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
VIA TELECONFERENCE AND IN PERSON

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, NOVEMBER 10, 2026

TIME: 10:00 A.M.

PLACE: HYBRID REGULAR MEETING VIA ZOOM AND IN PERSON

The meeting is being held virtually as a convenience to the public. The meeting will not stop or suspend its in-person meeting should a technological interruption occur with respect to the Zoom or call-on options listed on the agenda.

For Zoom Participation:
www.zoom.us/join
Meeting ID: 891 4801 7264
Passcode: 658419

For Zoom Call-in Only:
Call: (669) 900-9128
Meeting ID: 891 4801 7264
Passcode: 658419

Public Participation/Comment: Members of the public can participate in the meeting by emailing your comments on an agenda item to Jared Graffam at jgraffam@olivenhain.com or address the finance committee directly in real-time under the public comment section. If you do not receive a confirmation email that your comment has been received, please call (760) 230-2569 or address the committee under the public comment section to ensure that your comments are heard in real-time. The subject line of your email should clearly state the item number you are commenting on and should include your name and phone number. All comments will be emailed to the finance committee members.

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 AUGUST 11, 2026, SPECIAL FINANCE COMMITTEE MEETING

6. REVIEW AND DISCUSS FISCAL YEAR 2025-26 AUDITED FINANCIAL STATEMENTS AND SINGLE AUDIT

7. REVIEW STAFF'S REPORT ON DISTRICT PENSION PLANS FUNDING STATUS WITH CALPERS AND DISCUSS STAFF'S RECOMMENDED PENSION FUNDING PLAN FOR 2026

8. QUARTERLY REVIEW OF INVESTMENTS AND CASH REPORT (1st QTR OF FY 2027)

9. REVIEW OF OMWD'S FINANCIAL REPORT – BUDGET VS. ACTUAL REPORT (1st QUARTER OF FY 2027)

10. ANNUAL REVIEW OF INVESTMENT AND BOARD DESIGNATED FUND BALANCES (RESERVES) POLICIES AND PROPOSED CHANGES TO THE POLICY FOR 2026

11. EVALUATE PROPOSALS RECEIVED IN RESPONSE TO PROFESSIONAL AUDITING SERVICES REQUEST FOR PROPOSALS (RFP)

12. PROFESSIONAL INVESTMENT MANAGEMENT SERVICES REQUEST FOR PROPOSALS (VERBAL UPDATE)

13. CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (IBANK) WASTEWATER FINANCING (VERBAL UPDATE)

14. FUTURE AGENDA ITEMS

15. ADJOURNMENT

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

August 11, 2026

A regular meeting of the Finance Committee of Olivenhain Municipal Water District was held on Tuesday, August 11th, 2026, at the District office, 1966 Olivenhain Road, Encinitas, California via teleconference and in person.

Director Meyers called the meeting to order at 2:00 p.m. In attendance were Scott Maloni, Treasurer; Neal Meyers, Vice President; Kimberly Thorner, General Manager; Leo Mendez, Finance Manager; Jared Graffam, Accounting Supervisor; Georgeanna Clark, Project Accountant II; and August Trees, Financial Analyst I. Also present were Kyle Tanaka and Robert Montoya from PFM Asset Management for item 9, and Sudhir Pardiwala from Raftelis Financial Consultants for item 10.

1. CALL TO ORDER

2. ROLL CALL (BOARD MEMBERS)

3. ADOPTION OF THE AGENDA

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

4. PUBLIC COMMENTS

   There were no public comments.

5. CONSIDER APPROVAL OF THE MINUTES OF THE MAY 12, 2026, REGULAR FINANCE COMMITTEE MEETING

   Director Meyers moved to approve the May 12, 2026, meeting minutes, seconded by Director Maloni, and carried unanimously.

6. QUARTERLY REVIEW OF INVESTMENTS AND CASH REPORT (4TH QUARTER OF FY 2026)

Finance Manager Mendez presented the draft investment report as of June 30, 2026, to the Committee, emphasizing the District's three core principles that guide OMWD's investment practices: safety of principal, liquidity, and return on investment. Finance Manager Mendez reported that District 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 60 days. Finance Manager Mendez discussed cash and investment holdings, noting that the District's investment portfolio yield increased from the 3rd quarter of 2026, mainly due to the purchase of higher yielding securities as lower yielding securities matured.

Director Meyers inquired about the use of District investment portfolio funds to pay for emergency infrastructure repairs. General Manager Thorner explained that the District uses capital reserves for emergency repairs, and that existing scheduled capital improvement projects are often delayed by emergencies, so capital reserve funds normally do not deplete any faster when emergency repairs arise. Director Meyers inquired if the recent emergencies could have an impact on rates. General Manager Thorner explained that capital projects, planned or emergency, would not affect rates during the current Prop 218 notice period, and during the Prop 218 period rates will only increase by a combination of San Diego Consumer Price Index changes and passing through increases in purchased water rates.

Finance Manager Mendez then presented the District's draft summary of fund balances over the previous 5 years. Finance Manager Mendez noted that the Wastewater Operating Fund was below the minimum balance established by the Board due to the timing of property tax receipts and the issuance of the District's wastewater debt. Finance Manager Mendez added that the issuance of the Wastewater debt would help smooth volatility in the Wastewater Operating Fund, as staff will likely reduce PAYGO transfers given that wastewater capital projects will be funded by the new debt over the next several years. Director Maloni asked when staff expects the balance to rise above the Board approved minimum reserve balance. Finance Manager Mendez explained that staff recently submitted an application to IBank to issue debt, and that with the IBank debt issuance staff will be able to claim funds on expenditures dating back to March 2026, noting staff expects to complete the issuance by the end of the year.

Finance Manager Mendez next presented graphs showing average days'

cash on hand for the Water and Wastewater Operating Funds, noting that Wastewater was below the Board approved minimum of 180 days due to the timing of Wastewater revenue receipts and debt proceeds mentioned during the fund balance discussion.

Finance Manager Mendez presented a graph showing the District's investment yield compared to the San Diego Consumer Price Index for May 2026, noting that the District's investment yields have increased slightly and are currently above CPI.

7. REVIEW OF OMWD'S FINANCIAL REPORT – BUDGET VS. ACTUAL REPORT (4TH QUARTER OF FY 2026)

8. Finance Manager Mendez presented the 4th quarter of Fiscal Year 2026 Budget vs. Actual Report highlighting that water sales were slightly over budget. Finance Manager Mendez added that operating expenses remain under budget and that staff is early in the year-end closing process, with expenses expected to increase as the year is closed and the year-end audit is completed. Finance Manager added that audited financial statements will be presented to the Committee and then to the full Board at the November/December meetings.

9. REVIEW PRESENTATION ON OMWD'S INVESTMENT STRATEGY AND CONSIDER ISSUING A REQUEST FOR PROPOSALS (RFP) FOR INVESTMENT MANAGEMENT SERVICES FOR A TRIAL PERIOD OF THREE YEARS (ANNUAL OBJECTIVE 57, PART 2)

Finance Manager Mendez explained that Item 9 represents the second component of the District's Annual Objective 57. He noted that the first component focused on educating the Finance Committee and Board on the legal framework governing investments, including the types of investments available to California public agencies. He then presented an overview of how the District's portfolio is currently managed, how it compares to peer agencies, and potential opportunities to strengthen the District's investment approach using an investment manager, while continuing to prioritize safety and liquidity.

Finance Manager Mendez added that staff's recommendation is to issue a request for proposals (RFP) for investment management services for a trial period of three years, beginning with a conservative allocation of $30-40

million under management, structured as a non-discretionary agreement.

Director Meyers asked for clarification on current and past strategies for investing District funds and what resources an investment manager would have that would change the way staff handles the District's investments. General Manager Thorner shared that the decision to present the idea of an investment advisor to the Finance Committee was based upon learning that an investment management firm could save staff time by researching multiple options for replacing upcoming maturities, with staff making the final decisions, allowing the District the best chance at achieving optimal returns under the non-discretionary agreement. Finance Manager Mendez noted that the primary drawback of engaging an investment management firm is the additional management costs, coupled with no guarantee of improved performance.

Finance Manager Mendez then introduced both Kyle Tanaka and Robert Montoya from PFM Asset Management, to present the benefits of investment pools and samples of professionally managed portfolios. Mr. Tanaka presented on investment pools, including CAMP. Mr. Montoya continued the presentation with an overview of sample portfolios managed by PFM with different duration strategies.

Director Meyers inquired about the difference between the sample portfolios presented and the District's current portfolio and investment strategy. Mr. Tanaka explained that an investment manager would work closely with staff on a cash flow analysis to understand liquidity needs and assist staff with the most effective maturity distribution for the District's investments.

Director Meyers shared that he was hesitant in hiring an investment manager due to the management costs and the inability to guarantee performance. General Manager Thorner explained that an RFP does not obligate the District to hire an advisor, and that using an investment advisor while maintaining discretionary control of District funds means that finance staff would still have final say on all investment decisions but would have access to more investment options leading to more informed decisions.

Director Maloni agreed with General Manager Thorner and noted that the Board has a fiduciary duty to investigate methods of increasing non-

operating revenues to potentially reduce rate increases on customers. Director Maloni added that he would like the Finance Committee to be involved with the RFP including being able to interview the top candidates that submit responses and suggested that staff select and bring back the top three candidates for interview by the Committee.

Director Meyer and Director Maloni agreed with staff that the option of issuing an RFP should be brought to the full Board. They also indicated that, should an RFP be issued, the Committee would like to hear from the top three responding investment management firms to support staff in the evaluation process.

10. CONSIDER AND DISCUSS OMWD'S WATER RATES AND CHARGES FOR CALENDAR YEAR 2027

Finance Manager Mendez gave a presentation of OMWD's review of water rates and charges for Calendar Year 2027, including the proposed revenue adjustment of 7.27%, customer bill impacts, alternatives considered, such as pulling funds from reserves, the staff recommendation, and next steps. Finance Manager Mendez noted that the proposed increases do not exceed the 12% maximum set as part of the Board's 2024 pass-through ordinance. Finance Manager Mendez also noted that the rate reimbursement credit is expected to end in October 2026, before the rate increase goes into effect.

Finance Manager Mendez outlined the San Diego County Water Authority (SDCWA) water rate increases, noting a 15.1% increase to the treated water rate. He further explained that the District anticipates a larger overall increase in purchased water costs because it plans to buy a higher volume of treated water from SDCWA during a four-month Water Treatment Plant shutdown for capital projects at the plant.

Finance Manager Mendez then presented staff's recommendation for full pass-through adjustments for Calendar Year 2027 and outlined the rationale, including maintaining consistency with past practice, supporting the District's expanding 10-year CIP, ensuring adequate reserves for emergencies, and avoiding the need to subsidize rates with reserves, which could negatively impact OMWD's credit rating and would require replenishment at the next cost-of-service study.

Finance Manager Mendez also highlighted the District's efforts to keep rates low, including using property tax revenues to help offset rates, the use of non-operating revenues to offset capital project costs, savings from water pre-purchases, and keeping controllable operating costs under CPI as part of the Biennial budget process.

Finance Manager Mendez then requested the committee's direction on bringing the proposed pass-through adjustments to the full Board at the August meeting for discussion and consideration.

Director Meyers noted that it is important for the District to make it clear to ratepayers that the calendar year 2027 proposed rate adjustment is a unique scenario due to the District purchasing significantly more treated water from SDCWA in the same year that treated water prices rose by 15.1%. Director Meyers asked about accelerating the work on the Water Treatment Plant. General Manager Thorner explained that staff had already investigated this option, but it was not feasible due to the amount of work needed and that the work had already been expedited as much as possible. General Manager Thorner added that staff had also researched delaying the project another year but found that it would not be beneficial as the repairs could affect the quality of treated water that ratepayers receive out of the Water Treatment Plant.

Director Maloni suggested adding a graph to the Board presentation to show the historical bill impacts to an average District customer to get a better idea of what this increase looks like compared to previous years. General Manager Thorner agreed and directed finance staff to add SDCWA's historical increases and San Diego Consumer Price Index changes to the graph as well.

Director Meyers moved to bring the proposed calendar year 2027 rates to the full Board, seconded by Director Maloni.

11. CONSIDER INFORMATIONAL ITEM REGARDING FINANCIAL SCENARIOS AND IMPACT ON RESERVES

General Manager Thorner provided background on the financial scenarios item, explaining that Director Meyers had questions about the San Dieguito Desalination Project and potential future debt issuances, so staff had prepared an information item for him, which is now being shared with the Finance Committee and the Board as an informational item. General Manager Thorner added that the District can fund all projects in its 10-year plan while maintaining adequate reserves, and that the scenarios serve as a check on how reserves may be impacted. Finance Manager Mendez then presented the three scenarios to the Finance Committee.

12. PROFESSIONAL AUDITING SERVICES REQUEST FOR PROPOSALS (VERBAL REPORT)

Finance Manager Mendez presented a verbal report informing the committee that the District's contract with its current auditors, The Pun Group, ends after the fiscal year 2026 audit, and that staff would put together a Request for Proposal (RFP) for a new auditor. Finance Manager added that as part of the process, qualified proposals would be brought to the Finance Committee at a later date. He added that the Committee would then interview potential firms and make a recommendation, with allowing staff to bring an agreement to the full Board by March 2027, ahead of the fiscal year 2027 audit.

13. FUTURE AGENDA ITEMS

There were no future agenda items requested.

14. ADJOURNMENT

The meeting was adjourned at 4:00 p.m.

OLIVENHAIN
Municipal Water District

Agenda Item 6

Memo

Date: November 10, 2026

To: Finance Committee

From: Jared Graffam, Accounting Supervisor
Leo Mendez, Finance Manager

Via: Kimberly Thorner, General Manager

Subject: **REVIEW AND DISCUSS FISCAL YEAR 2026 AUDITED FINANCIAL STATEMENTS AND SINGLE AUDIT**

Copies of the fiscal year 2026 audited financial statements are included as part of the attached draft Annual Comprehensive Financial Report (ACFR). Draft copies of the District's Single Audit, auditors' letter to the Board, and auditors' presentation are also attached. Staff and the auditor, Ms. Sophia Kuo with The Pun Group, will be available to review the attachments and to discuss the audit results with the committee at the meeting.

Following committee review and approval, the materials presented will be included in the December 16th Board meeting packet in their final form for the Board's consideration and approval. A final copy of the ACFR and the Single Audit will be distributed to the Board prior to the meeting.

Prepared by: August Trees, Financial Analyst I
Georgeanna Clark, Project Accountant II
Jared Graffam, Accounting Supervisor
Reviewed by: Jared Graffam, Accounting Supervisor
Leo Mendez, Finance Manager
Approved by: Kimberly A. Thorner, General Manager

Attachments: **Attachment 1 -** Auditors' Letter to the Board
Attachment 2 - Auditors' Presentation to the Board
Attachment 3 - DRAFT FY 2026 Audited Financial Statements and Annual Comprehensive Financial Report (ACFR)
Attachment 4 - DRAFT FY 2026 Single Audit and Independent Auditors' Reports

THE PUN GROUP
ACCOUNTANTS & ADVISORS

4660 La Jolla Village Drive, Suite 100
San Diego, California 92122

www.pungroup.cpa

November 10, 2026

Board of Directors and Finance Committee
Olivenhain Municipal Water District
Encinitas, California

We have audited the financial statements of the business-type activities of the Olivenhain Municipal Water District (the "District") for the year ended June 30, 2026. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 1, 2026. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 2 to the financial statements.

New Accounting Standards

GASB Statement No. 103 – In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. As a result of implementing this Statement, the District revised the presentation of its Statement of Revenues, Expenses, and Changes in Net Position to limit nonoperating revenues and expenses to subsidies, revenues and expenses related to financing, resources from the disposal of capital assets, and investment income. The statement now presents noncapital subsidies, including property taxes, Title XVI and Prop 1 Round 2 grant funds passed through to participating agencies, immediately after operating income (loss), followed by a subtotal for operating income (loss) and noncapital subsidies. Capital contributions are now reported with other nonoperating revenues and expenses rather than as a separate category, and gains and losses on the disposal of capital assets are reported net. Rate Reimbursement Credits returned to customers, previously reported as nonoperating expenses, are now reported as a reduction of water sales. Lease revenue, grant administration costs, and other items previously reported as other nonoperating revenues and expenses are now reported as operating, and debt administration costs are now reported with interest expense. The Statement of Cash Flows and the segment information were revised accordingly. Amounts for the fiscal year ended June 30, 2025 have been reclassified to conform to the current year presentation. The reclassifications had no effect on previously reported net position or on the net change in cash and cash equivalents. See Note 18 for additional information.

