

**Representative Policy Board
Finance Committee
South Central Connecticut Regional Water District**

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AGENDA

Regular Meeting of Monday, August 14, 2023 at 5:00 p.m.

1. Safety Moment
2. Approval of Minutes – July 13, 2023 special meeting
3. Audit Proposal Update: R. Kowalski
4. Ten Year Model Potential Scenarios
5. New Business
6. Next regular meeting – Monday, September 11, 2023 at 5:00 p.m.
7. Adjourn

<p>**Members of the public may attend the meeting via remote access using instructions at the top of the agenda. To view meeting documents, please visit https://tinyurl.com/8rmtann3. For questions, contact the board office at 203-401-2515 or by email at jslubowski@rwater.com</p>
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SAFETY MOMENT

BICYCLE SAFETY

Americans are increasingly bicycling to commute, for exercise, or just for fun. By law, bicycles on the roadway are vehicles with the same rights and responsibilities as motorized vehicles. Bicycle safety initiatives focus on encouraging safer choices on the part of bicyclists to help reduce deaths and injuries on our roads.

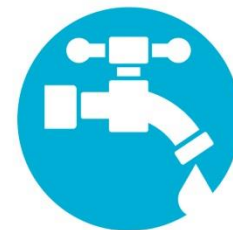
Bicycle accidents are highest during the summer months between June and September. To help prevent serious injury take the following steps:

1. Wear a helmet and bright colored clothing.
2. Be prepared before heading out - ride a bike that fits your size and one that works well.
3. Be focused and alert to the road and traffic around you.
4. Ride in the same direction as traffic and minimize sidewalk riding.
5. Ride in a safe environment at a park, bike bath or empty parking lot.

For more information visit <https://www.nhtsa.gov/road-safety/bicycle-safety>

Service – Teamwork – Accountability – Respect – Safety

Tap Into
Safety



Regional Water Authority



**Representative Policy Board
Finance Committee
South Central Connecticut Regional Water District
Via Remote Access**

MINUTES

Regular Meeting of Monday, July 13, 2023 at 5:00 p.m.

Members Present: Tim Slocum, Tom Clifford, and Jay Jaser

Member Absent: Vincent Marino and Michelle Verderame

RPB Members: Charles Havrda

FMA Member: Kevin Curseaden

Management: Larry Bingaman, Rochelle Kowalski, and Jim Hill

OCA: Atty. Jeffrey Donofrio

Staff: Jennifer Slubowski

Chair Slocum called the meeting to order at 5:00 p.m. He reviewed the Safety Moment distributed to members.

On motion made by Mr. Clifford, seconded by Mr. Jaser, and unanimously carried, the committee voted to approve the minutes of its June 12, 2023 meeting, as presented.

Ms. Kowalski, RWA's Vice President & Chief Financial Officer, reviewed the Year-end Financial Report for the fiscal year ended May 31, 2023, which included:

- Balance sheet
- Statement of revenues, expenses, and changes in net position
- Maintenance test year-end projections
- Operating and maintenance key variances
- Capital budget report
- Year-end disposition

Committee members discussed benefit costs, payroll, vacancies and interest income.

Mr. Slocum reported that his term as committee chair has ended. He spoke with Mr. Marino who is interested in the position. Chair Slocum nominated Mr. Marino for appointment as chair for 2023-2024 administrative year. Mr. Clifford seconded the nomination, and the committee voted to appoint Mr. Marino as chair for 2023-2024.

At 5:30 p.m., Mr. Clifford withdrew from the meeting.

Ms. Kowalski reviewed the RPB Dashboard Metrics for the FY 2023 fourth quarter.

Representative Policy Board
Finance Committee
July 13, 2023

UNAPPROVED

There was no new business to report.

Chair Slocum acknowledged Mr. Havrda and thanked him for his service while on the Finance Committee. He also thanked Committee members for allowing him to act as chair for the past four years.

At 5:34 p.m., on motion made by Mr. Slocum, seconded by Mr. Jaser, the meeting adjourned.

Timothy Slocum, Chairman



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Revised Fee Proposal

	5/31/2024	5/31/2025	5/31/2026	5/31/2027 Optional	5/31/2028 Optional
Financial Statement Audit	105,000	108,500	112,000	115,500	119,000
Federal Single Audit (1st Major Program) *	12,500	13,000	13,500	14,000	14,500
Technology and client support fee (5%)	Included	Included	Included	Included	Included
Total	117,500	121,500	125,500	129,500	133,500
Federal Single Audit - (Each Additional Program)	7,500	7,500	7,500	7,500	7,500

* Historically, the Authority has only had one major program.

The fees proposed above assume the work required to complete the engagement is comparable in amount and complexity to prior years, and that requested information is furnished to us in an appropriate format and within a mutually acceptable time period. If the year under audit is not comparable, or the information we receive is not adequate or timely, our fee will be adjusted accordingly to reflect the additional time and complexity of any new issues. We will discuss such circumstances with you prior to performing the additional work. Such items include, but are not limited to, the addition of a State Single Audit, the implementation of new accounting standards or additional acquisitions made by the Authority.



May 5, 2023

Proposal to provide professional
audit services to:

South Central Connecticut Regional Water Authority

Prepared by:

David Flint, CPA, MSA, Principal

david.flint@CLAconnect.com

Direct 860-570-6379

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





CliftonLarsonAllen LLP
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May 5, 2023

Via email submittal only

Ms. Rochelle Kowalski, Vice President & Chief Financial Officer
South Central Connecticut Regional Water Authority
90 Sargent Drive
New Haven, CT 06511
rkowalski@rwater.com

RE: Request for Proposals (RFP) for Annual Auditing Services

Dear Ms. Kowalski:

Thank you for inviting us to propose our services to you. CLA (CliftonLarsonAllen LLP) gladly welcomes the opportunity to share our approach to continue helping South Central Connecticut Regional Water Authority (the Authority) meet its need for professional services. The enclosed proposal responds to your request for audit services for the fiscal years ending May 31, 2024 through 2028.

