

**NOTICE OF A REGULAR MEETING
OF THE OLIVENHAIN MUNICIPAL WATER
DISTRICT'S FINANCE COMMITTEE
1966 Olivenhain Road, Encinitas, CA 92024
Tel: (760) 753-6466 • Fax: (760) 753-1578**

**Pursuant to AB 3035, effective January 1, 2003, any person who
requires a disability related modification or accommodation in
order to participate in a public meeting shall make such a
request in writing to the District for immediate consideration.**

DATE: TUESDAY, AUGUST 8, 2023

TIME: 2:30 P.M.

PLACE: DISTRICT OFFICE

*Note: Items On The Agenda May Be Taken Out Of Sequential Order As Their
Priority Is Determined By The Committee*

1. CALL TO ORDER
2. ROLL CALL (BOARD MEMBERS)
3. ADOPTION OF THE AGENDA
4. PUBLIC COMMENTS
5. CONSIDER APPROVAL OF THE MINUTES OF THE MAY 8, 2023 REGULAR
FINANCE COMMITTEE MEETING
6. QUARTERLY REVIEW OF INVESTMENTS REPORT AND CASH REPORT (2nd
QTR 2023)
7. CONSIDER AND DISCUSS OPTIONS FOR 2024 WATER RATES AND CHARGES

8. CONDUCT INTERVIEW OF AUDITING FIRMS AND SELECT A NEW AUDIT FIRM FOR THE DISTRICT
9. CONSIDER FUTURE AGENDA ITEMS
10. ADJOURNMENT

**MINUTES OF A REGULAR MEETING
OF THE FINANCE COMMITTEE
OF OLIVENHAIN MUNICIPAL WATER DISTRICT**

May 8, 2023

A regular meeting of the Finance Committee of Olivenhain Municipal Water District was held on Monday, May 8th, 2023, at the District office, 1966 Olivenhain Road, Encinitas, California.

Director Meyers called the meeting to order at 9:00 a.m. In attendance were Neal Meyers, Board Treasurer; Lawrence A. Watt, Board Secretary; Kimberly Thorner, General Manager; Rainy Selamat, Finance Manager; Leo Mendez, Accounting Supervisor; Jared Graffam, Financial Analyst II; and Georgeanna Clark, Financial Analyst I. Also in attendance were Lawrence Chan with Stradling Yocca Carlson & Rauth and Sudhir Pardiwala with Raftelis Financial Consultants to present on agenda items 6 and 10, respectively.

1. CALL TO ORDER
2. ROLL CALL (BOARD MEMBERS)
3. ADOPTION OF THE AGENDA

Director Watt moved to adopt the agenda, seconded by Director Meyers, and carried unanimously.

4. PUBLIC COMMENTS

There were no public comments.

5. CONSIDER APPROVAL OF THE MINUTES OF THE JANUARY 24, 2023, REGULAR FINANCE COMMITTEE MEETING

Director Meyers moved to approve the January 24, 2023 meeting minutes, seconded by Director Meyers and carried unanimously.

6. REVIEW AND DISCUSS OMWD PARTICIPATION IN A STANDALONE COMMUNITY FACILITIES DISTRICT, A PROGRAM OF THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY (CSCDA), FOR THE PINNACLE PROJECT (INFORMATIONAL REPORT)

Finance Manager Selamat presented the agenda item to the committee noting it is an informational report only. Finance Manager Selamat reported that the District has been approached by a developer, Mr. Ali Shapouri with Shapouri & Associates, to form a Community Facilities District (CFD) through the California Statewide Communities Development Authority (CSCDA) in order to issue bonds to help finance certain water and sewer infrastructure and improvements for a local development project. Finance Manager Selamat further reported that in October 2003, the Board approved a Community Facilities Districts Goals and Policies (Policy), and according to the established Policy, the Board has full discretion to approve or deny the sale of any bonds for a CFD. The Policy also states the payment of deposits for a CFD does not guarantee the Board's approval of any CFD. Mr. Chan from Stradling, District's special counsel, provided additional information regarding the stringent CFD credit requirements before bonds could be issued, including the 4 times value to lien ratio requirement.

Director Watt asked what the benefits to the District are in supporting the creation of the CFD. General Manager Thorner responded that it would help with expansion within the District with the creation of 37 new lots, which would result in additional capacity fees to the District, and presents minimal risk to the District since it is not a capital improvement project. Director Meyers inquired if there are any known controversies with the development, and General Manager Thorner responded there are none known at this time.

Director Watt inquired as to the commitment from staff and whether staff time is covered by a deposit. Finance Manager Selamat responded that the developer has already provided a deposit to cover staff time which has equated to a few hours each week up to this point.

Finance Manager Selamat stated that the District should consider helping the developer with the CFD, since it would mean more growth for the District, and mentioned that staff is planning to bring CFD items for consideration and approval at a future meeting with respect to the formation of the CFD. The committee requested that the developer be available for discussion with the Board at the meeting.

7. QUARTERLY REVIEW OF INVESTMENTS AND CASH REPORT (1st QTR 2023)

Finance Manager Selamat reviewed the investment report as of March 31, 2023, with the committee. Cash and investments were discussed. Finance Manager Selamat reported that the current yield on the District's investment portfolio has increased since the last quarterly update due to replacing matured securities with higher yields.

Director Meyers inquired if staff intends to modify the investment policy in any way to further increase the return on investments. General Manager Thorner responded that the District is restricted in what it can invest in, per its investment policy and California Government Code, to ensure it is meeting the two main objectives of the policy which

are the protection of principal and liquidity in order to meet the District's financial obligations. Finance Manager Selamat added that she considered an increase of the District's CAMP investment pool allowable percentage of portfolio amount, to take advantage of higher yields, but ultimately recommends that the District's investment policy remain as is to diversify its portfolio and thereby managing its investment risks. Finance Manager Selamat added that the District's investment policy is reviewed annually, typically in December of each year. Any proposed changes are brought to the committee and the Board for consideration and approval.

Finance Manager Selamat reported that the District's investments are in compliance with the District's Investment policy and that the District has sufficient funds to meet its financial obligations for the next 120 days.

8. REPORT TO COMMITTEE ON FISCAL YEAR 2023/24 WASTEWATER (SEWER) RATES AND CHARGES

Finance Manager Selamat presented to the committee the sewer rate ordinance that was adopted by the Board in May 2021 which established sewer rates for the next five years. Finance Manager Selamat stated the District intends to increase sewer rates 3.14% effective July 1, 2023, per the approved ordinance and commented that annual adjustments to the District's sewer services charges are needed to pay for costs of providing wastewater collection and treatment services in the District's sanitation districts, as well as to pay for costs to construct capital improvements needed to replace and refurbish the aging wastewater collection and treatment facilities. General Manager Thorner added that staff will be bringing sewer resolutions to the full Board at the May meeting for consideration and approval.

9. REVIEW AND DISCUSS STAFF'S PROPOSED CHANGES TO THE GENERAL MANAGER'S RECOMMENDED BIENNIAL OPERATING AND CAPITAL BUDGET FISCAL YEARS 2023 AND 2024 AT MIDTERM

Finance Manager Selamat provided an overview of the midterm budget review process and provided an update on the projected actuals for fiscal year 2023. Finance Manager Selamat reported actual water sales are anticipated to be approximately 9% below the budgeted amount by year-end. Consequently, the cost of purchased water is estimated to be approximately 7.9% below budgeted as a result of decreased water sales.

Finance Manager Selamat and Financial Analyst II Graffam presented the staff-proposed adjustments to the fiscal year 2024 operating budget with revised key assumptions based on current information. Finance Manager Selamat noted that the revised purchased water costs for fiscal year 2024 are subject change as the District is waiting on actual calendar year 2024 rates and charges from the San Diego County Water

Authority (CWA). Director Meyers asked what percentage of an increase was used in the proposed budget amount for purchased water costs. Finance Manager Selamat responded it was capped at 9% to match the District's pass-through ordinance but could be higher based on the CWA board's decision for raising rates. Finance Manager Selamat added that any adjustments will be brought before the full Board at the June meeting once actual costs are known. Finance Manager Selamat also stated that the forecasted water sales volume for fiscal year 2024 was decreased by 400 acre feet based on revised sales assumptions which added to decreased purchased water costs in the proposed budget. The committee had additional questions on some of the other operating income items that were addressed during the meeting.

Finance Manager Selamat provided a summary of the capital budget adjustments proposed by staff which included a \$52 thousand increase in equipment purchases and a \$4.9 million increase to CIP appropriations for fiscal year 2024 due to the increased scope and costs on certain projects, and the addition of three new projects. Financial Analyst II Graffam provided an overview of on-going District projects, timing of planned capital spending, and anticipated grant funding to help offset capital project costs to the District. The committee had follow-up questions on the two largest CIP adjustments and requested a more detailed overview be presented by the project manager at the May Board meeting.

Director Meyers and Director Watt agreed to bring the proposed budget adjustments to the full Board for consideration at the May 2023 Board meeting.

10. REVIEW AND DISCUSS RESULTS OF 2022 WATER CAPACITY FEES STUDY AND THE PROPOSED WATER CAPACITY FEES FOR 2023 WITH RAFTELIS FINANCIAL CONSULTANTS (WORKSHOP)

Finance Manager Selamat provided an overview of the recent capacity fee study conducted by the District with the assistance of Raftelis Financial Consultants. Mr. Sudhir Pardiwala, Executive Vice President at Raftelis Financial Consultants, presented the results of the 2022 Water Capacity Fee Study, the methodology used, and three proposed options for implementing increases to the District's capacity fees. Option 1 would be to implement increased fees specific to each zone of benefit within the District, option 2 would be to implement a uniform fee across all zones, and option 3 would be to phase in the increase in option 1 over a five-year period to each zone of benefit, rather than one single increase up front.

Director Watt asked Mr. Pardiwala if the methodology used for calculating the capacity fees is codified. Mr. Pardiwala responded that the methodology used is the industry standard and consistent with how the District calculated fees historically. Director Watt

asked if any option is more legally defensible. Mr. Pardiwala responded that many agencies use either the zone of benefit or uniform rate but for the District, option 2, the uniform rate, would be a significant change from how the District has charged fees historically.

Mr. Pardiwala presented a survey of member agency capacity fees. Director Meyers and Director Watt commented on the District's capacity fees being amongst the highest, and Mr. Pardiwala responded that the District's topography is one of the contributing factors to a high capacity fee, which is similar to Santa Fe Irrigation District, the member agency with the highest fees on the survey. Mr. Pardiwala also added that the District's water infrastructure is relatively new and the District has two water treatment plants compared to other water districts included in the survey which could also be contributing factors.

Director Meyers asked if staff has a preliminary recommendation. General Manager Thorner responded that staff's recommendation would be to phase in the increase to each zone of benefit rather than a uniform rate or one single increase (option 3). Director Meyers agreed the increase to each zone of benefit seems to better align the true cost of benefit to each zone versus the uniform rate. Director Meyers also recommended that staff consider the legal implications of establishing a uniform fee (option 2).

The committee recommended staff bring the report before the full Board at the May 2023 Board meeting for consideration and discussion.

11. FUTURE AGENDA ITEMS/INFORMATION

There were no future agenda items requested.

12. ADJOURNMENT

The meeting was adjourned at 11:39 a.m.

Memo

Date: August 8, 2023
To: Finance Committee
From: Rainy Selamat, Finance Manager
Via: Kimberly Thorner, General Manager
Subject: QUARTERLY REVIEW OF INVESTMENTS AND CASH REPORT (2nd QTR 2023)

Purpose

The purpose of this agenda is to provide a verbal report on the District's investment activities and cash information to the Finance Committee to comply with the annual investment policy approved by the Board.

Recommendation

It is recommended that the Committee review and receive the attached report as presented.

Background

The attached reports are presented to provide information to the Finance Committee as required by the District's Annual Investment Policy, which was adopted by the Board at the December 2022 board meeting.

The purpose of the District's Investment Policy is to identify policies and procedures that shall govern the investment of all District funds. The ultimate goal of the policy is to enhance the economic position of the District while protecting its funds. These policies have been followed in making all investment decisions on behalf of the District.

The Annual Investment Policy also states that at least once each quarter, the District's Finance Manager shall provide an oral report on the District's investments for review and discussion.

Discussion

Staff will be available for discussion with the Committee during the meeting.

Attachment: DRAFT Monthly Cash and Investment Summary Report as of June 30, 2023.

Olivenhain Municipal Water District
MONTHLY CASH AND INVESTMENT SUMMARY
As of June 30, 2023

Active Deposits

	<u>Book Value</u>
Checking Accounts	\$ 2,669,902
Cash Restricted for Specific Use	4,017,072
Petty Cash/Disaster Preparedness	1,496
Total Active Deposits	<u>\$ 6,688,470</u>

Deposits Not Covered by Investment Policy

Cash with Fiscal Agents	5,936,084
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<u>Investments</u>	<u>Face Value</u>	<u>Market Value</u>	<u>Current Yield</u>	
LAIF	\$ 9,407,917	9,281,008	3.17%	\$ 9,407,917
CAMP - US Bank	23,443,288	23,443,288	5.24%	23,443,288
Money Market Funds	365,426	365,426	4.97%	365,426
Medium Term Notes	500,000	496,070	2.32%	497,940
Municipal Bonds	1,000,000	998,530	5.01%	1,216,760
U.S. Treasury Securities	13,530,000	13,316,350	4.49%	13,360,636
U.S. Agency Securities	35,426,111	32,865,835	1.19%	35,381,024
Total Investments	<u>\$ 83,672,743</u>	<u>\$ 80,766,507</u>	<u>3.21%</u>	<u>\$ 83,672,992</u>

Total - All Deposits/Investments

\$ 96,297,546

Maturity Analysis of Investments

	<u>Percent</u>	<u>Balance</u>
Demand Deposits	39.7%	\$ 33,216,632
Maturity within the next two months	11.4%	9,528,996
Maturity within three months and one year	12.8%	10,716,441
Maturity beyond one year	36.1%	30,210,922
Total Investments	<u>100.0%</u>	<u>\$ 83,672,992</u>

Weighted Average Days to Maturity

350

Other Required Disclosures:

Accrued interest receivable as of 06/30/2023

\$ 334,428

The above investments are in accordance with the portfolio limitations in the Investment Policy approved by the Board in December 2022.

The District has sufficient funds on hand to meet the next 60 days' obligations.

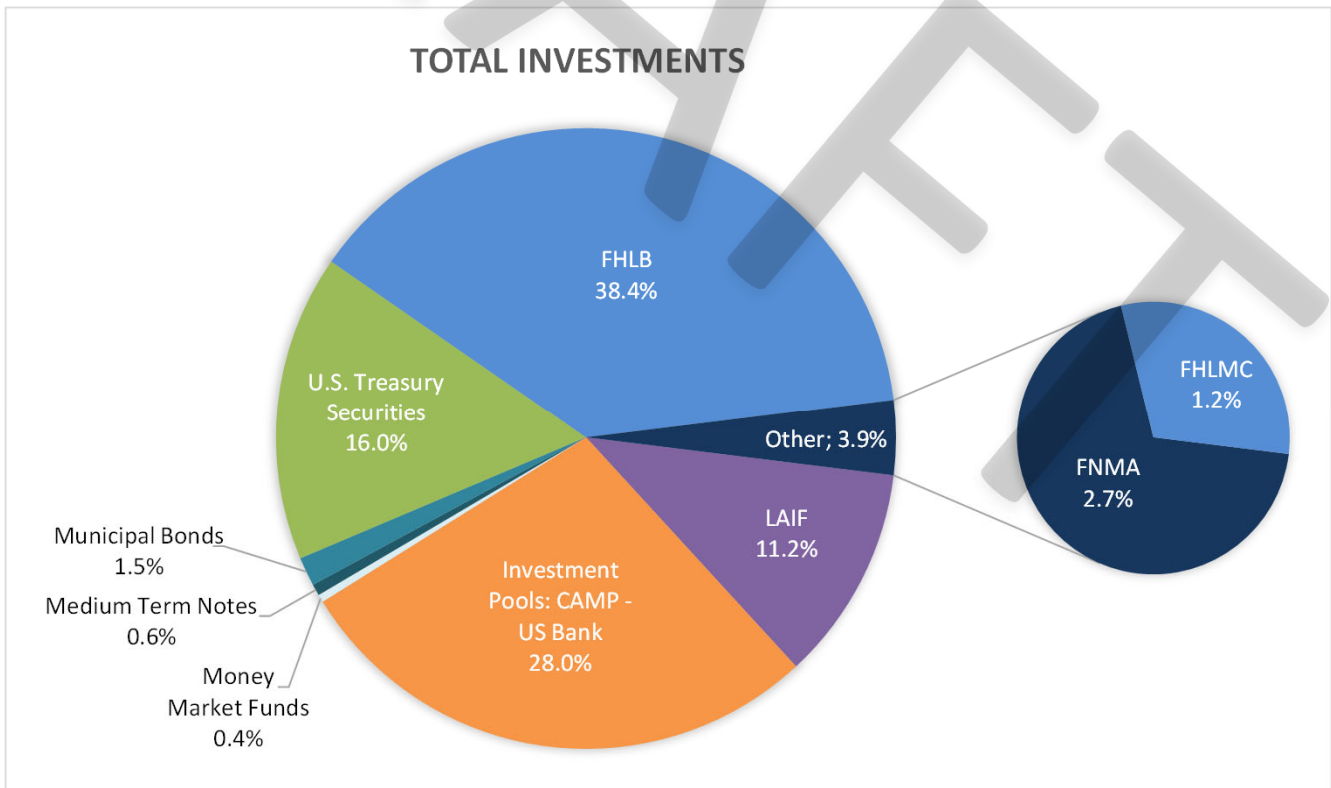
Olivenhain Municipal Water District
PORTFOLIO LIMITATIONS ANALYSIS PER INVESTMENT POLICY
June 30, 2023

	<u>Book Value</u>	<u>Percent</u>	<u>Permitted Percent</u>	<u>In Compliance?</u>
LAIF	\$ 9,407,917	11.2%	50.0% ⁽¹⁾	Yes
Investment Pools: CAMP - US Bank	23,443,288	28.0%	30.0%	Yes
Money Market Funds	365,426	0.4%	20.0% ⁽²⁾	Yes
Medium Term Notes	497,940	0.6%	30.0% ⁽³⁾	Yes
Municipal Bonds	1,216,760	1.5%	30.0%	Yes
U.S. Treasury Securities	13,360,636	16.0%	100.0% ⁽⁴⁾	Yes
U.S. Agency Securities	35,381,024	42.3%	50.0%	Yes
<i>FHLB</i> <i>Federal Home Loan Bank</i>	32,131,024	38.4%		
<i>FNMA</i> <i>Fannie Mae</i>	2,250,000	2.7%		
<i>FHLMC</i> <i>Freddie Mac</i>	1,000,000	1.2%		

Total Investments **\$ 83,672,992** **100%**

Note:

- ⁽¹⁾ No more than 50% of the total value of all District Investments or \$40 million.
- ⁽²⁾ May not exceed 5% in any money market fund.
- ⁽³⁾ May not exceed 5% per issuer.
- ⁽⁴⁾ No limit.



* Total may not add up to 100% due to rounding.