GASB Statement No. 104 – In September 2024, GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to require certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. The District has no lease assets, but does have SBITA assets, which were already presented as a distinct major class of capital assets, separate from tangible capital assets, in Note 6 prior to implementation of this Statement. The District has no public-private and public-public partnership assets or capital assets held for sale that would require separate disclosure under this Statement. Accordingly, implementation of this Statement did not have a significant effect on the District's financial reporting for the fiscal year ended June 30, 2026, as the required disaggregation of right-to-use assets was already reflected in the District's existing presentation.

We noted no other new accounting policies were adopted and the application of existing policies was not changed during 2026. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the District's financial statements were:

- Management's estimate of the investment fair market value is based on information provided by the State of California for its investment in the Local Agency Investment Fund and by U.S. Bank, the trustee for the District's investments in municipal bonds and U.S. Government Sponsored Enterprise Securities. We evaluated the key factors and assumptions used to develop the investment fair market value in determining that it is reasonable in relation to the financial statements taken as a whole.

- Management's estimate of the depreciation on capital assets is based on the industry standard and past experience on actual useful life of the asset groups. We evaluated the key factors and assumptions used to develop the depreciation on capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

- Management's estimate for the "more likely than not" amount of sick leave to be accrued in the compensated absences liability is based on historical "days used" data determined by taking a sample of historic sick leave usage patterns.

- Management's estimate of the net pension liability is based on the actuarial valuation on total pension liability and based on audited financial statements on fiduciary net position for CalPERS plans. We evaluated the key factors and assumptions used to develop the net pension liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure(s) affecting the financial statements were:

- Note 2 – Summary of Significant Accounting Policies
- Note 10 – Employee Retirement Systems
- Note 15 – Economic Dependency
- Note 18 – Reclassifications
- Note 19 – Subsequent Events

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 10, 2026.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis, Modified Approach for Steel Water Storage Tanks Infrastructure Capital Assets, Schedule of Contributions – Defined Benefit Pension Plans, and Schedule of Proportionate Share of the Net Pension Liability, as listed in the table of contents, which are Required Supplementary Information ("RSI") that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on the Introductory and Statistical Sections, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the information and use of the Finance Committee, Board of Directors, and management of the Olivenhain Municipal Water District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

The Pun Group, LLP

San Diego, California

THE PUN GROUP
ACCOUNTANTS & ADVISORS

OLIVENHAIN MUNICIPAL WATER DISTRICT

Presentation to the Finance Committee
For the Fiscal Year Ended June 30, 2026

November 10, 2026

THE PUN GROUP
ACCOUNTANTS & ADVISORS

2021-2025
BEST of Accounting™
CLIENT SATISFACTION
DIAMOND AWARD
5 YEARS

CONTENTS

- Scope of Work
- Audit Responsibilities
- New Accounting Standards
- Financial Highlights
- Required Communications
- Audit Results

SCOPE OF WORK

SCOPE OF WORK

- **Audit of the Basic Financial Statements**
  - Financial Section
  - Statement of Net Position
  - Statement of Revenues, Expenses and Changes in Net Position
  - Statement of Cash Flows
  - Notes to the Basic Financial Statements
  - Required Supplementary Information (Unaudited)
  - Other Information (Unaudited)
    - Introductory Section
    - Statistical Section
- **Report on Internal Control and Compliance (Government Auditing Standards)**
- **Single Audit (Uniform Guidance) – to be issued separately**

AUDIT RESPONSIBILITIES

MANAGEMENT'S RESPONSIBILITIES

Prepare fairly presented financial statements, MD&A and other information under US GAAP

Policies and estimates

Select appropriate accounting policies and make reasonable estimates

Internal control

Design and maintain controls that prevent and detect fraud and error

Compliance

Comply with laws, regulations, contracts and grant agreements

Going concern

Evaluate whether the District can keep operating for the next 12 months

Access and representations

Provide records and people we need, and confirm in writing

AUDITOR'S RESPONSIBILITIES

Perform the audit under GAAS and Government Auditing Standards

Reasonable assurance

A high level of assurance, not a guarantee, based on risk-focused testing

Internal control

Understand controls to design our procedures; no opinion on controls

Going concern

Evaluate whether there is substantial doubt about continuing operations

Opinion and reports

Opinion on the financial statements; report on internal control and compliance

Communication

Communicate with those charged with governance; recommend improvements

NEW ACCOUNTING STANDARDS

NEW ACCOUNTING STANDARDS

IMPLEMENTED FY 2026

Financial Reporting Model Improvements

Effect: Moderate

- Property taxes now shown as noncapital subsidies
- Rate credits, lease income and grant administration moved into operating
- FY 2025 reclassified for comparability

IMPLEMENTED FY 2026

GASB 104

Disclosure of Certain Capital Assets

Effect: Minimal

- Lease, subscription (SBITA), and other intangible assets disclosed separately
- District: no lease assets; $158K of SBITA assets already shown separately

EFFECTIVE FY 2027

GASB 105

Subsequent Events

Year ending June 30, 2027

- Events evaluated through the date statements are available to be issued
- New disclosures for events after year-end, such as debt transactions
- Subsequent events review built into year-end close

GASB 103: WHAT IS A SUBSIDY?

Subsidies received

Resources from another party for which the District provides no goods or services, and that keep its current or future fees and charges lower than they would otherwise be

Subsidies provided

Resources given to another party for which the District receives no goods or services, and that are recoverable through its current or future rates

All other transfers

Also treated as subsidies

Capital vs. noncapital

Noncapital subsidies get their own section and subtotal; capital subsidies stay with other nonoperating items

Where the items landed

Noncapital subsidies

Property taxes; Title XVI and Prop 1 pass-through grants and payments

Operating

Rate reimbursement credits, lease income, grant administration

Other nonoperating

Capital contributions (capital subsidies)

Interest expense

Debt administration costs

Nonoperating is now limited to subsidies, financing, capital asset and inventory disposals, investment income, and endowment contributions (GASB 103, ¶ 13)

GASB 103: FY 2025 BEFORE AND AFTER

	As Previously Reported	GASB 103 Reclass	As Adjusted
Operating revenues	$ 75,999,237	**(444,438)**	$ 75,554,799
Operating expenses	(82,168,544)	**(166,867)**	(82,335,411)
Operating income (loss)	**(6,169,307)**	**(611,305)**	**(6,780,612)**
Noncapital subsidies (property taxes)	–	**5,016,813**	5,016,813
Other nonoperating revenues (expenses)	1,771,471	**3,695,396**	5,466,867
Capital contributions	8,100,904	**(8,100,904)**	–
Change in net position	**$ 3,703,068**	**–**	**$ 3,703,068**

Source: Note 18 – Reclassifications, FY 2026 basic financial statements

Added to operating loss

Rate reimbursement credits, lease income and grant administration moved into operating

$0

Bottom-line impact

Change in net position stays at $3,703,068; only the presentation changed

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FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS

Total net position

Up $2.1M (0.5%) from FY 2025

$71.2M

Unrestricted net position

Down $4.3M (5.7%)

$80.2M

Operating revenues

Up $4.7M (6.2%), led by water sales

$42.4M

Cost of water sold

Up $3.3M (8.5%) on SDCWA's 9.8% wholesale rate increase

$25.4M

Long-term debt

Down $5.8M (18.7%); no new debt issued

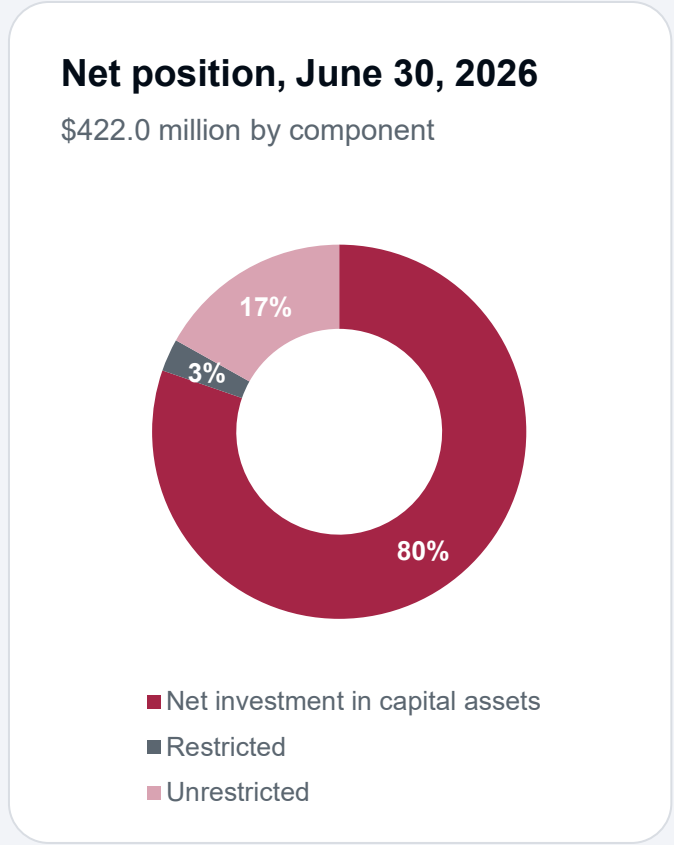
$14.9M

Net pension liability

Down $2.6M (14.8%); 81.3% funded

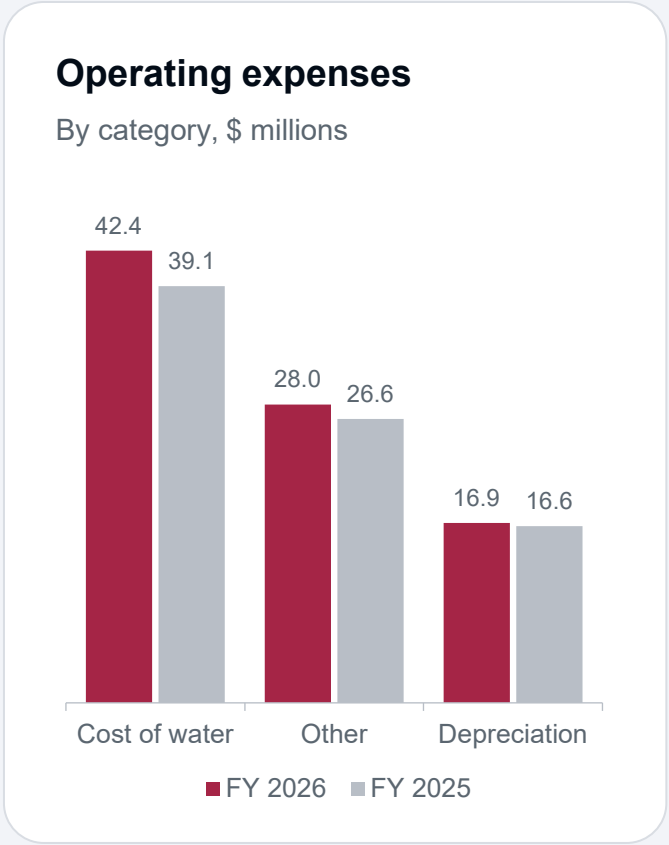
SUMMARY STATEMENT OF NET POSITION

	FY 2026	FY 2025	Change
Current assets	$ 110,196,197	$ 110,093,131	**$ 103,066**
Capital assets, net	370,062,486	371,195,366	**(1,132,880)**
Other noncurrent assets	7,978,842	9,746,379	**(1,767,537)**
Total assets	**488,237,525**	**491,034,876**	**(2,797,351)**
Deferred outflows of resources	5,389,451	6,133,781	**(744,330)**
Current liabilities	20,467,061	18,469,568	**1,997,493**
Long-term debt	25,361,806	31,206,617	**(5,844,811)**
Net pension liability	14,873,531	17,449,508	**(2,575,977)**
Other noncurrent liabilities	1,503,114	1,049,510	**453,604**
Total liabilities	**62,205,512**	**68,175,203**	**(5,969,691)**
Deferred inflows of resources	9,389,776	9,050,887	**338,889**
Total net position	**$ 422,031,688**	**$ 419,942,567**	**$ 2,089,121**



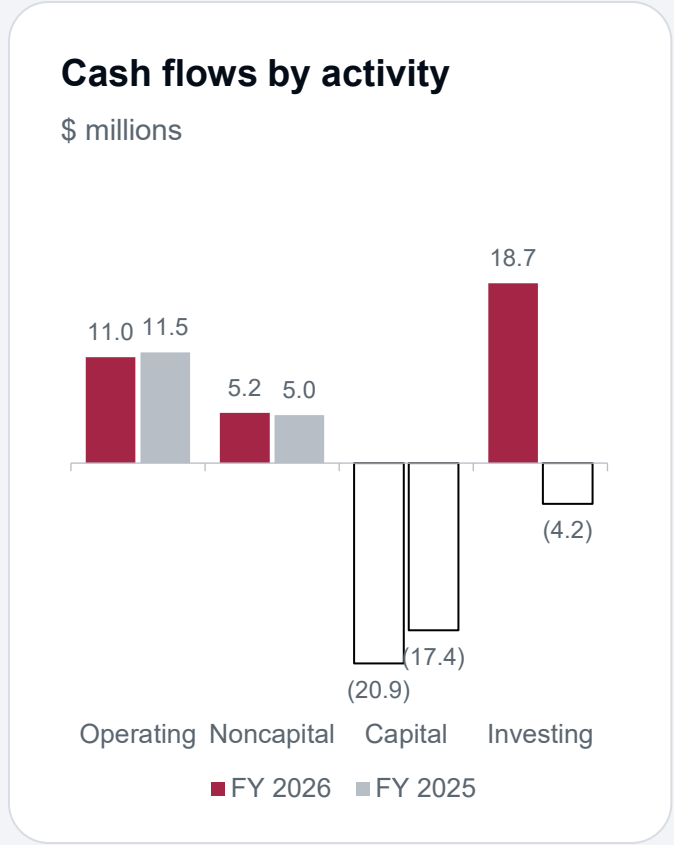
SUMMARY OF REVENUES AND EXPENSES

	FY 2026	FY 2025	Change
Water sales	$ 70,687,752	$ 67,209,475	**$ 3,478,277**
Wastewater charges	6,472,546	5,760,887	**711,659**
Other operating revenues	3,051,956	2,584,437	**467,519**
Total operating revenues	**80,212,254**	**75,554,799**	**4,657,455**
Cost of water sold	42,422,558	39,107,409	**3,315,149**
Depreciation	16,890,434	16,587,148	**303,286**
Other operating expenses	28,004,241	26,640,854	**1,363,387**
Total operating expenses	**87,317,233**	**82,335,411**	**4,981,822**
Operating income (loss)	**(7,104,979)**	**(6,780,612)**	**(324,367)**
Noncapital subsidies (property taxes)	5,226,684	5,016,813	**209,871**
Other nonoperating revenues, net	3,967,416	5,466,867	**(1,499,451)**
Change in net position	**$ 2,089,121**	**$ 3,703,068**	**$ (1,613,947)**



SUMMARY STATEMENT OF CASH FLOWS

	FY 2026	FY 2025	Change
Operating activities	$ 11,036,147	$ 11,533,022	**$ (496,875)**
Noncapital financing activities	5,236,488	4,994,937	**241,551**
Capital and related financing activities	(20,888,525)	(17,432,303)	**(3,456,222)**
Investing activities	18,746,774	(4,249,740)	**22,996,514**
Net change in cash	**14,130,884**	**(5,154,084)**	**19,284,968**
Cash, beginning of year	52,601,522	57,755,606	**(5,154,084)**
Cash, end of year	**$ 66,732,406**	**$ 52,601,522**	**$ 14,130,884**



KEY FINANCIAL INDICATORS: BALANCE SHEET

Higher is generally more favorable • Current assets ÷ current liabilities

5.38

District, FY 2026

Year	District	Peer avg
2026	**5.38**	n/a
2025	5.96	5.89
2024	5.64	5.34
2023	7.02	4.67

Capital condition ratio

Lower is more favorable • Accumulated depreciation ÷ depreciable assets

46.8%

District, FY 2026

Year	District	Peer avg
2026	**46.8%**	n/a
2025	45.5%	48.1%
2024	44.5%	49.7%
2023	42.4%	47.1%

Pension liability ratio

Lower is more favorable • Net pension liability ÷ net position

3.5%

District, FY 2026

Year	District	Peer avg
2026	**3.5%**	n/a
2025	4.2%	8.7%
2024	4.3%	10.9%
2023	4.1%	10.7%

Peer average: 10 local water/wastewater agencies, one year behind the District. 2025 excludes Escondido (report not yet published).