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 Authority'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 Authority with their audit needs. In addition to your experienced local engagement team, the Authority 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 considered our experience performing similar work for other governmental accounting clients. Our local government clients are included amongst the more than 4,100 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 Connecticut. 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 Authority 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 Authority 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 Authority 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, David Flint, your engagement principal-in-charge, will serve as the Authority'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.

We are confident that our technical approach, insight, and resources will result in unsurpassed client service for the Authority. We are eager to continue our work with you and welcome the chance to present our proposal to the selection committee 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 blue ink, appearing to read 'D Flint', is positioned above the printed name and title.

David Flint, CPA, MSA

Principal

860-570-6379

david.flint@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 governmental 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 Authority'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 \$7 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 continue providing 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 Authority. 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 company 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.

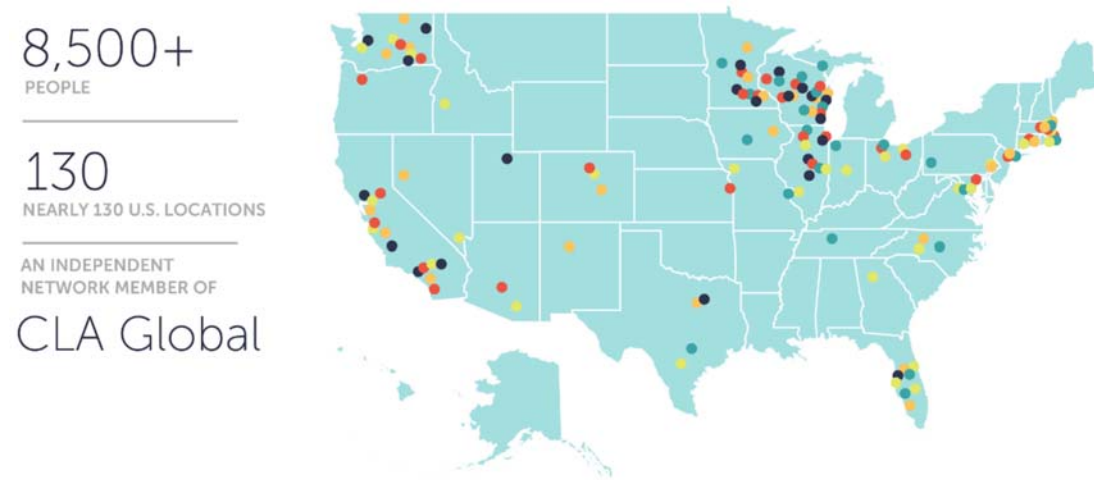


Firm Overview

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.



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 Authority the confidence in their decision to select CLA as their professional service provider.

With more than 550 professionals dedicated to our state and local government practice, CLA has one of the largest governmental audit and consulting practices in the country, serving more than 4,200 governmental clients nationwide, including more than 120 in Connecticut. 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.

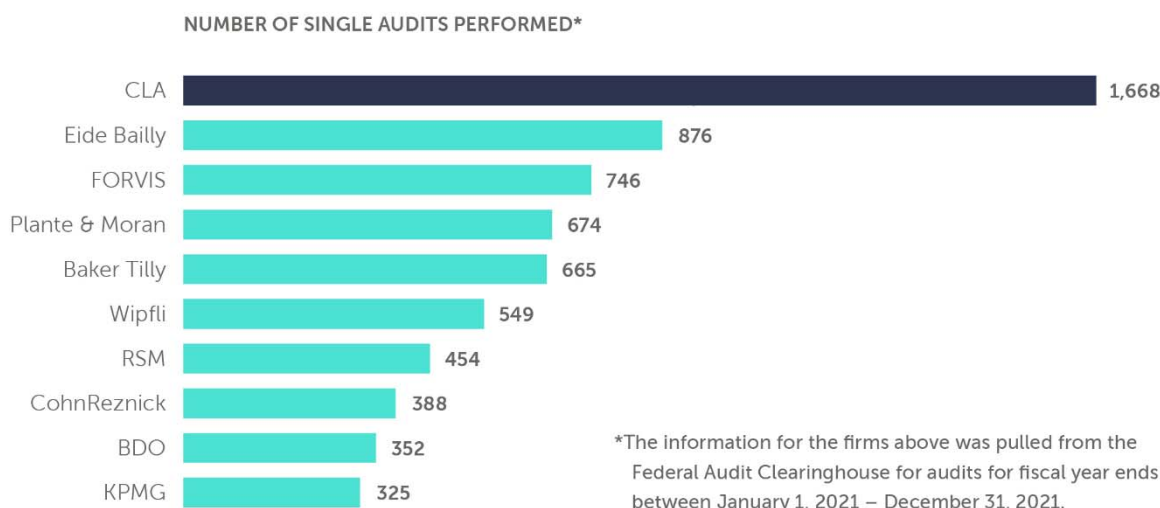
Our professionals have deep, technical experience in serving similar entities. This creates complexities and service issues within a unique operational and regulatory environment. Because of our experience, we have become adept at providing our clients with insights in this environment not typical of 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 Authority 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 Authority and can enhance the quality of the Authority'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 Authority. As part of our quality control process, the single audit will be reviewed by a firm Designated Single Audit Reviewer.

Single Audit Resource Center (SARC) Award

CLA received the [Single Audit Resource Center \(SARC\) Award](#) for Excellence in Knowledge, Value, and Overall Client Satisfaction. SARC's award recognizes audit firms that provide an outstanding service to their clients based on feedback received from an independent survey.



The survey queried more than 9,500 nonprofit and government entities about the knowledge of their auditors, the value of their service, and overall satisfaction with their 2020 fiscal year-end audit. The SARC award demonstrates CLA's dedication to serving the government and nonprofit industry and maintaining the most stringent regulatory requirements in those sectors.

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.



Utilities experience

Our work with municipal governments has provided our professionals with extensive experience dealing with utility departments. Most often, this work is done as part of the audit of the municipality. In fact, several of our municipal clients routinely request our assistance with adjusting utility user rates (water, sewer, electric, other service charges).



CLA serves more than 40 power agencies, electric distribution cooperatives, and other public utilities across the country, a sampling of which we have provided below. We are accustomed to performing audits and handling the distinct challenges of the energy industry. We will provide interpretative guidance resulting from new state or federal legislation that may impact the Authority.