Olivenhain Municipal Water District
MONTHLY INVESTMENTS DETAIL
June 30, 2023

ACTIVE DEPOSIT

Checking A/C: California Bank and Trust for General Purpose	Book Value
California Bank and Trust for Specific Purpose	2,669,902
CAMP 2021A Bond	139,964
Petty Cash/Disaster Preparedness	3,877,108
Total - Active Deposits	1,496
	6,688,470

DEPOSITS NOT COVERED BY INVESTMENT POLICY

Cash with Fiscal Agents:

Union Bank - RAD 96-1 Refunding Bond	1,214,749
Union Bank - 2015A Refunding Bond	2,132,980
SRF Loan	966,919
Union Bank - 2016A Refunding Bond	772,052
Union Bank - 2021A VVW Revenue Bond	259,320
Union Bank - 2021B Refunding Bond	590,065

Total Deposits Not Covered by Investment Policy

5,936,084

INVESTMENTS

Invest. Pools: US Bank Calif. Asset Mgmt Prgm (CAMP)	Demand	1	5.24%	\$ 23,443,288	\$ 23,443,288	\$ 23,443,288
State Local Agency Investment Fund (LAIF)	Demand	1	3.17%	9,281,008	9,407,917	9,407,917
First American Government 31846V567	Demand	1	4.97%	365,426	365,426	365,426

U.S. Treasury Notes/Bills

912796ZS1	U.S. Treasury Bills	Aaa	-	04/10/23	07/06/23	7	4.76%	4.76%	999,590	1,000,000	988,774
912796XQ7	U.S. Treasury Bills	Aaa	-	01/13/23	07/13/23	14	4.74%	4.74%	1,997,220	2,000,000	1,954,100
912796XQ7	U.S. Treasury Bills	Aaa	-	04/14/23	07/13/23	14	4.92%	4.92%	1,198,332	1,200,000	1,185,624
912796Y29	U.S. Treasury Bills	Aaa	-	01/30/23	07/27/23	28	4.77%	4.79%	1,325,558	1,330,000	1,299,765
912796Z36	U.S. Treasury Bills	Aaa	-	02/16/23	08/17/23	49	4.93%	4.96%	993,550	1,000,000	976,000
912796Z51	U.S. Treasury Bills	Aaa	-	06/01/23	08/31/23	63	5.38%	5.42%	1,983,080	2,000,000	1,973,623
912796CQ0	U.S. Treasury Bills	Aaa	-	06/15/23	09/19/23	82	5.18%	5.23%	989,540	1,000,000	987,284
912796CR8	U.S. Treasury Bills	Aaa	-	06/22/23	09/21/23	84	5.23%	5.29%	1,977,060	2,000,000	1,974,305
91282CBQ3	U.S. Treasury Notes	Aaa	-	03/09/21	09/30/24	459	0.50%	0.56%	898,280	1,000,000	984,478
912828YH7	U.S. Treasury Notes	Aaa	-	03/09/21	02/28/26	975	1.50%	1.57%	954,140	1,000,000	1,036,684
						56	4.42%	4.49%	\$ 13,316,350	\$ 13,530,000	\$ 13,360,636

U.S. Agency Securities

3130AJZJ1	FHLB Callable	Aaa	AA+	09/02/20	08/25/23	Anytime	57	1	0.32%	0.32%	1,141,960	1,151,111	1,151,111	
3130AS3J6	FHLB Callable	Aaa	AA+	05/24/22	11/24/23	08/24/23	148	56	2.50%	2.53%	543,384	550,000	550,000	
313384QR3	FHLB Discount Note	Aaa	AA+	01/19/23	12/18/23		172		4.77%	4.88%	976,690	1,000,000	957,913	
3135GAEU1	FNMA Callable	Aaa	AA+	02/13/23	02/09/24	08/09/23	225	41	5.13%	5.14%	996,160	1,000,000	1,000,000	
3130ARYU9	FHLB Callable	Aaa	AA+	05/23/22	02/23/24	08/23/23	239	55	3.00%	3.05%	983,290	1,000,000	1,000,000	
3136G4P56	FNMA Callable	Aaa	AA+	08/26/20	02/26/24	08/26/23	242	58	0.40%	0.41%	1,207,688	1,250,000	1,250,000	
3130AL6Q2	FHLB Callable	Aaa	AA+	02/26/21	02/26/24	Anytime	242	1	0.22%	0.23%	965,470	1,000,000	1,000,000	
3130AMMV1	FHLB Callable	Aaa	AA+	06/03/21	06/03/24	09/03/23	340	66	0.40%	0.42%	476,800	500,000	500,000	
3130ALHM9	FHLB Callable	Aaa	AA+	03/10/21	06/10/24	09/10/23	347	73	0.30%	0.32%	951,840	1,000,000	999,000	
3130ANTP5	FHLB Callable	Aaa	AA+	09/16/21	09/16/24	09/16/23	445	79	0.50%	0.53%	941,740	1,000,000	1,000,000	
3130ANSP6	FHLB Callable	Aaa	AA+	09/17/21	10/17/24	09/17/23	476	80	0.50%	0.53%	938,150	1,000,000	1,000,000	
3130AKEW2	FHLB Callable	Aaa	AA+	11/04/20	11/04/24	Anytime	494	1	0.43%	0.46%	1,870,780	2,000,000	2,000,000	
3130ANGN4	FHLB Step-up Callable	Aaa	AA+	08/18/21	02/18/25	08/18/23	08/18/23	600	50	0.50%	0.54%	933,870	1,000,000	1,000,000
3130AMKE1	FHLB Callable	Aaa	AA+	05/27/21	02/27/25	08/27/23	609	59	0.66%	0.71%	927,340	1,000,000	1,000,000	
3134GWAQ9	FHLMC Callable	Aaa	AA+	07/28/20	07/28/25	07/28/23	760	29	0.65%	0.71%	915,600	1,000,000	1,000,000	
3130AKGX8	FHLB Step-up Callable	Aaa	AA+	12/15/20	12/15/25	09/15/23	12/15/23	900	78	0.55%	0.60%	1,838,060	2,000,000	2,000,000
3130AKMD5	FHLB Callable	Aaa	AA+	01/26/21	01/26/26	07/26/23	942	27	0.50%	0.56%	896,880	1,000,000	999,500	
3130AKU53	FHLB Callable	Aaa	AA+	01/28/21	01/28/26	07/28/23	944	29	0.52%	0.58%	897,200	1,000,000	1,000,000	
3130AKN69	FHLB Callable	Aaa	AA+	01/28/21	01/28/26	01/28/24	944	213	0.50%	0.56%	896,720	1,000,000	1,000,000	
3130AKVN3	FHLB Callable	Aaa	AA+	01/29/21	01/29/26	11/29/23	945	153	0.52%	0.58%	897,120	1,000,000	1,000,000	
3130AKWK8	FHLB Callable	Aaa	AA+	02/12/21	02/12/26	08/12/23	959	44	0.51%	0.57%	895,170	1,000,000	1,000,000	
3130AKX43	FHLB Step-up Callable	Aaa	AA+	02/24/21	02/24/26	08/24/23	None	971	56	0.70%	0.78%	1,797,920	2,000,000	2,000,000
3130AL7M0	FHLB Callable	Aaa	AA+	02/24/21	02/24/26	08/24/23	971	56	0.63%	0.70%	897,010	1,000,000	1,000,000	
3130AKYR1	FHLB Callable	Aaa	AA+	02/25/21	02/25/26	02/25/24	972	241	0.55%	0.62%	888,540	1,000,000	1,000,000	
3130AL6K5	FHLB Callable	Aaa	AA+	02/25/21	02/25/26	02/25/24	972	241	0.58%	0.65%	895,840	1,000,000	1,000,000	
3130ALD76	FHLB Callable	Aaa	AA+	02/25/21	02/25/26	08/25/23	972	57	0.70%	0.78%	892,200	1,000,000	1,000,000	
3130ALCW2	FHLB Callable	Aaa	AA+	02/25/21	02/25/26	02/25/24	972	241	0.63%	0.70%	896,940	1,000,000	998,500	
3130ALGJ7	FHLB Callable	Aaa	AA+	03/23/21	03/23/26	07/23/23	998	24	1.00%	1.11%	881,615	975,000	975,000	
3130ALPQ1	FHLB Step-up Callable	Aaa	AA+	03/30/21	03/30/26	06/30/23	03/30/24	1,005	1	1.00%	1.09%	916,820	1,000,000	1,000,000
3130ALVC5	FHLB Step-up Callable	Aaa	AA+	04/14/21	04/14/26	07/14/23	04/14/24	1,020	15	1.00%	1.10%	913,050	1,000,000	1,000,000
3130APAY1	FHLB Callable	Aaa	AA+	10/21/21	10/21/26	07/21/23	1,210	22	1.10%	1.23%	895,400	1,000,000	1,000,000	
3130APL78	FHLB Callable	Aaa	AA+	10/28/21	10/28/26	07/28/23	1,217	29	1.38%	1.52%	903,150	1,000,000	1,000,000	
3130AVCS9	FHLB Callable	Aaa	AA+	03/29/23	03/29/28	12/29/23	1,735	183	6.00%	6.03%	995,440	1,000,000	1,000,000	
							741	71	1.10%	1.19%	\$ 32,865,835	\$ 35,426,111	\$ 35,381,024	

Medium Term Notes

740816AJ2	Pres & Fellows of Harvard	Aaa	AAA	05/06/22	10/01/23	94	2.30%	2.32%	496,070	500,000	497,940
1						-	2.30%	2.32%	\$ 496,070	\$ 500,000	\$ 497,940

Municipal Bonds

882724RA7	TEXAS ST PUB FIN AUTH	Aaa	AAA	10/30/20	10/01/25	825	5.00%	5.01%	998,530	1,000,000	1,216,760
						28	5.00%	5.01%	\$ 998,530	\$ 1,000,000	\$ 1,216,760

Total Investments

350						3.10%	3.21%	\$ 80,766,507	\$ 83,672,743	\$ 83,672,992
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TOTAL - ALL DEPOSITS AND INVESTMENTS

\$ 96,297,546

Olivenhain Municipal Water District
INVESTMENTS TRANSACTION
June 30, 2023

PURCHASED

DATE				Investment Description	Stated	Current	Face Value	Book Value
Purchase	Maturity	Call	Step-Up		Coupon	Yield		
06/01/23	08/31/23			U.S. Treasury Bills	5.375%	5.421%	2,000,000	1,973,623
06/15/23	09/19/23			U.S. Treasury Bills	5.180%	5.235%	1,000,000	987,284
06/22/23	09/21/23			U.S. Treasury Bills	5.234%	5.295%	2,000,000	1,974,305

MATURED / REDEEMED / CALLED

DATE				Investment Description	Stated	Current	Face Value	Book Value
Redemption	Maturity	Call	Step-Up		Coupon	Yield		
06/01/23	06/01/23			U.S. Treasury Bills	4.680%	4.680%	2,000,000	1,954,392
06/15/23	06/15/23			U.S. Treasury Bills	4.660%	4.669%	1,000,000	977,290
06/22/23	06/22/23			U.S. Treasury Bills	4.650%	4.664%	2,000,000	1,954,680

Olivenhain Municipal Water District
UNAUDITED CASH POSITION BY FUNDING SOURCES
As of June 30, 2023

<u>Water Funds (Potable & Recycled)</u>		<u>Balance</u>
10050-100	Cash - Petty Cash Fund	1,496
10010-100	Cash - Operating Fund	13,685,208
10030-100	Cash - Capital and Equipment Fund	37,752,086
10040-100	Cash - Rate Stabilization Fund	11,865,094
10080-100	Cash - Pension Stabilization Fund	441,262
10060-100	Cash - Deposit Work for Other	100,549
14000-500	Restricted Cash - Capacity Fee Fund	6,452,204
Total Water Funds (Potable & Recycled)		<u>70,297,899</u>
<u>Wastewater Funds</u>		
10010-110	Wastewater - Operating Fund	3,385,111
10030-110	Wastewater - Capital Replacement Fund	9,953,615
10040-110	Wastewater - Rate Stabilization Fund	2,667,190
10080-110	Cash - Pension Stabilization Fund	40,576
Total Wastewater Funds		<u>16,046,491</u>
<u>Non Fiscal Agent Debt Service Cash</u>		
14020-570	Cash non-agent - RAD 96-1	128,764
10070-561	Cash non-agent - Bond 2015A	621
10070-581	Cash non-agent - Bond 2016A	10,580
14020-521	Cash non-agent - Bond 2021A	3,877,108
14020-522	Cash non-agent - Bond 2021B	-
Total Non Fiscal Agent Debt Service Cash		<u>4,017,072</u>
<u>Debt Service Funds</u>		
14030-510	SRF Loan - Fiscal Agent	966,919
14105-570	Redemption fund - RAD 96-1	1,145,212
14110-570	Reserve fund - RAD 96-1	69,538
14100-561	Redemption fund - Bond 2015A	2,132,980
14100-581	Redemption fund - Bond 2016A	772,052
14100-521	Redemption fund - Bond 2021A	259,320
14100-522	Redemption fund - Bond 2021B	590,065
Total Debt Service Funds		<u>5,936,084</u>
TOTAL FUND BALANCES		<u>96,297,546</u>

Memo

Date: August 8, 2023
To: Finance Committee
From: Rainy Selamat, Finance Manager
Via: Kimberly Thorner, General Manager
Subject: **CONSIDER AND DISCUSS OPTIONS FOR 2024 WATER RATES AND CHARGES**

A copy of staff's presentation is attached for discussion and consideration by the Committee.

Staff will make a presentation to the Committee and be available for discussion at the meeting.

Attachment: Presentation

2024 OMWD Pass-Through Rates and Charges

August 8, 2023 Finance Committee Meeting



2024 Pass-Throughs and relevant matters

- Purchased Water Wholesale Pass Through (Alternative 1B):
 - Potable – SDCWA: Effective Rate Impact 9.5%
 - Variable: around 10%
 - Fixed: almost 6%
 - Recycled – San Diego (6.1%), VWD (assume 6%) , RSFCSD (6.7%), and SEJPA (5.2%)
- Inflation Pass Through
 - SD/Carlsbad CPI based on an increase in second half 2021 to second half 2022: 7.29%
- New water rates will be effective with 3/1/XX bills
- Note: a 6.8% revenue adjustment on OMWD water rates and charges approved by the Board at the midterm budget review based on SDCWA Alternative 2B

Alternative 1B: Maintain Existing Policy + Defease

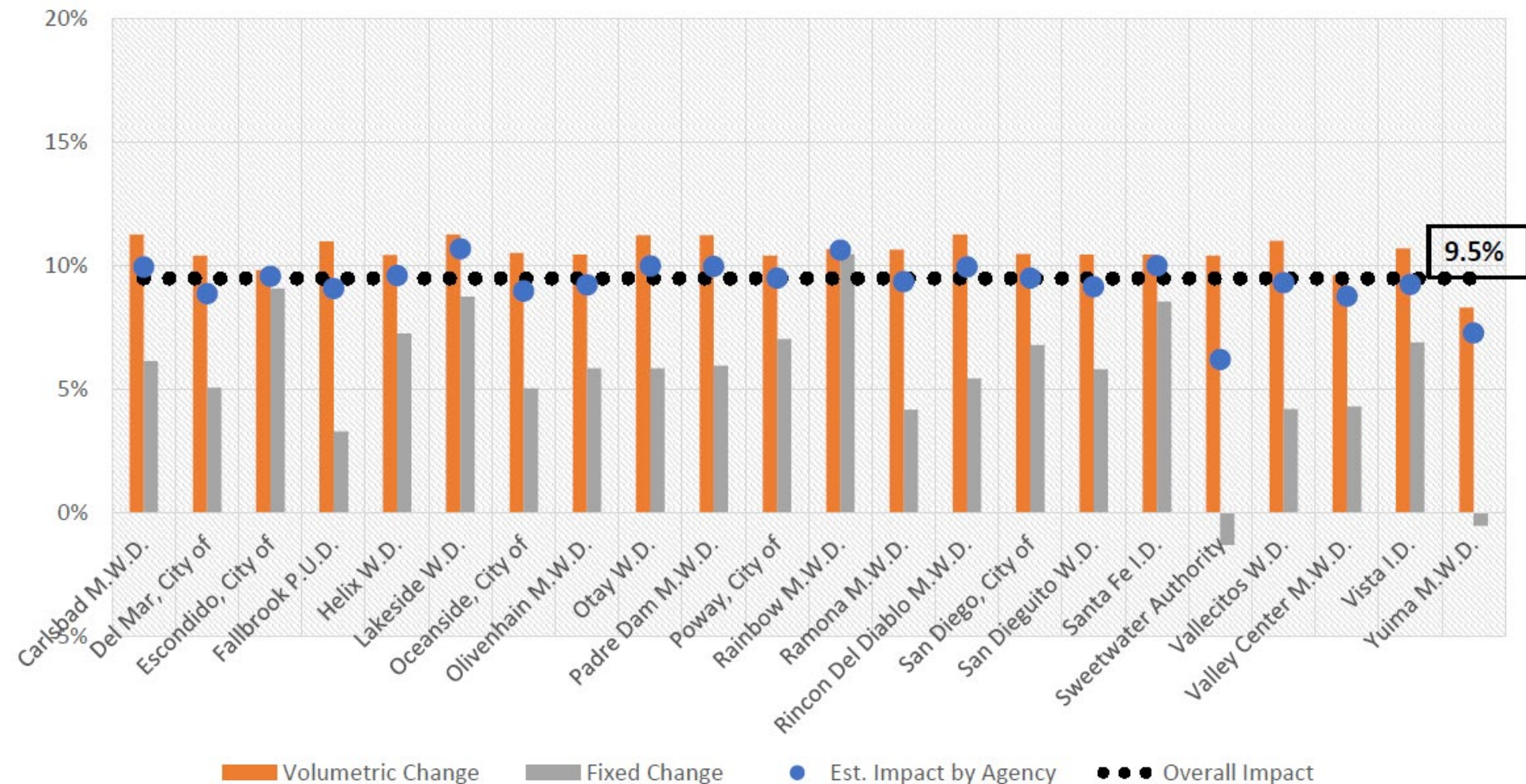
Rates & Charges at the necessary level to support Board Policy and key financial metrics

	CY 2023	CY 2024	%Δ
Variable (\$/AF)			
Supply Rate	\$1,085	\$1,200	10.6%
Treatment Rate	\$350	\$400	14.3%
Transportation	\$173	\$189	9.2%
Untreated SAWR	\$855	\$903	5.6%
Treated SAWR	\$1,205	\$1,303	8.1%
Fixed (\$M)			
Customer Service	\$26.00	\$28.60	10.0%
Storage	\$60.00	\$63.00	5.0%
Supply Reliability	\$40.85	\$43.40	6.2%
IAC (\$/ME)	\$4.24	\$4.41	4.0%

Bottom Line:
Effective CY 2024 rate impact of 9.5%

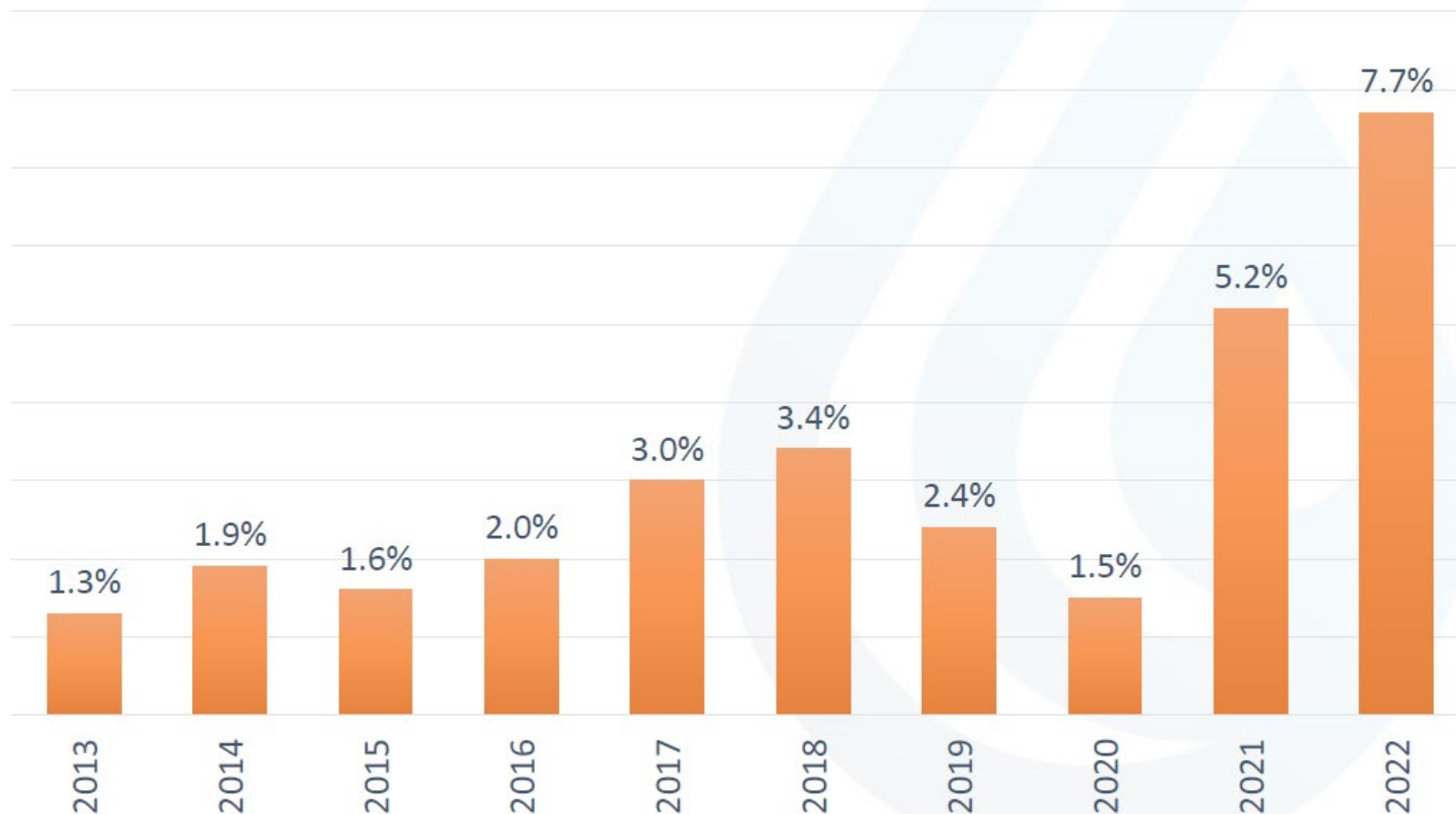
Alternative 1B: Effective Impact by Member Agency

Average effect of 9.5% varies based on historical and projected system demands



San Diego/Carlsbad Consumer Price Index

Recent inflation has materially impacted the Water Authority's budget and ability to appropriately recovery costs



2024 Pass-Through Options

Criteria	Option 1: Prop 218	Option 2: SAC @ Max per 218 Notice	Option 3: SDCPI Increase Only	Bench Mark Full Pass-Through (Not Prop 218 Compliant)
Compliance with OMWD Prop 218 Notice?	✓	✓	✓	X
100% of Purchased Water Wholesale Cost and Inflation Pass Through?	X	X	X	✓
Consistency with OMWD Past Practice (2019 Rate Study)	✓	X	X	N/A
\$ and % Difference from Full Cost Recovery (estimates)	\$434,000 or -0.65%	\$108,000 or -0.16%	\$655,000 or -0.99%	\$0 0.00%
\$ and % Impact on Average Monthly Residential Bill of 23 units by Option	\$13.04 7.8%	\$13.97 8.4%	\$12.11 7.3%	\$14.42 8.7%
Satisfy District 2023 Annual Goals - not to exceed 2022 SDCPI (7.7%)?	X	X	✓	X

Recommendation and Next Steps:

- Provide direction on preferred rate option to be considered by the full board for approval in September/October
- Staff Recommendation:
 - Option 1
 - A shortfall of \$434 thousand or 0.65% in 2024 will come from District Water Operating Reserve.
 - The District received refunds from SDCWA for refunds on attorney fees in the MWD litigation totaling \$499 thousand (approved by the Board in August 2022 to place the money in the District's Water Revenue Fund for unexpected expenses)
 - Update 2019 Water Cost of Service Study next year for 2025 water rates and charges and thereafter

Questions?

Memo

Date: August 8, 2023
To: Finance Committee
From: Rainy Selamat, Finance Manager
Via: Kimberly Thorner, General Manager
Subject: **CONDUCT INTERVIEW OF AUDITING FIRMS AND SELECT A NEW AUDIT FIRM FOR THE DISTRICT**

Purpose

Staff has prepared a list of interview questions for review and discussion with the Committee at the meeting. Copies of two proposals received are enclosed for review and discussion with the Committee.

