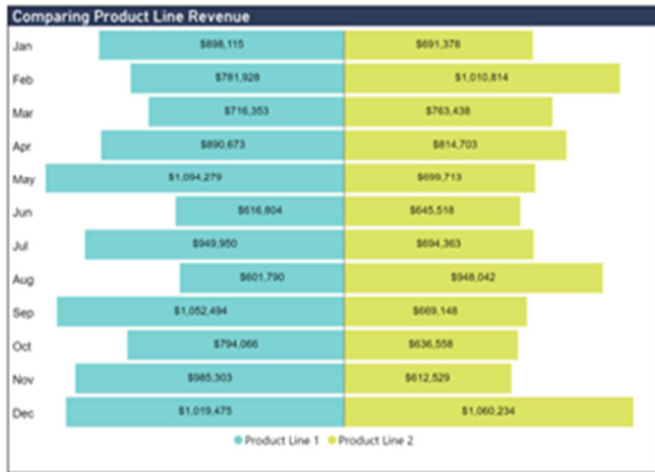
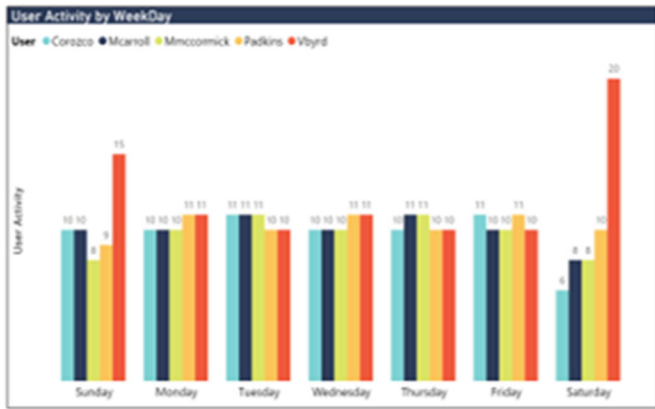
Trends and anomalies can be identified through the performance of the above referenced analytics. Comments regarding the interpretation of those trends and anomalies will be captured. When trends are identified they are reconciled against expectations. For anomalies identified, the approach to further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



Data analytics – At the end of a series of pre-determined analytics (often retrieved from multiple proprietary accounting systems) that are customized to the project at hand, we identify anomalies and potential errors in transactions. In every case, we review what appears to be inappropriate activity, including supporting documentation evidencing the transactions.



Procedures used to understand internal processes and controls

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) has established a framework for internal control systems. Under the COSO framework, internal control is a process to provide reasonable assurance that those internal objectives, including effectiveness and efficiency of business operations, reliability of financial reporting, and compliance with applicable laws and regulations, will be met, if applicable.

Our audit approach is designed to evaluate and walk through the departmental internal controls in accordance with COSO concepts. Our procedures include a review of the overall control environment, determination of the adequacy of those procedures, and a walk through of the procedures to determine if they are functioning as designed.

During the planning and internal control phases of our audit, we will develop our understanding of the City business operations and internal control structure for financial accounting and relevant operations through observation, discussion, and inquiries with management and appropriate personnel. During this phase of the audit, we will review budgets and related materials, organization charts, accounting and purchase manuals, and other systems of documentation that may be available.

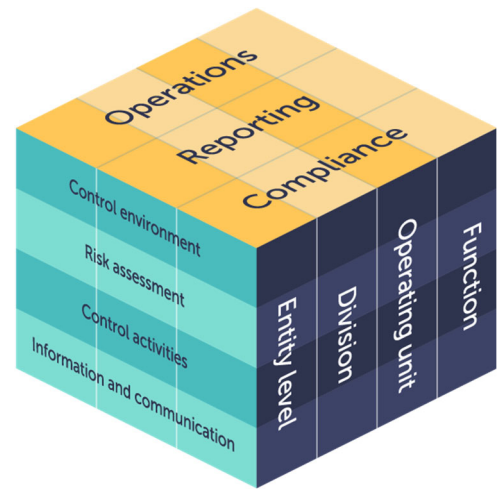
Once we understand your operations, we will then identify control objectives for each type of control that is material to the financial statements. The next step will be to identify and gain an understanding of the relevant control policies and procedures that effectively achieve the control objectives. We will then determine the nature, timing, and extent of our control testing.