Clean water/drinking water clients

The below table demonstrates CLA’s experience in auditing Clean Water and/or Drinking Water Programs within the SRF program.

Clean Water and/or Drinking Water within SRF clients	
Client Names	Services provided
State of Vermont	CLA worked with the State of Vermont on the Special Environment Revolving Fund. We consulted with the region and the state converting the financial statement to an enterprise presentation.
Kansas Department of Health & Environment Public Water Supply Loan Fund and Water Pollution Control Revolving Fund	CLA audited the Kansas Department of Health & Environment Public Water Supply Loan Fund and Water Pollution Control Revolving Fund for the year ended June 30, 2014 to present. This engagement includes both the audit of the basic financial statements as well as the compliance audit of the federal funding received from the EPA.
Office of the Inspector General of U.S. Environmental Protection Agency	CLA also consulted with the Office of the Inspector General of United States Environmental Protection Agency, in the preparation of the Audit Guide for the Clean Water State Revolving Fund and Drinking Water State Revolving Fund programs.
State of New Hampshire	CLA worked with the State of New Hampshire by consulting with the region in negotiations with the State regarding an enterprise fund audit of the program. Our consultation services included differences between an audit in accordance with Generally Accepted Auditing Standards, Generally Accepted Government Auditing Standards, and a Single Audit. Our negotiations included defining differences between the program presented as part of the State’s general fund in its ACFR and an unaudited enterprise fund presentation included in the program’s annual report submitted to the region.
State of Illinois	CLA worked with the State of Illinois on the Clean Water and Drinking Water State Revolving Fund. We consulted with the region and the state on reporting and presentation of these funds.
The Cadmus Group	CLA worked with The Cadmus Group in preparing guidelines for policies and procedures for Drinking Water State Revolving Funds.
State Revolving Fund	CLA also has prepared and created a SRF sub recipient monitoring checklist. The following four checklists were created: <ul style="list-style-type: none">• An all-inclusive and detailed check list for the sub recipient level.• A shortened version of the list.

Clean Water and/or Drinking Water within SRF clients

Client Names	Services provided
	<ul style="list-style-type: none"> • A checklist for the state to use to determine that sub recipients are complying. <p>A checklist at the EPA regional level used by the regions to determine the state agencies are complying.</p>
Environmental Protection Agency	<p>CLA worked with the EPA to develop and present training courses related to the proper accounting for SRF programs, including:</p> <ul style="list-style-type: none"> • Financial Management Oversight Workshop • CIFA SRF Workshop • EPA Region 3 State Revolving Fund Specialist Act Appropriation Projects Workshop • EPA Region 6 SRF Workshop SRF Financial Training - presented to 9 regions.



Public utilities clients in Connecticut

Below is a listing of similar public utilities clients that CLA serves in Connecticut. Reference information is available upon request.

- Connecticut Municipal Electrical Energy Cooperative
- Town of Wallingford – Water, Sewer, and Electric Department
- Eversource
- Norwich Public Utilities
- F & G LLC d/b/a F & G Recycling LLC
- City of Waterbury Bureau of Water and Water Pollution Control
- Iroquois Gas Transmission System, L.P.
- City of Bridgeport – Water Pollution Control Authority
- Metropolitan District Commission
- Murphy Road Holdings, Inc.
- Rural Fuels
- Superior Energy, LLC
- USA Hauling & Recycling Inc.
- USA Waste and Recycling Inc.
- City of Groton Water and Electric Department
- Town of Tolland Water and Sewer Department
- City of Meriden Water and Sewer Department
- Town of Waterford Utility Commission

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 and industry information

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, CLAAconnect.com.



Additional services

In addition to the services outlined in the *Scope of Services* 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:

- Financial statement and 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
- GASB Standard Implementation

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 Authority outside of the scope of the audit, we will discuss with you our proposed fee for additional services prior to beginning the new services.

Participation in quality improvement programs

We work with governmental entities across the country, and our exposure to the circumstances and issues that affect your industry will allow us to serve you with exceptional knowledge and insight. We understand the specific needs and challenges that regulated industries face and have been serving clients similar to the Authority 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 participation in the aforementioned professional organizations, combined with various other technical services we subscribe to, allows us 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.

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 Authority. The below are recent issues and pronouncements which may have a future impact on the audits and financial statement of the Authority. We will proactively work with the Authority to address the reporting and auditing impact of each pronouncement or issue in advance of the implementation date. In the months just prior to the due date of this proposal, the GASB decided to extend the implementation of all pending new standards to 2021 or beyond.

GASB – Recent and Pending	
Description of Statement	Potential Impact on the Authority
GASB 87 – Lease Adoption – Requires recognition of certain lease assets and liabilities for leases that were previously classified as both capital and operating leases and establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.	The requirements of this statement are effective for periods beginning after June 15, 2021. Earlier application is encouraged. It will affect the Authority to the extent that all Lessee and Lessor agreements will need to be recorded in the financial statements.
GASB Statement 91 – Conduit Debt Obligations – The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.	The requirements of this statement are effective for reporting periods beginning after December 15, 2021. This statement will impact the Authority's financial statements to the extent of the occurrence of conduit debt obligations.

GASB – Recent and Pending

Description of Statement	Potential Impact on the Authority
<p>GASB Statement 94 – Public-Private and Public-Public Partnerships and Availability Payment Arrangements – The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The statement distinguishes the various types of PPP's and provides guidance related to accounting and disclosure for the arrangements.</p>	<p>The requirements of this statement are effective for years beginning after June 30, 2022. Earlier application is encouraged. It will affect the Authority to the extent that the Authority has or intends to enter into PPP arrangements.</p>
<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 Authority 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 guidance for compensated absences. That objective is achieved by</p>	<p>The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting</p>



GASB – Recent and Pending

Description of Statement	Potential Impact on the Authority
aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.	periods thereafter. Earlier application is encouraged.