Recommendation

The Committee's recommended auditing firm will be brought forward for consideration and approval by the Board at the September 20, 2023 meeting to start auditing services in fiscal year 2023/24.

Alternative

The Committee may instruct staff to solicit additional proposals from other auditing firms.

Background

Per Section 3.4 of the District's Administrative and Ethics Code, the Board appoints the District's auditor annually and the auditors are responsible to the Board for the annual audit of the District's books. The Board shall give consideration to the employment of a different Auditor every 4 to 5 years.

The Board approved an agreement with the Pun Group for professional auditing services for the fiscal years 2019, 2020, and 2021 through a Request for Proposal process. In May 2021, the Board extended the auditing services agreement with the Pun Group for two additional years (fiscal years 2022 and 2023) for a total cost of \$52,000 or \$26,000 per fiscal year. A two-year extension of the existing auditing services agreement with the Pun Group is consistent with Section 3.4 of the District's Administrative and Ethics Code.

Staff sent out a request for proposal to six (6) auditing firms and received two (2) proposals (attached.)

Fiscal Impact

The difference in proposed auditing services between the two proposals received is \$20,532 for the next three fiscal years (fiscal years 2024, 2025, and 2026) including a single audit. The District is subject to a single audit in a given fiscal year if it expended over \$750,000 in Federal grant funds.

Discussion

Staff will be available during the meeting for discussion.

Attachments: Audit Proposals

OLIVENHAIN MUNICIPAL WATER DISTRICT

Kenneth H. Pun, CPA, CGMA

Managing Partner
4660 La Jolla Village Drive, Suite 100
San Diego, CA 92122
(949) 777-8801 | ken.pun@pungroup.cpa

May 5, 2023

PROPOSAL

Professional Auditing Services





Kenneth H. Pun, CPA, CGMA
Founder & Managing Partner

WHY CHOOSE THE PUN GROUP LLP?

“ The Pun Group’s most valuable asset is our people, they and their deep experience drive our every interaction with clients. ”

- Big firm expertise, small firm values
- Personal attention meets technical expertise
- A unique firm culture
- Innovation embraced
- Achievable plans to move your organization forward

The Pun Group LLP is recognized for its professionalism, integrity and for providing clients with practical solutions unique to their circumstances and issues. You will receive a superior level of service and a quality audit.

Thank You!

Thank you for allowing us to submit our qualifications to provide you with
Professional Auditing Services.

The Pun Group, LLP

The Pun Group LLP
Certified Public Accountants and Business Advisors

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The Pun Group Wins 2023 “Best of Accounting” Award



The Pun Group LLP is proud to have won 2023's Best of Accounting® award from ClearlyRated for providing superior service to its clients.

Winners of such awards have proven to be industry leaders in service quality based entirely on ratings provided by their clients. On average, clients of 2023 Best of Accounting winners are 70% more likely to be satisfied than those who work with non-winning firms.

"I am pleased to introduce the 2023 Best of Accounting winners alongside their validated service ratings on ClearlyRated.com," said ClearlyRated's CEO, Eric Gregg. "These firms have demonstrated a remarkable commitment to delivering amazing experiences, despite another year of upheaval and macroeconomic uncertainty. Hats off to these service leaders - it's truly an honor to recognize and celebrate their achievements."

The Pun Group LLP received satisfaction scores of 9 or 10 out of 10 from 94.1% of their clients, significantly higher than the industry's average of 50%.

Our firm excelled in five key areas: Responsiveness, Quality, Value, Needs Understanding, and Proactive Approach.

About ClearlyRated

Rooted in satisfaction research for professional service firms, ClearlyRated utilizes a Net Promoter® Score survey program to help professional service firms measure their service experience, build an online reputation, and differentiate on service quality.



"Excellent customer service and staff and partners are expert in their fields."

Lani H.

State and Local Government Client



"The Firm has consistently exceeded our expectations as client."

Clint O.

State and Local Government Client



"We started using Pun Group when the pandemic first started two years ago so had a little apprehension about doing everything remotely with a new firm. But the audit went very well and was completed on time without problem."

Kevin W.

State and Local Government Client



"An excellent partner and amazing service."

Jim T.

Private Sector Client



May 5, 2023

Olivenhain Municipal Water District
Rainy Selamat, Finance Director
1966 Olivenhain Road
Encinitas, California 92024

Re: RFP for Professional Auditing Services

Dear Rainy Salamat:

On behalf of The Pun Group LLP, we are pleased to present our proposal to continue to provide Professional Auditing Services to the Olivenhain Municipal Water District (the "District") for three year period for years ending June 30, 2024, 2025, and 2026 with an option to extend the contract for two (2) additional fiscal years ending June 30, **2027 and 2028**. We sincerely appreciate the opportunity to have served as your auditor in the past, and we look forward to continuing to serve you well in the future.

Our Firm has developed an understanding of the District's operations which has aided us in delivering quality audit services. With the knowledge we gathered since we started providing services to the District, we have been able to expand our audit efforts and offer observations that have assisted the District's staff. We have also demonstrated our ability to respond to the District's requests and our ability to deliver quality services. It's our further understanding that the District has been satisfied with our efforts.

This letter is an acknowledgment of the Firm's understanding of the work to be performed. We are offering our commitment to deliver all of the required work, complete the audit, and issue the necessary auditor's reports within the periods outlined by the District. No subcontractors will be utilized for this engagement.

The Pun Group is the right choice for the Olivenhain Municipal Water District because:

We Understand the Demographics and Your Needs. The Pun Group is reputable for its governmental practice. We are professional services providers to districts such as Rancho Santa Fe Fire Protection District, San Bernardino County Fire Protection District, Marina Coast Water District, Olivenhain Municipal Water District, Carmel Area Wastewater District, and Santa Fe Irrigation District. Accordingly, we have a deep understanding of the current issues special districts are facing, such as varying demographics, economic environments, and the constantly changing landscape of laws and regulations.



Recognized Leader in the Governmental Industry. We are a small national Firm with licenses in the States of California, Arizona, and Nevada and a proven leader in professional services to the government sector. All key engagement team professionals are licensed to practice as Certified Public Accountants and meet the Continuing Professional Education requirements under US GAO's Government Auditing Standards to perform the proposed audits. The partners and all employees proposed to perform the requested services do not have a record of substandard audit work nor have any outstanding claim of substandard practice or unsatisfactory performance pending with the State Board of Accountancy or other professional organizations. In addition, we are members of the national AICPA Audit Quality Center.

We strongly believe that part of our success is credited to our professionals' participation in various industry-leading organizations. Such affiliations are critical to addressing emerging accounting and auditing issues within the industry environment.



You'll Work with a Team that Embraces Innovation and Continuous Improvement. Our Firm is committed to continuous improvement as it relates to service delivery. We embrace innovation and identify areas of technological enhancements in our audit and project management approaches. For example:

Secure Data File Transfer System. In order to improve audit efficiency, workflow management software plays an essential role between your organization and our engagement team. We employ a secure data file transfer system called Suralink. Suralink's dynamic request list is integrated with our secure file hosting system for seamless document-request coordination, including the upload of large-size files. It means all our requests are in one place, updated in real-time, and accessible by everyone working on the engagement. Not only makes the operation more cost-efficient, but it also enables you and your team to spend your time getting the job done, not reconciling a messy list of outstanding items. In addition, Suralink's dashboard allows you to visualize the process of document-request fulfillment.

AI Auditor. The Pun Group leverages the technology and research tools required to provide excellent services to its clients. With the usage of Artificial Intelligence (AI) technology, the Firm is capable of issuing all reports requested faster than other audit firms without exposing the District to unnecessary risks.

Remote Auditing Capability. Remote working arrangements have suddenly become the "new normal" in these trying times. Our Firm has deployed top-notch technology and fully transitioned to "remote auditing," offering our clients the quality services they deserve while being fully "remote" or operating in a "hybrid" schedule. "On-site" audits are still the Firm's preferred method, and we'll continue to offer and promote those as well.



Knowledge is Shared with You. As part of our pledge to keep you updated on new technical accounting and financial issues, we implemented our 2023 *Virtual* Government Accounting Conference, which qualifies for up to 15 hours of CPE – nearly double what other firms offer. These online sessions are free of charge and part of the service package provided to you. More details and dates can be found on the "*Client Training Webinars*" topic under this proposal.

The Pun Group is proud of its inclusive values and is an avid promoter of equality and diversity. In addition, the Firm is an equal-opportunity employer and complies with all federal and state hiring requirements. We're proud of supporting affirmative-action philosophies and work hard to provide opportunities for self-enhancement to members of disadvantaged groups.

This proposal is a firm and irrevocable offer valid for ninety (90) days following the closing date for the receipt of all proposals.

Finally, we would like to emphasize one additional point: **We want to keep your trust and your business!** We are confident that the energetic and experienced team we have assembled is the right one for the District.

Our commitment to serving the Olivenhain Municipal Water District cannot be adequately conveyed in a letter, and I look forward to continuing the discussion with you. I'm assigned as your primary contact for contract negotiations and stand steadfast to serve as your engagement/lead partner. I'm also authorized to legally bind the Firm. Should you have any questions or wish to discuss this proposal, please do not hesitate to contact me at (949) 777-8801 or by email at ken.pun@pungroup.cpa.

Sincerely,

Kenneth H. Pun, CPA, CGMA | Managing Partner | The Pun Group LLP
4660 La Jolla Village Drive, Suite 100, San Diego, California 92122

Independence

Independence

The Pun Group LLP requires all employees to adhere to strict independence standards concerning the Firm's clients. These independence standards exceed, in many instances, the rules promulgated by the American Institute of Certified Public Accountants (AICPA).

The Pun Group LLP certifies that it is independent of the Olivenhain Municipal Water District. The Firm meets independence requirements defined by the United States Government Accountability Office's (US GAO's) Government Auditing Standards and the American Institute of Certified Public Accountants (AICPA). Based on that, we have not identified an instance that constitutes a conflict of interest relative to performing the services requested by the District.

The Firm has no business interests which will conflict in any way with maintaining independence in regard to the Olivenhain Municipal Water District.

The Firm will give the Olivenhain Municipal Water District written notice of any professional relationships entered into during the period of the engagement.

License to Practice

License to Practice in California

The Firm and all key professional staff are licensed by the State of California to practice as Certified Public Accountants and meet the Continuing Professional Education requirements under US GAO's Government Auditing Standards to perform the proposed audits.

Firm Registration:

California State Board of Accountancy Number – PAR 7601

Federal Identification Number – 46-4016990

Insurance

If selected, the Firm will maintain the minimum insurance requirements during the entire execution of the agreement with the Olivenhain Municipal Water District. Within ten days from the implementation of the contract, we will furnish the Olivenhain Municipal Water District with satisfactory evidence of the insurance requirements and proof that each carrier is required to give at least 30 days prior written notice of the cancellation of any policy during the entire period of the agreement.

Our current policy can be found in the appendices section of this proposal.

Firm Qualifications and Experience

The Pun Group ^{LLP}, Certified Public Accountants, and Business Advisors, founded in 2012, is a limited liability partnership. We are a full-service accounting firm comprised of fifty professionals providing auditing, accounting, and advisory services to our clients.

The Firm has become one of the “Top Accounting Firms” in Orange County according to the Orange County Business Journal and is also on the list of CalCPA Top 150 firms.

The combination of our hands-on experience and practical knowledge exercised by our audit professionals makes the Firm unique in our field. Our technical expertise and thorough understanding of current regulations and issues—along with the Firm’s commitment to hard work, integrity, and teamwork in every engagement—enable us to help our clients succeed.

Our Partners’ Group—which includes Kenneth Pun, Coley Delaney, Andrew Roth, Frances Kuo, Vanessa Burke, John Georger Jr., Gary Caporicci, and Jim Fritzsche — provides auditing, accounting, and advisory services to numerous governmental entities throughout the United States. With more than two hundred years of combined experience in the industry, we have become a trusted business partner and are well-respected as leaders in the industry in one of the fastest-growing firms. With nearly 100 government and not-for-profit audit clients, our Partners have a real passion for the industry and believe we are unmatched in our municipal experience. The firm also meets professional standards generally accepted in the United States of America and the standards applicable to financial audits contained in ‘*Government Auditing Standards*’ issued by the Comptroller General of the United States.

The Firm’s headquarters are located in Orange County, California, with five branches in San Diego, Walnut Creek, Sacramento (California), Las Vegas (Nevada), and Phoenix (Arizona).

The *San Diego Office*, located at 4660 La Jolla Village Drive, Suite 100, San Diego, CA 92122, will perform the requested services for the District. However, we may assign additional staff from our other offices to the engagement at no extra cost to the District. No subcontractors will be used in this engagement.

Global Capabilities

The Pun Group ^{LLP} is an independent member of Allinial Global, an association of over 100 independent accounting and consulting firms. Based in North America, Allinial Global offers international support by connecting its member firms to providers and global networks of accounting firms worldwide.

OUR FIRM AT A GLANCE



50 full-time auditing, accounting, tax and advisory professionals



One of the fastest growing firms serving California, Nevada and Arizona



Client retention rate: 90 – 95%



6 offices across 3 states



OUR AFFILIATIONS



Full-Time Government Auditors

As full-time government auditors, we understand that governmental entities do not operate independently but in an increasingly complex web of local, state, and federal relationships. We know how these relationships work, what they mean at the local level, and how every public organization’s focus on resource management is critical to success.

Also, while many accounting Firms can provide services, not all can build excellent working relationships with their clients. The Pun Group _{LLP} prides itself on developing lasting, personal relationships with our clients. Our hands-on partner involvement and low personnel turnover are crucial tools to our success and are highly beneficial to the District.

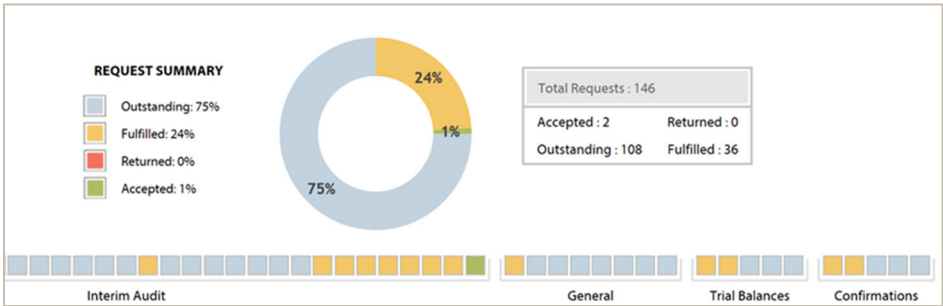
Local Office’s Information Technology (IT) Audit Capabilities

The Pun Group _{LLP} continues our efforts to invest in our IT system to enhance our security further and promote audit efficiency.

Top security for your data is the key to our success. When we have your data virtualized, our Firm takes all the preventive steps to avoid putting your information at risk. Our In-House IT administrator maintains our server to ensure our IT environment is continuously updated with the latest security fixes. Through VPN and Microsoft Remote Desktop, our In-House network administrator can lock down files and system access from a single point, limiting the ability of remote sites to take data from our server.

Access to systems from anywhere and anytime. With more mobility being the norm rather than the exception, our engagement team needs robust access to the engagement files when they are working in your office. Accounting and Auditing Software applications are installed in our “Private” server and can be securely accessed through VPN and Microsoft Remote Desktop. The Firm uses CCH ProSystem fx® Engagement for audit documentation, which allows real-time synchronization of the work papers and instant collaboration quality control review.

Secure Data File Transfer System. In order to improve audit efficiency, workflow management software plays an essential role between your organization and our engagement team. We employ a secure data file transfer system called *Suralink*. *Suralink*’s dynamic request list is integrated with our secure file-hosting system for seamless document-request coordination. It means all our requests are in one place, updated in real-time, and accessible by everyone working on the engagement. As a client, you no longer have to manually maintain a spreadsheet amongst several people, only to repeat the process in a day or two. Not only makes the operation more cost-efficient, but it also enables you and your team to spend your time getting the job done, not reconciling a messy list of outstanding items. The *Suralink* dashboard, as shown below, allows you to visualize the process of document-request fulfillment.



BIG FIRM EXPERTISE.
SMALL FIRM VALUES.

Our professional backgrounds at major national firms showed us how to solve complicated business and accounting challenges, but the sense of personal connection was missing. We launched The Pun Group because we believe every client deserves to work with experienced business advisors and CPAs who have the time – and take the time – to create an authentic connection. Every client is our top priority!



A UNIQUE CULTURE.

“Personalization” is not just a buzzword – it’s part of our firm’s culture. We take a personal approach to everything we do. We collaborate with our clients, so they’re always part of the process. We listen to our staff to make sure they have the right support and resources to do a great job. Getting to know others and discovering how we can serve them better is not just a sign of good business practices; it’s a sign of good people.



INNOVATION EMBRACED.

New ideas keep you ahead of the game. From leveraging the value of emerging technologies to further refining trusted processes, we adopt proven solutions to meet your needs.



WHERE YOU GO, WE GO.
WHERE YOU GROW, WE GROW.

Our success is defined by how you achieve yours. Partner with accomplished accounting and financial professionals who are laser-focused on taking your business to the next level.

Our Services

Our partners and seasoned professionals are always available, guiding clients through their periods of rapid growth as well as difficult times. We are able to do that by offering a portfolio of accounting services that are as diverse as the jurisdictions and entities themselves. The Pun Group LLP has successfully provided professional auditing, accounting, financial reporting, and management advisory/consulting services to a broad spectrum of governmental entities.



ASSURANCE

- Financial statements audits
- Compliance audits
- Performance audits
- Internal audits
- Service organization controls audits



ADVISORY

- Operational reviews/risk advisory services
- Forensic investigation
- Financial condition analysis
- Organizational structure review
- Cash flow analysis
- Debt restructuring consultation
- Litigation restructuring consultation



OTHER SERVICES

- Assistance with the preparation and review of the Annual Comprehensive Financial Report
- Government property lease excise tax compliance review
- Sub-recipient monitoring
- Implementation of new GASB pronouncements
- Audit readiness services
- Contract Finance Director/Accountant services

Federal or State Desk Review

No federal or state desk reviews or field reviews have been undertaken of any audits performed by the Firm or any of its partners, managers, or professionals during the past three (3) years.

Disciplinary Action

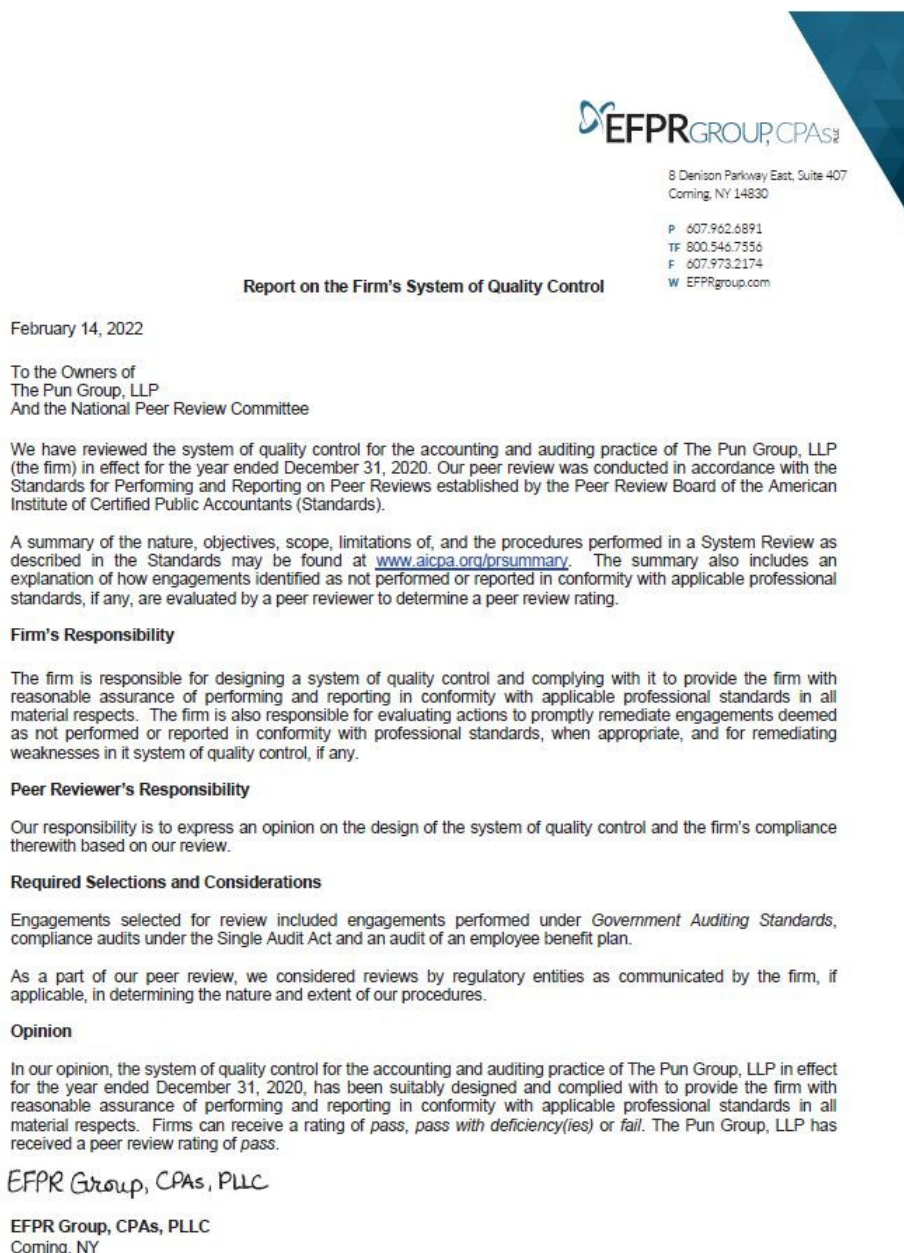
State regulatory bodies or professional organizations have taken no disciplinary action against the Firm or any of its partners, managers, or professionals during the past three (3) years.

The Firm has no conditions such as bankruptcy, pending litigations, planned office closures, mergers, or any organizational conflict of interest that may affect the ability of the Firm to perform the required duties requested by the Olivenhain Municipal Water District.

