



Outsourcing Statement of Work

Date: October 26, 2023

This agreement constitutes a Statement of Work (“SOW”) to the Master Service Agreement (“MSA”) made by and between CliftonLarsonAllen LLP (“CLA,” “we,” “us,” and “our”) and City of Lancaster (“you” and “your”) dated May 3, 2023 or any superseding MSA. The purpose of this SOW is to outline certain services you wish us to perform in connection with that agreement. We are pleased to confirm our understanding of the terms and objectives of our engagement and the nature and limitations of the nonattest services we will provide for you for the year ending June 30, 2023.

1. **Scope of professional services**

We may provide the following nonattest services to assist with implementing the new Subscriptions Based Information Technology Arrangements (SBITA) standard, GASB 96. We operate using a collaborative and integrated approach, with management oversight. As part of this engagement, we will assist management with the following professional services:

Phase 1 – Planning

We will assist management in the development of the methodology, approach, and overall structure of the engagement.

- Define roles and responsibilities of both CLA and key stakeholders within the organization
- Recommend establishment of a Steering Committee made up of management to provide project oversight
- Establish communication protocols to ensure the most respectful and efficient working relationship is created at the very beginning of the process
- Develop strategies to mitigate disruption to your day-to-day operations
- Obtain pertinent data and documentation, as necessary, such as organizational charts, audited financial statements, SBITA accounting policies and procedures, and internal control documentation
- Provide guidance to assist management with refining and tailoring its methodology and approach

- Collaborate with management to develop a high-level project plan for the engagement
- Conduct a kickoff meeting with appropriate stakeholders as identified by management

Phase 2 – Current State Assessment

We will gain a further understanding of the entity and the current SBITA and service contracts. Responsibilities may include, but not be limited to, the following:

- Collaborate with management to gain an understanding of the entity’s current state as it relates to SBITAs. This includes analyzing prior SBITA disclosure, classification and documentation of current state
- Customize the project plan communicating key tasks, milestones, and responsibilities
- Develop a GASB 96 training customized for the entity’s team members
- Obtain and inventory all explicit SBITAs and relevant service contracts selected by management throughout the entity
- Collaborate with management to assist with verifying the completeness of the SBITA population
- Conduct initial discussions related to embedded SBITAs and develop a plan for CLA’s embedded SBITA analysis
- Conduct discussions with management regarding transition method

Phase 3 - SBITA Accounting Software Evaluation, Configuration, and Testing

We will assist management with determining SBITA configuration and testing needs within CLA’s “Licensed Solution.” Responsibilities in this phase may include, but not be limited to, the following:

- Gain an understanding of the complexity of the SBITA population and desired SBITA software functionality
- Based upon management-selected mapping, features, functionality options and settings within the software, assist with the software configuration to facilitate proper mapping
- Assist in preparing test batches to be uploaded and in validating the calculation results and reports from the system
- Assist with uploading and testing accuracy of output for the full population of SBITAs

Phase 4 – SBITA Analysis and Implementation

We will consult with management in the determination as to whether an arrangement meets the definition of a SBITA under GASB 96 and assist in the collection of the required data to record the SBITA on the balance sheet. Responsibilities may include, but not be limited to, the following:

- For SBITAs identified by management, read each agreement and assist with identifying and documenting key attributes within each SBITA to be input into the selected software
- Perform and document an embedded SBITA assessment and the conclusions management draws as part of the assessment
- After management's detail review or analysis of key attributes gathered, assist with the input of key SBITAs data and terms into the selected software or tool
- Advise on incremental borrowing rate
- Assist with drafting the technical accounting memo
- Assist with drafting the required disclosures

Phase 5 – Functional Area Analysis and Execution*

We will assist management to perform an analysis to obtain an understanding of the impact the guidance will have on each functional area. In addition, assist with the change management of processes across impacted functional areas. Responsibilities may include, but not be limited to, the following:

- Assist with the performance of a functional area impact assessment
- Assist with the determination of “action” items versus “awareness” items
- Assist with the development of a functional area project plan
- Provide training of key aspects of guidance to functional areas
- Provide recommendations and directly assist management, as needed, with management's approved modifications to existing accounting and reporting processes, accounting policies, and process and internal control documentation

**Our methodology and approach are executed in five phases as outlined above. We typically engage with our clients initially for phases 1-4. Since the potential impact to your functional areas and related processes are unknown at this time, estimates cannot be provided for phase 5. If there is minimal impact to the organization's functional areas and related processes and/or you are able to address and implement changes internally, our assistance with phase 5 may not be needed.*

2. Additional assistance

Upon your request, CLA shall make its resources available to provide additional assistance with implementing the new SBITA standard. If additional assistance is needed outside of the scope of services outlined above, a separate SOW will be executed.

3. Client information requirements

The entity agrees it is solely responsible for the accuracy, completeness, and reliability of all of the

entity's data and information that it provides CLA for our engagement. The entity agrees it will provide any requested information on or before the date we commence performance of the services.

4. CLA's responsibilities related to the nonattest services and the related limitations

CLA will not assume management responsibilities, perform management functions, or make management decisions on behalf of the entity. However, we will provide advice and recommendations to assist management in performing its responsibilities.

This engagement is limited to the nonattest services outlined above. CLA, in its sole professional judgment, reserves the right to refuse to do any procedure or take any action that could be construed as assuming management responsibilities, making management decisions, or performing management functions, including approving journal entries. CLA will advise the entity with regard to positions taken in the performance of the nonattest services, but management must make all decisions with regard to those matters.