KEY FINANCIAL INDICATORS: OPERATIONS

Higher is more favorable • Operating revenues ÷ operating expenses excluding depreciation

1.14

District, FY 2026

Year	District	Peer avg
2026	**1.14**	n/a
2025	1.15	0.98
2024	1.13	0.98
2023	1.19	0.94

Water / sewer sales % change

Higher is more favorable • Year-over-year change in sales

6.2%

District, FY 2026

Year	District	Peer avg
2026	**6.2%**	n/a
2025	18.5%	17.2%
2024	5.7%	4.1%
2023	-6.5%	-5.6%

Peer average: 10 local water/wastewater agencies, one year behind the District. 2025 excludes Escondido (report not yet published). FY 2025 District reflects GASB 103.

THE PUN GROUP
ACCOUNTANTS & ADVISORS

REQUIRED COMMUNICATIONS

REQUIRED COMMUNICATIONS

Described in Note 2; GASB 103 and 104 adopted this year

Difficulties encountered

None in dealing with management during the audit

Disagreements with management

None

Corrected misstatements

Corrected by management; none material, individually or in total

Uncorrected misstatements

None

Management representations

Representation letter dated November 10, 2026

Consultations with other accountants

None, to our knowledge

Other findings or issues

None; no matters were a condition of our retention

Source: AU-C 260 communication to the Board of Directors and Finance Committee dated November 10, 2026

SIGNIFICANT ESTIMATES & DISCLOSURES

Investment fair value
LAIF and U.S. Bank trustee statements

Depreciation of capital assets
Industry standards and actual useful-life experience

Compensated absences (sick leave)
Historical sick leave usage patterns

Net pension liability – $14.9M
CalPERS actuarial valuation and audited plan data

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Significant Accounting Policies

Note 10
Employee Retirement Systems

Note 15
Economic Dependency

Note 18
Reclassifications

Note 19
Subsequent Events

AUDIT RESULTS

AUDIT RESULTS

- **Unmodified (“Clean”) Opinion**
  - Financial statements are fairly presented in all material respects
  - Accounting policies are appropriate; new GASB standards properly adopted
  - Estimates are reasonable
  - Disclosures are properly reflected in the financial statements
  - Emphasis of matter: FY 2025 reclassifications (Note 18); opinion not modified

- **Government Auditing Standards Report**
  - No material weaknesses or significant deficiencies in internal control identified
  - No instances of noncompliance or other matters required to be reported

- **Single Audit (Uniform Guidance)**
  - To be issued after the final 2026 OMB Compliance Supplement is released

QUESTIONS?



HQ - ORANGE COUNTY
200 E. Sandpointe Avenue
Suite 600
Santa Ana, CA 92707

SAN DIEGO
4660 La Jolla Village Dr.
Suite 100
San Diego CA 92122

BAY AREA
2121 North California Blvd.
Suite 290
Walnut Creek, CA 94596

SACRAMENTO
1511 Corporate Way
Suite 220
Sacramento, CA 95831

LAS VEGAS
1980 Festival Plaza Drive
Suite 300
Las Vegas, NV 89135

PHOENIX
2 N. Central Avenue
Suite 1800
Phoenix, AZ 85004

Annual Comprehensive Financial Report

FISCAL YEARS ENDED JUNE 30, 2026 AND 2025



Olivenhain Municipal Water District

Encinitas, California

DRAFT 10.26.2026

Annual Comprehensive Financial Report and Independent Auditor's Reports

For the Years Ended June 30, 2026 and 2025

Prepared by:
Finance Department

DRAFT 10.26.2026

Olivenhain Municipal Water District
Annual Comprehensive Financial Reports
For the Years Ended June 30, 2026 and 2025

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- Statements of Net Position
- Statements of Revenues, Expenses, and Changes in Net Position
- Statements of Cash Flows
- Notes to the Basic Financial Statements

Required Supplementary Information (Unaudited):
- Modified Approach for Steel Water Storage Tanks Infrastructure Capital Assets
- Schedule of Contributions – Defined Benefit Pension Plans
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DRAFT 10.26.2026

November 10, 2026

Ratepayers and Members of the Board of Directors
Olivenhain Municipal Water District
1966 Olivenhain Road
Encinitas, CA 92024-5699

We are pleased to submit the Annual Comprehensive Financial Report of the Olivenhain Municipal Water District (District) for the fiscal year ended June 30, 2026. The purpose of the report is to provide citizens, investors, and other interested parties with reliable financial information about the District.

This Annual Comprehensive Financial Report was prepared by the District's Finance Department in accordance with Generally Accepted Accounting Principles (GAAP). Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with District management. We believe the data, as presented, is accurate in all material respects and that it is presented in a manner designed to fairly set forth the financial position and the results of operations of the District, and that all disclosures necessary to enable readers to gain the maximum understanding of the District's financial activity have been included.

The District's financial statements have been audited by The Pun Group, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the District for the fiscal year ended June 30, 2026, are free of material misstatements. The independent audit involved performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements, including assessing the risks of material misstatement, whether due to fraud or error, evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, and evaluating the overall presentation of the financial statements. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the District's financial statements for the fiscal year ended June 30, 2026, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

This letter of transmittal is designed to complement the Management's Discussion & Analysis (MD&A) and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditors.

DRAFT 10.26.2026

Reporting Entity

The District is a governmental corporation governed by a publicly elected five member Board of Directors. The District was incorporated in 1959 under the provisions of the *California Municipal Water District Act of 1911, section 71000 et.seq.* of the *California Water Code* as amended.

In keeping its books and records, the District has established various self-balancing groups of accounts in order to enhance internal control and to further the attainment of other management objectives. These groups of accounts, which are sub-funds of the reporting entity, are identified in the District's books and records as the General Fund, Water Capacity Fee Fund, Reassessment District 96-1 Fund, 4S Ranch Sanitation District Fund, 4S Regional Recycled Water Fund, 2015 Water Revenue Refunding Bond Fund, 2013 Note Payable Fund, 2016 Water Revenue Refunding Bond Fund, 2021A Wastewater (Sewer) Revenue Bond Fund and 2021B Wastewater (Sewer) Revenue Refunding Bond Fund. All significant inter sub-fund transactions and accounts are eliminated in the combination of the accounts of the sub-funds at the end of each fiscal year for the consolidated financial statements of the District as presented in the financial section of this report. More detailed information on the District's accounting policies can be found in note 1 of the Notes to the Basic Financial Statements.

General District Operations

The District is operated as an enterprise fund. The finances of the District are kept on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

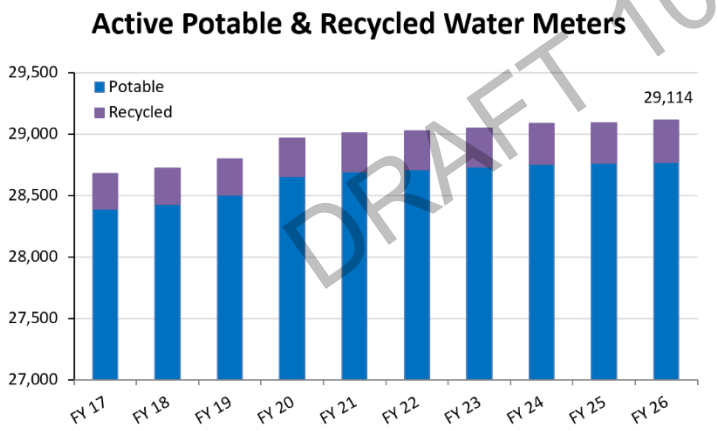
As an enterprise fund, the District maintains a self-balancing set of accounts established to record the financial position and results that pertain to each activity. The activities of enterprise funds are similar to regular businesses whereby a governmental agency collects sufficient revenues through rates and user charges to pay for on-going operating expenses and maintaining infrastructure in order to sustain operations.

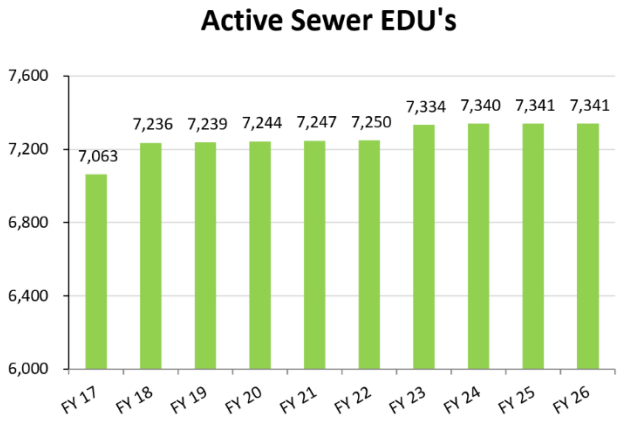
The District's service area is approximately 48.6 square miles. This service area lies within the northern region of San Diego County and includes portions of incorporated areas such as Encinitas, Carlsbad, San Diego, Solana Beach, San Marcos and large portions of unincorporated areas such as 4S Ranch, Rancho Cielo, Rancho Santa Fe, Elfin Forest, and Santa Fe Valley. All these communities are fairly affluent.

According to recent EDU (Equivalent Dwelling Units) projections, the District has about 1,180 EDUs remaining until it is completely built-out at an estimated 32,929 EDUs. For the fiscal year ended June 30, 2026, 69.6% of water delivered was for domestic use, 29.4% for commercial and irrigation use (including construction and recycled water), and 1.0% for agricultural use. The District relies on the San Diego County Water Authority (SDCWA) as a sole source of untreated water. The District's primary treated water source is the David C. McCollom Water Treatment Plant.

During the fiscal year ended June 30, 2026, the District billed 19,025 acre-feet (AF) of potable water through 28,770 active potable water meters and 2,520 AF of recycled water through 344 active recycled meters. The District provided wastewater collection services to 7,341 sewer equivalent dwelling units (EDUs) in 4S Ranch, Rancho Cielo, Santa Luz, and Black Mountain Ranch. Historical information of the District's number of water meters and sewer EDUs is shown in the graphs below.

DRAFT 10.28.2026





Water Operations

During fiscal year 2026, the District provided potable water and recycled water services to 28,770 potable and 344 recycled meters. Water services include reading and billing water meters on a monthly basis, a back-flow prevention program, meter maintenance, water quality services, and other on-site services as requested by District customers, including testing meters for accuracy and checking for water leaks.

The District's five board members have independent rate-setting authority. The District's rate structure for monthly water service fees is comprised of three components: commodity charge, monthly system access charge, and SDCWA Infrastructure Access Charge. The District's rates and charges are set to cover the cost of providing water

services, such as system administration costs, operations and maintenance expenses, and capital improvement and replacement needs.

On November 6, 2024, the District's Board of Directors adopted an ordinance that allowed the District to pass through to its water customers, for the following five years: (1) increases in Purchased Water Wholesale Costs from San Diego County Water Authority (SDCWA) and the District's recycled water suppliers; (2) increases in the SDCWA Infrastructure Access Charge; and (3) increases to the District's Cost of Operations and Maintenance and Capital Facilities based on over-the-year percent change in the San Diego Consumer Price Index for All Urban Customers (CPI-U). A 2024 Water Cost of Service Study was the basis for allocating costs and calculating the proposed adjustments and increases to the District's water services charges, and a Proposition 218 hearing was held on October 13, 2024 to consider public comment. Per the ordinance, the District's total of annual pass-through increases shall not exceed 12% per year through December 31, 2029.

About 74% of the District's water revenues are collected from commodity charges. The District's commodity charge for domestic customers consists of a tiered rate structure with higher rates per unit of water as the level of consumption increases. Commodity revenues vary from month to month depending on water consumption. Commodity rates for domestic customers range from $4.71 to $8.55 per unit (one unit equals 748 gallons of water). About 26% of the District's water revenues are collected from fixed monthly system access charges. The District's fixed monthly system access charge is established on the basis of meter size of the property receiving water service. Currently, average customers with a ¾ inch meter pay $53.19 per month for their monthly system access charge. SDCWA Infrastructure Access Charge is imposed by SDCWA on District water meters for the purpose of recovering certain SDCWA infrastructure costs. Currently, average ¾ inch meter customers pay $4.55 per month for their monthly SDCWA Infrastructure Access Charge.

In March of 2022, the District's Board of Directors established the District's Rate Reimbursement Credit (RRC) Program, which helps reduce the impact of current and future OMWD water rate increases on customers' monthly water bills. The program stemmed from a refund payment received totaling $3,661,917 from SDCWA for the District's share of settlement proceeds resulting from lawsuits between 2010 and 2018, where SDCWA challenged the Metropolitan Water District's (MWD) Water Stewardship Rate. The District's Board of Directors voted to return the $3,661,917 to all District potable water customers (excluding construction users) as a credit on their monthly water bills. As of June 2026, the District has refunded $3,391,757 to District customers via the RRC program. Beginning in FY2026 and restated for FY2025, the credits are reported as a reduction of water sales.

The District's water pricing remains competitive compared to other water districts in the County, with the average monthly bill for District customers continuing to be lower than the overall average among San Diego County water agencies.

DRAFT 10.26.2026

Wastewater (Sewer) Operations

The District's 4S Ranch Water Reclamation Facility (4S WRF) collects and treats sewage effluent from two areas within its boundaries, 4S Ranch and Rancho Cielo. These service areas, comprised of a wide variety of commercial, industrial, and residential uses, encompass a total of approximately 4,000 acres.

In May of 2024, the District's Board of Directors adopted an ordinance that authorized the District to pass-through to its wastewater customers, for the next five fiscal years (fiscal year 2025 – fiscal year 2029), cost increases to collect, treat, and dispose of sewage and costs to maintain the 4S Ranch Wastewater and Reclamation Facilities within the 4S Ranch Sanitation District. These increases were also necessary for the planned construction of wastewater capital improvements needed to replace and refurbish the District's aging wastewater facilities. The Board of Directors adopted a 5.5% revenue increase adjustment effective July 1, 2024, and 5.5% increases thereafter on July 1st of each fiscal year for fiscal years 2026-2029.

The District's wastewater rate consists of two components: a service access charge, which is a fixed charge; and a commodity charge, which reflects each customer's wintertime water use. The wintertime water use (December through March) for each single-family residential customer is capped at 10 hundred cubic feet (HCF). Other wastewater customer types (multi-family and commercial) are billed commodity charges based on their monthly water usage, as these customers have separate irrigation meters. Revenue derived from the rates and charges is used for the recovery of operations and maintenance costs of the District's wastewater operations, as well as capital improvement expenditures.

Wastewater service fees are billed via the property tax roll and collected by the County of San Diego Property Tax Services Division. Currently, the District bills approximately 7,341 equivalent dwelling units (EDUs) for wastewater discharged from residential and commercial customers.

Recycled Water Operations

The District's 4S Ranch Water Reclamation Facility (4S WRF) collects and treats sewage from two specific areas of the District, Rancho Cielo and 4S Ranch. Sewage is processed in the 4S WRF through various treatment stages to produce California Administrative Code Title 22 tertiary treated recycled water that can be used for unrestricted irrigation purposes. The 4S WRF currently produces approximately 1.2 million gallons per day (mgd) of its maximum production of 2.0 mgd to meet recycled water demand in the southeast quadrant of the District's service area. The District also purchases recycled water from Santa Fe Valley Community Services District and City of San Diego to meet demand in the southeast quadrant. Recycled water sold by the District to its retail customers is either produced at the 4S Ranch Water Reclamation Facility or purchased from Rancho Santa Fe Community Services District, the City of San Diego, San Elijo Joint Powers Authority, and Vallecitos Water District.

The District also sells recycled water in the northwest of its service area. To meet recycled water demand in the northwest, the District has entered into recycled water purchase agreements with Vallecitos Water District and San Elijo Joint Powers Authority. Recycled water in the northwest is delivered through the utilization of interagency service connections.

Recycled water revenues are collected from commodity rates and a monthly system access charge. The District adopted a uniform rate structure for collecting recycled water user fees based on monthly water consumption, and adjusts this fee annually to ensure it covers the costs of operation. The recycled commodity rate is currently billed at $4.70 per unit (one unit equals 748 gallons of water).