Peer Review

Being a member of the American Institute of Certified Public Accountants (AICPA), The Pun Group LLP is required to obtain an independent peer review of our audit and accounting practice every three (3) years. The peer reviewer assessed the Firm's quality-control policies, reviewed administrative records, interviewed professional personnel, and inspected the Firm's working papers and reports from a representative sample of accounting and auditing engagements, including governmental audits. The reviewer concluded that the Firm fully complied with the AICPA's stringent standards for quality control and issued a peer review rating of "Pass."

A copy of our most recent peer review is presented on the following page:



Olivenhain Municipal Water District

Firm's Experience Providing Similar Services

The Pun Group LLP has performed numerous audits of organizations subject to financial and compliance audits. These audits were performed under auditing standards generally accepted in the United States, Government Auditing Standards, Uniform Guidance (formerly known as OMB Circular A-133), and its Compliance Supplement (when applicable), Office of the State Controller's Minimum Audit Requirements and Reporting Guidelines.

A representative list of our current clients is as follows:

Municipalities	Dates	Financial Audit	Single Audit	GFOA Certificate	Total Hours
City of Adelanto	2021 – Present	Yes	Yes	Yes	700
City of Alameda	2019 – Present	Accounting and Consulting Services			150
City of Arvin	2013 – Present	Yes	Yes	N/A	400
City of Baldwin Park	2022 – Present	Yes	Yes	Yes	700
City of Bell	2018 – Present	Yes	Yes	Yes	520
City of Bradbury	2012 – Present	Yes	N/A	N/A	150
City of Calexico	2007 – Present	Yes	Yes	N/A	750
City of Clovis	2006 – Present	Yes	Yes	Yes	500
City of Coachella	2017 – Present	Yes	Yes	Yes	410
City of Cottonwood, AZ	2007 – Present	Yes	Yes	Yes	400
City of Corona	2021 – Present	Yes	Yes	Yes	640
Town of Corte Madera	2022 – Present	Yes	Yes	N/A	400
Town of Danville	1999 – Present	Yes	Yes	Yes	400
City of Douglas, AZ	2020 – Present	Yes	Yes	Yes	300
City of Desert Hot Springs	2013 – Present	Yes	N/A	N/A	700
City of Fresno	2022 – Present	Yes	Yes	Yes	1,450
City of Gardena	2007 – Present	Yes	Yes	Yes	700
City of Gilroy	2020 – Present	Yes	Yes	Yes	640
City of Glendora	2017 – Present	Yes	Yes	Yes	430
City of Gustine	2017 – Present	Yes	N/A	N/A	400
City of Hemet	2015 – Present	Yes	Yes	N/A	380
City of Hercules	2020 – Present	Yes	Yes	Yes	450
City of Lakewood	2013 – Present	Yes	Yes	Yes	380
City of Lomita	2020 – Present	Accounting and Consulting Services			150
City of Lynwood	2016 – Present	Yes	Yes	Yes	585

Olivenhain Municipal Water District

Municipalities	Dates	Financial Audit	Single Audit	GFOA Certificate	Total Hours
City of Madera	2019 – Present	Yes	Yes	Yes	470
City of Montebello	2022 – Present	Yes	Yes	Yes	600
County of Monterey	2023 – Present	Yes	Yes	Yes	TBD
City of Monterey Park	2023 – Present	Yes	Yes	Yes	612
City of Napa	2019 – Present	Yes	Yes	Yes	750
City of National City	2013 – Present	Yes	Yes	Yes	600
City of Palm Springs	2020 – Present	Yes	Yes	Yes	1,000
City of Paramount	2023 – Present	Yes	Yes	Yes	460
City of Patterson	2017 – Present	Yes	Yes	Yes	450
City of Placerville	2008 – Present	Yes	Yes	N/A	400
City of Redlands	2022 – Present	Yes	Yes	Yes	650
City of Ridgecrest	2009 – Present	Yes	Yes	Yes	300
City of Rohnert Park	2020 – Present	Yes	Yes	Yes	700
City of Salinas	2022 – Present	Yes	Yes	Yes	800
City of San Mateo	2021 – Present	Yes	Yes	Yes	900
City of Santa Clarita	2022 – Present	Yes	Yes	Yes	1,200
City of Santa Cruz	2023 – Present	Yes	Yes	Yes	800
City of Seal Beach	2017 – Present	Yes	Yes	Yes	410
City of Stockton	2012 – Present	Yes	Yes	N/A	3,000
City of Tracy	2021 – Present	Yes	Yes	Yes	960
Town of Tiburon	2022 – Present	Yes	Yes	Yes	452
City of Visalia	2021 – Present	Yes	Yes	Yes	650
Imperial County Transportation Commission	2020 – Present	Yes	Yes	Yes	600
Nevada County Transportation Commission	2021 – Present	Compliance Services	N/A	N/A	450
San Diego Metropolitan Transit System	2005 – Present	Yes	Yes	Yes	1,850
Shasta Regional Transportation Agency	2015 – Present	Yes	N/A	N/A	400
Alameda County Water District	2018 – Present	Yes	Yes	N/A	550
Camrosa Water District	2020 – Present	Investment Pool			120
Carmel Area Wastewater District	2022 – Present	Yes	Yes	N/A	150
CAWD/PBSCD Wastewater Reclamation Project	2022 – Present	38 Yes	N/A	N/A	150

Olivenhain Municipal Water District

Municipalities	Dates	Financial Audit	Single Audit	GFOA Certificate	Total Hours
Central Basin Water District	2018 – Present	Yes	Yes	N/A	400
Las Virgenes Municipal Water District	2014 – Present	Yes	N/A	N/A	400
Los Angeles County Law Library	2020 – Present	Yes	N/A	N/A	180
Marina Coast Water District	2012 – Present	Yes	N/A	Yes	240
Menlo Park Fire Protection District	2015 – Present	Yes	Yes	Yes	240
NALEO Educational Fund and NALEO	2020 – Present	Yes	N/A	N/A	300
Olivenhain Municipal Water District	2019 – Present	Yes	Yes	Yes	200
Padre Dam Municipal Water District	2020 – Present	Yes	Yes	Yes	250
Rancho Murieta Community Services District	2019 – Present	Accounting and Consulting Services			800
Rancho Santa Fe Fire Protection District	2015 – Present	Yes	N/A	N/A	120
San Bernardino County Emergency Training Center	2020 – Present	Yes	N/A	N/A	50
San Bernardino County Preschool Services Department	2020 – Present	Yes	Yes	N/A	150
San Bernardino County Fire Protection District	2016 – Present	Yes	N/A	N/A	200
San Elijo Joint Powers Authority	2016 – Present	Yes	N/A	N/A	146
Santa Fe Irrigation District	2019 – Present	Yes	N/A	N/A	250
Sweetwater Authority	2022 – Present	Yes	Yes	Yes	270
South Bay Cities Council of Governments	2020 – Present	Yes	N/A	N/A	100
South Coast AQMD	2023 – Present	Yes	Yes	N/A	410
South Orange County Water Authority	2017 – Present	Yes	Yes	Yes	240
South Bay Regional Public Communications Authority	2015 – Present	Yes	N/A	N/A	100
Southwestern Community College District	2009 – Present	Yes	Yes	N/A	720
Valley Sanitary District	2015 – Present	Yes	N/A	Yes	140
West Valley Mosquito and Vector Control District	2016 – Present	Yes	N/A	N/A	100
Zone 7 Water Agency	2020 – Present	Yes	Yes	Yes	400

GFOA Award Program

The Pun Group LLP realizes the importance of maintaining the Certificate for Excellence in Financial Reporting from the GFOA. Our professionals are exceptionally well qualified to assist governments in obtaining and maintaining their certificates.

The Firm's commitment and involvement in the development of auditing and accounting standards can be shown in our active participation in the GFOA's financial statements certificate programs. 100% of our current clients who submitted their Annual Comprehensive Financial Report to the GFOA received these awards.

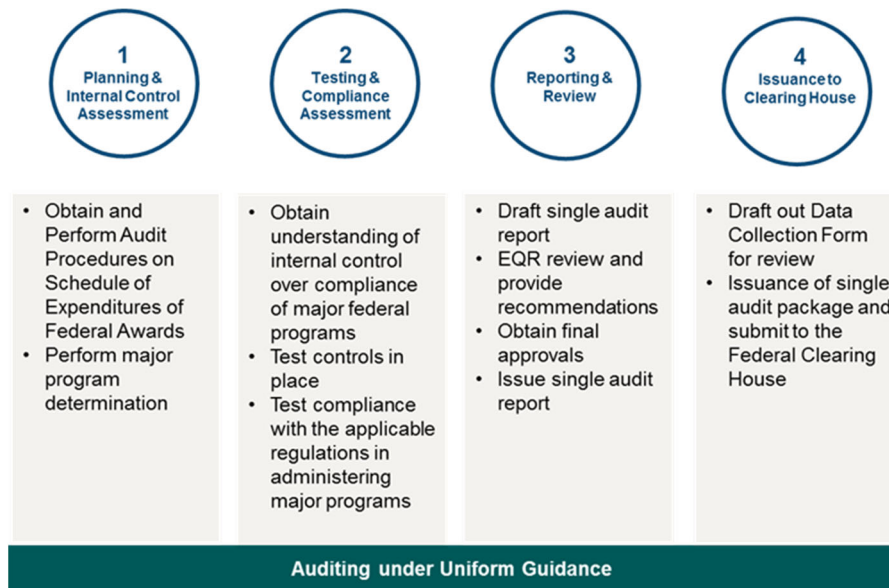
Also, two of our senior partners, Mr. Gary Caporicci and Mr. John F. Georger, are members of the Government Finance Officers Association and participate in the GFOA Special Review Committee.

Firm's Experience with Single Audit and Grants

The Pun Group LLP works with numerous organizations that receive extensive governmental funding and are subject to auditing under Uniform Grant Guidance. This Firm's specialization helps our audit team understand the procedures' nuances and execute the engagement accordingly. We also assist in preparing the data collection form and preparing the reporting package for submission to the federal audit clearinghouse.

The Firm is a member of the AICPA Governmental Audit Quality Center and has demonstrated its commitment to audit quality, including those performed under Government Auditing Standards and Uniform Guidance. Also, we are a recipient of the *Single Audit Resource Center's Award for Excellence*. This award is based on the positive feedback result from our clients in an independent survey, demonstrating our Firm's highest commitment to quality and client satisfaction.

We utilize standardized audit programs from the federal government's Compliance Supplement to ensure that our procedures meet federal standards. Our audit programs are continually updated to reflect the revisions of OMB. Our Uniform Guidance risk-based approach focuses on areas of higher risk of non-compliance. Such an approach truly reflects the federal government's intent by concentrating on the following four steps:



- 1. Planning & Internal control assessment:** The engagement team will obtain an understanding of the District and its operating environment and its internal control over the Schedule of Expenditures of Federal Awards. The engagement team will perform the major program determination and communicate with the District's management before conducting major program testing.
- 2. Testing & compliance assessment:** The engagement team will obtain an understanding of internal control over compliance on the direct and material compliance requirements for each major program. The engagement will perform testing on internal controls over compliance to ensure the controls are in place working effectively and properly and that the District is in compliance with the applicable regulations in administering major programs.
- 3. Reporting & Review:** The engagement team will review and prepare the single audit reports and perform quality control procedures following the Quality Control Standards issued by the AICPA. Any comments will be issued to the management or the Charge with Governance, depending on the magnitude of the issues. Upon obtaining the final approvals from management, the Single Audit report will be issued.
- 4. Issuance to Clearing House:** The engagement team will assist the District in drafting the data collection form and completing the final submission, including uploading the audit package to the Federal Clearing House.

Olivenhain Municipal Water District

Our Firm has audited hundreds of millions of dollars in federal expenditures, making our engagement team uniquely experienced in single audits. We are familiar with *grantors*, such as:



- Corporation for National and Community Services
- Department of Agriculture
- Department of Education
- Department of Health and Human Services
- Department of Housing and Urban Development
- Department of Transportation
- Environmental Protection Agency
- Department of Commerce
- Department of Labor
- Department of Homeland Security
- Department of Justice
- Department of Treasury
- Executive Office of the President

Following are a few examples of the types of federal programs our engagement team has experience auditing:

	Assistance Listings
Child and Adult Care Food Program	10.558
Community Development Block Grants/Entitlement Grants	14.218
Home Investment Partnership	14.239
Housing Vouchers Cluster	14.871
Title XVI Water Reclamation and Reuse Program	15.504
Equitable Sharing Program	16.922
WIA/WIOA Adult Program	17.258
WIA/WIOA Youth Activities	17.259
WIA/WIOA Dislocated Worker Formula Grants	17.278
Airport Improvement Program	20.106
Highway Planning and Construction	20.205
Federal Transit - Capital Investments Grants	20.500
Federal Transit - Formula Grants	20.507
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608
Capitalization Grants for Clean Water State Revolving Funds Cluster	66.458
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045
Nutrition Services Incentive Program	93.053
Temporary Assistance for Needy Families (TANF) State Programs	93.558
Community Service Block Grant	93.569
Child Care and Development Block Grant	93.575
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596
ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Programs	93.714
National Urban Search and Rescue (US&R) Response System	97.025
Homeland Security Grant Program	97.067

Olivenhain Municipal Water District

Firm's Current and Past Experience with Special Districts and Authorities

Our Firm has provided professional services to several Districts and Authorities. Below is a representative listing of such engagements:

- Adelanto Public Utility Authority
- Alameda County Water District
- Arbuckle Public Utility District
- Bodega Bay Fire Protection District
- Casitas Municipal Water District
- Central Basin Municipal Water District
- Civic – Recreational – Industrial Authority
- City of Monterey Joint Powers Financing Authority
- Coachella Valley Resource Conservation District
- Coachella Fire Protection District
- Diablo Water District
- East Orange County Water District
- El Toro Water District
- Farm Mutual Water Company
- Las Virgenes Municipal Water District
- Las Virgenes – Triunfo Joint Powers Authority
- Los Angeles Waterkeeper
- Marina Coast Water District
- Menlo Park Fire Protection District
- Mountain Recreation Conservation Authority
- North County Dispatch Joint Powers Authority
- North County Fire Protection District
- Olivenhain Municipal Water District
- Orange County – City Hazardous Materials Emergency Response Authority
- Orange County Coastkeeper
- Palmdale Water District
- Perris Joint Powers Authority
- Presidio Municipal Services Agency
- Rancho Santa Fe Fire Protection District
- Riverside County Flood Control and Water Conservation District
- San Diego Coastkeeper
- San Bernardino County Fire District
- San Elijo Joint Powers Authority
- San Joaquin County Regional Fire Dispatch Authority
- South Bay Regional Public Communications Authority
- Santa Fe Irrigation District
- Sativa Los Angeles County Water District
- South Orange County Wastewater Authority
- Sweetwater Springs Water District
- Trabuco Canyon Water District
- Twentynine Palms Water District
- Valley Sanitary District
- Water Replenishment District of Southern California
- West County Wastewater District

Firm's Expertise and Experience in Governmental Accounting Rules and Regulations, Including Implementation of new GASB Pronouncements

Changing federal laws, statutes, ordinances, and compliance provisions have created unprecedented complexity in public accounting today. Our GASB Implementation Specialist, Mr. Gary Caporicci, has helped our clients implement new standards while adapting to changes within the existing standards. Our partners serve on committees that have input into how new standards are written. They actively participate in industry associations focused on state and local governments. By participating in industry associations and activities, we are always up to date on the latest industry changes and their impact on your operations. We will keep you and our colleagues in the Firm fully informed of these developments.

Also, our professionals are familiar with the complexities of governmental accounting, auditing, and financial reporting, including but not limited to all GASB pronouncements, the Single Audit Act, and Uniform Guidance (formerly known as OMB Circular A-133) and fund operations. They have held positions as professional certified public accountants and taken on significant roles within and outside government agencies. Such experience brings to our clients the thought leadership, quality, and level of expertise they require.

The Firm is well versed and experienced in assisting our clients with the implementation of the applicable GASB pronouncements every year, such as GASB 34, GASB 54, GASB 65, GASB 68, GASB 75, and GASB 84. Mr. Gary Caporicci, as a chair of the California Committee on Municipal Accounting "CCMA," wrote "white papers" on each of these pronouncements.

Throughout the engagement, several new GASB pronouncements will become effective. The Engagement Team will pay specific attention to upcoming statements that will become effective and work with the District to create a plan to address new standards before the implementation period. This step will allow the finance department staff the needed time to be prepared.

Special Attention: GASB Pronouncements Effective for Reporting Year 2023

GASB Statement No. 87, *Leases*

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments.

Effective Date: The requirements of this Statement are effective for fiscal years beginning after June 15, 2021, and all reporting periods thereafter.

GASB Statement No. 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).

Effective Date: for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

GASB Statement No. 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).

Effective Date: for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

Partner/Supervisory/Staff Qualifications and Experience

Who We Are

The engagement team was carefully selected to provide the District with all the services needed to successfully complete the audit. Your assigned Engagement and Technical Partners will be personally involved in the project, leading a team that has significant experience in *governmental auditing*. You can be confident that our broad experience and technical capabilities will allow us to provide technical support, interpret findings, and offer practical solutions to any issues that may arise.

About Your Engagement Team

The personnel assigned to this engagement are fully qualified to perform an effective audit of the District, and their extensive experience will be critical to the audit process. Our professionals are familiar with the complexities of governmental accounting, auditing, and financial reporting, including but not limited to all GASB pronouncements, the Single Audit Act, Uniform Guidance (formerly known as OMB Circular A-133), and fund operations. They have held positions as professional certified public accountants, as well as significant roles within and outside of government agencies. Such qualities will bring to an entity like the Olivenhain Municipal Water District the thought leadership, quality, and level of experience it requires.

Because of the “familiarity threat” under the professional audit and independence standards that may exist in long-term relationships with audit firms, the Firm is committed and has sufficient resources to rotate engagement partners, managers, and or supervisors assigned to the District’s audit with personnel with similar or higher qualifications and experience in order to overcome this threat.

If the Firm changes key personnel, we will provide the District with a written notification. **Engagement partners, managers, and specialists will only be changed with the express prior written permission from the District.** Audit personnel may be replaced only by those with similar or better qualifications and experience.



Kenneth H. Pun, CPA, CGMA | Engagement/Lead Partner

Kenneth Pun is the Managing Partner and an Assurance Partner at the Firm. With over twenty-one years of public accounting experience in the state and local government sector, he specializes in audits, management, and consulting for governmental organizations. Mr. Pun served as the Contract Deputy Finance Director for the City of San Marino in 2017. He has served as the Chair of the California Society of CPAs Governmental Auditing Accounting Committee. He is a Certified Public Accountant and a Chartered Global Management Accountant.

Mr. Pun will actively serve as the Engagement/Lead Partner overseeing the Engagement Team, developing the audit plan, reviewing fieldwork for quality, approving final reports, and communicating with the Finance Department. He will also be responsible for the timely delivery of all services for the District.



Coley Delaney, CPA | Technical/Concurring Partner

Coley Delaney is a Partner within The Pun Group LLP’s Assurance division, in his fifteen (15) years of accounting and auditing experience. He has performed audits and other attestation services for several governmental agencies throughout California, including cities, counties, transportation agencies, public financing authorities, housing authorities, redevelopment agencies, and special districts. He is a Certified Public Accountant.

Mr. Delaney will act as the Technical/Concurring Partner and provide a second partner review of significant high-risk areas, audit reports, and resolution of significant accounting, auditing, and reporting matters.

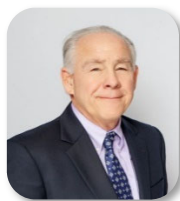
Olivenhain Municipal Water District



Andrew Roth, CPA | Compliance Partner

Andrew Roth is a Partner within the Firm and will serve as the primary point of contact for your team. He holds an Advanced Certification in Single Audits through the AICPA. Andrew draws more than a decade of governmental and not-for-profit experience in the areas of financial audit and reporting under governmental and financial accounting standards, evaluation of internal controls under the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Integrated Framework, the performance of Single Audits under the Uniform Guidance, subrecipient monitoring of Federal Grants, corporate financial reporting, data analytics, and exempt taxation. He is a Certified Public Accountant.

Mr. Roth will lead the audit team in all compliance-related matters, including the Uniform Guidance and Single Audit, and reports issued under specific laws and regulations.



John ("Jack") F. Georger, CPA, CIA, CGMA | Quality Control Reviewer

Throughout his forty years of experience, Mr. Georger has spent many years in the "Big 4" and national firms. He worked diligently alongside numerous governmental municipalities, including cities, counties, and transportation agencies, as well as not-for-profit entities, providing clients with financial and compliance auditing as well as consultation services. Mr. Georger annually instructs over 300 hours in accounting and auditing subjects and has authored training material in governmental accounting and auditing for the AICPA. Mr. Georger is also the technical reviewer of the CCH Knowledge-Based Audits™ of State and Local Governments with Single Audits, GAAP Guide (FASB), and Governmental GAAP Guide (GASB), the gold standard for audit firms throughout the United States. As the Chief Quality Officer in our Firm, he advises clients with their complex accounting questions and supports the engagement team with audit issues. He is a Certified Public Accountant, a Certified Internal Auditor, and a Chartered Global Management Accountant.

Mr. Georger is responsible for reviewing all reports issued by the Firm to ensure the utmost quality and compliance with professional standards and the final quality-control assessment within the engagement.



Gary M. Caporicci, CPA, CGFM, CFF | GASB Implementation Specialist

Gary Caporicci is an appointed member of the State Controller's Retirement Advisory Committee. Mr. Caporicci is a leading expert and has authored and taught several courses for CalCPA and AICPA on GASB 68, *Accounting and Financial Reporting for Pensions*, and GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As an assurance partner with over forty years of experience, Mr. Caporicci has performed financial, compliance audit, and consultation services to government clients, including cities, counties, transportation agencies, and school districts, as well as various not-for-profit entities. He is a Certified Public Accountant, a Certified Government Financial Manager, and Certified in Financial Forensics.