We have no responsibility to ensure the entity's SBITA accounting practices comply with applicable laws or regulations, all of which remain your sole responsibility.

Because the services listed above do not constitute an examination, audit, or review, we will not express an opinion or conclusion or issue a written report on your application of the requirements of GASB Statement No. 96 as it relates to contracts. You agree that our services are not intended to be used by a third party in reaching a decision on the application of the requirements of GASB Statement No. 96 to a specific transaction.

We will perform this engagement in accordance with the Statement on Standards for Consulting Services issued by the American Institute of Certified Public Accountants (AICPA) and comply with the AICPA's Code of Professional Conduct, including the ethical principles of integrity, objectivity, professional competence, and due care.

Our engagement cannot be relied upon to identify or disclose any financial statement misstatements, including those caused by fraud or error, or to identify or disclose any wrongdoing within the entity or noncompliance with laws and regulations. We have no responsibility to identify and communicate deficiencies in your internal control as part of this engagement. You agree that we shall not be responsible for any misstatements in the entity's financial statements that may not be identified as a result of misrepresentations made to us by you.

CLA's relationship with you shall be solely that of an independent contractor and nothing in the MSA or a SOW shall be construed to create or imply any relationship of employment, agency, partnership, or any relationship other than an independent contractor.

5. Management's responsibilities related to nonattest services

For all nonattest services we may provide to you, George Harris, Director of Finance agrees to assume all management responsibilities, including determining, reviewing, and approving SBITA information and schedules and related journal entries; oversee the services; evaluate the adequacy and results of the services; and accept responsibility for the results of the services. Management is also responsible

for ensuring that your data and records are complete and that you have received sufficient information to oversee the services.

6. Engagement administration and other matters

A list of information we expect to need for our engagement and the dates required will be provided in a separate communication.

Our relationship with you is limited to that described in this SOW. As such, you understand and agree that we are acting solely as independent accountants. We are not responsible for the preparation of any report to any governmental agency, or any other form, return, or report or for providing advice or any other service not specifically recited in this SOW.

7. Schedule

We estimate that your needs will be approximately 30 - 90 hours for the engagement starting October 26, 2023. As the engagement progresses, we will update time estimates and engage you in conversation about the project status.

In addition, beginning in year one and every year thereafter, we will bill a SBITA service fee at an annual charge of \$175.00 per SBITA record. On an ongoing basis, professional service fees for activities including, but not limited to, assistance with analyzing new explicit SBITAs and contracts, modifications to SBITA schedules, and other consultative matters will be billed at our standard rates for actual time spent.

There will be a one-time charge of \$0.00 for setting up a separate configuration of the SBITA accounting software should the desired journal entry output be at the department level rather than the top side level.

Travel is not expected on this engagement; however, travel time will be billed at the normal hourly rate if travel is required. We will also bill you in arrears for reimbursement of any out-of-pocket travel expenses incurred (e.g., hotel, airfare, meals as actual or per diem, etc.) on a pass-through basis.

Fees, plus applicable state and local taxes, will be billed twice per month in arrears, due upon receipt.

8. Consultant

Nicola Bain is responsible for the services identified in this agreement.

The consultants and associated billable hourly rates will be:

Consultant	Rate
Michael Luff	\$285
Adrian Tannian	\$200

9. Confidentiality and restricted use of information

The entity agrees any reports or deliverables CLA provides to the entity are only for the internal use of the entity's management. They may not be distributed to any other person or party, for any purpose, without our prior written consent. The entity further agrees to hold any information, reports, or deliverables that CLA provides to the entity in confidence and agrees that the entity will not disclose such to any other person or party, unless CLA authorizes the entity to do so, it is published or released by us, or it becomes then publicly known or available other than through disclosure by the entity.

10. Non-Solicitation

You agree that during the term and for a period of one year after the expiration or termination date of the MSA, you will not solicit, hire, contract with, or engage the services of any person providing services to you on behalf of CLA without the prior written consent of CLA. If you breach this non-solicitation provision, you shall pay \$125,000.00 to CLA as liquidated damages within two weeks of the date on which the former CLA employee or consultant begins his or her new employment with you.

11. Indemnity

For the services described in this SOW, you agree to indemnify and hold harmless CLA, its successors and affiliates, officers, employees, and agents from any claims brought or asserted by any other person, third party, or governmental body for any loss, damages, liabilities, remedies, or cause of action, and from any reasonable expenses incurred in defending against any such claims or actions (including attorney fees) arising from or relating to the services performed by any CLA party.

12. Termination of SOW

Either party (you or CLA) may terminate this particular SOW at any time by giving 30 days written notice to the other party. Upon termination of this particular SOW, the provisions of this SOW and the existing MSA shall continue to apply to all services rendered prior to termination.

13. Agreement

We appreciate the opportunity to provide the services described in this SOW under the MSA. All terms and provisions of the MSA shall apply to these services. If you agree with the terms of this SOW, please sign below and return a signed copy to us to indicate your acknowledgment and understanding of, and agreement with, this SOW.

CliftonLarsonAllen LLP

Nicola Bain
Client Relationship Leader
646-604-0015
nicola.bain@claconnect.com

Response

This SOW correctly sets forth the understanding of City of Lancaster and is accepted by:

CLA
CliftonLarsonAllen LLP

A large, stylized handwritten signature in black ink that reads "N. Bain".

Nicola Bain, Client Relationship Leader

SIGNED 11/6/2023, 1:08:06 PM PST

Client
City of Lancaster

A large, stylized handwritten signature in black ink that reads "George N Harris".

George Harris, Director - Finance

SIGNED 11/6/2023, 1:07:13 PM PST