The District continues to expand its recycled water system in the southeast and northwest recycled water service areas. The board approved the Recycled Water Retrofit Loan Program which offers financial assistance in the form of low-interest loans to qualified Homeowners' Associations (HOA) that retrofit their potable water irrigation system to recycled water.

DRAFT 10.26.2026

San Diego Region Water Supply and Diversification Strategy

Despite a winter plagued by snow drought, followed by an unusually warm spring and summer, California's water supplies remain in a healthy position, although the future of the Colorado River remains uncertain. The 2025-2026 water year yielded 97% of normal precipitation levels in the Northern Sierras and statewide reservoirs were consistently over 90% of their historical averages. San Diego received roughly 90% of its average rainfall levels.

The 2025-2026 winter was warm, with a mild La Niña weather pattern present that remained in effect through spring 2026. As a result, California snowpack levels were dismal, reaching just 18% of historical averages with a peak in late February. Record-high temperatures in March melted much of the existing snow and the final snowpack survey conducted by Department of Water Resources on April 1 found nothing to measure at the survey point. Fortunately, the rainfall and early snowmelt runoff was enough to boost statewide reservoir levels to a sustainable position.

The La Niña weather pattern transitioned to ENSO-neutral over the spring of 2026 and developed into a historic "super El Niño" status by summer. Record-breaking heat occurred over the summer and fall in California, boosting water demands beyond forecasted sales, but may lead to a wet winter with lower water sales for water year 2026-2027. The winter weather forecast anticipates atmospheric river storm systems with the potential to cause significant flooding and damage along the coast. On September 21, 2026, in anticipation of the potentially extreme wet winter, Governor Newsom declared a state of emergency to bolster statewide preparation efforts.

One of the main sources of imported potable water for Southern California is the Colorado River. Lakes Powell and Mead, two major sources of water supply for the river system, reached record-low levels in 2026 after a warm winter and decades of overuse. Colorado River Basin snowpack levels reached only 25% of average and peaked in March, much earlier than usual due to extreme heat waves in early spring. Rainfall levels reached nearly 90% of normal levels across the region, but the lack of snow and early season heat were enough to limit runoff to just 30% of average. The greatly reduced inflow to Lake Powell caused water levels to hit critically low levels, jeopardizing dam operators' ability to move water downstream. In April, to ensure continued operations at the Glen Canyon Dam, the United States Bureau of Reclamation forced the steady release of one-million acre-feet of water into Lake Powell from upper basin storage, spread over a twelve-month period. Additionally, water releases from Lake Powell to Lake Mead were reduced to help maintain the water level on Lake Powell. These two initiatives are preventing further declines on Lake Powell, ensuring the continued operations of key reservoirs that deliver drinking water to 19 million people in Southern California.

Agreements for managing water in the Colorado River expired at the end of 2026. Despite years of negotiations, the Upper and Lower Basin states failed to come to a consensus agreement on future operations of the Colorado River. The lack of consensus forced the federal government to intervene, and in August, the Bureau adopted a 10-year operational framework for managing water deliveries from the Colorado River. This framework reduces how much water is taken from the river each year, with water allocations to each state reconsidered every two years to reflect the most recent hydrologic conditions. For 2027 and 2028, reductions of 1.25 million acre-feet per year are required from the Lower Basin states. Of this, California is responsible for 440,000 acre-feet. Additionally, the new guidelines require 700,000 acre-feet of incremental conservation from the Lower Basin states over the same two-year period. California will be required to conserve an incremental 300,000 acre-feet of water as a result. Despite the dire status of the Colorado River and resulting conservation guidelines for 2027-2028, San Diego County Water Authority's Quantification Settlement Agreement supplies are not subject to the reductions, and it has assured its member agencies that no mandatory cutbacks will be necessary to meet water demands.

DRAFT 10.28.2026

Imported water supply challenges persist for Southern California and OMWD continues to diversify its water supply portfolio to gain more local control. OMWD's efforts to expand recycled water infrastructure allow it to meet up to 15% of its demands using locally produced supplies for irrigation. This has been achieved largely through interagency coordination with the North San Diego Water Reuse Coalition, a group of water and wastewater agencies for which OMWD provides leadership. To date, the Coalition has achieved $30 million in funding from the US Bureau of Reclamation via the Title XVI Water Reclamation and Reuse Program, as well as $5 million in Proposition 84 funding. Individual Coalition members have secured additional funds via Proposition 1 as well. OMWD's share of these awards have totaled more than $6 million, which has offset costs for multiple recycled water infrastructure projects.

Additionally, OMWD continues to evaluate the feasibility of the San Dieguito Brackish Groundwater Desalination Project, which would produce approximately 1.5 million gallons per day of potable water from a locally controlled source. A feasibility study for the project has been completed, and in 2024, Congress approved $960,000 in Community Project Funding. This grant award will be utilized to fund the installation of a new test well in 2027. A pump test will be conducted upon installation of a test well to refine hydrogeologic modeling and treatment design criteria that will assist in progressing towards a full-scale treatment facility.

With these proactive measures firmly in place, OMWD remains confidently positioned to provide essential water services to the communities we serve.

Internal Controls

District Management is responsible for establishing and maintaining a system of internal controls designed to safeguard District assets from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in accordance with generally accepted accounting principles. The internal control structure is designed to provide reasonable assurance that these objectives are met. When establishing or reviewing controls, management must recognize that the cost to implement a control should not exceed the benefits likely to be derived, and that in order to assess cost versus benefit, estimates and judgment on the part of management will be required. All internal control evaluations occur within the above framework. Management believes the current system of internal controls adequately safeguards District assets and provides reasonable assurance that accounting transactions are properly recorded.

Budget Process

The District has a multi-year operating and capital budget that is approved by the board in June of every other year (biennial budget). The District's Budget is used as a management tool for estimating and planning District revenues and expenditures based on historic and current financial information. Having a two-year budget allows the District to redeploy resources to other activities other than budget preparation, such as putting more emphasis into the budget monitoring process, and promotes a longer-term view to see and measure results greater than a 12-month period. The Finance Department prepares estimates for departmental review. Department managers review and revise the estimates. All managers meet several times to discuss the budgets, after which there is a final review by the General Manager prior to submittal to the Board of Directors for their consideration.

The proposed Budget is submitted to the Board within 45 days prior to July 1st of each budget-approval year. The budget does not go into effect until approved by the Board. Once adopted, the budget becomes the parameter for operating and capital expenditures for each fiscal year.

The District has been the proud recipient of the Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award and the California Society of Municipal Finance Officers (CSMFO) Excellence in Budgeting Award for its budget in previous fiscal years. These awards reflect the commitment of the District's Board of Directors and staff to apply the highest principles of governmental budgeting to satisfy nationally recognized guidelines for effective budget presentation.

DRAFT 10.26.2026

The District conducts a mid-term review of its multi-year budget in March of non-budget approval years to analyze actual operating and capital expenditures and compares the numbers to the original budget amounts. The purpose of this review is to present the Board with amended budget amounts when required, due to changes in circumstances that were not anticipated at the time the original budget was developed. Project managers may find after the first half of the budget that some projects need to be accelerated or delayed due to changes in housing development conditions in the District. Progress on status of capital projects is reported to the board during the mid-term budget review.

Designated Fund Balances

The District's Designated Fund Balances Policy is adopted by the District's Board of Directors. This policy represents affirmation of the Board's commitment to financial prudence and careful stewardship of community assets. These funds are designated to carry out specific purposes to ensure prudent management of the District's financial resources. The policy specifies minimum and maximum target balances to be established in each Board-designated fund. All fund balances will be subject to review by the Board when the District's annual financial audit is completed to ensure fund balances meet the goals established in the policy.

To ensure adequate funding to meet the District's short-term and long-term planned capital expenditures and its commitment to the community, the maximum target balance of the District's designated fund balance for capital and equipment for water operations has been adjusted so as not to exceed five fiscal years of approved planned capital expenditures.

Contacting the District's Finance Department

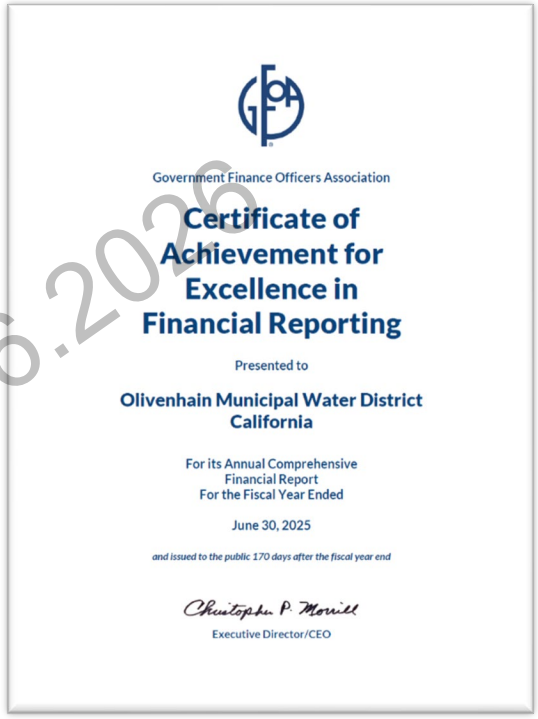
This financial report is designed to provide the Board, customers, creditors and investors with a general overview of the District's financial condition. Should you have any questions regarding the content of this report, please contact Leo Mendez, the District's Finance Manager, at (760) 753-6466.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Olivenhain Municipal Water District for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2025. This was the 31st consecutive year that the District has received this prestigious award.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement is valid for a period of one year only. We believe that our Annual Comprehensive Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.


Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Olivenhain Municipal Water District
California

For its Annual Comprehensive Financial Report
For the Fiscal Year Ended

June 30, 2025

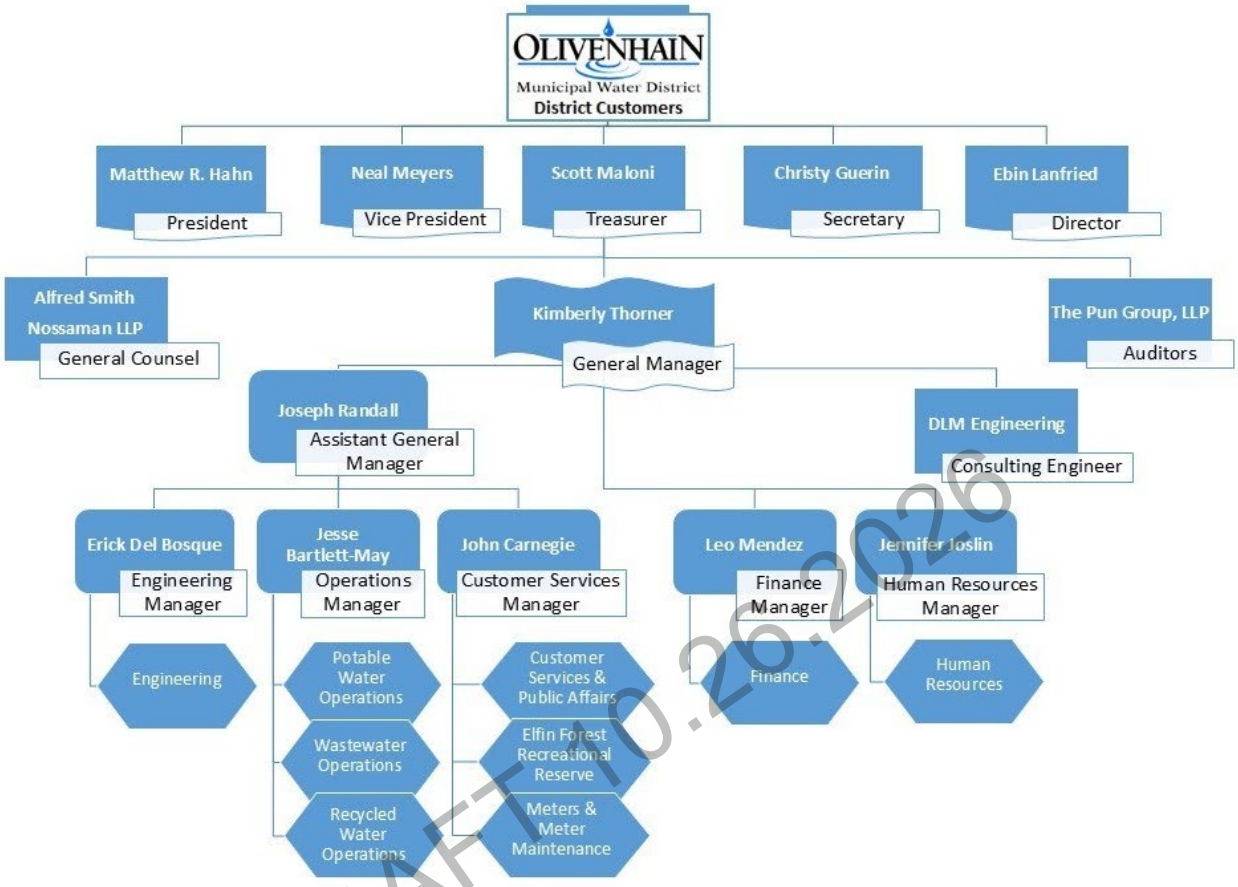
and issued to the public 170 days after the fiscal year end

Christopher P. Morrill

Executive Director/CEO

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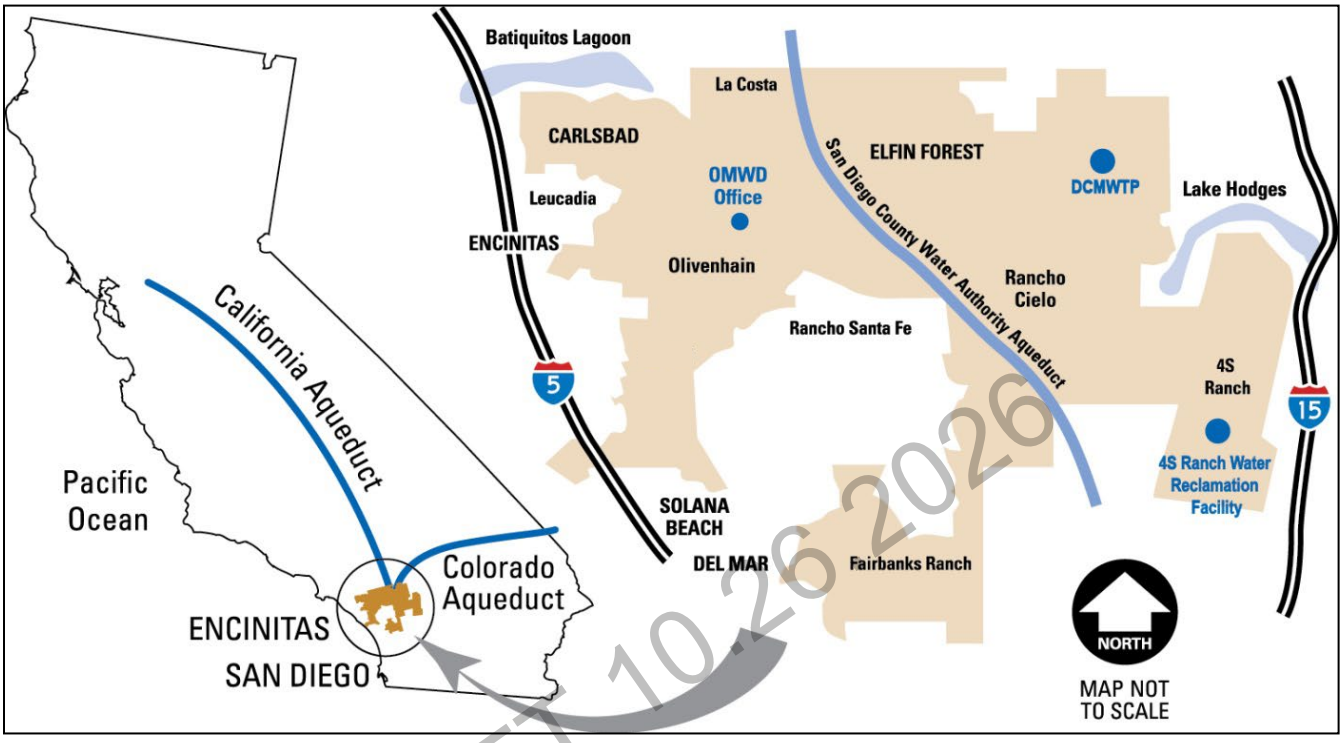
Organization Chart- Printer to replace with org chart that includes BOD pictures



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The elected five board members delegate management responsibility of the day-to-day operations of the District to an appointed General Manager. The District is an “at will employer.” All of the District’s employees serve at the pleasure of the General Manager.