Mr. Caporicci will utilize his expertise in providing advice and consultation during the implementation of the new GASB standards.



Sophia Kuo, CPA, M.B.A. | Engagement/Project Director

Sophia Kuo is an Assurance Services Director in the Firm who holds an Advanced Certification in Single Audits through the AICPA. She possesses extensive auditing experience, including cities, counties, special districts, and not-for-profit entities. She will work closely with the engagement partners directing and supervising the audit team in its daily activities and tasks. She is a Certified Public Accountant and possesses a MAcc in Accounting and an M.B.A. in Business Administration.

Ms. Kuo will serve as the primary point of contact for your team and will work to ensure the services are conducted within the deadlines and will provide updates on our team's progress to the partners and you.

Olivenhain Municipal Water District

Continuing Education and Professional Development

Because of our commitment to providing the highest quality of services to the District, we provide our professionals with technical training to ensure our people stay current on topics within the industry sectors and better equip themselves to serve our clients.

All professionals are required to obtain continuing education that exceeds the requirements of the American Institute of Certified Public Accountants (AICPA) and, where applicable, *Government Auditing Standards*. Our professionals participate in continuing education programs through the following means:

- Governmental Accounting and Auditing Conference sponsored by AICPA.
- Webinar sponsored by AICPA Government Audit Quality Center.
- Annual Conference sponsored by California Society Municipal Finance Officers.
- Governmental Accounting and Auditing Conference sponsored by CalCPA.
- The Pun Group in-house training on government-specific topics, including but not limited to GASB updates, Government Auditing Standards Revision, Fraud in State and Local Governments, COSO Internal Control-Integrated Framework, Audit of State and Local Governments, Single Audit, and Mindbridge AI Auditors™.



In 2022, our government professionals received an average of 52 hours of continuing professional education, compared with the 40 hours of accounting industry requirement.

By expanding our knowledge through these seminars/conferences, we can provide the right solutions to our clients.

Staff Continuity

The Pun Group ^{LLP} is committed to maintaining staff continuity throughout audit engagements, and we can assure you that the partners assigned to this audit will be involved throughout the entire contract term.

While we cannot guarantee that our staff-level members will stay with the Firm, we encourage loyalty by paying competitive wages, offering opportunities for promotion, using state-of-the-art equipment, and providing excellent working conditions. Also, we offer benefits, including retirement plans, medical plans, profit-sharing programs, and continuing education.

Quality-Control System

Our Firm meticulously monitors the quality and contents of our reports. The Pun Group ^{LLP} is 100% committed to providing only the highest grade of work possible for our clients and for those who rely on our audits. The Firm strives to exceed professional industry standards because of the continuing respect for our clients and our emphasis on creating long-lasting relationships. The Pun Group ^{LLP} works exclusively with those who share the same moral integrity and values. Our quality-control system has been crafted with excellence in mind. It not only meets AICPA standards but also matches our own elevated standards, which include following various professional development activities.

Engagement Team Resumes

The Olivenhain Municipal Water District deserves experienced professionals who work as a team. The Pun Group ^{LLP} will provide qualified professionals to perform the audit. No subcontractors and/or consultants will be utilized to perform the requested services. Resumes for key engagement team members are presented as follows:



Kenneth H. Pun

CPA, CGMA

Engagement/
Lead Partner



EMAIL

ken.pun@pungroup.cpa



WEBSITE

www.pungroup.cpa

Expertise:



CITIES



COUNTIES



TRANSPORTATION
AGENCIES



ENTERPRISE
OPERATIONS



HIGHER
EDUCATION



NOT-FOR-PROFIT

Licensed to Practice in:
California

EXPERIENCE

Kenneth H. Pun is the Managing Partner and an Assurance Partner at The Pun Group ^{LLP}, which he founded in 2012 after serving in senior-level positions for well-established national and regional firms. Under his leadership, The Pun Group has become one of the “*Top Accounting Firms*” in Orange County, according to the Orange County Business Journal. The Pun Group is also on the list of CalCPA's Top 150 firms.

Prior to founding The Pun Group, Ken served clients in a variety of industries, including small to very large state and local governmental agencies, insurance companies, not-for-profits, healthcare, technology, and manufacturing and distribution clients. His career in public accounting was spent primarily with Regional firms and National firms.

Leveraging more than 21 years of public accounting experience, Ken has earned a reputation of being a trusted advisor to governmental and Healthcare organizations throughout California and neighboring states. Municipalities and public agencies engage him because of his premier level of client service, commitment, and innovative methods of increasing operational efficiencies and reducing costs.

Ken maintains his deep commitment to professional education through his work as an instructor for the California Education Foundation. He has authored training materials in governmental accounting and auditing, such as Financial Reporting for State and Local Governments, 2018 Government Auditing Standards, and Single Audit Fundamentals for California Education Foundation. He is also the technical reviewer of the CCH Knowledge-Based Audits™ of State and Local Governments with Single Audits. He advises clients on those topics at influential industry forums. Internally, Ken mentors audit teams by providing direction and technical guidance to ensure adherence to the firm's quality controls.

EDUCATION

University of California, Riverside

B.S. Degree – Business Administration, Emphasis in Accounting

LEADERSHIP & AFFILIATIONS

- Member, American Institute of Certified Public Accountants (AICPA)
- Member, California Society of Certified Public Accountants (CalCPA)
- Past Chair, CalCPA Governmental Accounting and Auditing Committee
- Member, CalCPA California Committee on Municipal Accounting
- Member, CalCPA Governmental Accounting and Auditing Conference Planning Committee
- Member Government Finance Officers Association (GFOA)
- Member, California Society of Municipal Finance Officers (CSMFO)
- Member, CSMFO Professional Standards Committee
- Speaker, CSMFO Conference (2014 and 2018)
- Instructor, CalCPA Education Foundation
- Technical Reviewer, CCH Knowledge-Based Audits™ of State and Local Governments with Single Audits

RELEVANT EXPERIENCE

- Alameda County Water District
- El Toro Water District
- Marina Coast Water District
- Riverside County Flood Control and Water Conservation District
- Alameda County Water District
- Central Basin Municipal Water District
- Las Virgenes Municipal Water District
- Orange County Coastkeeper
- South Orange County Wastewater Authority
- Sativa Los Angeles County Water District
- Central Basin Municipal Water District

CONTINUING PROFESSIONAL EDUCATION

Various courses are offered by the Firm online through Thompson Reuters, AICPA, and CalCPA Education Foundation, including:

- Governmental and Nonprofit Annual Update
- Government Auditing Standards
- GASB Basic Financial Statements for State and Local Governments
- Single Audits: Uniform Guidance (formerly OMB Circular A-133)
- Financial Accounting Standards Board Annual Updates
- Statement on Standards for Accounting and Review Services Updates

Has met/exceeded the current CPE educational requirements to perform audits of governmental agencies.



Coley Delaney

CPA

Technical/
Concurrent Partner



EMAIL

coley.delaney@pungroup.cpa



WEBSITE

www.pungroup.cpa

Expertise:



CITIES



COUNTIES



TRANSPORTATION
AGENCIES



SPECIAL
DISTRICTS



HIGHER
EDUCATION



NOT-FOR-PROFIT

Licensed to Practice in:
California

EXPERIENCE

Coley Delaney is a Partner within The Pun Group ^{LLP} Assurance division. In his fifteen (15) years of accounting and auditing experience, Coley has worked with governmental agencies, not-for-profit entities, and private for-profit entities. He specializes in conducting financial audits under GAO Yellow Book standards and compliance audits in accordance with Uniform Guidance (formerly known as OMB Circular A-133).

Mr. Delaney has performed audits and other attestation services for several governmental agencies throughout California, including cities, counties, redevelopment agencies, public financing authorities, housing authorities, transportation agencies, and special districts, and he has helped them publish their Comprehensive Annual Financial Reports in compliance with GASB Statement No. 34.

Mr. Delaney develops training materials and shares his expertise internally with other Firm professionals. Coley is a frequent speaker at in-house seminars on topics related to government auditing standards and Single Audits.

EDUCATION

University of California, Santa Barbara

B.A. Degree – Business Economics, Emphasis in Accounting

LEADERSHIP & AFFILIATIONS

- Member, American Institute of Certified Public Accountants (AICPA)
- Member, California Society of Certified Public Accountants (CalCPA)

RELEVANT EXPERIENCE

- Olivenhain Municipal Water District
- Sweetwater Authority
- Carmel Area Wastewater District
- San Elijo Joint Powers Authority
- Menlo Park Fire Protection District
- San Dieguito Water District
- Padre Dam Municipal Water District
- Marina Coast Water District
- Ventura County Transportation Commission
- North County Fire Protection District

CONTINUING PROFESSIONAL EDUCATION

Various courses are offered by the Firm online through Thompson Reuters, AICPA, and CalCPA Education Foundation, including:

- Governmental and Nonprofit Annual Update
- Government Auditing Standards
- GASB Basic Financial Statements for State and Local Governments
- Single Audits: Uniform Guidance (formerly OMB Circular A-133)
- Financial Accounting Standards Board Annual Updates
- Statement on Standards for Accounting and Review Services Updates

Has met/exceeded the current CPE educational requirements to perform audits of governmental agencies.



Andrew Roth
CPA
Compliance
Partner



EMAIL

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WEBSITE

www.pungroup.cpa

Expertise:



CITIES



COUNTIES



TRANSPORTATION
AGENCIES



ENTERPRISE
OPERATIONS



HIGHER
EDUCATION



NOT-FOR-PROFIT

Licensed to Practice in:
California
Arizona

EXPERIENCE

Andrew Roth is a Partner within The Pun Group LLP. He has more than twelve (12) years of governmental and not-for-profit experience in the areas of financial audit and reporting under governmental and financial accounting standards, evaluation of internal controls under the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Integrated Framework, the performance of Single Audits under the Uniform Guidance, subrecipient monitoring of Federal Grants, corporate financial reporting, data analytics, and exempt taxation. His client portfolio consists of moderate to large municipalities (cities and counties), municipal transportation districts, water districts, municipal electric utilities, and not-for-profit organizations whose missions involve building communities. His governmental agency clients have federal grant expenditures that range from \$100 million to \$750 million annually.

In various engagements, Andrew has been responsible for leading the service delivery where he has actively contributed and managed the planning process, implementation of the audit work plan, supervision of multiple audit teams, and provided yearly team updates on the changes in compliance testing requirements for the Single Audits, and preparation of all deliverables including the Annual Comprehensive Financial Reports, the Single Audit, Compliance Reports, Data Collection Forms, and City Council/Board presentations. He has also been a guest speaker on topics involving Federal grants, such as updates to Yellow Book Standards, Compliance Auditing, and Updates to the Uniform Guidance Procurement Requirements.

EDUCATION

San Diego State University
B.A. Degree – Accounting



LEADERSHIP & AFFILIATIONS

- Member, American Institute of Certified Public Accountants (AICPA)
- Member, California Society of Certified Public Accountants (CalCPA)

RELEVANT EXPERIENCE

- Las Virgenes Municipal Water District
- Olivenhain Municipal Water District
- Salinas Valley Basin Groundwater Sustainability Agency
- Menlo Park Fire Protection District
- Marina Coast Water District
- Sweetwater Authority
- San Dieguito Water District
- Carmel Area Wastewater District
- Padre Dam Municipal Water District

CONTINUING PROFESSIONAL EDUCATION

Various courses offered by the Firm online through Thompson Reuters, AICPA, and CalCPA Education Foundation, including:

- Governmental and Nonprofit Annual Update
- Government Auditing Standards
- GASB Basic Financial Statements for State and Local Governments
- Single Audits: Uniform Guidance (formerly OMB Circular A-133)
- Financial Accounting Standards Board Annual Updates
- Statement on Standards for Accounting and Review Services Updates

Has met/exceeded the current CPE educational requirements to perform audits of governmental agencies.



John F. Georger, Jr.
CPA, CIA, CGMA
Quality Control
Reviewer



EMAIL

jack.georger@pungroup.cpa



WEBSITE

www.pungroup.cpa

Expertise:



CITIES



COUNTIES



TRANSPORTATION
AGENCIES



ENTERPRISE
OPERATIONS



HIGHER
EDUCATION



NOT-FOR-PROFIT

Licensed to Practice in:
California
Arizona
Nevada

EXPERIENCE

Jack Georger is the Chief Quality Officer within The Pun Group LLP's Assurance division. By leveraging more than forty (40) years of public accounting and auditing experience in the government, agribusiness, financial services, manufacturing, and nonprofit sectors, Mr. Georger brings in-depth knowledge and practical expertise to each engagement.

Jack coordinates, plans, and manages financial audit activities, consulting activities, federal and state compliance audit activities, performance audits, and numerous quality control and internal control reviews for a broad mix of governmental agencies and programs throughout the United States.

Mr. Georger leads our Peer Review department providing peer review services to other firms under the practice monitoring program of the AICPA.

Mr. Georger is a continuing professional education course instructor for the AICPA. Annually, he instructs over 300 hours in accounting and auditing subjects. Jack has authored training material in governmental accounting and auditing for the AICPA. He is the technical reviewer of the CCH Knowledge-Based Audits™ of State and Local Governments with Single Audits, GAAP Guide (FASB), and Governmental GAAP Guide (GASB).

Mr. Georger is licensed to practice as a certified public accountant in the states of California, New York, Virginia, Maryland, the District of Columbia, Missouri (inactive), Connecticut (inactive), and Wyoming (inactive). He is a Certified Internal Auditor (CIA).

EDUCATION

George Mason University Fairfax, Virginia

B.S. Degree – Accounting

LEADERSHIP & AFFILIATIONS

- Member and Instructor, American Institute of Certified Public Accountants (AICPA)
- Member, Institute of Internal Auditors
- Member, California Society of Certified Public Accountants (CalCPA)
- Member, New York Society of Certified Public Accountants (NYSSCPA)
- Chairman, NYSSCPA Government Accounting and Auditing Committee
- Member, NYSSCPA Auditing Standards Committee
- Member, NYSSCPA Sustainability Committee
- Member, NYSSCPA Not-for-Profit Committee
- Nevada Society of Certified Public Accountants (NSCPA)
- Member, Government Finance Officers Association (GFOA) – Reviewer
- Member, Institute of Internal Auditors

CONTINUING PROFESSIONAL EDUCATION

He has instructed over 300 hours of municipal accounting courses offered by the AICPA.

Has met/exceeded the current CPE educational requirements to perform audits of governmental agencies.



Gary M. Caporicci
CPA, CGFM, CFF
GASB
Implementation
Specialist



EMAIL

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WEBSITE

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Expertise:



CITIES



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TRANSPORTATION
AGENCIES



ENTERPRISE
OPERATIONS



HIGHER
EDUCATION



NOT-FOR-PROFIT

Licensed to Practice in:
California

EXPERIENCE

Gary M. Caporicci has more than forty years of diversified business experience, including a specialization in audit and management consulting for government organizations. Gary's clients include public and private universities and colleges, city and county governments, state agencies, joint power authorities, healthcare agencies, transportation agencies, and special districts. Known for his expertise in the areas of construction and government, Gary wrote the AICPA audit guides on these topics, and he has authored many audit and accounting courses for professional groups, as well as academic institutions. He frequently speaks and lectures at many professional organizations, governmental seminars, and conferences held by industry associations, other accounting firms, and universities. Also, he authors white papers for the California Committee on Municipal Accounting.

Before working with the Firm, Gary founded his accounting practice. He also spent eleven years with a "Big Eight" professional services firm, where he was an Audit Manager and gained broad experience in a wide range of industries such as government, construction, manufacturing, mutual funds, and insurance. Gary has held a consultant position with a "Big Four" practice and was Vice President of a national insurance and financial services company.

In 2015 Gary Caporicci was appointed to the State Retirement Advisory Committee by the State Controller.

EDUCATION

Armstrong University

B.S. Degree – Accounting and Finance

LEADERSHIP & AFFILIATIONS

- Member and Instructor, American Institute of Certified Public Accountants (AICPA)
- Member, Author, and Instructor, California Society of Certified Public Accountants (CalCPA)
- Past Chair, CalCPA Governmental Accounting and Auditing Committee
- Chair and Speaker, CalCPA Governmental Accounting and Auditing State Conferences
- Member, CalCPA Council
- Chair, California Committee on Municipal Accounting (CCMA)
- Member, Government Finance Officers Association (GFOA)
- Member, California Society of Municipal Finance Officers (CSMFO)
- Member, Governmental Accounting Standards Board (GASB)
- Member, Deposit and Investment Risks Disclosure Task Force (GASB No. 40)
- National Reviewer and Speaker, Government Finance Officers Association
- Adjunct Professor, National University
- Past Member, Texas Governmental Accounting and Auditing Committee
- GFOA Certificate for Excellence in Financial Reporting – Reviewer

CONTINUING PROFESSIONAL EDUCATION

Author and instructor of various municipal accounting courses offered by the AICPA, CalCPA Education Foundation, and local universities, including:

- Governmental and Non-profit Annual Update
- Government Auditing Standards
- GASB Basic Financial Statements for State and Local Governments
- Single Audits: Uniform Guidance (formerly OMB Circular A-133)
- Financial Accounting Standards Board Annual Updates
- Statement on Standards for Accounting and Review Services Updates

Has met/exceeded the current CPE educational requirements to perform audits of governmental agencies.



Sophia Kuo

CPA, M.B.A.

Engagement/
Project Director



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Expertise:



CITIES



COUNTIES



TRANSPORTATION
AGENCIES



ENTERPRISE
OPERATIONS



HIGHER
EDUCATION



NOT-FOR-PROFIT

Licensed to Practice in:
California

EXPERIENCE

Sophia Kuo is a Director within The Pun Group, LLP's Assurance division. In her seven years of accounting and auditing experience, Sophia has worked with governmental agencies, not-for-profit entities, and private for-profit entities. She possesses governmental expertise that ranges from GASB audit/reporting, Internal Controls/COSO Framework, Single Audit, Corporate Financial Reporting, Data Analysis, and Taxation.

Ms. Kuo has performed audits and other attestation services for several governmental agencies throughout California. Her portfolio includes cities, counties, redevelopment agencies, public financing authorities, housing authorities, transportation agencies, and special districts. Also, she has helped them publish their Annual Comprehensive Financial Reports in compliance with GASB Statement No. 34.

EDUCATION

Fu Jen Catholic University

B.A. Degree – International Trading and Finance, Emphasis in Finance

Idaho State University

Master of Accounting (MAcc)

Master of Business Administration (M.B.A.)



LEADERSHIP & AFFILIATIONS

- Member, American Institute of Certified Public Accountants (AICPA)
- Member, California Society of Certified Public Accountants (CalCPA)

RELEVANT EXPERIENCE

- Las Virgenes Municipal Water District
- Central Basin Water District
- City of Desert Hot Springs
- City of Coachella
- City of Perris
- South Orange County Wastewater Authority
- Marina Coast Water District
- Valley Sanitary District
- City of Monterey Park
- City of Pomona

CONTINUING PROFESSIONAL EDUCATION

Various courses are offered by the Firm online through Thompson Reuters, AICPA, and CalCPA Education Foundation, including:

- Governmental and Non-profit Annual Update
- Government Auditing Standards
- GASB Basic Financial Statements for State and Local Governments
- Single Audits: Uniform Guidance (formerly OMB Circular A-133)
- Financial Accounting Standards Board Annual Updates
- Statement on Standards for Accounting and Review Services Updates

Has met/exceeded the current CPE educational requirements to perform audits of governmental agencies.

Similar Engagements with Other Government Entities

References

The following are examples of some of the engagements with similar requirements as the Olivenhain Municipal Water District's proposal. Please feel free to contact these agencies to learn more about their experiences working with us.

Name of Public Agency	Alameda County Water District
Contact Info	Ms. Mariana Grajeda, CPA (510) 668-4258 mariana.grajeda@acwd.com
Total Hours:	Approximately 550 hours
Contract Price	\$60,800/year
Date of Services	2019 - Present
Scope of Work/Reports Prepared	Financial Audit and Compliance Services: Annual Comprehensive Financial Report Audit, GFOA Award, Debt Issues/Bond Covenants, SCO Report.

Name of Public Agency	Zone 7 Water Agency
Contact Info	Osborn Solitei, Treasurer/Assistant General Manager, Finance (925) 447-6704 osolitei@zone7water.com
Total Hours:	Approximately 400 hours
Contract Price	\$30,500/year
Date of Services	2020 - Present
Scope of Work/Reports Prepared	Financial Audit and Compliance Services: Annual Comprehensive Financial Report Audit, GFOA Award, Single Audit, OPEB Liability, SCO Report, Livermore Valley Water Financing Authority SCP, Debt Issues/Bond Covenants.
Engagement Partner	Kenneth Pun

Name of Public Agency	Central Basin Municipal Water District
Contact Info	Peggy Williams, Accounting Manager (323) 201-5513 peggyw@centralbasin.org
Total Hours:	Approximately 300 hours
Contract Price	\$30,000/year
Date of Services	2018 - Present
Scope of Work/Reports Prepared	Basic financial statements audit, SCO Report.
Engagement Partner	Kenneth Pun

Name of Public Agency	South Orange County Wastewater Authority
Contact Info	Mary Carey, Finance Controller (949) 234-5440 mcarey@socwa.com
Total Hours:	Approximately 300 hours
Contract Price	\$30,000/year
Date of Services	2017 – Present
Scope of Work/Reports Prepared	Financial Audit, including the preparation of the Annual Comprehensive Financial Report Audit.
Engagement Partner	Kenneth Pun, Frances Kuo

Specific Audit Approach

Scope of Work, Audit Approach, and Methodology

The Olivenhain Municipal Water District is requesting the Firm to perform Professional Auditing Services and issue opinions on the District's financial statements. The audits are to be completed in accordance with all applicable and generally accepted auditing standards, including, but not limited to, the following:

- Generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants (AICPA).
- US General Accounting Office's (GAO) Standard for Audit of Governmental Organizations, Programs, Activities, and Functions.
- Local Governments and Governmental Accounting Standards Board (GASB) Pronouncements.
- The standards applicable to financial audits contained in the most current version of the *Generally Accepted Government Auditing Standards* (Yellow Book), issued by the Comptroller General of the United States.
- The provisions of the Single Audit Act as amended in 1996.
- The provisions of the US Office of Management and Budget (OMB) Uniform Guidance (formerly known as Circular A-133), Audits of State and Local Governments and Non-profit Organizations, and the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

The Firm will perform the following services:

- ✓ Financial Statement Audits and issuance of an opinion statement on the **Annual Comprehensive Financial Report** of the Olivenhain Municipal Water District and the financial statements of its component units. The audit will be conducted in accordance with *Generally Accepted Government Auditing Standards*. The report will be in full compliance with all current GASB pronouncements.