The following are some of the current projects being conducted by GASB that may impact the Authority in the future:

Future Pronouncements and Projects

Description of Project	Current Status
Revenue and Expense Recognition – The objective of this project is to develop a comprehensive application model for the recognition of revenues and expenses that arise from nonexchange, exchange, and exchange-like transactions, including guidance for exchange transactions that has not been specifically addressed in the current literature.	Currently in the preliminary views redeliberations stage.
Conceptual Framework – Recognition – This project may affect financial statements in the future. The objective of this project is to develop recognition criteria for whether information should be reported in state and local government financial statements and when that information should be reported.	Currently in the exposure draft redeliberations stage.
Financial Reporting Model – The objective of the project is to make improvements to the financial reporting model including GASB Nos. 34, 35, 37, 41, 46, and Interpretation No. 6. The improvements would be to enhance the effectiveness of the model in providing information essential for decision-making, enhance the ability to assess a government’s accounting, and address certain application issues.	Currently in exposure draft redeliberations stage.
Risk and Uncertainties Disclosures – Current note disclosure requirements focus on various risks faced by state and local governments, such as those associated with financial instruments, including deposits, investments, securities lending, and derivatives as well as risk retention, including risk pools. This project would address risks relating to the nature of operations, estimates, and vulnerability due to certain concentrations.	Currently in the exposure draft redeliberations.
Implementation Guidance Update—2023 – The objective of this project is to update implementation guidance for additional issues that come to the attention of the staff. This project will result in the issuance of an Implementation Guide when sufficient need exists for	Currently in the exposure draft redeliberations.



Future Pronouncements and Projects

Description of Project	Current Status
new or improved guidance and the Board does not object to its issuance. All updates are incorporated into the Codification of Governmental Accounting and Financial Reporting Standards and the Comprehensive Implementation Guide, as appropriate.	
Going concern uncertainties and severe financial stress – The objective of this project is to address issues related to disclosures regarding going concern uncertainties and severe financial stress. The project will consider (1) improvements to existing guidance for going concern considerations to address diversity in practice and clarify the circumstances under which disclosure is appropriate, (2) developing a definition of severe financial stress and criteria for identifying when governments should disclose their exposure to severe financial stress, and (3) what information about a government’s exposure to severe financial stress is necessary to disclose.	Currently in initial deliberations
Classifications of Nonfinancial Assets – The objective of this project would be to reconsider the existing classification of nonfinancial assets and other related sub-classifications (for example, capital assets or intangible assets) to ensure that (1) assets are classified in a way that provides the most relevant financial information and (2) the definitions of the classifications are understandable and appropriate to meeting financial reporting objectives. The project also will consider how any classification changes would affect financial statement presentation and disclosure of nonfinancial assets. The project will not, however, reexamine recognition or measurement of nonfinancial assets.	Currently in initial deliberations

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 business toward success.

Your time has value – We recognize that you and your teams' day is filled with competing priorities and constant distractions. We elevate your experience by utilizing a variety of communication mediums, such as a web-based document portal, video conferencing, email, and phone calls, to keep everyone informed and on track. These mediums provide ultimate flexibility so that you can 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 upon any physical locations.

No transition issues

Familiarity. As a current beneficiary of CLA's services, your organization can benefit from the high caliber and consistent services provided by CLA. By working alongside some of the familiar faces from past services, CLA will continue to strive to help increase your organizations productivity and meet your goals.

No surprises – We provide the Authority with a **no surprises** approach to our services, based on frequent and timely communication and clarity around roles and expectations. If and when issues arise during the course of your audit, we engage the right people in a frank discussion to resolve them.

Significant involvement of principals and managers – Because our principals and managers/directors are directly involved in your engagement, we can proactively identify significant issues and resolve them with your management. We believe that your time is best spent with key decision makers so that 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 that are designed specifically to focus on the issues that are applicable to you.

You'll learn about what we're doing and what we've found in plain, everyday language. We believe our services can contribute to better business and administrative practices. By working closely with your staff, CLA continuously learns about your organization. This involvement enables us to offer you 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 in order to be able to issue our audit opinions. We 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, working with you and your staff, 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 best practices to assist you in planning for your future success.

Financial statement audit approach

We will conduct our audit in four primary phases, as shown below.



Phase 1: Planning and strategy

The main objective of the planning phase is to identify significant areas and design efficient audit procedures. We are able to accomplish our planning by following the methodology below:

- Conduct an entrance meeting with the Authority – David Flint and staff will meet with Authority personnel to mutually agree on an outline of responsibilities and timeframes. The agenda will include but not be limited to the following:
 - Establish audit approach and timing schedule
 - Assistance to be provided by Authority personnel
 - Application of generally accepted accounting principles
 - Initial audit concerns
 - Concerns of the Authority's management
 - Establishment of report parameters and timetables
 - Progress reporting process
 - Establish principal contacts
- Gain an understanding of the operations of the Authority, including any changes in its organization, management style, and internal and external factors influencing the operating environment. We utilize reference materials such as the budget and related materials, organizational charts, manuals and programs, financial, and other management information systems
- 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, 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 Authority, and establish mutually agreed upon deadlines

We will document our planning through preparation of the following:

- **Entity Profile.** This profile can help us gain an understanding of the Authority activities, organizational structure, services, management, key employees, and regulatory requirements.
- **Preliminary Analytical Procedures.** These procedures can 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 can 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 contains 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 contains 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 contains a listing of schedules and reports to be prepared by Authority personnel with due dates for each item.
- **Assurance Information Exchange.** CLA utilizes 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 all of the items CLA is requesting. Additionally, clients can attach electronic files and add commentary related to the document requests directly on the application.

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

We will develop our audit programs during this phase. Utilizing the information we have gathered, and the risks identified, we produce an audit program specifically tailored to the Authority. This program details, by major section, 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

During the systems evaluation phase, we gain an understanding of the internal control structure of the Authority for financial accounting and relevant operations. Next, we identify control objectives for each type of control that is 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 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 test controls over certain key cycles. One audit efficiency initiative is to rely heavily on internal controls when appropriate, and to creatively look at internal control testing to make it as efficient as possible. This means



not routinely performing detailed tests of transactions using large samples. We first seek to identify key controls, and then identify possible testing through alternative methods, such as observation, interviews, and re-performance. These tests serve 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.