District Service Area



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Acknowledgements

The preparation of this report could not have been accomplished without support and input from all departments and our independent auditor, The Pun Group, LLP. We would also like to particularly thank the Board of Directors for their continued dedication supporting the highest level of prudent fiscal management.

Respectfully Submitted:

Kimberly A. Thorner, Esq.
General Manager

Leo Mendez, CPA
Finance Manager

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Olivenhain Municipal Water District
Encinitas, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Olivenhain Municipal Water District, California (the "District"), which comprise the statements of net position as of June 30, 2026 and 2025, and the related statements of revenues, expenses, and changes in net position, and cash flows, for the years then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2026 and 2025, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of a Matter – Reclassifications

As discussed in Note 18 to the financial statements, the District made reclassifications to amounts reported as of June 30, 2025 in order to retroactively implement GASB Statement No. 103 and to record a change in classification to net position. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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In performing an audit in accordance with GAAS and the *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit;
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed;
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Modified Approach for Steel Water Storage Tanks Infrastructure Capital Assets, the Schedule of Contributions – Defined Benefit Pension Plans, and the Schedule of Proportionate Share of the Net Pension Liability as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Introductory and Statistical Sections but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated _____, 2026 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

San Diego, California
_____, 2026

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2026

Our discussion and analysis of Olivenhain Municipal Water District's (the "District") basic financial statements provides readers with an overview of the District's financial position and results of operations for the fiscal year ended June 30, 2026. This MD&A offers a narrative explanation of the financial statements for that period, with particular emphasis on the factors driving changes from the prior year. Included in this section are:

- Overview of the Financial Statements;
- Financial Summary;
- Detailed Analyses;
- Significant Capital Assets and Long-Term Financing Activity;
- Currently Known Facts, Decisions, or Conditions

The Management's Discussion and Analysis (MD&A) should be read in conjunction with the audited financial statements. These statements are in the section following the MD&A.

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Overview of the Financial Statements

For financial statement purposes, the District combines several internally maintained funds into one enterprise fund. The financial statements present the financial position, results of operation, and changes in cash balances using the accrual basis of accounting. This methodology is used to account for operations that are financed and operated in a manner similar to business enterprises, where services provided are paid through user charges.

Required Basic Financial Statements

The required financial statements are reported using the economic resources measurement focus, and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. These statements offer short-term and long-term financial information about the District. Each financial statement is identified, defined, and analyzed in the following sections.

The Statement of Net Position includes the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. This statement provides financial information about the nature of investments and ownership (assets), consumption of net position that applies to future periods (deferred outflows), obligations of the District to its bond investors and other creditors (liabilities), and acquisition of net position that applies to future periods (deferred inflows). The Statement of Net Position also provides information for assessing the District's liquidity and financial position.

The Statement of Revenue, Expenses, and Changes in Net Position accounts for all activities during the fiscal year. This statement measures the success of the District's operations during the reporting period and can be used to assess whether or not the District has successfully recovered all of its costs through its user fees and other charges. Beginning in fiscal year 2026, this statement is presented in the audited financial statements in the format required by GASB Statement No. 103, *Financial Reporting Model Improvements*: operating income (loss), noncapital subsidies, and a new subtotal, operating income (loss) and noncapital subsidies, are presented before other nonoperating revenues and expenses. Under GASB 103, nonoperating revenues and expenses are limited to subsidies, financing-related items, disposals of capital assets, and investment income. As a result, Rate

Reimbursement Credits are now reported as a reduction of water sales, lease revenue and certain other items previously reported as nonoperating are now reported as operating, and debt administration costs are reported with interest expense. FY 2025 amounts have been reclassified for comparability.

The Statement of Cash Flows accounts for the District's cash activities during the reporting period. The primary purpose of this report is to provide information to the general reader about cash inflows and outflows which occurred during the reporting fiscal year. This statement shows cash receipts, cash disbursements, and changes in cash balances based on operating, capital and related financing, noncapital and related financing, and investing activities. The Statement of Cash Flows helps the reader answer the following questions: Where did cash come from? What was cash used for? And, what was the change in cash during the fiscal year?

In addition to the basic financial statements, the District uses Notes to the Financial Statements and Required Supplementary Information to provide essential supplementary information that helps readers fully understand the data presented in the basic financial statements. These additional sections offer context and detailed disclosures that cannot be conveyed in the summary tables of the Statement of Net Position; Statement of Revenue, Expenses, and Changes in Net Position; and Statement of Cash Flows. They explain the accounting policies, assumptions, estimates, and other underlying information behind the amounts in the primary financial statements, ensuring transparency, completeness, and clarity for users. The Notes to the Financial Statements can be found on pages 42–81 of this report. Required Supplementary Information can be found on pages 82-86.

Financial Summary

The tables below condense the District's financial statements for the past three fiscal years. Explanations of significant changes are in Detailed Analyses. The amounts for FY 2024 below are presented under the new GASB 103 requirements for comparative purposes, however the District is not restating their FY 2024 financials.

Condensed Statement of Net Position — June 30

	FY2026	FY2025	FY2024	FY26 vs FY25 ($)	FY25 vs FY24 ($)
Assets					
Current assets - unrestricted	$ 98,167,417	$ 98,937,989	$ 95,833,829	$ (770,572)	$ 3,104,160
Current assets - restricted	12,028,780	11,155,142	16,666,572	873,638	(5,511,430)
Noncurrent assets (lease receivable and other)	7,978,842	9,746,379	10,570,698	(1,767,537)	(824,319)
Capital assets, net	370,062,486	371,195,366	371,202,111	(1,132,880)	(6,745)
Total assets	**488,237,525**	**491,034,876**	**494,273,210**	**(2,797,351)**	**(3,238,334)**
Deferred outflows of resources	5,389,451	6,133,781	7,750,769	(744,330)	(1,616,988)
Liabilities					
Current liabilities	20,467,061	18,469,568	19,964,026	1,997,493	(1,494,458)
Long-term debt	25,361,806	31,206,617	36,792,890	(5,844,811)	(5,586,273)
Net pension liability	14,873,531	17,449,508	17,930,299	(2,575,977)	(480,791)
Compensated absences, long-term	1,503,114	1,049,510	987,859	453,604	61,651
Total liabilities	**62,205,512**	**68,175,203**	**75,675,074**	**(5,969,691)**	**(7,499,871)**
Deferred inflows of resources	9,389,776	9,050,887	10,109,406	338,889	(1,058,519)
Net position					
Net investment in capital assets	338,937,793	333,473,519	330,711,440	5,464,274	2,762,079
Restricted	11,873,682	10,971,198	12,129,396	902,484	(1,158,198)
Unrestricted	71,220,213	75,497,850	73,398,663	(4,277,637)	2,099,187
Total net position	**$ 422,031,688**	**$ 419,942,567**	**$ 416,239,499**	**$ 2,089,121**	**$ 3,703,068**

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Condensed Statement of Revenues, Expenses, and Changes in Net Position — Fiscal Year Ended June 30

	FY2026	FY2025	FY2024	FY26 vs FY25 ($)	FY25 vs FY24 ($)
Operating revenues					
Water sales	70,687,752	67,209,475	56,232,839	3,478,277	10,976,636
Wastewater charges	6,472,546	5,760,887	5,443,939	711,659	316,948
Other operating revenues	3,051,956	2,584,437	2,499,000	467,519	85,437
Total operating revenues	**80,212,254**	**75,554,799**	**64,175,778**	**4,657,455**	**11,379,021**
Other nonoperating revenues					
Investment income	3,527,347	4,432,523	4,886,754	(905,176)	(454,231)
Capital contributions	684,713	751,238	3,659,969	(66,525)	(2,908,731)
Capacity charges	161,079	2,087,570	577,702	(1,926,491)	1,509,868
Benefit Assessment Revenues	1,047,293	1,121,827	1,048,779	(74,534)	73,048
Total nonoperating revenues	**5,420,432**	**8,393,158**	**10,173,204**	**(2,972,726)**	**(1,780,046)**
Total Revenues	***85,632,686***	***83,947,957***	***74,348,982***	***1,684,729***	***9,598,975***
Noncapital subsidies					
Property tax revenues	5,226,684	5,016,813	4,802,446	209,871	214,367
Intergovernmental Pass-through Grants	5,484,449	7,349,666	3,324,102	(1,865,217)	4,025,564
Grant Pass-through Payments	(5,484,449)	(7,349,666)	(3,324,102)	1,865,217	(4,025,564)
Total Noncapital Subsidies	**5,226,684**	**5,016,813**	**4,802,446**	**209,871**	**214,367**
Total Revenues and Noncapital Subsidies	***90,859,370***	***88,964,770***	***79,151,428***	***1,894,600***	***9,813,342***
Operating expenses					
Cost of water sold	42,422,558	39,107,409	30,712,658	3,315,149	8,394,751
Water treatment and distribution	11,137,120	9,893,697	10,238,953	1,243,423	(345,256)
Wastewater collection and treatment	2,352,274	2,361,678	2,026,890	(9,404)	334,788
Depreciation	16,890,434	16,587,148	16,207,532	303,286	379,616
Other operating expenses	14,514,847	14,385,479	13,603,111	129,368	782,368
Total operating expenses	**87,317,233**	**82,335,411**	**72,789,144**	**4,981,822**	**9,546,267**
Other nonoperating expenses					
Interest expense and other financing costs, net	902,620	1,080,171	1,244,210	(177,551)	(164,039)
Gain (loss) on disposal of assets, net	550,396	1,846,120	111,696	(1,295,724)	1,734,424
Total nonoperating expenses	**1,453,016**	**2,926,291**	**1,355,906**	**(1,473,275)**	**1,570,385**
Total Expenses	***88,770,249***	***85,261,702***	***74,145,050***	***3,508,547***	***11,116,652***
Increase (decrease) in net position	**2,089,121**	**3,703,068**	**5,006,378**	**(1,613,947)**	**(1,303,310)**
Net position - beginning of year	419,942,567	416,239,499	411,233,121	3,703,068	5,006,378
Net position - end of year	**422,031,688**	**419,942,567**	**416,239,499**	**2,089,121**	**3,703,068**

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Detailed Analyses

Summary of significant changes

FY 2026 compared with FY 2025: The District's net position increased $2.1 million in FY 2026, as revenues and other recognized inflows exceeded expenses. Operating revenues rose by $4.7 million and operating expenses rose by $5.0 million. Higher water and wastewater rates, along with treatment service provided to Vallecitos Water District for a full year, increased operating revenues. Operating expenses rose primarily due to higher purchased water costs, followed by increased water treatment and distribution costs. The District reported an operating loss of $7.1 million, including $16.9 million in depreciation. Noncapital subsidies reduced this loss to approximately $1.9 million. Other nonoperating revenues and expenses contributed a net increase of $4.0 million, increasing net position by $2.1 million.

FY 2025 compared with FY 2024: The District's net position increased $3.7 million in FY 2025, compared with a $5.0 million increase in FY 2024. Operating revenues rose $11.4 million, mainly from higher water sales, while operating expenses increased $9.5 million due to higher purchased water costs. The District reported an operating loss of $6.8 million, including $16.6 million in depreciation.

Noncapital subsidies reduced the loss to approximately $1.8 million. Other nonoperating revenues and expenses contributed to a net increase of $5.5 million, increasing net position by $3.7 million. The smaller increase compared with FY 2024 reflects lower capital contributions and higher losses on asset disposals.

Significant financial and economic factors

Dependence on SDCWA: The District purchases all its potable water from the San Diego County Water Authority (SDCWA). SDCWA's wholesale cost to the District increased 9.8% effective January 1, 2026. In addition, SDCWA continues to shift a larger portion of its charges to fixed costs for member agencies, causing a growing share of the District's water costs to remain constant regardless of the volume of water sold.

Water rates: The District passes wholesale cost increases and inflation through to customers under a five-year water rate ordinance the Board adopted on November 6, 2024 (effective January 1, 2025, through December 31, 2029) based on a Water Cost-of-Service Study; the ordinance limits annual revenue adjustments to 12%. In October 2025 the Board approved a 5.64% adjustment effective January 1, 2026. The first adjustment under the ordinance, 7.8%, took effect January 1, 2025, midway through FY 2025.

Wastewater rates: A 5.5% increase took effect in July 2025 under the five-year wastewater ordinance the Board approved in May 2024 following the 2024 Wastewater Cost of Service Study. The first increase under that ordinance, 5.5%, took effect in July 2024.

Rate Reimbursement Credit (RRC): In March 2022, the Board established the Rate Reimbursement Credit (RRC) program to distribute $3,661,917 in settlement proceeds received from the San Diego County Water Authority (SDCWA). The program returned these funds to customers as a per-unit credit on potable water purchases. The initial credit was set at 6.9 cents per unit; however, the Board subsequently adjusted the rate in later years to help mitigate the impact of water rate increases. The credit was increased to 11 cents per unit in 2024 and to 22 cents per unit in 2025. For 2026, the credit was reduced to 11 cents per unit and remained in place until all settlement funds were fully returned in October 2026.

Through June 30, 2026, the District refunded a total of $3,391,757 under the RRC program, including approximately $0.58 million in FY 2022 and FY 2023 combined, $491 thousand in FY 2024, $1.07 million in FY 2025, and $1.25 million in FY 2026. As of June 30, 2026, $270,160 of the original settlement proceeds remained to be refunded. Beginning in FY 2026, with the implementation of GASB 103, the credits are reported as a reduction of water sales; FY 2025 amounts have been reclassified. In prior years, the credits were reported as other nonoperating expenses.

Inflation and Interest Rates: Average CPI for the year was 3.25%. Inflation increased the cost of labor, construction materials, chemicals, power, and other operating expenses (see Operating expenses and Capital assets). Changes in market interest rates reduced the District's average portfolio yield from 3.89% in FY 2025 to 3.61% in FY 2026 (see Other nonoperating revenues and expenses, net).

Customer demand: Customer water demand remained stable between FY 2025 and FY 2026. Total demand in FY 2026 was 19,025 acre-feet, a slight decline of 410 acre-feet, from FY 2025's total of 19,435 acre-feet. Demand was lower in FY 2024 at only 16,514 acre-feet. FY 2025 marked a return to more typical weather patterns in Southern California, which continued into FY 2026 following several unusually wet seasons during FYs 2023 and 2024.

Financial position (Statement of Net Position)

Assets: Total assets decreased by $2.8 million in FY 2026, mainly due to a $1.8 million decrease in noncurrent assets specific to lease receivables from cancelled cell tower leases (see Leases section), and a $1.1 million decrease in net capital assets as depreciation of $16.9 million exceeded new assets placed into service during the fiscal year. More information on depreciation and the decrease in net capital assets can be found in the Significant Capital Assets and Long-Term Financing Activity sections below.

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In FY 2025, total assets decreased primarily due to a $3.3 million reduction in grants receivable related to the Title XVI grant funds received by the District and paid to subrecipients. This decrease was matched by a reduction in grants payable as described in the liabilities section below. In accordance with Generally Accepted Accounting Principles (GAAP), the District recorded both a grant receivable and grant payable in 2024 for Title XVI grant funds due to the District, as lead partner, but payable to subrecipients. These amounts were received by the District and paid to subrecipients in 2025.

Deferred Outflows: Deferred Outflows of Resources decreased $744 thousand in FY 2026 and by $1.6 million in FY 2025. These changes were driven mainly by year-to-year fluctuations in pension-related amounts, as described in the Pension section below. The remaining decreases reflect the continued amortization of the deferred loss on refunding from the District's Water System Revenue Bonds. More information on long-term debt is provided in Note 8 of the basic financial statements.

Liabilities: Total liabilities decreased $6.0 million in FY 2026. The decline was mainly driven by two items: a $5.8 million reduction in long-term debt resulting from scheduled debt service payments, and a separate $2.6 million decrease in the District's net pension liability due to favorable CalPERS pension investment earnings (see Pension section below). These reductions were partially offset by a $2.0 million increase in current liabilities, mainly from higher accounts payable for water purchases due as of year-end.