Sample size and statistical sampling

We follow the guidance of AU-C Section 530, Audit Sampling, in using statistical and nonstatistical approach. We use quality control material in all our audit engagements. These AU-C Section 530 – “Audit Sampling” forms guide our staff through a logical process of assessing inherent risk, control risk, and combined audit risk, followed by an assessment of appropriate sample size for testing.

Sample sizes vary depending on the nature of the testing (compliance versus substantive) and the size of the population being sampled. Sampling techniques are utilized in compliance and internal control testing, as well as substantive testing of certain asset and liability account balances. Sample sizes used for internal control testing depend on several factors, namely the number of expected or actual control deviations, size of population, and level of control assurance anticipated. Sample sizes can range from 20 to 90 possible selections.

To illustrate, if no internal control deviations are anticipated and the frequency of the population (i.e., the number of times the control is performed in a given year) is less than 100, then we test 20 transactions in order to obtain moderate control assurance. If 2 internal control deviations are anticipated, and the frequency of the population is greater than 200, then we test 90 transactions in order to obtain low control assurance. We are usually able to cover a substantial portion of the compliance and controls testing with one sample, resulting in a very efficient approach.



Approach to be taken in drawing audit samples for purposes of tests of compliance

We follow the guidance of AU-C Section 530, Audit Sampling, in using statistical and nonstatistical approach. We use quality control material in all our audit engagements. These forms guide our staff through a logical process of assessing inherent risk, control risk, and combined audit risk, followed by an assessment of appropriate sample size for testing.

Because our sample sizes are affected by many variables, a statement about sample sizes cannot be made in absolute terms. However, regarding sample selection, we generally utilize representative sampling for internal control and compliance tests, including those related to single audit compliance. Samples can also be used in conjunction with other tests of compliance.

In general terms, sample sizes for compliance and controls testing obtained via our guidance usually fall into categories of 25, 40, or 60 depending on circumstances. Where the population being tested is less than 100 items, we use the 20%, 30%, or 40% of the population depending on our control risk assessment.

We are usually able to cover a substantial portion of the compliance and controls testing with one sample, resulting in a very efficient approach.

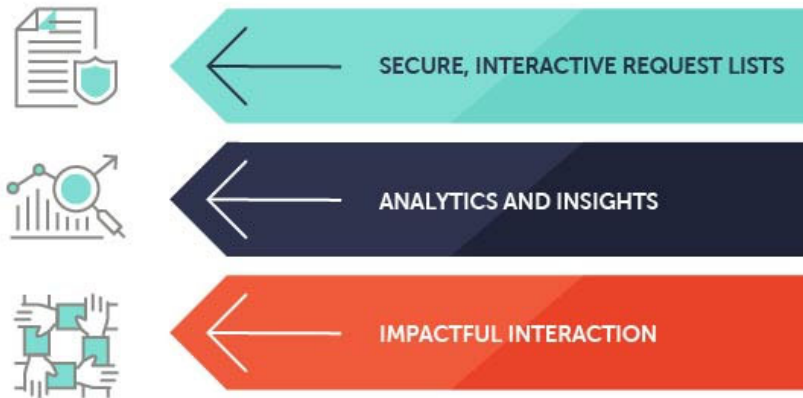
Approach to be taken in determining laws and regulations that are subject to audit test work

We obtain an understanding of the laws and regulations that have an impact on the City's operations by reviewing council minutes to identify any ordinances or resolutions that might have an impact to operations and reporting by the City, as well as interview key personnel and management of the City. Additionally, the staff assigned to the engagement attend regular trainings and are well versed in upcoming legislation and federal and state laws (i.e., *Uniform Grant Guidance*) and also proactively discuss these upcoming changes with our clients.