We also develop our internal control tests to assess the compliance with certain provisions of laws, regulations, contracts, and grants for which noncompliance could have a direct and material effect on the determination of financial statement amounts. Our use of multi-purpose tests allows us to provide a more efficient audit without sacrificing quality.

Our assessment of internal controls can determine whether the Authority 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 also provide an updated Prepared by Client Listing based on our test results and our anticipated substantive testing.

During the internal control phase, we also perform a review of general and application Information Systems (IS) controls for the applications that are significant to financial statements to conclude whether IS general controls are properly designed and operating effectively and consider application controls as part of the internal control assessment in the financial statement audit. Our strategy for the IS review of the applications will involve reviewing all of the general control activities, including the computerized and manual processes. We determine the scope of work by applying the concepts of materiality and risk assessment to effectively reduce examination inefficiencies. When planning this examination, we can gain an understanding of the Authority's operations by reviewing its current controls and control objectives as documented and can also review prior years' audit work and the status of corrective actions.

Based on our preliminary review, we 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 then proceed to assess the significant computer-related controls.

For IS-related controls that we deem to be ineffectively designed or not operating as intended, we can gather sufficient evidence to support appropriate findings and provide recommendations to improve internal controls. For those IS controls that we deem to be effectively designed, we 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 is based on results of our internal control tests. It has been our experience that governmental entities, like the Authority, often have a system of internal controls that, with appropriately designed tests and correlation to account balances, can be used to limit the extent of account balance substantiation testing.



Audit sampling will be used only in those situations where it is the most effective method of testing. Before deciding to sample, we consider all possible approaches and audit techniques. Items where, in our judgment, acceptance of some sampling risk is not justified will be examined 100 percent. These may include unusual items or items for which potential misstatements could individually equal or exceed tolerable error.

After identifying individually significant or unusual items, we decide on 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 use TeamMate Analytics to efficiently control and select our samples.

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

Phase 4: Reporting and follow up

Reports to management 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 Authority
 - The Authority'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, which is a process that starts while the fieldwork is in process, our opinion, the financial statements, and management letter is issued.

The Authority is provided a draft of any comments that we propose to include in the management letter, enabling you to review the comments for accuracy prior to final release. Any items that come to our attention that are not what we consider major items may be discussed verbally with management and not included in the management letter. Our management letter includes items noted during our analysis of your operations.



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

Single audit approach

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

Commitment to communication with management

We are committed to ongoing communication throughout the engagement. Continual communication starts when an engagement letter is issued, continues until the completion or closeout of an engagement, and throughout the remainder of the year. We believe effective communication is critical to a successful



engagement. This communication includes the exchange of ideas and advice as changes are considered or implemented by the entity or the accounting profession.

During the engagement, we hold regular status meetings with the Authority to enhance day-to-day operations, results, and any issues are commonly understood and addressed. The objectives of tracking and formally reporting the engagement status are to:

- Provide a consistent technique for monitoring progress against plan
- Identify any 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 any audit recommendations on a timely basis

Our proactive measures foster communications, both written and oral, which are ongoing, relevant, and routine to our engagements. Our commitment to this practice encourages open lines of communication and often prevents and/or mitigates service delivery issues. Our professionals are trained in documenting observations, recommendations, business issues, and new developments as part of their daily routine.

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

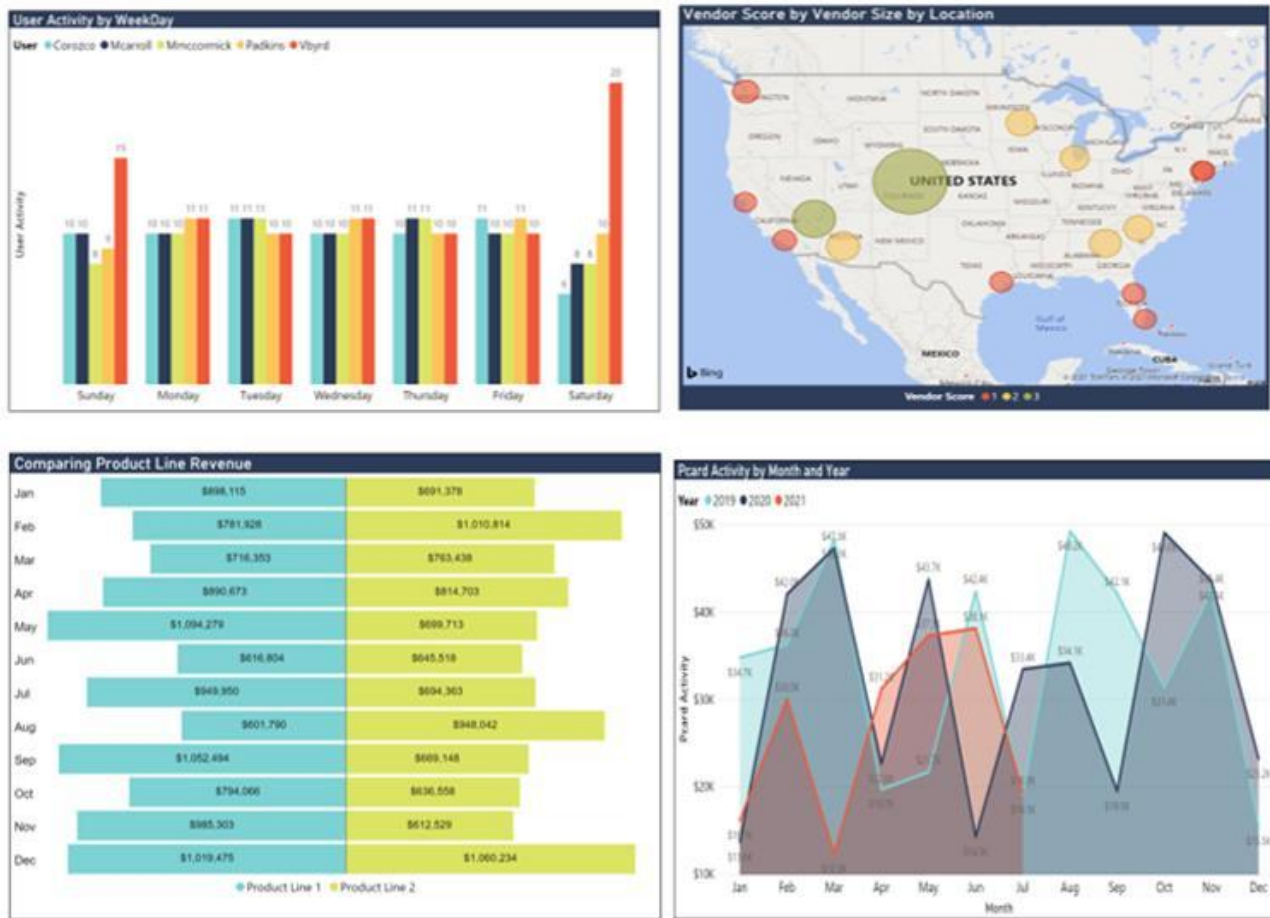
Trends and anomalies can be identified through the performance of the above referenced analytics. Comments regarding the interpretation of those trends and anomalies will be captured. When trends are identified they are reconciled against expectations. For anomalies identified, the approach to further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