In FY 2025, total liabilities decreased primarily due to a $3.3 million reduction in grants payable, which had been owed to subrecipients of the Title XVI grant at the end of the previous fiscal year and was paid in 2025. Regular long-term debt service payments also contributed to the decrease. These reductions were partially offset by an increase in payables related to work in progress, resulting from deposits received for the sale of one of the District's parcels of land (Wiegand).

Deferred Inflows of Resources: Deferred Inflows of Resources increased $339 thousand in FY 2026, mainly due to a $2.1 million rise in pension-related amounts, partially offset by a $1.8 million decrease in lease-related deferred inflows, due to cancelled cell tower leases (see Leases section). In FY 2025, deferred inflows decreased by $1.1 million, mainly due to the recognition of lease revenue from the District's cell tower leases over the year. More information is provided in the Pension and Leases sections below.

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Pension: The net pension liability is the District's proportionate share of the CalPERS Miscellaneous Classic and PEPRA plans' net pension liability. It is measured as of June 30, 2025 (the measurement date) using an actuarial valuation as of June 30, 2024, rolled forward to the measurement date. In FY 2026, the liability decreased $2.6 million, primarily due to CalPERS having stronger-than-projected investment returns. This decrease was partially offset by a 3.3% increase in the District's proportional share of the plans' total liability. Pension deferred outflows decreased $0.6 million, while pension deferred inflows increased $2.1 million. These amounts fluctuate with each CalPERS actuarial valuation under GASB 68 and are recognized in future periods. The shift in deferred inflows and outflows was largely driven by strong investment returns, which changed the "difference between projected and actual earnings" from a $1.0 million deferred outflow to a $2.0 million deferred inflow.

In FY 2025, net pension liability decreased $0.5 million from FY 2024. Deferred outflows of resources decreased $1.6 million, primarily due to contributions made after the measurement date and differences between actual and expected earnings.

The net pension liability reported at June 30, 2026, is $14.9 million, representing a funded status of 81.3%. To improve its funded status, the District established a Pension Stabilization Fund (PSF) in December 2022 and began making Additional Discretionary Payments (ADPs) beyond the CalPERS required contributions as part of a 13-year funding strategy.

Leases: Noncurrent lease receivables decreased $1.8 million in FY 2026, while lease-related deferred inflows of resources decreased $1.8 million. These changes reflect the District's role as lessor under 17 lease agreements, primarily related to cell tower sites. Lease receivables decline as payments are received, and deferred inflows are recognized as lease revenue over the lease terms in accordance with GASB 87. During FY 2026, one lessee terminated three leases early, as a result of bankruptcy, resulting in a $1.3 million reduction in lease receivables. The terminations also resulted in a $143 thousand remeasurement loss that reduced lease revenue. Lease revenue is reported in other operating revenues, and lease interest income is reported in investment income.

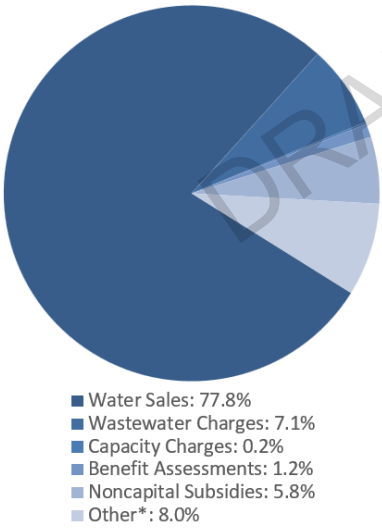
When comparing FY 2025 with FY 2024, noncurrent lease receivables decreased $770 thousand, and lease-related deferred inflows of resources decreased $0.9 million.

Net position: The District's net position rose $2.1 million in FY 2026 (see Summary of significant changes). Net investment in capital assets increased $5.5 million to $338.9 million, because scheduled principal payments reduced capital-related debt by more than the $1.1 million decrease in net capital assets. Restricted net position increased $0.9 million to $11.9 million, consistent with the $0.9 million increase in restricted current assets. Unrestricted net position decreased $4.3 million to $71.2 million. Because net investment in capital assets and restricted net position together grew by $6.4 million, more than the $2.1 million increase in total net position, unrestricted net position absorbed the difference as unrestricted cash was used to retire debt principal and fund capital replacements, including the emergency pipeline replacement. In FY 2025, net investment in capital assets increased $2.8 million and unrestricted net position increased $2.1 million, while restricted net position decreased $1.2 million.

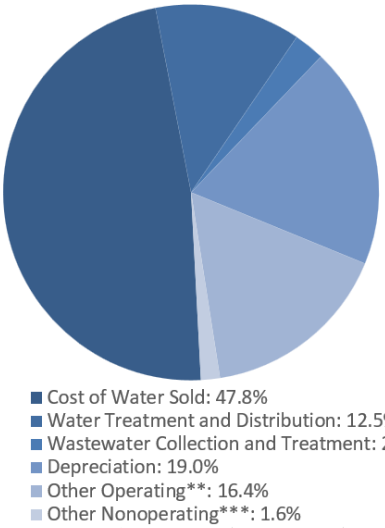
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Results of operations (Statement of Revenues, Expenses, and Changes in Net Position)

Revenues and Noncapital Subsidies: $90.9 million



Expenses: $88.8 million



*includes Other Operating Revenues, Capital Contributions, and Investment Income.
**includes General and Administrative, Customer Service, Facilities Maintenance, and Elfin Forest Recreational Reserve Expenses.
*** includes Gain/(Loss) on disposal of assets, interest expense, and other financing costs

Operating revenues: increased by $4.7 million in FY 2026, primarily due to an increase in water sales. Water sales rose $3.5 million, net of $1.24 million in Rate Reimbursement Credits ($174 thousand more than in FY 2025), driven by the 5.64% rate increase effective January 1, 2026, and the 7.8% increase effective January 1, 2025. Wastewater charges increased $0.7 million, reflecting the 5.5% rate increase effective July 1, 2025, and higher winter water usage from FY 2025, which was used to set FY 2026 annual bills. Other operating revenues grew $0.5 million, as a full year

of treatment services provided to Vallecitos Water District at the DCMWTP ($0.6 million increase) was partially offset by lower lease and rental income following the early termination of three cell tower leases. In prior years, these services were reduced because of planned pipeline repairs.

Operating revenues rose $11.4 million in FY 2025 compared to FY 2024, largely due to a $10.5 million increase in water sales. Customer demand grew by 2,921 acre-feet as weather returned to more typical patterns, following FY 2024's unusually wet winter that reduced usage. Water sales also reflect the 7.8% and 7.4% revenue adjustments implemented in fiscal years 2025 and 2024, respectively.

Other nonoperating revenues: Non-operating revenues decreased by $3.0 million in FY 2026 compared to FY 2025, largely due to a $1.9 million reduction in capacity fees from developers. These fees fluctuate from year to year, as the District is largely built out, and FY 2025 included $1.2 million in capacity fees from a major development project. Investment income, which now includes lease interest, also decreased $0.9 million due to prevailing market conditions, which resulted in a smaller fair market value adjustment of $630 thousand less than the prior year, though still positive, and a modest decline in the average portfolio yield (see Inflation and interest rates).

Comparing FY 2025 to FY 2024, non-operating revenues decreased by $1.8 million. This change was primarily driven by the $2.9 million in capital contributions received in FY 2024 related to the District's Title XVI grant. This was partially offset by a $1.5 million increase in capacity fees, in FY 2025, which includes the $1.2 million received from a major development project, referenced above.

Noncapital Subsidies: is composed of property tax revenues received from the County, and intergovernmental pass-through grants and the related pass-through grant payments, which offset each other each year. Property tax revenues continue to grow each year due to the up-to-2% inflation adjustment allowed under Proposition 13, as well as reassessments triggered by property sales and new construction.

Intergovernmental pass-through grants represent funds the District receives on behalf of the North San Diego Water Reuse Coalition (NSDWRC) for the Title XVI Department of the Interior grant and Prop 1 Round 2 Department of Water Resources grant and then passes through to the other member agencies. Grant funds earned and retained by the District for either program are reported under capital contributions within the Other nonoperating revenues (expenses) section of the Statement of Revenues, Expenses, and Changes in Net Position.

Operating expenses: increased by $5.0 million in FY 2026, mainly due to higher water purchase costs. The cost of water sold rose by $3.3 million, driven largely by the 9.8% SDCWA wholesale rate increase effective January 1, 2026. Although overall customer demand declined slightly from FY 2025 to FY 2026 (see Customer Demand), total water purchases increased modestly (up 400 acre-feet, or 2%) due to the timing or purchases. The year-over-year increase was partially offset because the District purchased more treated water in FY 2025 due to unplanned shutdowns at the DCMWTP. Water treatment and distribution costs increased $1.2 million due to higher treatment volumes, increased chemical, power, and materials costs, and a full year of Vallecitos treatment compared to FY 2025.

In FY 2025, operating expenses increased by $9.5 million, primarily due to higher purchased water costs. The cost of water sold rose $8.4 million, reflecting increased purchase volumes and SDCWA's 14.0% rate increase effective January 1, 2025. Purchased water deliveries increased 2,083 acre-feet (13.3%) compared to FY 2024, when unusually wet weather reduced demand.

Other nonoperating expenses: decreased by $1.5 million in FY 2026, driven primarily by a $1.3 million lower loss on asset disposals, which in FY 2025 had related to wastewater, recycled water, and treatment plant upgrades; interest expense and other financing costs also declined by $178 thousand.

When comparing FY 2025 to FY 2024, other nonoperating expenses increased by $1.6 million mainly due to the higher losses on asset disposals in FY 2025.

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Significant Capital Assets and Long-Term Financing Activity

The District has a Ten (10) Year Capital Spending Plan for its Water and Wastewater Capital Improvement Program to address its water and wastewater infrastructure needs. The District is currently estimated at 95% build out. The District's ten-year financial projections for water and wastewater are included in the Long-Term Financial section of the General Manager's Recommended Biennial Budget document which is available on the District's website, www.olivenhain.com/about-us/administration/government-transparency.

Capital assets

	FY2026	FY2025	FY2024	FY26 vs FY25 ($)	FY25 vs FY24 ($)
Capital assets, net of depreciation	$ 324,775,028	$ 325,264,073	$ 322,752,333	$ (489,045)	$ 2,511,740
Land and steel tanks	30,866,760	30,866,760	30,866,760	-	-
Construction in progress	14,420,698	15,064,533	17,583,018	(643,835)	(2,518,485)
Net Capital Assets	**$ 370,062,486**	**$ 371,195,366**	**$ 371,202,111**	**$ (1,132,880)**	**$ (6,745)**

Net capital assets were $370.1 million at June 30, 2026, net of $286.2 million in accumulated depreciation and amortization, reflecting a $1.1 million decrease from FY 2025. Depreciation expense of $16.9 million exceeded the value of assets placed in service during the year. Major additions included $4.6 million of pipeline and related assets replaced following an emergency leak repair; $3.3 million for replacement of the Water Treatment Plant's fourth-stage centrifuge; $3.2 million for improvements and replacements at the Gardendale and Village Park pressure-reducing stations; and $4.4 million of recurring system-maintenance projects designed to maintain reliability and prevent failures. The only assets removed from service during the year were those replaced by new capital project assets, resulting in a $550 thousand loss on disposal.

Comparing FY 2025 with FY 2024, net capital assets were essentially unchanged, decreasing $6.7 thousand. Capital assets in service, net of depreciation, increased $2.5 million as completed projects were placed in service, offsetting $16.6 million of depreciation.

Construction in progress totaled $14.4 million at June 30, 2026, a $0.6 million decrease from FY 2025. Major ongoing projects include the San Elijo Valley Groundwater Project, Headworks Wastewater Screening System Improvements, and District-wide PLC replacements. The District also holds $158 thousand in subscription-based information technology arrangement (SBITA) assets, net of amortization. Capital spending continues to be funded from unrestricted and restricted cash. Capital asset activity during the year was affected by the unplanned emergency pipeline replacement described above and by inflation-driven increases in construction material costs (see Inflation and interest rates).

Comparing FY 2025 with FY 2024, construction in progress decreased $2.5 million to $15.1 million as projects were completed and placed in service.

Commitments for capital expenditures: At June 30, 2026, the District had outstanding construction contract commitments of $10.1 million, primarily for a ten-year contract for the purchase of treatment plant membranes, the Headworks screening project, and the Desalination Plant project. The ten-year capital improvement plan described above is a plan and does not represent contractual commitments.

More information on the District's Capital Assets can be found in Note 6 of the Basic Financial Statements.

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Long-term financing activity

Long-term debt (noncurrent portion) decreased $5.8 million to $25.4 million in FY 2026, due to scheduled principal payments on outstanding obligations. As a result of the lower debt balance, interest expense declined during the year. When comparing FY 2025 with FY 2024, long-term debt decreased by $5.6 million, also due to scheduled principal retirements. The District has not issued any new debt over the past three fiscal years, and continued reductions in outstanding principal demonstrate the District's ongoing commitment to managing its debt portfolio and maintaining a strong financial position.

Principal outstanding at June 30, 2026 was:

Debt	Final maturity	Interest rate	Principal outstanding	Due within one year
2019 Reassessment 96-1 Limited Obligation Improvement Bonds	9/2/2027	2.09%	$ 1,882,909	$ 932,617
2013 State Revolving Fund note payable	7/1/2035	2.30%	8,217,546	885,822
2015 Water System Refunding Revenue Bonds	6/1/2028	2.00%–5.00 %	4,580,000	2,235,000
2016 Water System Refunding Revenue Bonds	6/1/2039	2.13%–5.00 %	10,485,000	675,000
2021A Wastewater Revenue Bonds	6/1/2041	2.14%	3,940,430	225,560
2021B Wastewater Revenue Refunding Bonds	6/1/2028	1.14%	1,197,560	595,310
Total			**$ 30,303,445**	**$ 5,549,309**

Debt also includes $102 thousand of SBITA liabilities for software subscription arrangements recognized under GASB 96. At year end the District has three software subscriptions that fall under GASB 96, including one new subscription added during the year and excluding one old subscription that expired.

In March 2026, Fitch Ratings reviewed the District's "AAA" rating on the 2015 and 2016 Water System Refunding Revenue Bonds, which are secured by net water system revenues after operating and maintenance expenses, and concluded that there should be no change to the existing rating.

Debt limitations: The District's bond and loan agreements require a minimum debt service coverage ratio of 125 percent for both the water and wastewater systems, calculated using the net revenues of each respective system. The District has been, and is expected to remain, in full compliance with all bond covenants, including its debt service coverage requirements. The District is currently in the process of securing a $6.5 million iBank loan to support necessary infrastructure improvements at its 4S Ranch Water Reclamation Facility. Two existing debts will retire in June 2028, which will increase the District's coverage ratio and enhance its capacity for future debt issuances, including the anticipated $51 million for the San Dieguito Desalination Plant. See Note 8 for additional information.

Currently Known Facts, Decisions, or Conditions

The following is based on information known as of November 10, 2026.

Water supply costs and rates: Effective January 1, 2027, the District's cost to purchase water is projected to increase by approximately 9.5%, including a 15.1% increase in SDCWA's treated water rate. The District will purchase a higher volume of treated water in FY 2027 due to a planned four-month shutdown of the DCMWTP for critical infrastructure replacement, which is included in the 9.5% estimate above. In October 2026, the District's Board approved a 7.27% rate adjustment, effective January 1, 2027, to pass through SDCWA's higher wholesale costs and other operational increases.

Wastewater treatment: Wastewater rates increased 5.5% July 2026 and will increase by 5.5% in July 2027 and July 2028 under the 2024 five-year ordinance discussed earlier.

Rate Reimbursement Credit: The remaining $270,160 balance was fully refunded in October 2026, after which water

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sales will no longer be reduced by these credits.

Operating costs: Chemical, utility, and imported-materials costs continue to rise with inflation and tariffs. To limit increases, management has reprioritized infrastructure projects and delayed new positions, and the District continues to offset operating costs by providing treatment services to Vallecitos Water District.

Customer base and growth: Because the District is largely built out, capacity charges and developer-contributed assets are expected to stay low. The District's population has remained relatively steady over the last decade.