We can also review current operations, contracts and IGA's that may have an impact on current operations.

Use of technology in the audit

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



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

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

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

Engagement timeline

Our project management methodology results in a client service plan that provides for regular, formal communication with the entire management team and allows us to be responsive to your needs. We will formulate a timeline based on the City's request.



Engagement Team Experience

An experienced engagement team has been aligned to provide the most value to your organization. The team members have performed numerous engagements of this nature and can commit the resources necessary to provide top quality service throughout the engagement. Following are our proposed management team members:



The most important resource any business has is people — *the right people*.

Engagement Team Member	Role	Years' Experience
Mary Reedy	Engagement Principal – Mary Reedy 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. Mary Reedy is responsible for total client satisfaction through the deployment of all required resources and continuous communication with management and the engagement team.	19+
Elizabeth Kisch	Senior – Elizabeth Kisch will be responsible for the day-to-day activities for this engagement, including the supervision of all staff assigned.	5+
Additional Staff – We will assign additional staff to your engagement based on your needs and their experience providing services to state and local governments. Ideally, the staff assigned to your team will be from our Brainerd and St. Cloud offices with State and Local Government as their industry focus at CLA.		

Detailed biographies are available in the *Appendix* of this proposal.

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.

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

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



Use of subcontractor

While we are not a small or minority-owned business, we are committed to utilizing the services of such firms whenever possible. This includes using small and/or minority-owned businesses as subcontractors, as well as vendors. For this engagement, however, we do not foresee using any subcontractors.

CLA strives to fill its professional positions with among the best and most experienced accountants regardless of race or gender.



References

CLA offers its clients the best of two worlds — a firm with national experience, complemented by a team dedicated to accessibility and responsiveness. We are pleased to provide you with the following references, who can describe their experience in greater detail.

Name of Reference 1	
Client Contact	Matthew Hill, City of Crosby
Phone Number Email	218-546-5021; matthew.hill@cityofcrosby.com
Address	2 Second Street SW, Crosby, MN 56441
Services Provided	Audit

Name of Reference 2	
Client Contact	Michael Lyonais, City of Crosslake
Phone Number Email	218-692-2688; mlyonais@crosslake.net
Address	13888 Daggett Bay Road, Crosslake, MN 56442
Services Provided	Audit

Name of Reference 3	
Client Contact	Toni Blomdahl, City of Rice Lake
Phone Number Email	218-249-0733; tblomdahl@ricelakecitymn.com
Address	4107 W Beyer Rd, Rice Lake, MN 55803
Services Provided	Audit



Additional Information

Assistance from client

We request that the City provide access to all records required for the audits and other requirements of the contract. In addition, we request that you assign a “project coordinator” through whom we communicate and coordinate activities. We do not foresee needing the City’s staff other than during normal business hours.

To assist in this process, we provide a detailed Prepared by Client list early in the engagement. We ask that your accounting staff provide us with standard schedules, as well as additional requested supporting items. We anticipate that your accounting personnel will need to locate and submit to us certain invoices, vouchers, cancelled checks, and other documents and records. We are extremely flexible as to the format in which we receive this information and will determine, using the latest technology, that your personnel will not be asked to perform any unnecessary or extensively disruptive tasks.

We depend on your staff to provide us with as much information as possible, in an effort to limit everyone’s time on the engagement and, ultimately, to save your organization money.

Participation in quality improvement programs

We work with governmental entities across the country, and our exposure to the circumstances and issues that surround your industry will allow us to serve you with exceptional knowledge and insight. We understand the specific needs and challenges that regulate industries face and have been serving clients similar to the City for decades.

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

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



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

Federal or state desk or field reviews

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

Firm independence

CLA has been the City's auditors for the last several years. As such, we are required to maintain our independence (both in substance and appearance). We are not presently aware of any current or potential relationships or conflicts of interest with the City or its affiliates or component units that may threaten our independence.