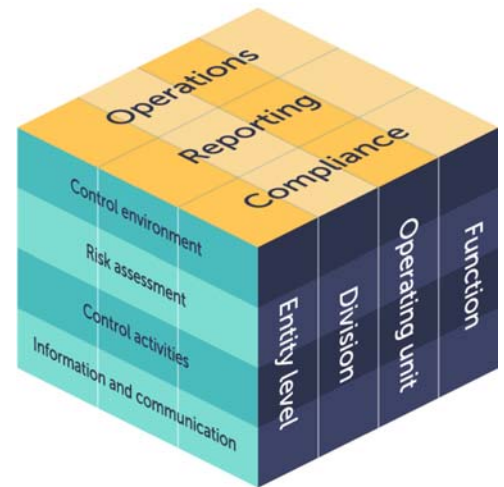
Once we understand your operations, we will then identify control objectives for each type of control that is material to the financial statements. The next step will be to identify and gain an understanding of the relevant control policies and procedures that effectively achieve the control objectives. 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 Authority's operations by reviewing council minutes to identify any ordinances or resolutions that might have an impact to operations and reporting by the Authority, as well as interview key personnel and management of the Authority. 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 timetable

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. The schedule allows for input from your personnel to make certain that the services are completed based on your requirements. The plan may also be amended during the year based on input from the audit committee.

Significant Milestones	Target Dates
Entrance conference	March
Interim audit work begins	Late April
Field audit work begins	Mid July
Draft reports	Early September
Presentation to board/management	Late September



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
David Flint, CPA, MSA, Principal <i>Engagement principal</i>	David 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. David is responsible for total client satisfaction through the deployment of all required resources and continuous communication with management and the engagement team.	13+
TBD <i>Engagement manager</i>	For the 2024 audit, the engagement manager will act as the lead manager on the engagement. In this role, the manager will assist the engagement principal with planning the engagement and performing complex audit areas. They will perform a technical review of all work performed and is responsible for the review of comprehensive annual financial report and all related reports.	TBD
Gabriel Epstein, CPA, Senior <i>Engagement senior/in-charge</i>	Gabriel will be responsible for the day-to-day activities for this engagement, including the supervision of all staff assigned.	3+
<i>Additional Staff</i> – 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 Connecticut 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. We are also flexible in exploring alternative strategies to non-mandatory rotation policies, including rotating both managers and principals every five years to provide a new set of eyes.

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 Authority 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.



Additional Information

Certificate of achievement assistance

The Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting is awarded to state and local governments that go beyond the minimum requirements of generally accepted accounting principles. It is awarded to state and local governments who produce a comprehensive annual financial report that evidences the spirit of transparency and full disclosure. Members of the GFOA staff and the GFOA Special Review Committee (SRC) review reports submitted to the ACFR program.

Our involvement with clients in the GFOA Certificate program helps to determine that we are on the leading edge of reporting trends and techniques. We have been engaged by various entities to review their statements for compliance with program requirements. We have aided clients in the early implementation of professional pronouncements and regularly provide our clients with updates on new pronouncements which will affect them and will do the same for the Authority.

The table below identifies the professionals who are currently members of the GFOA Special Review Committee together with their length of service with the Committee:

Name	Title	Location	Years Served
Robert J. Callanan, CPA	Principal	Irvine, CA	5+
Julie S. Fowler, CPA	Signing Director	Sebring, FL	10+
Richard Gonzalez, CPA	Principal	Roseville, CA	10+
Michelle Hoffman, CPA	Principal	Minneapolis, MN	6+
Christopher Kessler, CPA	Principal	Fort Myers, FL	2+
Christopher G. Knopik, CPA, CFE	Principal	Minneapolis, MN	7+
Jacob S. Lenell, CPA	Principal	Milwaukee, WI	12+
Daphnie Munoz, CPA	Principal	Irvine, CA	5+
Remi Omisore, CPA	Principal	Baltimore, MD	11+
Nitin Patel, CPA	Principal	Irvine, CA	5+
Jeffrey Peek, CPA	Manager	Roseville, CA	4+
Sue Pessano, CPA	Director	Tampa, FL	1+
Shannon D. Small, CPA, MPA	Signing Director	Wauwatosa, WI	3+
Miranda Wendlandt, CPA, CFE	Principal	Alexandria, MN	5+