In addition, the Firm will assist in meeting the requirements for the Government Finance Officers Association (GFOA) "**Certificate of Achievement for Excellence in Financial Reporting**."

- ✓ Prepare a **Single Audit Report** which will include the following:
 - Report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
 - Report on compliance with requirements applicable to each major program, internal control over compliance, and on the schedule of expenditures of federal awards in accordance with Uniform Guidance, "Audits of State and Local Governments," and the Single Audit Act of 1984 (Public Law 98-502).
 - Schedule of Expenditures of Federal Awards.
 - Notes to Schedule of Expenditures of Federal Awards.
 - Schedule of Findings and Questioned Costs.
 - Any other required schedules or reports.
 - Prepare the Data Collection Form for Reporting on Audits of States, Local Governments, and Non-Profit Organizations.
 - Commission single audit of federal grants allocable to HCVP in accordance with Uniform Guidance.
- ✓ Issue an **Auditor's Communication Letter** with any reportable conditions found during the audit. A reportable condition will be defined as a material weakness or significant deficiency.
- ✓ Issue a separate "**Management Letter**" that includes recommendations for improvements on internal control, accounting procedures, and other significant observations that are considered to be no reportable conditions.
- ✓ Provide up to 20 hours/annually of consultation on accounting and financial issues during the year at no extra cost.

Olivenhain Municipal Water District

Provided By Client (PBC) Lists: They will be provided for both interim and final audits according to an agreed-upon timeline between the engagement team and the District in order to be reasonably prepared for a field audit. The engagement team will meet with the District's management during the initial planning stage to discuss audit schedules and review the prior year's audit findings (if any). We will deliver a list of all documents to be provided by the District's staff. Once such materials are agreed upon by the engagement team and District's finance personnel, no other schedules will be requested unless new information comes to light in the course of test work.

Attendance at Meetings and Hearings: The engagement team will participate in as many meetings with staff as needed to perform the work scope tasks, present the audit plan prior to beginning fieldwork, and discuss the draft audit reports. The team will attend public meetings to present and discuss its findings and recommendations. Once all issues of discussion are resolved, the completed Financial Reports, Single Audit report (if applicable), and other reports will be delivered to the District according to the agreed-upon schedule.

Proposed Audit Adjustments: All proposed adjusting journal entries by the Firm will be discussed and explained in a timely manner with the designated Finance Department personnel. Such proposed adjustments will be in a format that shows the lowest level of posting detail needed for data entry in the general ledger systems.

Supplemental Reports, Audits, or Agreed-Upon Procedures: Other services, such as agreed-upon procedures, may be deemed necessary. These services will be performed at agreed-upon rates and will be added to a written agreement before commencing audit work. The Firm and the Olivenhain Municipal Water District will discuss and approve the scope and associated costs of these tasks.

Advice and Consultation: Will be provided throughout the year on matters relating to accounting and financial reporting. Such services do not include any task that entails significant research or a formal report.

GASB Implementation: The Firm will provide technical assistance and training in the implementation of applicable GASB pronouncements not yet in effect. We have a dedicated partner, Mr. Gary Caporicci, who will be responsible for providing advice and consultation for the implementation of these new standards. The Firm will advise the District on the applicability of accounting and reporting standards and other accounting issues and provide guidance on new note disclosures, GASB implementations, and other reporting requirements. We will also provide training, resources, and information on topics relevant to the District's financial reporting and operations. *(Based on the scope, additional charges may apply.)*

Report of all Irregularities and Illegal Acts: The Firm will make an immediate written report of all irregularities and illegal acts or indications of illegal actions of which we may become aware to the Board President and General Manager. The engagement team will also make all communications to the District required by the audit standards under which the engagement is performed.

Working Paper Retention and Access to Working Papers: The Firm will retain, at its own expense, all working papers and reports for a minimum of five (5) years unless the Olivenhain Municipal Water District notifies the Firm in writing of the need to extend the retention period. The Firm will make working papers available upon request by the Olivenhain Municipal Water District or its designees.

Also, we will comply with reasonable requests from successor auditors and allow them to review working papers that relate to matters of continuing accounting significance.

Methodology and Segmentation of Engagement

The Firm's audit approach consists of six phases: Engagement Acceptance and General Planning, Planning and Internal Control Evaluation, Fieldwork, Post Fieldwork, Report Preparation and Review, and Final Production.



Benefits

- Client tailored approach emphasizing careful planning, open communication, proper assignment of responsibilities
- An efficient and effective audit, so disruption to office operations is kept to a minimum
- Offer beneficial observations and recommendation about policies and procedures for accounting and operating controls
- Opportunities to make operations more efficient and reduce costs
- Provide advisory services so recommendations can be implemented
- Meet objectives at no additional cost

- 1. Engagement Acceptance and General Planning:** The engagement partner and manager will meet with District's management to obtain an update on current District policies and procedures, help identify risk areas and new operations, and establish any specific requirements they may have. Our team will work on the identification of unique transactions, implementation of new GASB pronouncements, and develop the audit work plan for the engagement.
- 2. Planning and Internal Control Evaluation:** The engagement team, including the engagement partner, will assess accounting policies adopted by the District in order to obtain an understanding of its structure and its operating environment. Also, our team will review internal controls on all significant transaction classes, perform walkthroughs and/or tests of internal controls, perform preliminary analytical procedures, develop an initial risk assessment, evaluate Single Audit compliance, identify any audit issues, and prepare confirmation correspondence. The engagement team and District's Management will establish expectations, including responsibilities and assignments for the year-end fieldwork, and will hold a progress status meeting at the end of the interim phase.
- 3. Fieldwork:** The engagement team, including the engagement partner, will conduct audit procedures on account balances in the general ledger, finish confirmation procedures, perform data analysis using our AI tools, search for unrecorded liabilities, perform substantial analytical review procedures, complete work on compliance with Federal Assistance, and conclude fieldwork. The engagement team and District's Management will hold an exit conference at year-end. Periodic update meetings will be held to communicate audit progress to management.
- 4. Post Fieldwork:** During the phase, the engagement team, including the engagement partner, will review all documents and evaluate commitments and contingencies. The team will perform an assessment of the going concern and jointly plan for the next steps.
- 5. Report Preparation and Review:** The Firm will review and prepare audit reports and perform quality control procedures following the Quality Control Standards issued by the AICPA. We will also examine reports for compliance with GFOA reporting guidelines at no additional cost. Any comments will be recorded in a letter to management. At the District's request, the engagement partner and manager will present the audit to District's Management and other governing bodies.
- 6. Final Production:** The final phase of our approach entails obtaining the management representation letter and final financial statement report, which may include a final presentation to the District's Management and other governing bodies (if applicable).

The Firm will complete the audit fieldwork and issue all reports within the established timeframe, assuming no internal circumstances within the District causes delays in the audit.

Olivenhain Municipal Water District

Level of Staff and Number of Hours to be Assigned to Each Segment of the Engagement

The Pun Group ^{LLP} understands that the District is not only looking to employ our auditing services but is also seeking to receive value within that professional relationship. We believe that our value derives from the in-depth knowledge, experience, and commitment that our auditing firm employs. We stress and emphasize “employ” because all of the knowledge and expertise listed on paper will not benefit you unless it is applied. That is why we have developed a plan that we feel will accomplish the objectives of the District and your particular needs. Our Firm will utilize the information that you have shared with us and our experience from our previous audits of this nature from various government entities and cities to develop a practical plan for all major areas.

Estimated Total Hours*:

	Partner(s)	Director/ Manager(s)	Supervisor/ Senior(s)	Staff	Clerical	Total
Engagement Acceptance & General Planning	1	2	3	5	0	11
Planning & Internal Control Evaluation	1	2	5	8	0	17
Fieldwork	6	12	24	40	2	84
Post Fieldwork	4	8	16	26	2	56
Report Preparation & Review	6	12	24	40	2	84
Final Production	2	4	8	13	1	28
Total*	20	40	80	132	8	280

*Does not include CPE hours related to Governmental Webinars and/or optional services.

Sample Size and the Extent to Which Statistical Sampling is to be Used in this Engagement

In our audit approach, random and statistical sampling is used in conjunction with our skilled judgment and knowledge of each situation. When designing an audit sample, our auditors consider the purpose of the audit procedure and the characteristics of the population from which the sample will be drawn. We determine a sample size sufficient to reduce sampling risk to an acceptably low level and select items for such a task in a way that we can reasonably expect it to be representative of the relevant sample and likely to provide the auditor with a reasonable basis for conclusions about the population.

Enhancing Auditing Quality with Artificial Intelligence

There are plenty of challenges with established audit practices. Outdated CAAT tools, sampling practices, and the explosive growth of big data are some of the examples, and they all present significant barriers to detecting anomalies, intentional or otherwise, in financial data. The Pun Group deploys a comprehensive, risk-based approach, complemented by using MindBridge™'s Artificial Intelligence Platform, to conduct our audit. Through this tool, we can seamlessly analyze thousands and thousands of financial and operating data and records, **identifying and cataloging significant risks in mere seconds**.



The *AI Auditor* platform works by our side, augmenting our capacity to detect errors or fraud in the collected data not only by analyzing the entire set but by cross-correlating dozens of testing criteria against pre-established data points and presenting us with a view of every user, vendor, and transaction, by risk. All are happening within moments of ingesting analyzed data, which is something standard audit procedures simply cannot accomplish.

We utilize these tools to allow our audit team to increase efficiency in the audit process, enhance the existing quality of our work, provide directed testing in areas subject to the highest risk, and quickly assimilate large amounts of data your staff would typically be asked to gather. The tools also help us to meet our professional requirements regarding fraud and internal control, allowing us to:

- ✓ Run Benford's analysis to check for fraud in transactions.
- ✓ Increase the value of audit findings with complete, 100% data coverage.
- ✓ Isolate risk and control issues before they impact your operations.
- ✓ Improve productivity by automating procedures and eliminating manual tasks.
- ✓ Conduct more direct, efficient, and effective audits to improve overall service quality.

Olivenhain Municipal Water District

Our engagement team easily imports data in a secure environment from the District's financial software and extracts useful data for testing and analytical procedures particular to the following areas:

- Successful Fraud Test
- Questionable Invoices
- Phantom Vendor Schemes
- Kickback or Conflict-of-Interest Schemes
- Dormant Account Schemes
- Money Laundering Schemes

Type and Extent of Analytical Procedures to be used in the Engagement

Analytical procedures are one of many financial audit processes that help an auditor understand the client's operation and changes in the environment and identify potential risk areas to plan other audit procedures. Such procedures include a comparison of financial information on prior periods, budgets, forecasts, and industry benchmarks. We use trend and ratio analysis to identify any uncertain or unusual events. To perform these analyses, our Firm surveys cities and counties and develops benchmarks on specific vital financial indicators, such as the cost of services to tax revenues ratios, average general fund balance, capital assets, debt-to-capital, and general fund unassigned fund balance to total general fund expenditures, etc. Our engagement members have extensive experience in successfully implanting analytical procedures to the District's benefit.

Our analytical procedures process is performed during three stages of the audit: (a) at the start, (b) in the middle, and (c) at the end. These three stages are risk assessment procedures, substantive analytical procedures, and final analytical procedures:

- **Risk assessment procedures** are used to assist the auditor in understanding the business better and in planning the nature, timing, and extent of audit procedures.
- **Substantive analytical procedures** are used to obtain evidential matters about particular assertions related to the account balances or classes of transactions. During the interim phase, our engagement team will set up expectations for the year-to-date results and balances and compare them with budgeted and prior-year amounts. This process allows us to forecast year-end amounts, reducing the workload during the year-end phase and allowing us to focus on areas of concern.
- **Final analytical procedures** are used as an overall review of the financial information in the last review stage of the audit. The Engagement Partner(s) and Manager(s) will perform a high-level analytical analysis of the financial information, comparing its data both quantitatively and qualitatively to ensure the amounts are fairly presented in all material respect in the financial statements.

Approach to be Taken to Gain and Document an Understanding of the Internal Control Structure

Audit risk assessment is established by an internal control review, combined with the engagement team's understanding of the District's operations and accounting software. Using the Committee of Sponsoring Organizations (COSO) Framework, staff members will evaluate the District's processes and identify any control deficiencies. These diagnostic review procedures allow the engagement team to assess the District's systems and controls and to provide constructive feedback to management.

During our initial planning phase of the audit, our engagement team, including the engagement Partner and Manager, will obtain an understanding of the entity and its environment. It is an essential aspect of performing an audit under generally accepted auditing standards. That understanding establishes a frame of reference within which the auditor plans the procedures and exercises professional judgment about assessing risks of material misstatement of the financial statements and responding to those risks throughout the examination.

During the interim phase of the audit, our engagement team will perform a walkthrough of all significant accounting systems, including processes for financial reporting, revenue recognition and cash receipts, purchasing/contract management and cash disbursements, payroll and related liabilities, and others. Our auditors will obtain the written policies and procedures, inquiring accounting personnel, and document the process in either a flowchart or narrative summary format. After gaining an understanding of the accounting and internal control systems, our auditor will make a preliminary assessment of control risk, at the assertion level, for each material account balance or class of transactions.

Olivenhain Municipal Water District

The form and extent of this documentation are influenced by the size and complexity of the entity and the nature of its accounting and internal control systems. Generally, the more complex the entity's accounting and internal control systems and the more extensive the auditor's procedures, the broader our documentation will need to be.

Approach to be Taken in Determining Laws and Regulations that Will be Subject to Audit Test Work

The Firm stays continually up to date with audit requirements—including new regulations, compliance supplements, state guidelines, and related contracts—to ensure that we conduct audits under applicable laws and regulations. We test transactions for compliance with the Single Audit Act, California Government Code, GANN Appropriations Limit, provisions of applicable grant guidelines, requirements of local measures, and others.

For example, the Single Audit Act requires that we determine which grants to include in our audit and select transactions from those grants for detailed testing. While most items will be tested as part of the Interim phase, we cannot determine which grants will be selected for the Single Audit until the year-end/fieldwork stage of the audit.

Our compliance audits of cash, investments, debt covenants, and other areas will be performed following the California Government Code, which has many provisions and regulations covering investments.

Approach to be Taken in Drawing Audit Samples for Purposes of Tests of Compliance

To test compliance, we will follow the AICPA's Audit Sampling Considerations of Uniform Guidance Compliance Audits. We will select an appropriate sample size based on our professional judgment and knowledge. Any deviations from control and compliance requirements will be documented.

Audit Firm's Expectations of the Role and Participation of District's Staff in the Audit Process

The engagement team will meet with the District's management during the initial planning stage to discuss audit schedules and review the prior year's audit findings (if any). We will deliver a list of all documents to be provided by the District's staff. Once such materials are agreed upon by the engagement team and District's finance personnel, no other schedules will be requested unless new information comes to light in the course of test work.

Our goal is to cause the least amount of interruptions to the District's daily operations; therefore, to the extent possible, we will use information in the form available from the District's records.

We believe client/engagement team communication is vital to perform results satisfactorily. With that sentiment in mind, we will hold regular meetings with the District's management to determine the status of the audit as well as any items which will require special attention. **Open and frequent communication is critical.**

Objectives of Our Services

Our primary objective for the proposed audit is to examine the District's financial statements and express our opinion on the fairness of the presentation, following generally accepted accounting principles. Other objectives that will benefit the District include the following:

- To offer beneficial observations and recommendations about policies and procedures for accounting and operating controls
- To identify opportunities to make District operations more efficient and reduce costs
- To perform the audit efficiently and effectively. Disruptions to office operations are kept to a minimum
- To provide continuing advisory services so the District can implement recommendations
- To meet these objectives at no additional cost to the District

The Engagement Team will perform the audit abiding by the Firm's quality-control procedures, which include following standard audit programs, careful planning, using industry-standardized software for auditing and internal control documentation, and welcoming an objective review of audit work. In other words, our client-tailored approach emphasizes careful planning, open communication, and proper assignment of responsibilities.

The Firm will supply portable computers to the on-site staff members.

Identification of Anticipated Potential Audit Problems

While we do not expect any problems with the audit, we will carefully investigate and monitor the following relevant accounting issues:

Investments:

- Compliance with GASB 31 and GASB 34
- Authorization and approval process for District investments
- Controls to assure the District's compliance with investment limitations and types of specific investments
- Monitoring by the District of its investments

Financial Reporting:

- Compliance with current reporting and disclosure requirements issued by GASB
- Compliance with the various GASBs in effect
- Perform valuations of OPEB benefits to determine the liability for all benefits promised to active, retired, and inactive plan members as of each valuation date
- Compliance with Governmental Accounting Standards Board (GASB) Statements 74 and 75
- Compliance with infrastructure obligations and regulatory provisions

Internal Control Structure:

- District's internal control functions and compliance with proper internal control philosophies
- Computer-system processes and controls and adequacy of the control environment

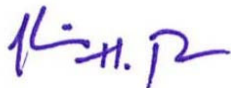
Bidding Proposal

We are committed to the performance of a high-quality audit at the most reasonable fee level possible, both initially and throughout the engagement. Also, our partners will provide advice and consultation as needed at no additional cost to the Olivenhain Municipal Water District.

Name of Firm: The Pun Group LLP – Certified Public Accountants and Business Advisors
Contact Name: Kenneth H. Pun, CPA, CGMA
Contact Email Address: ken.pun@pungroup.cpa

Authorization to Represent the Firm

I, the undersigned, certify I am duly authorized to represent The Pun Group LLP and am empowered to submit this bid. In addition, I certify I am authorized to contract with the Olivenhain Municipal Water District on behalf of the Firm.



May 5, 2023

Kenneth H. Pun, CPA, CGMA | Managing Partner
The Pun Group LLP

Date

Total All-Inclusive Maximum Price

Our proposed fees for Professional Auditing Services for the three year period for years ending June 30, 2024, 2025, and 2026 with an option to extend the contract for two (2) additional fiscal years ending June 30, 2027 and 2028, are as follows:

Services Provided:	Optional Years				
	2023-24	2024-25	2025-26	2026-27	2027-28
Financial Audit of the District	\$ 30,000	\$ 30,900	\$ 31,827	\$ 32,782	\$ 33,765
Single Audit - if needed (1 Major Program)	\$ 5,000	\$ 5,150	\$ 5,305	\$ 5,464	\$ 5,628
Grand Total:	\$ 35,000	\$ 36,050	\$ 37,132	\$ 38,245	\$ 39,393

- (1) Single Audit fees based on one (1) major program. The fee for auditing additional major programs will be \$5,000 each. The number of programs determined to be “major” will be based on OMB Uniform Guidance. The Engagement Team will discuss this with the Olivenhain Municipal Water District’s Management before starting Single Audit work.

Olivenhain Municipal Water District

Out of Pocket Expenses are Included in the Total All-Inclusive Maximum Price and Reimbursement Rates

The Firm's policy is to maintain flexible billing rates to meet the needs of clients and help them control costs. In the interest of continuing our long-term relationship, we will absorb expenses such as travel and printing costs. Additionally, our Partners will be available to provide advice and consultation as necessary to the Olivenhain Municipal Water District. The Firm will also absorb these costs.

Rates for Additional Professional Services

Below are the Firm's hourly billing rates, delineated by staffing levels:

Hourly Billing Rates	
Partner(s)	\$ 300
Director(s)	\$ 250
Senior Manager(s)	\$ 225
Manager(s)	\$ 200
Supervisor(s)	\$ 175
Senior Accountant(s)	\$ 150
Staff Accountant(s)	\$ 125
Clerical	\$ 100

Any supplemental reports, audits, or agreed-upon procedures not covered by this proposal may be added to a written agreement prior to commencing audit work. The Firm and the District will discuss and approve the scope and associated costs of these tasks. Any additional work will be performed at the above-quoted hourly rates.

Manner of Payment

Engagement Team members are required to maintain timesheets detailing the date, number of hours, and work performed for every audit task. The Firm will collect these timesheets and bill the Olivenhain Municipal Water District at the rates outlined in the Total All-Inclusive Maximum Price section in four stages: (1) at the conclusion of the planning phase, (2) at the conclusion of the interim phase, (3) at the conclusion of the Year-End phase, (4) and after presentation and acceptance of the final audit reports. Interim billings will cover a period not less than a calendar month. The billing amounts generally break down as follows:

Work Performed	% of Proposal Amount
Planning	10%
Interim	40%
Fieldwork	40%
Presentation and Acceptance of Reports	10%

Let's Get to Work!

Benefits of Choosing The Pun Group LLP

The Pun Group LLP is recognized for its professionalism, integrity and for providing clients with practical solutions unique to their circumstances and issues. Our Firm prides itself on being able to provide personalized client services, and with that sentiment in mind, we have carefully chosen our engagement teams. The Pun Group's primary objective is to continue offering the Olivenhain Municipal Water District solutions and directions led by highly experienced and capable partners who can successfully implement the work and produce the results you expect. This philosophy and mindset allow us to provide a superior level of service and a quality audit.

We trust that this proposal has given you the information needed about the Firm, the engagement team members, the overall audit approach, cost-saving measures, and audit fees. We are committed to exceeding your expectations, and we look forward to continuing to bring our experience and expertise to the Olivenhain Municipal Water District while providing you with the excellent level of service that you expect and deserve.

Thank You

Thank you for allowing us to submit our qualifications to continue providing you with Professional Auditing Services. Please direct inquiries to:

Kenneth H. Pun, CPA, CGMA
Managing Partner
Email: ken.pun@pungroup.cpa
Phone: (949) 777-8801 | Fax: (949) 777-8850

Sincerely,

A handwritten signature in black ink that reads "The Pun Group, LLP". The signature is written in a cursive, flowing style.