Joint venture

We are not a joint venture or alliance of firms. We have the capabilities of providing all services outlined in the proposal, including Information Technology services

License to practice

CLA is duly licensed to practice public accountancy in the state of Minnesota.

Office location assigned to manage the engagement

The City will be served by our industry-specialized government engagement team located in our St. Cloud and Brainerd, MN offices.

Litigation

From time to time, the firm is a defendant in lawsuits involving alleged professional malpractice. In all cases, the firm believes that it has a strong position and intends to defend itself vigorously. Should the ultimate outcome be unfavorable, however, net of the deductible provisions of the firm's malpractice insurance, all cases are expected to be fully covered by insurance and will not have a material impact on the firm or its ability to perform these services.

Moreover, in those cases where claims have been resolved by settlement (the vast majority of our cases), the firm is typically subject to confidentiality agreements that prohibit the disclosure of information regarding those matters. Disclosure by the firm of any details about those matters could invalidate the settlement agreements.

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 City upon being engaged.

Continuing education program

To maintain and expand our assurance knowledge, we consistently provide continuing education for our professionals. Each member of our professional team, including principals, attends at least 40 hours of technical training annually. Individuals are required to familiarize themselves with all current changes in standards and procedures. Updated information on recent changes in technical standards and regulations, as well as the firm's professional policies and procedures, is distributed to our team members on a regular basis.

CLA professionals are specifically trained in the industry at a level beyond our competitors.





On-the-job training

Our professionals focus on serving a specific industry. So, the team chosen to serve you is continuously exposed to and trained on issues impacting entities like yours while performing their day-to-day work.



Tailored training

When providing instruction in our basic CPA, consulting, and advisory classes, we tailor the entire discussion, examples, and exercises to apply to clients in their specific industry focus.



Specialized recruiting

Our on-campus recruiting aggressively seeks individuals with industry focused degrees and/or backgrounds. We focus on identifying top candidates for our clients.



Effective continuing professional education

Our greatest strength is the talent of our staff. Our professionals provide more efficient and effective services due to the new ideas they implement from our in-depth training and continuing professional education.

CLA's firm-wide training programs include:

- **Learn**—Designed for new CLA associates, this five-day conference is typically attended in the first year of employment. This internally developed and presented training focuses on preparing new hires and interns to understand and perform their role in the audit process. Providing a combination of an introduction to CLA Strategy, business risk and independence with audit theory using hands-on exercises and simulations to introduce our audit methodology, tools, and software. Specific audit areas covered include audit planning, cash, fixed assets, accounts payable, and financial statement preparation.
- **Experience**—Designed for the CLA associate with about one year of experience, this four-day conference is typically attended in the second year of employment. This training is similar to the “Learn” training outlined above but at a deeper level.
- **Achieve**—Designed for the CLA associate with about two years of experience, this four-day conference is typically attended in the third year of employment. This internally developed and presented training focuses on leadership and performance management of audit engagements utilizing CLA audit methodology from the perspective of the experienced in-charge. This is a highly interactive session covering the experienced in-charge's role and challenges in the audit process and prepares participants to manage and perform efficient and effective audits.
- **Propel**—Designed for the CLA associate with about three years of experience, this four-day conference is typically attended in the fourth year of employment. This training focuses on project management of audit engagements from start to finish and includes exercises and case studies on improving the audit, supervision, analytical procedures, and tests of controls, and identifying and responding to fraud risks. This session is taught by an external instructor from 20/20 Services.

GASB insight potentially affecting current and future audits

CLA has one of the largest governmental audit and accounting practices in the country. As a result, we are intimately involved in the review, development, and implementation of new standards promulgated by GASB. Additionally, we have members of our government services team that participate in the AICPA State and Local Government Expert Panel. These individuals are involved in the process of reviewing and updating the AICPA’s State and Local Government Audit and Accounting Guide.