Firm independence

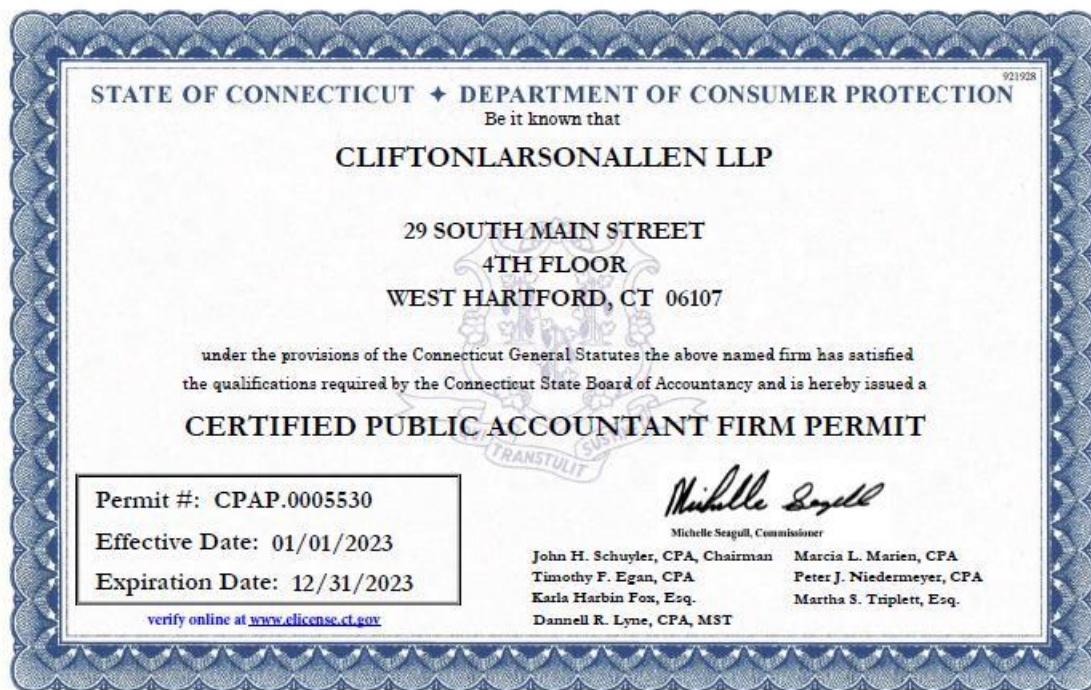
CLA has been the Authority's auditors since 2010. As such, we are required to maintain our independence (both in substance and appearance). We are not presently aware of any current or potential relationships or conflicts of interest with the Authority or its affiliates or component units that may threaten our independence.

Principal and manager/director rotation

Staff rotation on succeeding audits can provide a fresh look at the Authority's business operations, information systems, and financial and risk management policies and procedures. We match our staff and experience levels with the individual needs of the client. CLA follows quality control standards as prescribed by the AICPA. We believe changes can bring innovative ideas, creative approaches, and fresh opportunities. We are also flexible in exploring alternative strategies to non-mandatory rotation policies. While it is not our policy to rotate the engagement team management, we do have the national governmental resources to offer additional involvement or bring in other members of our firm as necessary.

License to practice

CLA is duly licensed to practice public accountancy in Connecticut. A copy of our state license is provided below:



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. We propose to provide routine, proactive quarterly meetings — as part of our fee — that will allow us to review and discuss with you the impact of new accounting issues, as well as any other business issues you are facing and how they should be handled. This level and frequency of interaction will no doubt enable CLA to help you tackle challenges as they come up and take full advantage of every opportunity that presents itself.

Professional Services	Year 1	Year 2	Year 3	Year 4	Year 5
Financial statement audit for the fiscal years ending May 31, 2024 through 2028	\$105,000	\$108,500	\$112,000	\$115,500	\$119,000
Single audit	\$12,500	\$13,000	\$13,500	\$14,000	\$14,500
Technology and client support fee (5%)*	Included	Included	Included	Included	Included
Total	\$117,500	\$121,500	\$125,500	\$129,500	\$133,500

**Like most firms, we are investing heavily in technology to enhance the client experience, protect our data environment, and deliver quality services. We believe our clients deserve clarity around our Technology and Client Support Fee, and we will continue to be transparent with our fee structure. Our technology and client support fee of 5% is included in the fees above.*

We have found over the years that our clients don’t like fee surprises. Neither do we. We commit to you, as we do all of our clients, that:

- We will be available for brief routine questions at no additional charge, a welcome investment in an on-going relationship.
- Any additional charges not discussed in this proposal will be mutually agreed upon up front.
- We will always be candid and fair in our fee discussions, and we will avoid surprises.

Billing for phone calls and questions

It is not our policy or practice to bill our clients every time we receive a phone call. While providing our services to you, we will regularly consult with you 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 to make sure there are no surprises. While it is difficult to establish an exact policy for billing in these situations, we commit to discussing the request with you in advance of performing our services if we believe the time requirement to provide you the desired assistance is other than routine. We will discuss the scope of the project and our estimate to complete it prior to commencing work.



Hourly rates

The table below shows our standard hourly billing rates by classification:

Staff Level	2023
Principal/Signing Director	\$345 - \$515
Director	\$230 - \$320
Manager	\$185 - \$285
Senior	\$160 - \$220
Associate	\$140 - \$170

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





David Flint, CPA, MSA

CLA (CliftonLarsonAllen LLP)

Principal
West Hartford, Connecticut

860-570-6379
david.flint@CLAconnect.com



Profile

As a principal, David performs a wide variety of significant audit engagements, including financial and compliance audits of government and quasi-government engagements. He has more than 13 years of experience in government accounting and auditing. David is knowledgeable of the reporting requirements of both Uniform Guidance and the State Single Audit Act. He has played an instrumental role in obtaining and maintaining the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting for his clients.

Technical experience

- Audit and accounting
- Single audits
- Financial statement audits
- Preparation and review of Annual Comprehensive Financial Reports

Education and professional involvement

- Master of science in accounting from Western New England University, Springfield, Massachusetts
- Bachelor of science in business administration with a major in accounting from Western New England University, Springfield, Massachusetts
- American Institute of Certified Public Accountants
- CTCPA's Governmental Accounting and Auditing Committee – Member and former Chair

Civic organizations

- Health 360, Treasurer, Board of Directors
- Wallingford Country Club, Treasurer, Board of Directors





Gabriel Epstein, CPA

CLA (CliftonLarsonAllen LLP)

Senior
West Hartford, Connecticut

860-570-6435
gabriel.epstein@CLAconnect.com



Profile

Gabriel is a senior with more than three years of experience.