Long-term obligations and capital plans: The District has applied for a new $6.5 million loan to finance current and future wastewater capital improvement projects. Pending Board approval, the loan is expected to be finalized by the end of calendar year 2026. The District's ten-year capital improvement plan for water and wastewater totals $256.2 million and is primarily funded through rate revenue, grant funding, and capacity fees. The plan also includes $57.5 million in long-term budgeted debt issuances: $6.5 million for wastewater projects noted above and $51 million anticipated for the San Dieguito Desalination Plant, planned for issuance in FY 2032 or later. The District's long-term financial projections are included in the General Manager's Recommended Biennial Budget, available at www.olivenhain.com/about-us/administration/government-transparency.

Insurance Reimbursement: The District received reimbursement payments from its insurance carrier, Association of California Water Agencies Joint Powers Insurance Authority (ACWA JPIA), in August and October 2026 for two claims originally filed in August 2025 related to the emergency pipeline replacement project along Azahar and Cadencia Streets. These reimbursements, which covered some of the costs associated with replacing the burst pipelines, totaled $2.1 million; $1.13 million for the Azahar claim and $927 thousand for the Cadencia claim.

Actions by other parties: SDCWA's rate and fixed-cost allocation decisions will continue to be the primary drivers of the District's costs. In FY 2027, the District anticipates receiving at least $2 million in grant funding, primarily from the Title XVI program to support recycled water projects, as well as an EPA grant of $960 thousand to help fund a test well for the San Dieguito Desalination Plant. The District is also actively pursuing additional grant funding for improvements and expansion of the Elfin Forest Recreation Reserve trails and parking lot. In addition, the District is seeking $11.5 million in State and Federal funds to support rehabilitation projects at the District's water treatment plant.

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BASIC FINANCIAL STATEMENTS

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Olivenhain Municipal Water District
Statements of Net Position
June 30, 2026 and 2025

	2026	2025
ASSETS		
Current assets:		
Unrestricted assets:		
Cash and cash equivalents	$ 57,553,681	$ 45,492,417
Investments	23,899,263	38,069,804
Accounts receivable - water and wastewater, net	11,715,326	10,495,272
Interest receivable	635,852	526,155
Taxes receivable	251,393	226,260
Leases receivable, due within one year	425,473	470,100
Other receivables	268,489	254,011
Inventories	2,260,597	1,683,076
Prepaid expenses	1,157,343	1,720,894
Total unrestricted assets	98,167,417	98,937,989
Restricted assets:		
Cash and cash equivalents	9,178,725	7,109,105
Investments	2,827,786	3,986,370
Taxes receivable	22,269	57,206
Grants receivable	-	2,461
Total restricted assets	12,028,780	11,155,142
Total current assets	110,196,197	110,093,131
Noncurrent assets:		
Capital assets, nondepreciable	45,287,458	45,931,293
Capital assets, depreciable/amortizable, net	324,775,028	325,264,073
Capital assets, net	370,062,486	371,195,366
Leases receivable, due in more than one year	7,972,129	9,736,164
Prepaid bond insurance	6,713	10,215
Total noncurrent assets	378,041,328	380,941,745
Total assets	488,237,525	491,034,876
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on refunding	490,799	594,290
Pension-related deferred outflows of resources	4,898,652	5,539,491
Total deferred outflows of resources	5,389,451	6,133,781

(Continued)

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See accompanying Notes to the Basic Financial Statements.

Olivenhain Municipal Water District
Statements of Net Position (Continued)
June 30, 2026 and 2025

	2026	2025
LIABILITIES		
Current liabilities:		
Liabilities payable from unrestricted assets:		
Accounts payable	$ 10,610,267	$ 8,735,955
Accrued payroll	697,541	643,653
Customer deposits	417,368	419,257
Payable related to work in progress	1,807,092	1,739,980
Compensated absences, current portion	1,119,560	1,258,429
Current portion of long-term debt:		
Wastewater revenue bonds	820,870	809,730
Water revenue refunding bonds	2,910,000	2,775,000
Special assessment debt with government commitment	932,617	912,067
Notes payable	885,822	865,765
Subscription liability	90,447	109,218
Total liabilities payable from unrestricted assets	20,291,584	18,269,054
Liabilities payable from restricted assets:		
Accounts payable	20,378	16,570
Interest payable	155,099	183,944
Total liabilities payable from restricted assets	175,477	200,514
Total current liabilities	20,467,061	18,469,568
Noncurrent liabilities:		
Compensated absences	1,503,114	1,049,510
Net pension liability	14,873,531	17,449,508
Long-term debt, excluding current portion:		
Wastewater revenue bonds	4,317,120	5,137,990
Water revenue refunding bonds	12,751,586	15,887,677
Special assessment debt with government commitment	950,292	1,883,616
Notes payable	7,331,724	8,217,546
Subscription liability	11,084	79,788
Total noncurrent liabilities	41,738,451	49,705,635
Total liabilities	62,205,512	68,175,203
DEFERRED INFLOWS OF RESOURCES		
Pension-related deferred inflows of resources	2,316,087	180,627
Lease-related deferred inflows of resources	7,073,689	8,870,260
Total deferred inflows of resources	9,389,776	9,050,887
NET POSITION		
Net investment in capital assets	338,937,793	333,473,519
Restricted for:		
Debt service	2,980,929	2,400,367
Construction	8,892,753	8,570,831
Total restricted	11,873,682	10,971,198
Unrestricted	71,220,213	75,497,850
Total net position	$ 422,031,688	$ 419,942,567

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See accompanying Notes to the Basic Financial Statements.

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Olivenhain Municipal Water District
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2026 and 2025

	2026	2025
OPERATING REVENUES		
Water sales	$ 70,687,752	$ 67,209,475
Wastewater charges	6,472,546	5,760,887
Other operating revenues	3,051,956	2,584,437
Total operating revenues	80,212,254	75,554,799
OPERATING EXPENSES		
Cost of purchased water sold	42,422,558	39,107,409
Pumping and water treatment	5,379,241	5,111,698
Transmission and distribution	5,757,879	4,781,999
Wastewater collection and treatment	2,352,274	2,361,678
Elfin Forest recreation reserve operations	495,268	506,947
Facilities maintenance	1,485,353	1,396,624
Customer services	2,783,119	2,614,837
General and administrative	9,183,970	9,259,779
Other operating expenses	567,137	607,292
Depreciation and amortization	16,890,434	16,587,148
Total operating expenses	87,317,233	82,335,411
Operating income (loss)	(7,104,979)	(6,780,612)
NONCAPITAL SUBSIDIES		
Property taxes	5,226,684	5,016,813
Intergovernmental - pass-through grants	5,484,449	7,349,666
Grant pass-through payments	(5,484,449)	(7,349,666)
Total noncapital subsidies	5,226,684	5,016,813
Operating income (loss) and noncapital subsidies	(1,878,295)	(1,763,799)
NONOPERATING REVENUES (EXPENSES)		
Net increase (decrease) in fair value of investments	310,825	940,508
Investment income	3,216,522	3,492,015
Interest expense and other financing costs, net	(902,620)	(1,080,171)
Gain/(loss) on disposal of assets	(550,396)	(1,846,120)
Capital contributions	684,713	751,238
Capacity charges	161,079	2,087,570
Benefit assessments	1,047,293	1,121,827
Total nonoperating revenues (expenses)	3,967,416	5,466,867
Change in net position	2,089,121	3,703,068
Net position, beginning of year	419,942,567	416,239,499
Net position, end of year	$ 422,031,688	$ 419,942,567

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See accompanying Notes to the Basic Financial Statements.

Olivenhain Municipal Water District
Statements of Cash Flows
For the Years Ended June 30, 2026 and 2025

	2026	2025
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from water and wastewater customers	$ 78,505,963	$ 74,712,685
Receipts from leases and other operating sources	481,963	455,850
Payments for water	(39,792,334)	(39,738,345)
Payments for services and supplies	(12,255,977)	(9,049,359)
Payments for employee wages, benefits, and related costs	(15,903,468)	(14,847,809)
Net cash provided by operating activities	11,036,147	11,533,022
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Property taxes received	5,236,488	4,994,937
Intergovernmental - pass-through grants	5,484,449	7,349,666
Grant pass-through payments	(5,484,449)	(7,349,666)
Net cash provided by noncapital financing activities	5,236,488	4,994,937
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(16,001,293)	(18,074,183)
Proceeds from grants and capital contributions	417,588	7,298,485
Principal paid on long-term debt	(5,484,012)	(5,305,812)
Interest paid on long-term debt	(976,344)	(1,285,480)
Capacity charges received	182,465	2,171,308
Benefit assessments received	1,047,293	1,121,827
Proceeds from sale of capital assets	-	34,450
Other capital financing expenses paid	(74,222)	(3,392,898)
Net cash (used in) capital and related financing activities	(20,888,525)	(17,432,303)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturities of investments	48,915,000	24,260,000
Purchases of investments	(33,885,044)	(31,798,609)
Investment income received	3,716,818	3,288,869
Net cash provided by (used in) investing activities	18,746,774	(4,249,740)
Net increase (decrease) in cash and cash equivalents	14,130,884	(5,154,084)
Cash and cash equivalents, beginning of year	52,601,522	57,755,606
Cash and cash equivalents, end of year	$ 66,732,406	$ 52,601,522
FINANCIAL STATEMENT PRESENTATION		
Cash and cash equivalents	$ 57,553,681	$ 45,492,417
Cash and cash equivalents - restricted assets	9,178,725	7,109,105
Total cash and cash equivalents	$ 66,732,406	$ 52,601,522

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(Continued)

See accompanying Notes to the Basic Financial Statements.

Olivenhain Municipal Water District
Statements of Cash Flows (Continued)
For the Years Ended June 30, 2026 and 2025

	2026	2025
RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating (loss)	$ (7,104,979)	$ (6,780,612)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:		
Depreciation and amortization	16,890,434	16,587,148
GASB 68 adjustment to pension expense	200,322	895,803
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Receivables	(1,234,532)	(231,372)
Leases receivable	1,808,662	769,697
Inventories	(577,518)	(83,103)
Prepaid expenses and deposits	563,551	(446,820)
Increase (decrease) in liabilities:		
Accounts payable	1,920,038	1,500,789
Accrued payroll and compensated absences	368,629	246,079
Customer deposits	(1,889)	16,212
Deferred inflows of resources - leases	(1,796,571)	(940,799)
Net cash provided by operating activities	$ 11,036,147	$ 11,533,022
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Contributions of capital assets	$ 269,586	$ 222,491
Amortization of premiums	$ (226,091)	$ (291,627)
Additions of subscription liabilities	$ 33,268	$ 257,568
Unrealized gains (losses) on investments	$ 310,825	$ 940,508

(Concluded)

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See accompanying Notes to the Basic Financial Statements.

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NOTES TO THE BASIC FINANCIAL STATEMENTS

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Note 1 – Reporting Entity

The Olivenhain Municipal Water District (the "District") is a governmental corporation governed by an elected five-member board of directors. The District was incorporated in 1959 under the provisions of the California Municipal Water District Act of 1911. The District's 48.6 square mile service area lies in northern San Diego County and the majority of its sales are to domestic and business users. The District's offices are located in Encinitas, California.

The basic financial statements of the District include the blended financial activities of the District, the Olivenhain Municipal Water District Financing Corporation (the "Corporation"), and the Olivenhain Municipal Water District Financing Authority (the "Authority").

The Corporation was formed in 1997 under the California Nonprofit Public Benefit Corporation Law. Its sole purpose is to assist the District in acquiring and financing various public facilities.

In 2009, the District formed a Joint Powers Authority ("JPA") with the OMWD Community Facilities District 2007-01 (Rancho Cielo) to help finance projects and reduce bond interest costs. In 2010, the agreement was amended to include Rancho Santa Fe Community Services District, ensuring that at least two member agencies would remain part of the JPA. The Board of the District serves as the Board of the Authority.

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The criteria used in determining the inclusion of a component unit in the reporting entity for financial reporting purposes are: (1) appointment of voting majority of the component unit board, (2) ability to impose its will, (3) financial benefit or burden, and (4) fiscal dependency.

In keeping its books and records, the District has established various self-balancing groups of accounts in order to enhance internal control and to further the attainment of other management objectives. These groups of accounts, which are sub funds of the reporting entity, are identified in the District's books and records as the General Fund, Recycled Water Capacity Fee Fund, Treated Water Capacity Fee Fund, Reassessment District 96-1 Fund, 4S Sanitation District Fund, Rancho Cielo Sanitation District Fund, 2015 Water System Revenue Refunding Bond Fund, 2016 Water System Revenue Refunding Bond Fund, 2021A Revenue Bond Fund, 2021B Revenue Bond Fund, and 2013 State Revolving Fund Note Payable. All significant inter sub-fund transactions and accounts are eliminated in the combination of the accounts of the sub-funds for the basic financial statements of the District.

Note 2 – Summary of Significant Accounting Policies

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for governmental accounting financial reporting purposes. The more significant of the District's accounting policies are described below:

A. Financial Statements

The District's activities are accounted for as a single enterprise fund. The financial statements (i.e., the statement of net position, the statement of revenues, expenses and changes in net position, and the statement of cash flows) report information on all of the activities of the District. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Note 2 – Summary of Significant Accounting Policies (Continued)

B. Measurement Focus, Basis of Accounting, and Financial Statements Presentation

The financial statements are reported using the "*economic resources*" measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as all eligibility requirements have been met. Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal period.

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, the Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

Deferred Outflows of Resources represent a consumption of net assets that applies to future periods and that, therefore, will not be recognized as an expense until that time.

Deferred Inflows of Resources represent an acquisition of net assets that applies to future periods and that, therefore, will not be recognized as revenue until that time.

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The District distinguishes operating revenues and expenses from nonoperating revenues and expenses in accordance with GASB Statement No. 103, *Financial Reporting Model Improvements*. Nonoperating revenues and expenses are limited to (1) subsidies received and provided, (2) revenues and expenses related to financing, (3) resources from the disposal of capital assets and inventory, and (4) investment income and expenses. For the District, nonoperating revenues and expenses include noncapital and capital subsidies (described below); benefit assessments levied to pay debt service on assessment district bonds; interest expense, amortization of bond premiums and prepaid bond insurance, and debt administration costs; interest income on leases receivable; gains and losses on the disposal of capital assets; and investment income, including changes in the fair value of investments. All other revenues and expenses are reported as operating, including lease revenue recognized from lease-related deferred inflows of resources. Rate Reimbursement Credits returned to customers are reported as a reduction of water sales.

Subsidies are resources received from, or provided to, another party that either (a) are not exchanged for goods or services provided during the same period, or (b) directly or indirectly keep the District's current or future fees and charges lower than they would otherwise be. Subsidies are classified as capital subsidies when the provider limits their use to the acquisition, construction, or improvement of the District's capital assets; all other subsidies are noncapital subsidies. The District's noncapital subsidies consist of property taxes and grant funds received and passed through to participating agencies in the North San Diego Water Reuse Coalition ("Coalition") for the Title XVI U.S. Department of the Interior grant and Prop 1 Round 2 Department of Water Resources grant. As the administrator, the District monitors participating agencies' compliance with grant requirements and determines the eligibility of costs submitted for reimbursement. Because of this administrative involvement, grant receipts are reported as subsidies received and the corresponding payments to participating agencies are reported as subsidies provided. Because these funds finance the participating agencies' projects rather than the acquisition of District capital assets, they are reported as noncapital subsidies. Noncapital subsidies are reported immediately after operating income (loss), followed by a subtotal for operating income (loss) and noncapital subsidies. The District's capital subsidies consist of capital contributions (contributed capital assets and capital grants) and capacity charges and are reported with other nonoperating revenues and expenses.

Note 2 – Summary of Significant Accounting Policies (Continued)

C. Use of Restricted/Unrestricted Assets

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Cash, Cash Equivalents, and Investments

Cash and Cash Equivalents – For purposes of the statement of cash flows, cash and cash equivalents include petty cash, demand deposits with financial institutions, deposits in money market mutual funds (SEC registered), and deposits in external investment pools, and marketable securities that mature within 90 days of purchase. Such marketable securities and deposits in money market funds are carried at fair value.

Risk Disclosures – Certain disclosure requirements, if applicable for deposit and investment risk, are specified for the following areas:

- Interest Rate Risk
- Credit Risk
    - Overall
    - Custodial Credit Risk
    - Concentration of Credit Risk

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Investment Valuation – GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the Statements of Net Position, are categorized based upon the level of judgement associated with the inputs used to measure their fair value. Levels of inputs are as follows:

Level 1 – Inputs are unadjusted, quoted prices for identical assets and liabilities in active markets at the measurement date.