The Pun Group LLP
Certified Public Accountants and Business Advisors

Appendix A – Proposer Warranty

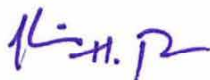
Olivenhain Municipal Water District
Request for Proposals for Professional Auditing Services

Page 11 of 22

The proposing firm warrants the following:

- 1. The firm is willing and able to obtain an Errors and Omissions Insurance Policy providing a prudent amount of coverage for the willful or negligent acts or omissions of any officers, employees, or agents thereof.
- 2. The firm will not delegate or subcontract its responsibilities under an agreement without the express prior written permission of the Olivenhain Municipal Water District.
- 3. All information provided by the firm in connection with this proposal is true and correct.
- 4. The firm will acknowledge and agree with all terms and conditions stated in this Request for Proposal.
- 5. The firm will sign the attached Standard Professional Service Agreement and to provide insurance certificates and all other required documentation within seven (7) days of notification of selection.

Firm



05/05/23

Authorized Representative/Date

Attachment: OMWD Standard Professional Service Agreement

Appendix B – Available Training

Strengthen Your Accounting Knowledge: TPG Client Training Webinars

We pride ourselves in leading the governmental auditing profession nationwide and statewide. Members of our team have been assigned to the AICPA and State Government Accounting and Audit committees. Our membership with these two levels of government keeps us current, and such involvement helps our Firm with the constant changes in accounting and auditing standards, laws and regulations, and compliance provisions, which have created an unprecedented complexity in public accounting for state and local governments.

Every year, the Firm hosts a conference to update governmental clients on new technical accounting and financial issues. Since last year, by implementing “Webinars,” we’ve been expanding our horizons and offering our clients 15 hours of Continuing Professional Education (CPE). These sessions are **free of charge** and part of the service package provided to our clients.

CPE courses we offer:



Appendix C – Certificate of Insurance



CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)

2/28/2023

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must have ADDITIONAL INSURED provisions or be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER Burnham WGB Insurance Solutions CA Insurance License 0F69771 15901 Red Hill Avenue Tustin CA 92780		CONTACT NAME: Sarah Caballero PHONE (A/C No. Ext): 714-824-8300 FAX (A/C No): 714-573-1770 E-MAIL ADDRESS: Sarah.Caballero@wgbib.com	
		INSURER(S) AFFORDING COVERAGE	NAIC #
		INSURER A: Great Divide Insurance Company	25224
		INSURER B: Valley Forge Insurance Company	20508
		INSURER C: Transportation Insurance Company	20494
		INSURER D: Continental Casualty Company	20443
		INSURER E:	
		INSURER F:	

COVERAGES **CERTIFICATE NUMBER:** 2039266251 **REVISION NUMBER:**

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSR	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
B	<input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR <input checked="" type="checkbox"/> \$0 deductible GEN'L AGGREGATE LIMIT APPLIES PER: <input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PROJECT <input type="checkbox"/> LOC <input type="checkbox"/> OTHER:	Y		7013134445	3/1/2023	3/1/2024	EACH OCCURRENCE \$2,000,000 DAMAGE TO RENTED PREMISES (Ea occurrence) \$1,000,000 MED EXP (Any one person) \$10,000 PERSONAL & ADV INJURY \$2,000,000 GENERAL AGGREGATE \$4,000,000 PRODUCTS - COM/OP AGG \$4,000,000 \$
C	AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> OWNED AUTOS ONLY <input checked="" type="checkbox"/> HIRED AUTOS ONLY <input type="checkbox"/> SCHEDULED AUTOS <input checked="" type="checkbox"/> NON-OWNED AUTOS ONLY			7013117645	3/1/2023	3/1/2024	COMBINED SINGLE LIMIT (Ea accident) \$1,000,000 BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$ \$
D	UMBRELLA LIAB <input checked="" type="checkbox"/> OCCUR EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE DED <input checked="" type="checkbox"/> RETENTION \$10,000			7013136468	3/1/2023	3/1/2024	EACH OCCURRENCE \$1,000,000 AGGREGATE \$ \$
B	WORKER'S COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	Y/N	N/A	WC713136289	3/1/2023	3/1/2024	<input checked="" type="checkbox"/> PER STATUTE <input type="checkbox"/> OTHER No Deductible E.L. EACH ACCIDENT \$1,000,000 E.L. DISEASE - EA EMPLOYEE \$1,000,000 E.L. DISEASE - POLICY LIMIT \$1,000,000
A	E&O Retro 12/29/11			CAB20235903	3/1/2023	3/1/2024	3,000,000 agg 1,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)
 Great Divide Insurance Company AM Best Rating A+ XV

Certificate holder(s) is/are named as additional insured per attached endorsements subject to the terms & conditions of the policy:
 General Liability Additional Insured & Waiver of Subrogation # SB146932G
 General Liability Primary & Contributory #CNA80103XX
 Umbrella Policy follows form for General Liability, Auto Liability and Employers Liability
 Auto Primary and Non-Contributory & Waiver of Subrogation #CA00011013
 Auto Designated Insured #IL 02 70 07 20
 See Attached...

CERTIFICATE HOLDER Olivenhain Municipal Water District Attn: Kimberly A. Thorne, General Manager 1966 Olivenhain Road Encinitas CA 92024	CANCELLATION SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS. AUTHORIZED REPRESENTATIVE
---	--

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ORANGE COUNTY ■ SAN DIEGO ■ BAY AREA ■ LAS VEGAS ■ PHOENIX

67

www.pungroup.cpa

PROPOSAL FOR
PROFESSIONAL AUDITING
SERVICES

Prepared By:

Davis Farr LLP
5927 Priestly Drive | Suite 201
Carlsbad, CA 92008

Contact Person:

Shannon Ayala, CPA | Partner
Office: 760.536.5140 | Direct: 760.298.5872
Email: sayala@davisfarr.com



Olivenhain Municipal Water District

1966 Olivenhain Road
Encinitas, CA 92024

May 5, 2023

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APPENDIX

Resumes

Peer Review Documentation

May 5, 2023

Olivenhain Municipal Water District
1966 Olivenhain Road
Encinitas, CA 92024

We are pleased to provide our proposal to perform audit services to the Olivenhain Municipal Water District ("the District") for the fiscal year ending June 30, 2024 through June 30, 2026, with optional extensions through 2028.

Our approach to service emphasizes open and consistent communication, proactive problem-solving, and valuable support. We prioritize listening to your ideas and concerns, leveraging our financial and operational expertise to develop effective, creative solutions. We believe our firm, is the optimal choice for the District because of the following reasons, which are detailed further in our proposal:

- Our team assumes a leadership role when it comes to accounting and auditing issues faced by local governments. Our Partners actively participate in organizations such as the Government Accounting and Audit Committee of the CalCPA Society, CSMFO Professional Standards Committee, GFOA Special Review Committee, and regularly speak at conferences and training events, including the recent CSMFO Annual Conference.
- We currently provide audit services to over 15 water districts in Southern California and possess a deep understanding of the challenges unique to California governments and water districts. This allows us to offer high-quality audits tailored to your District's needs.
- We harness data mining software to detect irregularities in your accounting data, prioritizing areas where errors and potential fraud are more likely to occur.

We appreciate the opportunity to demonstrate our qualifications and are eager to establish a professional working relationship. Our proposal remains a firm and irrevocable offer for 90 days, I encourage you to contact me directly at (760) 298-5872.

Very truly yours,



Shannon Ayala, CPA
Partner

Section A – About Davis Farr LLP


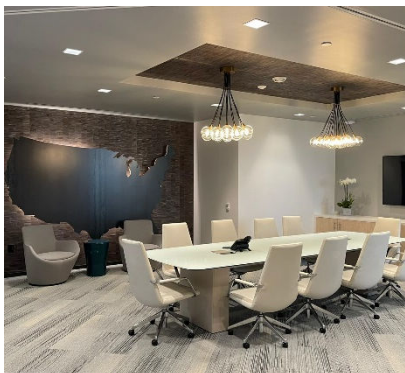
Background Information – Davis Farr LLP is a regional accounting firm that provides comprehensive attest and advisory services to federal, state, and local governments through offices in California and Washington. Our Carlsbad office will be responsible for this engagement. Our personnel have collectively served governmental entities for over 30 years, with government audit personnel classified as noted in the table below.

License to Practice in California – Davis Farr LLP, as well as all key personnel are licensed as independent certified public accountants (CPAs) with the California State Board of Accountancy.

Independence – Davis Farr LLP is independent with respect to the District as defined by U.S. General Accounting Office’s *Government Auditing Standards* and Generally Accepted Auditing Standards. Davis Farr LLP has not had any prior engagements with the District in the past five years. Neither Davis Farr LLP nor the key personnel have any potential or real conflicts of interest.

Quality Control – Our firm is committed to maintaining the highest standards of quality control. We are members of the American Institute of Certified Public Accountants (AICPA) and participate voluntarily in the AICPA Peer Review Program, with our most recent Peer Review report demonstrating our “Pass” in maintaining the highest level of quality control for our services, including government engagements. We are also members of the AICPA’s Government Audit Quality Center. Our firm has had no disciplinary action taken or pending against us for the past three years by any state regulatory bodies or professional organizations.

Training – We prioritize the ongoing education and training of every professional member of our firm. Each team member is required to complete 80 hours of training over two years, with at least 24 hours annually dedicated to specific government accounting and audit topics. Our extensive range of courses spans professional and technical subjects, including Fraud, Professional Ethics and Governmental Accounting and Auditing, ensuring all of our practitioners maintain their professional expertise.

	Classification	Number of Employees	
	Partners	7	
	Managers	8	
	Supervisors	4	
	Seniors	17	
	Staff	13	
	Administrative	3	
	Total personnel	52	

Professional Affiliations

Government Audit Quality Center – Davis Farr LLP is a member of the Government Audit Quality Center (GAQC). The GAQC promotes the importance of quality governmental audits and the value of such audits to purchasers of governmental audit services. GAQC is a voluntary membership center for CPA firms and state audit organizations that perform governmental audits.

National Registry of CPE Sponsors – Davis Farr LLP is registered with the National Association of State Board of Accountancy (NASBA), offering clients continuing professional education (CPE) programs consistent with nationally recognized standards. Our annual GASB Update is a prime example of our dedication to providing CPE opportunities to our clients.

California Society of CPAs (CalCPA) – Many of the CPAs employed by our firm are also members of CalCPA, regularly participating in chapter meetings, education forums, and other events. Our firm's high standards have been recognized by CalCPA, through their "**Women to Watch**" award in the Experienced Leader category, granted to one of our Partners.

American Institute of Certified Public Accountants (AICPA) – Our firm is also a member of the AICPA, which develops and promotes industry standards in audits, shares educational materials with its members, and enforces compliance with technical and ethical standards.

California Society of Municipal Finance Officers (CSMFO) – We are members of CSMFO, a statewide organization serving all California municipal finance professionals. The Partners of Davis Farr LLP regularly participate in CSMFO chapter meetings and conferences, presenting on a variety of accounting and auditing technical topics. We recently presented at the 2023 CSMFO annual conference.

Government Finance Officers Association (GFOA) – The GFOA strives toward enhancing and promoting the professional management of governmental financial resources for the public benefit. Davis Farr LLP's Partners are members of the Special Review Committee for the Certificate of Achievement Program, which reviews Annual Comprehensive Financial Reports submitted to GFOA for the Excellence in Financial Reporting Award Program. We continue to advance our knowledge and share our expertise in these institutions, enabling us to deliver the highest-quality services to our clients.



Section B – Qualifications and Related Experience

With a strong track record in servicing governmental entities, Davis Farr LLP has established itself as a leading provider of specialized auditing services throughout Southern, currently, servicing approximately 60 municipal, state, and federal government entities. Our team brings a unique combination of expertise, technical skills and experience in local government accounting and auditing practices to our engagements, ensuring our clients receive the highest level of service possible. Services routinely provided to our clients include, but are not limited to:



Our government expertise includes Cities, Special Districts, and other Governmental entities. Among the government agencies that the professionals of Davis Farr LLP have served recently are the following:

- City of Avalon
- City of Carlsbad
- City of Commerce
- City of Coronado
- City of Costa Mesa
- City of Cypress
- City of Delano
- City of Encinitas
- City of Fontana
- City of Garden Grove
- City of Huntington Beach
- City of Indio
- City of Irvine
- City of Laguna Niguel
- City of Los Angeles
- City of Mission Viejo
- City of Newport Beach
- City of Poway
- City of Rancho Santa Margarita
- City of Santee
- City of South Gate
- City of Vista
- County Los Angeles
- County of Placer
- County of San Diego
- East Orange County Water District
- Hass Avocado Board
- Irvine Ranch Water District
- Leucadia Wastewater District
- Metropolitan Water District of So CA
- Municipal Water District of So CA
- Orange County LAFCO
- Oxnard Housing Authority
- Placer County Water Agency
- Rancho California Water District
- San Diego Association of Governments
- San Diego County Water Authority
- San Diego LAFCO
- Sweetwater Authority
- Tahoe Regional Planning Agency
- Tahoe Transportation District
- Vallecitos Water District

Section C – Client References

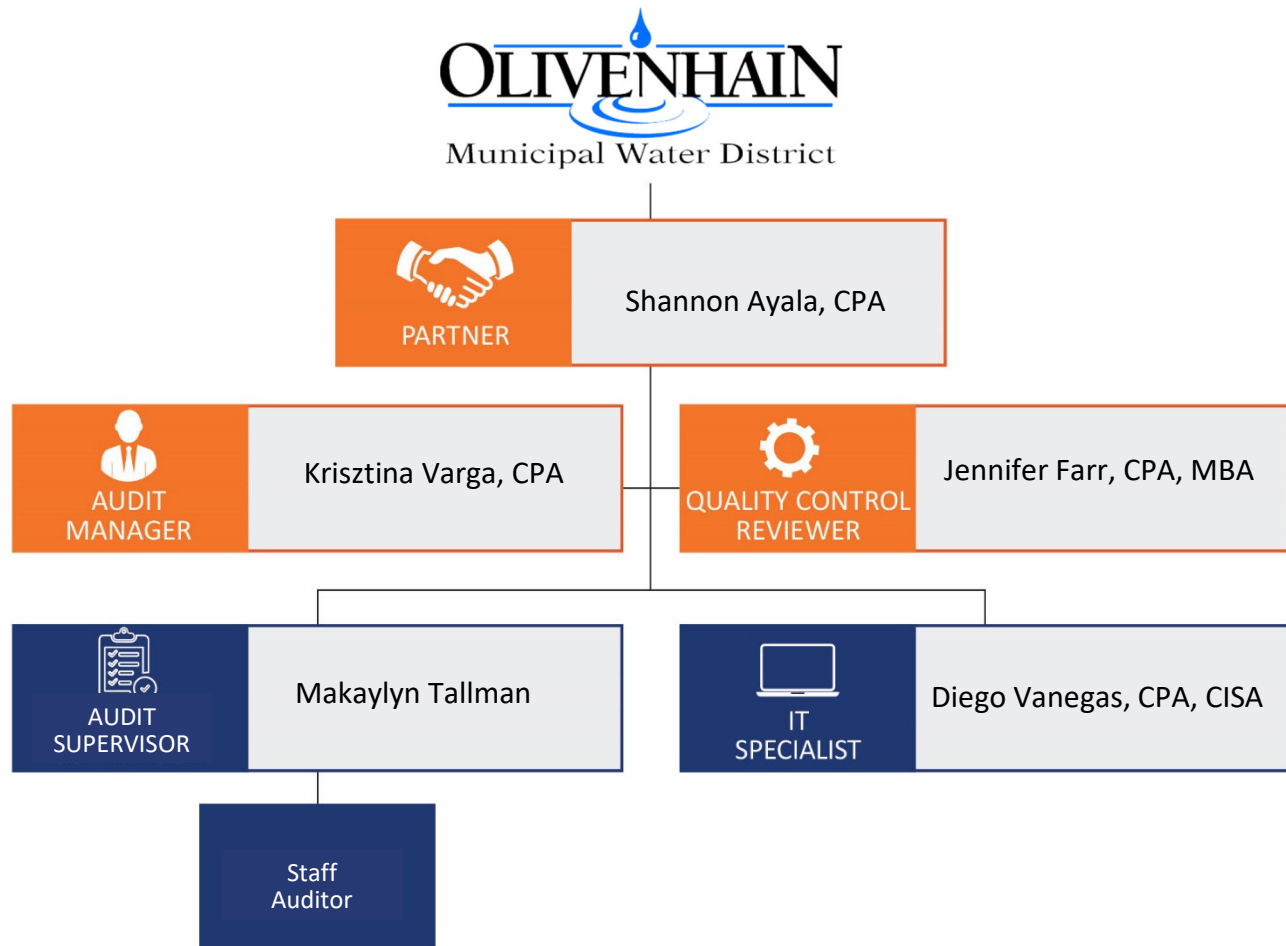
For your convenience, we have listed below references for audit work currently being performed by Davis Farr LLP personnel for several Cities throughout Southern California. For each of the references, we currently serve as independent auditors and have served these clients for a number of years.

CLIENT 1	Valley Center Municipal Water District 29300 Valley Center Road Valley Center, CA Vanessa Velasquez, Accounting Manager 760.735.4543 vvelasquez@vcmwd.org	<i>Financial Statement Audit of the District</i>	300 Hours
CLIENT 2	City of Encinitas – San Dieguito WD 505 S. Vulcan Avenue Encinitas, CA Teresa McBroome, Director of Finance 760.633.2772 tmcbroome@encinitasca.gov	<i>Financial Statement Audit of City, including the Water District</i>	650 Hours
CLIENT 3	San Diego County Water Authority 4677 Overland Avenue San Diego, CA Chris Woidzik, Controller 858.522.6679 cwoidzik@sdcwa.org	<i>Financial Statement Audit of the Authority and Quantification Settlement Agreement</i>	325 Hours
CLIENT 4	Vallecitos Water District 201 Vallecitos De Oro San Marcos, CA Wes Owen, Finance Manager 760.744.0460 wowen@vwd.org	<i>Financial Statement Audit of District</i>	250 Hours

Section D – Proposed Staffing

The success of any audit depends on the availability of personnel with the required managerial and technical skills. The engagement team at Davis Farr LLP has years of collective experience serving as a team of professionals on numerous financial audit examinations of local government entities. Our team will be composed of key personnel, including the Partner, Manager, and Senior Auditor, who will not be removed or replaced without the prior consent of the District.

At Davis Farr LLP, we recognize that efficient administrative management and supervision of the audits is a vital factor in attaining the desired results for our clients. To ensure that the auditing process runs smoothly and produces accurate results for the District, we have developed a solid organizational structure for providing independent auditing services, as follows:



Section E – Work Plan

At Davis Farr, we are committed to conducting our engagements in the most efficient manner possible, and our audit approach is tailored to be sensitive to the priorities and requirements of our clients. Some unique features of our approach include:

- We prioritize minimizing disruption to District staff and completing the audit in a timely manner. To this end, we schedule our audit segments and requested documentation around the schedules of our clients.
- When possible, we strive to make use of existing accounting support materials already prepared by District staff. This avoids unnecessary duplication of effort and undue requests for supporting schedules. Typically, we request support for balance sheet items, the year-end trial balances and cash and long-term debt confirmations.
- Our expertise and focus is in governmental auditing, and our auditors possess the skills and know-how to address issues that are specific to local governments.
- We believe the key to effective internal control recommendations lies in understanding the unique circumstances and needs of each client we serve. For this reason, we take great care to acquire a comprehensive understanding of the specific circumstances at the District, so we can formulate practical and tailored recommendations that best meet your needs.
- We also understand that accounting issues can arise at any time of the year, and that addressing these concerns is critical to the success of your organization. That's why we make it our priority to be a constant resource for our clients throughout the year, providing accounting advice, researching technical questions, assisting with tax-related issues and helping with other challenges as they occur.

Audit Software - We utilize the highly versatile CaseWare audit software when generating electronic copies of audit workpapers. We understand the need for flexibility and are able to accept audit documentation in both hard copy and electronic format. CaseWare provides the ability to import trial balances from Excel or text documents, allowing us to begin analyzing figures almost immediately. CaseWare audit software offers numerous benefits, including:

- We create our own lead sheets and analytical review schedules through the software. This limits the amount of time finance staff spends creating audit schedules. The automated process also generates analytical review reports by account number. This makes it easier to examine significant fluctuations between fiscal years.
- We can link the financial statement schedules directly to the CaseWare trial balances. As a result, we can provide the District with financial statements soon after receiving the trial balance from the District. Journal entries are simple to post to the financial statement schedules, minimizing the risk of data entry errors.
- We can provide customized reports that outline the grouping of the financial statement schedules. These reports show each account grouped to a specific financial statement line item and journal entries posted during the audit.

Data Mining Software – At Davis Farr, we pride ourselves on leveraging technology to improve accuracy and efficiency of our audit procedures. Our dedicated team of trained personnel uses specialized data mining software, IDEA, to identify and investigate inconsistencies and irregularities within your accounting system. The software works by analyzing source data pinpoint potential anomalies, including, but not limited to, cross-referencing vendor and employee addresses, detecting duplicate or voided checks, reviewing journal entry posting for unauthorized individuals, and identifying accounting transactions recorded on the weekend. The IDEA software goes a step further by highlighting specific transactions for the auditors to review, thus enhancing the identification of potential fraud or errors.

Internal Control Evaluation – We have developed an effective methodology for evaluating internal controls that ensures we gain an understanding of your organization's procedures. Our approach includes observation and inquiry, which allows us to thoroughly explore the accounting cycles. When assessing internal controls, we invest significant time with the personnel overseeing the accounting process to better understand the procedures in place.