Our significant knowledge of technical issues and GASB pronouncements will be especially beneficial to the City. The below are recent issues and pronouncements which may have a future impact on the audits and financial statement of the City. We will proactively work with the City to address the reporting and auditing impact of each pronouncement or issue in advance of the implementation date.

GASB – Recent and Pending	
Description of Statement	Potential Impact on the City
<p>GASB 96 – Subscription Based Information Technology Arrangements – This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.</p>	<p>The requirements of this statement are effective for periods beginning after June 15, 2022. Earlier application is encouraged. It will affect the City to the extent that it uses subscription-based information technology (e.g., software).</p>
<p>GASB Statement No. 99, Omnibus 2022 - The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.</p>	<p>The requirements of this Statement have various effective dates for fiscal years beginning after June 15, 2022 and 2023, and all reporting periods thereafter.</p>
<p>GASB Statement No. 100, Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62 - The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.</p>	<p>The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.</p>
<p>GASB Statement No. 101, Compensated Absences - The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement</p>	<p>The requirements of this Statement are effective for fiscal years beginning after December</p>



guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

Identification of anticipated potential audit problems

In situations where authoritative guidance on a particular transaction or accounting issue is unclear or subject to interpretation, our approach is to proactively meet with management to discuss the issue and reach a conclusion that is hopefully agreed upon by both parties. We do not have specific firm policies that dictate our conclusions to be reached on all complex accounting issues. Rather, each issue must be evaluated independently by our engagement team. As discussed above, we will not only meet internally, but also facilitate discussion with the City's management team to obtain a mutual understanding of the particular accounting issue, determine the applicable authoritative guidance that most closely relates to the issue, and strive to reach an approach agreed upon by both parties. If there still remains any ambiguity or disagreement, we can explore other resources that could possibly assist, such as subject matter professionals within the Government Accounting Standards Board staff or the Government Finance Officers Association (GFOA) or perhaps other municipalities who may have dealt with similar issues.

Professional Fees

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 quarterly 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.

Professional Services	Year 1	Year 2	Year 3
Audit	\$16,500	\$18,150	\$19,900
*Implementation of GASB 96	\$1,500		
Implementation of SAS 145	\$1,000		
Technology and client support fee (5%)	\$950	\$908	\$995
Total	\$19,950	\$19,058	\$20,895

* With the implementation of GASB 96, the base fee is \$1,500. There will be an additional \$275 per hour charged for assessing any SBITA, Subscription-Based Information Technology Arrangement, agreements.

Our clients don't like fee surprises. Neither do we. We commit to:

- Being available for brief routine questions at no additional charge.
- Investing heavily in technology to enhance the client experience, protect our data environment, and deliver quality services.
- Transparency and fairness in our fee structure and discussions.
- Mutual, up-front agreement on any additional charges not discussed in this proposal.

Fee considerations

Our fees will be influenced by the following circumstances:

- City personnel will help periodically throughout the year and during the assurance fieldwork regarding account analysis and provision of year-end account reconciliation workpapers and schedules.
- The assurance reports will be delivered in accordance with the City's deadlines.
- Satisfactory completion of our firm's normal client acceptance procedures.
- Professional standards and regulations currently in effect. We reserve the right to modify your proposed fee if professional standards or regulations change for any engagement period.
- No significant changes in the operations of the City after the date of this proposal.

Fee increase

Our fees are based on professional standards and regulations currently in effect and, barring any changes in the nature or requirements of the engagement, our annual fees will increase in accordance with our payroll and



overhead costs. In addition, costs could increase due to substantial changes in your office locations, asset size, or operational structure.

Billing for phone calls and questions

It is not our policy or practice to bill our clients every time we receive a phone call or email. While providing our services, we will regularly consult regarding accounting, financial reporting, and significant business issues. If a specific project is complex or requires significant time or resources, we will discuss the scope of the project and its fee with you first.

Our last word on fees — we are committed to serving you. Therefore, if fees are a deciding factor in your selection of an accounting firm, we would appreciate the opportunity to discuss our scope of services.