Technical experience

- State and local government
- Commercial
- Single audits
- Financial statement audits

Education and professional involvement

- Master of science in accounting from Central Connecticut State University, New Britain, Connecticut
- Bachelor of science in accounting from Central Connecticut State University, New Britain, Connecticut
- American Institute of Certified Public Accountants
- Certified Public Accountant
- Connecticut Society of Certified Public Accountants

Key relevant clients

- City of Waterbury, Connecticut
- City of Bristol, Connecticut
- City of Meriden, Connecticut
- Town of Wallingford, Connecticut

CLAconnect.com

CPAS | CONSULTANTS | WEALTH ADVISORS

CLA (CliftonLarsonAllen LLP) is an independent network member of CLA Global. See [CLAGlobal.com/disclaimer](https://claglobal.com/disclaimer).

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



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. ***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

cbh.com

Ten-Year Model - Scenario Discussion
RPB Finance Committee
August 14, 2023



Model Scenarios – For Discussion Purposes

Focused on:

- Capital Requirements
- Grants/Subsidies
- Commercial Net Revenue Impact
- Debt/Leverage Reduction
- Depreciation
- Pension
- Other Post Employment Benefits (“OPEB”)
- Water Revenue Decline
- Reserve Fund Balances

Considerations:

- Affordability/Rates
- Allocation of Pension Contribution – Post Fiscal 2025
- Leverage

2022 Model Scenarios

2022 Approach – Target Case and Base Case – each with associated scenarios

- Incorporated estimated impact of LCRR
- Scenarios primarily related to pension, inflation, grants, and depreciation

1) Scenario- Base Case – July 2023 Rate Increase 7%

- RSF at \$10m, General Fund at \$11.8m, and coverage at 114%
- Updated capital improvement plan, including preliminary LCRR
- Net commercial revenues reflected organic growth, closed transactions, and WellSafe
- Rate Applications – every 18 months

2) Scenario - Base Case w/Pension Sensitivity

3) Scenario – Base Case w/Inflation Sensitivity

4) Scenario – Target Case - July 2023 Rate Increase Less Than 7%

Base case plus:

- Commercial revenue reaches \$9.2M by FY 2025
- Higher grants, use of interim financing for smoothing, and more aggressive mkt. value assumption for pension plans

2022 Model Scenarios (cont.)

Scenario #5 – Target Case w/Pension Sensitivity

Scenario #6 – Target Case w/Inflation Sensitivity

Scenario #7 Base Case w/Depreciation Increase

- Additional depreciation in fiscal 2027 (\$750k) and fiscal 2030 (\$500k)

Scenario #8 Target w/Deprecation Increase

- Additional depreciation same as Scenario #7

Scenario #9 - CPI – Rate increases approximate (“normal”) CPI

- Not a viable option primarily due to capital requirements

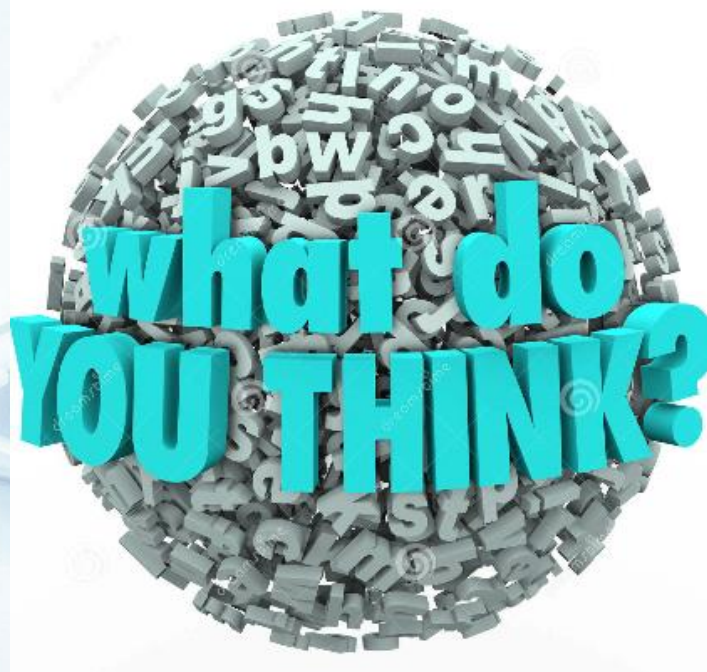
Scenario #10 Base Case w/Additional Pension Sensitivity

- Not a recommended scenario – as noted under Scenario #2

Scenario #11 Target w/Additional Pension Sensitivity

- Not a recommended scenario – as noted under Scenario #5

Your Thoughts and Comments



APPENDIX

2021 Model Scenarios

2021 Approach – Base Case and Target Case – each with associated scenarios

- **Scenarios primarily related to varying levels of capital expenditures, subsidies, commercial revenue transfers, and depreciation**
- **Target scenario focused on mitigation to rate increases and leverage**

1) Scenario- Base Case – January 2022 Rate Increase Less Than 7%

- RSF at \$10m, General Fund at \$11.6m, and coverage at 114%
- Growth Fund used to fund commercial capital projects
- Pension fully funded - fiscal 2025. Post 2025 – increased depreciation and OPEB
- Updated capital improvement plan
- Net commercial revenue reflects organic growth, July transaction, and WellSafe
- Rate Applications – every 18 months

2) Scenario – Target Case January 2022 & July 2023 Rate Increase Less Than 7%

Base case plus:

- Commercial revenue reaches \$9.2M by FY 2025
- Growth Fund used for non-organic growth/ potential use of subordinate debt

2021 Model Scenarios (cont.)

Scenario 2 – Target Case (cont.)

- Assumes interim financing used to mitigate rate increase in next rate application
- Includes additional (vs. base case) grants/subsidies and refinancing
- Depreciation \$1.5m in January 2025 and July 2026 cases, when pension is fully funded

Scenario 3 - \$30m capital increase spread between FY 2024 and FY 2025

Scenario 4 - Target plus 10% capital increase beginning in FY 2024

Scenario 5 – Base plus \$30m capital increase FY 2024 and FY 2025

Scenario 6 - Base plus 10% capital increase beginning in FY 2024