Following this preliminary assessment, we identify key controls in your processes and design customized tests to evaluate the effectiveness of your existing procedures. In the initial year of the audit, we will focus on the following accounting cycles:

- Billing and cash receipting
- Capital assets
- Purchase and disbursements
- Payroll
- Investment and cash controls
- Information systems

In future years, we will continue to review the accounting cycles mentioned earlier, while refining our approach to other related processes, such as credit card transactions, petty cash, inventory controls, offsite cash receipting, employee reimbursements, contract compliance, and so forth. Our goal is to continually refine our audit approach to achieve optimal efficiency, increase the scope of our assessments and hone our ability to identify and address potential issues.

Audit Stage	Procedures Performed
Planning and Inquiry	<p>During the planning phase of the audit, we plan to perform the following procedures:</p> <ul style="list-style-type: none"> ✓ Meet with finance personnel to gain an understanding of significant transactions during the year. ✓ Communicate with the Board of Directors to ensure compliance with relevant laws and regulations and address any concerns they may have regarding the finances of the District. ✓ Perform internal control evaluations as outlined above. ✓ Determine materiality levels to guide our selection of audit transactions. ✓ Perform a risk assessment to develop the audit plan for the year. ✓ Review minutes of the Board meetings to gain an understanding of financial actions taken by the District throughout the year. ✓ Examine new contracts, bond documents, and agreements. ✓ Evaluate compliance with investments in accordance with the District's investment policy and CA Government Code. ✓ Test purchase orders and contract management. ✓ Test a sample of cash disbursements to determine adherence to policies and internal controls. ✓ Perform a review of the District's information systems and controls. ✓ Conduct compliance testing of federal grants, where applicable. ✓ Review the prior audited financial statements and offering feedback to District staff regarding best practices in financial reporting. ✓ Provide a GASB Update and templates for implementing new accounting standards including the upcoming SBITA accounting standard.
Year-End Testing	<p>After the books are closed and ready for audit, we will perform our year-end procedures which include the following:</p> <ul style="list-style-type: none"> ✓ Confirming 100% of all cash and investment balances and test market values provided by your investment custodians. ✓ Testing for proper cutoffs of accounts receivable and grants receivable. ✓ Confirming and testing material notes and loans receivable. ✓ Testing the additions and deletions to capital assets and reviewing depreciation expense for reasonableness. ✓ Testing interfund transactions including due to/due from other funds and transfers. ✓ Testing current liabilities and perform a search for unrecorded liabilities. ✓ Reviewing unearned revenue balances for proper cutoffs. ✓ Testing the balances of accrued payroll and employee related liabilities. ✓ Confirming long-term debt with independent parties, when applicable. ✓ Reviewing the journal entry to record the debt for accuracy in years of new debt issuances. ✓ Testing of actuarial valuations and calculations related to pension and OPEB obligations and disclosures under GASB 68 and 75.

Audit Stage	Procedures Performed
	<ul style="list-style-type: none"> ✓ Evaluating claims and judgments payable. ✓ Testing of restrictions and classifications of net position. ✓ Analyze grant revenues and expenses to ensure proper matching within the fiscal year. ✓ Test the reasonableness of interest income, realized, and unrealized gains/losses on investments. ✓ Analytically and substantively test revenues and expenses reported in the financial statements. ✓ We will incorporate an element of unpredictability every year that will focus on an audit area that is not typically considered a high or significant risk area such as petty cash, credit card purchases, new vendors, travel expenses, etc. <p>This list of tests, while not exhaustive, represents some of the critical procedures that we undertake during the audit process. During the final stage of the audit, we review our findings and necessary adjustments with your Finance staff. We will ensure you are fully informed of any adjustments or recommendations and that all your questions and concerns are addressed.</p>
Single Audit Approach	<p>As part of our Single Audit for the years in which the District expends greater than \$750,000, we will perform the following procedures in accordance with the Uniform Guidance:</p> <ul style="list-style-type: none"> ✓ Perform an evaluation of the major programs required to be tested. ✓ Review OMB guidance and the OMB Compliance Supplement for the major program selected. ✓ Evaluating internal controls for each of the applicable 14 compliance areas for each program audited. ✓ Using AICPA sampling guidance, we select a sample for each of the applicable 14 compliance areas for each program audited, testing the sample for compliance. ✓ Testing the indirect cost rate, if applicable. ✓ Reviewing monitoring reports for noncompliance and follow up on the resolution of past noncompliance, if applicable. ✓ Issue a single audit report of federal expenditures. ✓ File the data collection form within the specified deadline.
Completion of the Audit and Preparation of Financial Statements	<p>Our goal is to deliver comprehensive, audited financial statements that conform to generally accepted accounting principles. Throughout the audit, we scrutinize all relevant information to ensure a reliable and accurate representation of the District's finances. The culmination of this audit information is then used to reach a conclusion on whether the financial statements taken as a whole conform with generally accepted accounting principles.</p> <ul style="list-style-type: none"> ✓ Reviewing significant events following the year-end closing process. ✓ Reviewing attorney letters for significant legal matters. ✓ Providing five levels of review on the District's Annual Comprehensive Financial Report. ✓ Meeting with Board of Directors to present the audit results, as requested.

Section F – Implementation of New GASB Pronouncements

We are committed to helping our clients navigate the ever-changing world of accounting standards. We understand implementing new standards presents significant challenges, and we provide guidance and support to help our clients implement these changes efficiently and effectively. In the upcoming years, the District will be required to implement several new accounting standards. Our services extend to consulting on these new standards to ensure your organization is well-prepared to meet the specified requirements.

Below are some of the significant new GASB pronouncements planned or proposed for local governments that may impact the District:

<i>GASB 96: Subscription Based IT Arrangements</i>	The Statement provides guidance to governments on the accounting and financial reporting for subscription-based information technology arrangements. This Statement is effective for the fiscal year ending June 30, 2023.
<i>GASB 100: Accounting Changes and Error Corrections</i>	This statement provides guidance on accounting changes and accounting for different types of accounting changes and error corrections in the financial statements. This statement is effective for the fiscal year ending June 30, 2024.
<i>GASB 101: Compensated Absences</i>	This statement provides guidance on accounting changes and financial reporting related to compensated absences. This statement is effective for the fiscal year ending June 30, 2025.

Section G – Scope of Work

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

- Conducting an audit examination of the financial statements of the District for the fiscal year ending June 30, 2024 through 2026, with optional extensions through 2028, in accordance with generally accepted auditing standards, the AICPA Audit and Accounting Guide, Audits of State and Local Government Units, and the Government Auditing Standards issued by the Comptroller General of the United States. We will ensure that the Basic Financial Statements are prepared in conformity with the most recent edition of the GAAFR, the GAAFR Update, and subsequent GASB pronouncements.
- We will prepare a report on the District's appropriations limitation to meet the requirements of Article XIII-B of the California Constitution.
- When necessary, we will perform a compliance audit of federal expenditures in accordance with the *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* in any year the District has federal expenditures of more than \$750,000.
- We will prepare a letter to the Board of Directors summarizing the audit results in accordance with the Codification of Auditing Standards Section AU-260.
- We will prepare a letter to the Board of Directors reporting any internal control issues that meet the threshold of a significant deficiency or material weakness, as defined by the Codification of Auditing Standards Section AU-265. We will immediately report any irregularities or illegal acts that come to our attention to management and/or those charged with governance.
- As requested, we will meet with the Board of Directors to discuss the results of the audit.
- Finally, we consider our role as advisors to the District regarding generally accepted accounting principles to be an essential part of our services. Throughout the year, the management and other finance personnel of the District will have full access to us to our team to seek advice on various matters relating to the application of generally accepted accounting principles, financial statement preparation and content, debt issuances, upcoming accounting standards and any other issues that may arise.

Section H – Proposed Timing of the Audit for FY 23/24

The following proposed timing is subject to the District's revision and approval:



Section I – Proposed Fees and Segmentation of the Audit

The following is our estimate of the fees required to perform the audit:

Service Provided	FY 2024	FY 2025	FY 2026
District Audit and ACFR	\$24,900	\$25,600	\$26,350
Single Audit, if Required	\$3,500	\$3,600	\$3,700
Total	\$28,400	\$29,200	\$30,050

The following is our estimate of the hours by professional classification required to perform the services previously outlined:

Classification	Hours	Percentage
Partner	20	9%
Manager	30	13%
Audit Supervisor/Senior	95	41%
Staff Auditor	85	37%
Total	230	100%

For additional work performed outside of the engagement, our rates are as follows:

Partner	\$190
Manager	160
Supervisor/Senior	130
Staff	110

80

APPENDIX

A photograph of the Illinois State Capitol building, featuring a prominent blue dome and classical columns. The building is set against a clear sky, and a paved path leads towards it from the foreground.



Shannon Ayala, CPA

Partner

Ms. Ayala will serve as the Partner on this audit. She will oversee the project to ensure all required deadlines are met, provide technical assistance to the audit teams, and review the final reports before they are released. Ms. Ayala is a Certified Public Accountant with twenty years of audit experience, spending most of that time on audits for local governments in San Diego County. Ms. Ayala has performed financial statement audits of cities and special districts; grant specific audits of funds awarded by Federal, state, and county governments; Single Audits in accordance with Uniform Guidance, and compliance audits.

Employment History

- Davis Farr LLP – Since 2015
- National CPA Firm – 10 years
- Lennar Homes – 2 years

Education

- Bachelor of Science - Accounting (San Diego State University)

Licenses / Registrations

- California CPA Certificate No. 88126

Professional Affiliations & Awards

- American Institute of Certified Public Accountants
- California Society of Certified Public Accountants
- California Society of Municipal Finance Officers

AUDITS OF GOVERNMENTAL AGENCIES

- | | |
|--|--|
| ✓ City of Carlsbad | ✓ Rancho California Water District |
| ✓ City of Coronado | ✓ San Diego Local Agency Formation Commission |
| ✓ City of Del Mar | ✓ San Diego County Water Authority |
| ✓ City of Escondido | ✓ San Diego Association of Governments |
| ✓ City of Poway | ✓ Salton Sea Authority |
| ✓ City of San Marcos | ✓ San Dieguito River Park Joint Powers Authority |
| ✓ City of Santee | ✓ Sweetwater Authority |
| ✓ Imperial County Local Agency Formation | ✓ Vallecitos Water District |
| ✓ Leucadia Wastewater District | ✓ Rancho California Water District |



Jennifer Farr, CPA, MBA

Partner

Ms. Farr will serve as the Quality Control Reviewer on this audit. She will be involved in approving the audit plan, reviewing key audit workpapers, reviewing all reports and acting as a second technical resource. Ms. Farr is a Certified Public Accountant with over 20 years of experience in local government auditing. Ms. Farr is a frequent speaker on matters pertaining to technical issues and new GASB pronouncements. Ms. Farr is also responsible for training in the area of local governmental accounting and auditing.

Employment History

- Davis Farr LLP – Founding Partner
- Shareholder – National CPA Firm

Education

- Bachelor of Arts - Business Administration / Accounting (California State University, Fullerton)
- Bachelor of Arts - English (California State University, Fullerton)
- Master of Business Administration (California State University, Fullerton)

Licenses / Registrations

- California CPA Certificate No. 76292, October 1998

Professional Affiliations & Awards

- California Society of Certified Public Accountants
- Government Accounting & Auditing Committee
 - Current Chair of Committee
- California Society of Municipal Finance Officers
- American Institute of Certified Public Accountants
- Government Finance Officers Association
- Financial Review Committee

AUDITS OF GOVERNMENTAL AGENCIES

- | | | |
|---------------------------|------------------------|----------------------------------|
| ✓ City of Avalon | ✓ City of RSM | ✓ Inland Empire Utilities Agency |
| ✓ City of Carlsbad | ✓ City of Rosemead | ✓ Irvine Ranch Water District |
| ✓ City of Commerce | ✓ City of San Bruno | ✓ Leucadia Wastewater District |
| ✓ City of Campbell | ✓ City of Santa Ana | ✓ Mesa Water District |
| ✓ City of Coronado | ✓ City of Santee | ✓ Moulton Niguel Water District |
| ✓ City of Costa Mesa | ✓ City of Villa Park | ✓ Orange County Water District |
| ✓ City of Encinitas | ✓ City of Walnut Creek | ✓ Placer County Water Agency |
| ✓ City of Fontana | ✓ City of West Covina | ✓ San Diego Association of |
| ✓ City of Fountain Valley | ✓ City of Whittier | ✓ Sweetwater Authority |
| ✓ City of Garden Grove | ✓ City of Woodland | ✓ Tahoe Transportation District |
| ✓ City of Half Moon Bay | ✓ City of RSM | ✓ Tahoe Regional Planning Agency |
| ✓ City of Mission Viejo | ✓ Cucamonga Valley WD | ✓ West Basin Municipal Water |
| ✓ City of Palm Springs | ✓ Eastern Municipal WD | ✓ Yucaipa Valley Water District |



Diego Vanegas, CPA, CISA, CITP

Partner

Mr. Vanegas will serve as the IT Specialist on the engagement. Mr. Vanegas, CPA, CISA, CITP has over 16 years of progressive governmental accounting and audit experience, including extensive compliance audit experience for governmental and non-profit agencies. He has been involved in financial/compliance audits, internal control audits and assessments, operational/performance audits, and cost proposal analysis/price reviews for various governmental agencies. Mr. Vanegas has served in many capacities depending on the size and requirements of the engagements. He has participated in audits of federal agencies such as NSF, CMS, and CNCS, among others. Additionally, Mr. Vanegas has been involved in agreed-upon-procedures and audit engagements of state/local agencies. These engagements have often combined both financial and compliance aspects of the audit as well as Information Technology (IT). Furthermore, he has strong internal control audit experience through the performance of System and Organization Control examinations of the internal controls of service organizations, as well as knowledge of Government Auditing Standards, Office of Management and Budget (OMB) Circular A-87 and the Federal Acquisition Regulations (FAR).

Employment History

- Davis Farr LLP: Partner – January 1, 2018 – Present
- Davis Farr LLP: Manager – June 2015 – December 31, 2017
- Top 10 National CPA Firm – May 2005 - June 2015

Education

- Bachelor of Science in Business Administration, with an emphasis in Accounting (California State University - Los Angeles)
- Bachelor of Science in Computer Information Systems, with an emphasis in Business Systems (California State University - Los Angeles)

Licenses / Registrations

- CA CPA Certificate No. 113040
- Certified Information Systems Auditor
- Certified Information Technology Professional, No. 3298



Krisztina Varga, CPA

Manager

Ms. Varga will serve as the manager on this engagement. She will be responsible for managing the engagement, providing technical assistance, reviewing reports and supervising staff. Ms. Varga has five years of audit experience, spending the majority of that time on audits for non-profits, and local government. The types of audits Ms. Varga has been involved in include: financial audits of non-profits, cities and special districts; grant specific audits of funds awarded by Federal, state, and county governments; and Single Audits in accordance with OMB Circular A-133.

Employment History

- Davis Farr LLP – Since 2017
- Inveco USA – 2012-2017

Education

- Bachelor of Arts in Business Administration/Accounting (California State University, San Marcos)

Licenses / Registrations

- California CPA Certificate
No. 145505

AUDITS OF SPECIAL DISTRICTS

- | | |
|------------------------------------|---|
| ✓ Community Colleges of Spokane | ✓ San Diego Association of Governments |
| ✓ Eastern Municipal Water District | ✓ San Diego County LAFCO |
| ✓ Encinitas Ranch Golf Authority | ✓ San Diego County Water Authority |
| ✓ Imperial County LAFCO | ✓ San Diego County of Emergency Services |
| ✓ Leucadia Wastewater District | ✓ San Diego Geographic Information Source |
| ✓ Rancho California Water District | ✓ San Dieguito River Park Valley JPA |
| ✓ Ramona Municipal Water District | |

AUDITS OF NON-PROFITS

- | | |
|-----------------------------|---|
| ✓ Family YMCA of the Desert | ✓ San Diego Children's Discovery Museum |
|-----------------------------|---|

AUDITS OF LOCAL GOVERNMENTS

- | | |
|--------------------|-----------------------|
| ✓ City of Carlsbad | ✓ City of Vista |
| ✓ City of Poway | ✓ County of San Diego |
| ✓ City of Santee | |



Makaylyn Tallman

Supervisor

Ms. Tallman will serve as the supervisor on this engagement. She will be the main point of contact for the staff. She will be responsible for supervising the in-charge and staff. Ms. Tallman has over four years of audit experience, spending the majority of that time on audits for non-profits, and federal and local government engagements. The types of audits Ms. Tallman has been involved in include: financial audits of non-profits, cities and special districts; grant specific audits of funds awarded by Federal, state, and county governments; Single Audits in accordance with OMB Circular A-133; and Federal compliance audits.

Employment History

- Davis Farr LLP – Since 2018

Education

- Bachelor of Science in Accounting
(University of Nevada, Reno)
-

AUDITS OF LOCAL AND FEDERAL GOVERNMENTS

- | | |
|--|---|
| ✓ Centers for Medicare and Medicaid Services | ✓ City of Poway |
| ✓ City of Carlsbad | ✓ City of Santee |
| ✓ City of Dana Point | ✓ City of Vista |
| ✓ City of Delano | ✓ Coachella Valley Association of Governments |
| ✓ City of Encinitas | ✓ County of San Diego |

AUDITS OF SPECIAL DISTRICTS

- | | |
|-------------------------------------|---|
| ✓ Eastern Municipal Water Districts | ✓ San Diego County Water Authority |
| ✓ Imperial County LAFCO | ✓ San Diego Geographic Information Source |
| ✓ Marin LAFCO | ✓ San Dieguito River Park Valley JPA |
| ✓ Placer County Water Agency | ✓ Santa Rosa Regional Resources Authority |
| ✓ Rancho California Water District | ✓ Tahoe Regional Planning Agency |
| ✓ Salton Sea Authority | ✓ Tahoe-Truckee Sanitation Agency |

AUDITS OF NON-PROFITS & OTHER

- | | |
|---|------------------|
| ✓ Balboa Art Conservation Center | ✓ CGS - SOC |
| ✓ Family YMCA of the Desert | ✓ Palmetto - SOC |
| ✓ San Diego Children's Discovery Museum | |



Report on the Firm's System of Quality Control

Davis Farr LLP

and the Peer Review Committee of the California Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Davis Farr LLP (the firm) 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 a compliance audit under the Single Audit Act; and examination of a service organization (SOC 1 engagement).

As 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.

CPAs ■ Advisors

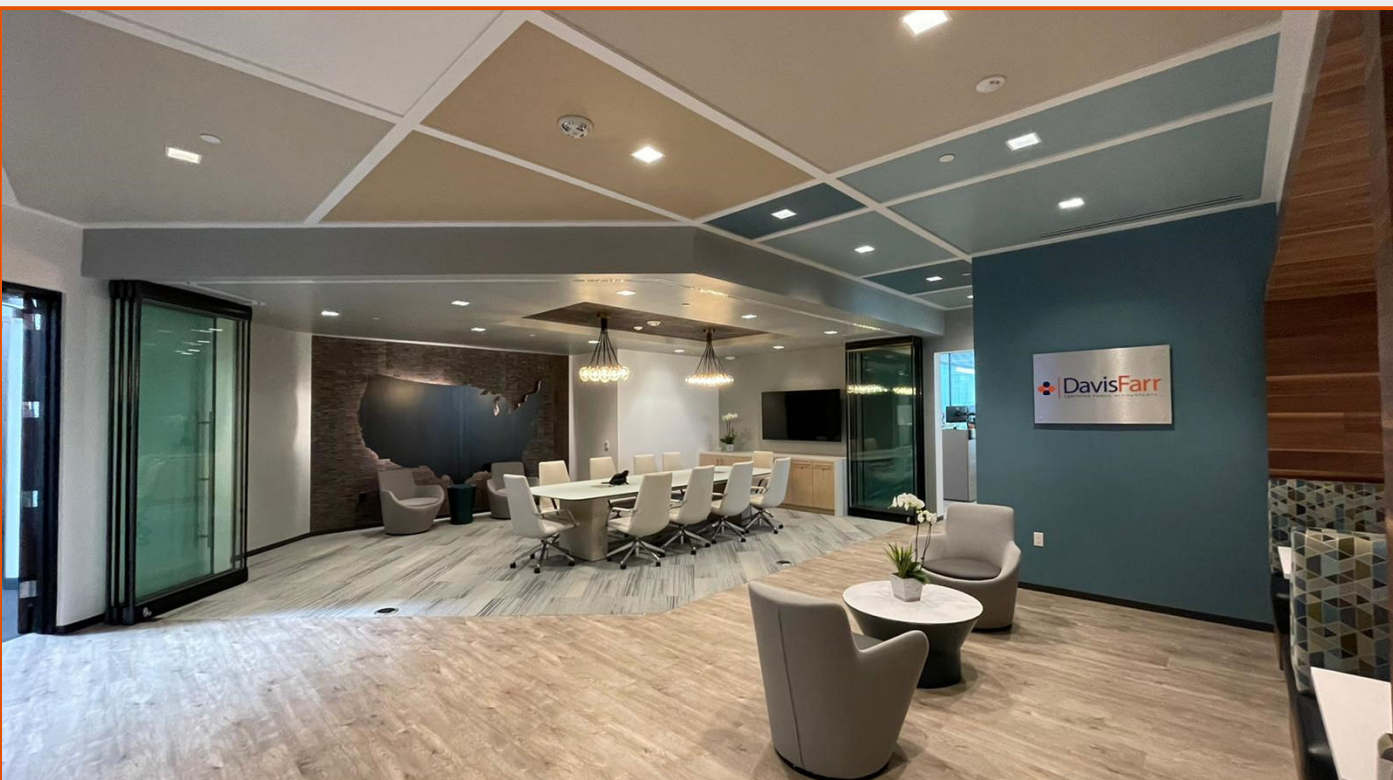
4120 Concourses, Suite 100, Ontario, CA 91764
909.948.9990 / 800.644.0696 / FAX 909.948.9633
gyl@gylcpa.com
www.gylcpa.com

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Davis Farr LLP 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*. Davis Farr LLP has received a peer review rating of *pass*.

GYL LLP

Ontario, California
August 8, 2022



DavisFarr
CERTIFIED PUBLIC ACCOUNTANTS