At CLA, it's more than just getting the job done.



Appendix

A. Engagement team biographies





Mary L. Reedy, CPA, CGFM

CLA (CliftonLarsonAllen LLP)



Principal
St. Cloud, Minnesota

320-203-5534
mary.reedy@CLAconnect.com

Profile

Mary is a principal in the public sector group and has been with the firm since 2005. She works exclusively with state and local government clients (including cities, towns, counties, schools, and special districts) and has extensive experience with Uniform Guidance single audits of federal programs.

Technical experience

- State and local government

Education and professional involvement

- Bachelor of science in accounting from Bemidji State University, Bemidji, Minnesota
- American Institute of Certified Public Accountants
- Minnesota Municipal Clerks and Finance Officers Association
- Minnesota Society of Certified Public Accountants
- Certified Public Accountant
- Certified Government Financial Manager
- Minnesota Association of School Business Officials conference (speaker)
- MN School Districts internal training
- CLA Local Government Training Academy (Speaker)



Key relevant clients

- City of Brainerd
- City of Crosby
- City of Garrison
- City of Ironton
- City of Deerwood
- City of Crosslake
- City of Onamia
- City of Ortonville
- City of Rice Lake
- City of Aitkin
- City of Owatonna
- City of Brandon
- Glacial Hills Elementary School
- TrekNorth Junior and Senior High School
- Housing & Redevelopment Authorities: Brainerd, Crosby, Owatonna, Austin, Crow Wing, Eau Claire, Chippewa County
- Fire Reliefs: Alexandria, Ironton, Onamia, Walker, Pine River, Ideal, Backus, Longville, Nisswa and Sauk Centre
- Sewer District: Garrison, Serpent Lake
- Utilities: Aitkin, Brainerd, Glencoe, Sauk Centre, and Madelia
- Schools: Brainerd, Ashby, Battle Lake, Brandon-Evansville, Park Rapids, Osakis, Lake Superior, Monticello, North Branch, Waconia, West Central, Glencoe-Silver Lake, Aitkin, Underwood, and International Falls

[CLAconnect.com](https://www.claconnect.com)

CPAs | CONSULTANTS | WEALTH ADVISORS

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.





Elizabeth D. Kisch

CLA (CliftonLarsonAllen LLP)

Senior
St. Cloud, Minnesota

218-825-2963
elizabeth.kisch@CLAconnect.com



Profile

Elizabeth started with CLA in January of 2018. She works exclusively with governmental clients (including counties, cities, towns, school districts, and special districts). Elizabeth has experience with single audits of federal grant programs in compliance with Uniform Guidance. A sampling of her governmental clients includes:

- Brainerd Public Utilities
- City of Brainerd
- City of Buffalo
- City of Brainerd
- City of Crosby
- City of Garrison
- City of Ironton
- City of Sauk Centre
- Countryside Public Health Services
- Human Services of Faribault & Martin County
- ISD #138 North Branch Area Public Schools
- ISD #181 Brainerd School District
- ISD #2174 Pine River Backus School District
- ISD #309 Park Rapids School District
- ISD: #882 Monticello Public Schools
- Jackson County
- Nobles County
- Rice County
- Todd County
- Todd Soil & Conservation District
- Washington County
- Western Lake Superior Sanitary Sewer District

Education and professional involvement

- Bachelor of science in accounting and business administration with an emphasis in finance and a minor in fraud examination from Bemidji State University, Minnesota

Continuing professional education

Elizabeth is in full compliance with continuing education requirements established by Government Auditing Standards (attends a minimum of 20 hours annually of continuing professional education classes, including a minimum of 8 hours of audit and accounting classes, resulting in 120 hours over the three-year period). Detailed CPE listing is available upon request. Relevant CPE areas include:

- Single audit training
- Annual audit and accounting updates
- Annual risk management and internal control internal training
- Yellow book internal training
- CLA annual government training academy

CLAconnect.com



B. 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.

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