Level 2 – Inputs, other than quoted prices included in Level 1, that are observable for the asset or liability through corroboration with market data at the measurement date.

Level 3 – Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

E. Restricted Assets

Amounts shown as restricted assets have been restricted by debt agreements, by law or regulations, or by contractual obligations to be used for specified purposes, such as service of debt and construction of capital assets.

F. Water and Wastewater (Sewer) Sales

Water sales revenue is recorded when water is delivered and service is rendered, including an estimated amount for unbilled service. Wastewater (sewer) service fees are collected on each property owner's property tax bill on an annual basis. Wastewater bills are due and payable at the same time when a property owner's tax bill is due to the San Diego County Tax Assessor's Office, April and December of each year.

Note 2 – Summary of Significant Accounting Policies (Continued)

G. Allowance for Doubtful Accounts

The District recognizes bad debt expense relating to water and sewer receivables when it is probable that the accounts will be uncollectible. Water and wastewater accounts receivable at June 30, 2026 and 2025 have been reduced by an allowance for doubtful accounts of $110,000.

H. Leases Receivable

Lessor

The District is a lessor for leases of land, primarily cell tower sites, and recognizes leases receivable and deferred inflows of resources related to leases in the financial statements as required by GASB Statement No. 87 *Leases*. At the commencement of a lease, the lease receivable is measured at the present value of payments expected to be received during the lease term. As lease revenue is earned, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflows of resources are initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflows of resources are reduced in a straight-line method over the life of the lease term as revenue is recognized.

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The District used U.S. Treasury rates at the time of GASB Statement No. 87 implementation for its existing leases. The District will use the current rate at the time a new lease is executed.
- The lease term includes the noncancelable period of the lease plus any option periods that are likely to be exercised.
- Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

I. Inventories

Materials inventory is stated at current average cost and water inventory is stated at its purchase cost using the first-in, first-out method.

J. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

K. Capital Assets, Depreciation and Amortization

Capital assets are valued at cost when constructed or purchased. Contributed or donated capital assets are recorded at acquisition value. The District capitalizes all assets with a historical cost of at least $10,000 and a useful life of more than one year. The cost of normal maintenance and repairs that do not add to the value of assets or materially extend asset lives are not capitalized.

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Note 2 – Summary of Significant Accounting Policies (Continued)

K. Capital Assets, Depreciation and Amortization (Continued)

Depreciation or amortization on capital assets in service, excluding land, is computed using the straight-line method over the estimated useful lives of such assets and is reported as an operating expense. Capital projects are subject to depreciation or amortization when completed and placed in service. The ranges of estimated useful lives of capital assets are as follows:

Treatment and distribution system	10-75 years
Non-steel tanks	10-60 years
General plant	3- 40 years
Capacity rights	17 years

The District is amortizing capacity rights and is reviewing it annually for impairment, and any impairment losses are recognized in the period in which the impairment is determined.

In September 2007, the District elected to use the Modified Approach as defined by GASB Statement No. 34 for reporting the steel water storage tanks subsystem of infrastructure capital assets.

The detail of the subsystems is not presented in these basic financial statements. However, the operating departments maintain information regarding the subsystems.

Per GASB Statement No. 34, a condition assessment will be performed every three years on the steel tanks. The condition of the District's steel water storage tanks is determined using the USCI AMRS via their maintenance program. The tank condition rating, which is a weighted average of an assessment of the ability of individual steel water storage tanks to function structurally, such that water is stored safely and securely, uses a numerical condition scale ranging from 1.0 (unacceptable) to 10.0 (very good).

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It is the District's policy to keep all the steel water storage tanks at a condition level of not less than 5.0 (satisfactory). All steel water storage tanks are inspected every two years and washed out every other year. Repairs are done on an as needed basis.

Useful lives of intangible right-to-use assets are amortized over the shorter period of the contract term or the useful life of the asset.

L. Subscription-Based Information Technology Arrangements (SBITAs)

The District has a policy to recognize a subscription liability and a right-to-use subscription asset (subscription asset) in the financial statements. The District recognizes subscription liabilities with an initial, individual value of $10,000 or more with a subscription term greater than one year. Variable payments based on future performance of the District's usage of the underlying IT asset, or number of user seats are not included in the measurement of the subscription liability, rather, those variable payments are recognized as outflows of resources (expenses) in the period the obligation for those payments is incurred.

At the commencement of a SBITA, the District initially measures the subscription liability at the net present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made.

Note 2 – Summary of Significant Accounting Policies (Continued)

L. Subscription-Based Information Technology Arrangements (SBITAs) (Continued)

Subscription assets are recorded at the amount of the initial measurement of the subscription liabilities, less any payments made to the SBITA vendor before the commencement of the subscription term, and capitalizable initial implementation cost, less any incentives received from the SBITA vendor at or before the commencement of the subscription term.

Costs associated with a SBITA, other than the subscription payments, are accounted for as follows:

- ***Preliminary Project Stage*:** Outlays are expensed as incurred.
- ***Initial Implementation Stage:*** Outlays are capitalized as an addition to the subscription asset.
- ***Operation and Additional Implementation Stage*:** Outlays are expensed as incurred unless they meet specific capitalization criteria.

Upon adoption, the District elected to exclude the capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage that were incurred prior to the implementation of this Statement in the measurement of subscription assets as of July 1, 2021.

Subscription assets are reported in capital assets and subscription liabilities are reported with long-term liabilities on the statement of net position.

Subscription assets are amortized using the straight-line method over the shorter of the subscription term or the useful life of the underlying IT asset, unless the subscription contains a purchase option that the District has determined is reasonably certain of being exercised. In this case, the subscription asset is amortized over the useful life of the underlying IT asset.

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Key estimates and judgments related to SBITA include how the District determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments.

- The District used the U.S. Treasury rates at the time of GASB Statement No. 96 implementation for its existing SBITAs. The District will use the current rate at the time of a new SBITA agreement is executed. If available, the District uses the interest rate charged by the SBITA vendor as the discount rate.
- The subscription term includes the noncancellable period of the SBITA. Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its subscription liability and will remeasure it accordingly if certain changes occur that are expected to significantly affect the liability.

M. Capital Contributions

Capital contributions consist of capital grants, contributed capital assets, capacity charges, and special benefit assessments levied for capital improvements and related debt service. Capital grants are recognized when all applicable eligibility requirements have been met. Contributed capital assets are recorded at acquisition value when received. Capacity charges and benefit assessments are recorded when received. In accordance with GASB Statement No. 103, *Financial Reporting Model Improvements*, capital contributions, capacity charges, and benefit assessments are reported as nonoperating revenues in the Statement of Revenues, Expenses, and Changes in Net Position.

Note 2 – Summary of Significant Accounting Policies (Continued)

N. Compensated Absences

The District's compensated absences liability is calculated based on the likelihood that the benefit will be paid or otherwise settled through paid time off or cash payment, in accordance with GASB Statement No. 101, *Compensated Absences*. It is the District's policy to permit employees to accumulate earned but unused personal leave time up to a maximum of 992 hours, which includes both vacation and sick pay benefits. Sick time may be accumulated up to a maximum of 640 hours. The vacation accumulation maximum is based on number of years of continuous service and ranges from 192 hours to 352 hours. All personal leave time is accrued when incurred.

O. Long-Term Obligation

Debt premiums and discounts, if any, are deferred and amortized over the life of the debt. Long-term debt is reported net of the applicable bond premium or discount. Debt issuance costs are expensed when incurred.

P. Refunding of Debt

Gains or losses occurring from current or advance refunding of debt are reported as deferred inflows or outflows of resources and are being amortized over the original remaining life of the old debt or the life of the new debt, whichever is less.

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Q. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California Public Employees' Retirement System ("CalPERS") plans ("Plans") and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The District is participating in a cost-sharing multiple-employer defined benefit plan.

R. Property Taxes

The County of San Diego (the "County") bills and collects property taxes on behalf of the District. The County's tax calendar year is July 1 to June 30. Property taxes attach as a lien on property on January 1. Taxes are levied on July 1 and are payable in two equal installments on November 1 and February 1, and become delinquent after December 10 and April 10, respectively.

S. Net Position

Net position of the District is classified into three components: (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position. These classifications are defined as follows:

<u>*Net Investment in Capital Assets*</u> – This component of net position consists of capital assets, net of accumulated depreciation and amortization and reduced by the outstanding balances of notes or borrowing that are attributable to the acquisition of the asset, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets.

Note 2 – Summary of Significant Accounting Policies (Continued)

S. Net Position (Continued)

Restricted Net Position – This component of net position consists of net position with constrained use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This component of net position consists of net position that does not meet the definition of "net investment in capital assets," or "restricted net position".

T. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

U. Implementation of New GASB Pronouncements for the Year Ended June 30, 2026

During fiscal year ended June 30, 2026, the District has implemented the following new GASB Pronouncements:

- In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. As a result of implementing this Statement, the District revised the presentation of its Statement of Revenues, Expenses, and Changes in Net Position to limit nonoperating revenues and expenses to subsidies, revenues and expenses related to financing, resources from the disposal of capital assets, and investment income. The statement now presents noncapital subsidies, including property taxes, Title XVI and Prop 1 Round 2 grant funds passed through to participating agencies, immediately after operating income (loss), followed by a subtotal for operating income (loss) and noncapital subsidies. Capital contributions are now reported with other nonoperating revenues and expenses rather than as a separate category, and gains and losses on the disposal of capital assets are reported net. Rate Reimbursement Credits returned to customers, previously reported as nonoperating expenses, are now reported as a reduction of water sales. Lease revenue, grant administration costs, and other items previously reported as other nonoperating revenues and expenses are now reported as operating, and debt administration costs are now reported with interest expense. The Statement of Cash Flows and the segment information were revised accordingly. Amounts for the fiscal year ended June 30, 2025 have been reclassified to conform to the current year presentation. The reclassifications had no effect on previously reported net position or on the net change in cash and cash equivalents. See Note 18 for additional information.

- In September 2024, GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to require certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. The District has no lease assets, but does have SBITA assets, which were already presented as a distinct major class of capital assets, separate from tangible capital assets, in Note 6 prior to implementation of this Statement. The District has no public-private and public-public partnership assets or capital assets held for sale that would require separate disclosure under this Statement. Accordingly, implementation of this Statement did not have a significant effect on the District's financial reporting for the fiscal year ended June 30, 2026, as the required disaggregation of right-to-use assets was already reflected in the District's existing presentation.

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Note 2 – Summary of Significant Accounting Policies (Continued)

V. Upcoming Governmental Accounting Standards Implementation

The District is currently evaluating its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

- In December 2025, GASB issued Statement No. 105, *Subsequent Events*. This Statement is designed to improve the financial reporting requirements for subsequent events by enhancing consistency in the application of requirements, clarifying the different types of subsequent events, determining when note disclosures are required, and detailing the information that should be included in those note disclosures. Application of this Statement is effective for the District's fiscal year ending June 30, 2027.

Note 3 – Cash, Cash Equivalents, and Investments

Cash and investments at June 30, 2026 and 2025 are classified in the accompanying financial statements as follows:

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	2026	2025
Statement of Net Position:		
Current assets:		
Cash and cash equivalents	$ 57,553,681	$ 45,492,417
Restricted cash and cash equivalents	9,178,725	7,109,105
Investments	23,899,263	38,069,804
Restricted investments	2,827,786	3,986,370
Total cash and investments	$ 93,459,455	$ 94,657,696
Cash and investments consist of the following:		
Cash on hand	$ 1,484	$ 1,484
Deposits with financial institutions	1,550,328	3,342,561
Investments	91,907,643	91,313,651
Total cash and investments	$ 93,459,455	$ 94,657,696

A. Demand Deposits

As of June 30, 2026, the carrying amount of demand deposits was $1,550,328 and the bank balance was $1,958,090 compared to $3,342,561 and $3,366,031 at June 30, 2025, of which the total amount was collateralized or insured with securities held by the pledging financial institutions in the District's name as discussed below under *Disclosures Relating Custodial Credit Risk*.

Note 3 – Cash, Cash Equivalents, and Investments (Continued)

B. Investments Authorized by the California Government Code and the District's Investment Policy

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Government Sponsored Entities	5 years	50%	None
Banker's Acceptances	180 days	20%	3%
Commercial Paper	270 days	20%	5%
Certificates of Deposit	3 years	30%	$250,000
Repurchase Agreements	90 days	20%	None
Reverse Repurchase Agreements	90 days	10%	None
Medium-Term Notes	5 years	30%	5%
Money Market Mutual Funds, Depository Accounts	N/A	20%	5%
Municipal Obligations	N/A	30%	5%
Local Government Investment Pool	N/A	30%	None
Local Agency Investment Fund	N/A	50%	$40,000,000

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C. Investments Authorized by Debt Agreements

Investment of debt proceeds held by the bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy.

Note 3 – Cash, Cash Equivalents, and Investments (Continued)

D. Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity at June 30, 2026.

		Remaining Maturity (in Months)		
Investment Type	Total	12 Months or Less	13 to 24 Months	25 to 60 Months
Local Agency Investment Fund (LAIF)	$ 39,433,774	$ 39,433,774	$ -	$ -
California Asset Management Program (CAMP)	21,947,576	21,947,576	-	-
Money Market Mutual Funds	3,799,243	3,799,243	-	-
U.S. Government Sponsored Entities	26,727,050	1,982,960	-	24,744,090
Total	$ 91,907,643	$ 67,163,553	$ -	$ 24,744,090

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Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity at June 30, 2025.

		Remaining Maturity (in Months)		
Investment Type	Total	12 Months or Less	13 to 24 Months	25 to 60 Months
Local Agency Investment Fund (LAIF)	$ 16,633,595	$ 16,633,595	$ -	$ -
California Asset Management Program (CAMP)	25,978,926	25,978,926	-	-
Money Market Mutual Funds	5,625,027	5,625,027	-	-
U.S. Government Sponsored Entities	40,078,765	19,136,821	9,170,618	11,771,326
Municipal Obligations	1,001,390	1,001,390	-	-
U.S. Treasury Obligations	1,995,948	1,995,948	-	-
Total	$ 91,313,651	$ 70,371,707	$ 9,170,618	$ 11,771,326

Note 3 – Cash, Cash Equivalents, and Investments (Continued)

E. Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a Nationally Recognized Statistical Rating Organization ("NRSRO"). Presented below is the minimum rating required by (where applicable) the California Government Code, the District's Investment Policy, or debt agreements, and the rating for each investment type at June 30, 2026.

			Rating as of Year End			
Investment Type	Total	Minimum Legal Rating	AAA	AA	A/1+	Not Rated
Local Agency Investment Fund (LAIF)	$ 39,433,774	N/A	$ -	$ -	$ -	$ 39,433,774
California Asset Management Program (CAMP)	21,947,576	AAA	21,947,576	-	-	-
Money Market Mutual Funds	3,799,243	N/A	-	-	-	3,799,243
U.S. Government Sponsored Entities	26,727,050	AA+	26,727,050	-	-	-
Total	$ 91,907,643		$ 48,674,626	$ -	$ -	$ 43,233,017

Presented below is the minimum rating required by (where applicable) the California Government Code, the District's Investment Policy, or debt agreements, and the Moody's rating for each investment type at June 30, 2025.

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			Rating as of Year End			
Investment Type	Total	Minimum Legal Rating	AAA	AA	A/1+	Not Rated
Local Agency Investment Fund (LAIF)	$ 16,633,595	N/A	$ -	$ -	$ -	$ 16,633,595
California Asset Management Program (CAMP)	25,978,926	AAA	25,978,926	-	-	-
Money Market Mutual Funds	5,625,027	N/A	-	-	-	5,625,027
U.S. Government Sponsored Entities	40,078,765	AA+	40,078,765	-	-	-
Municipal Obligations	1,001,390	A1/A+	1,001,390	-	-	-
U.S. Treasury Obligations	1,995,948	N/A	1,995,948	-	-	-
Total	$ 91,313,651		$ 69,055,029	$ -	$ -	$ 22,258,622

Concentration of Credit Risk

The investment policy of the District is in accordance with limitations on the amount that can be invested in any one issuer as stipulated by the California Government Code. Investments in any one issuer (other than for U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments is as follows:

Issuer	Investment Type	2026	2025
Federal Home Loan Bank	U.S. Govt Sponsored Entities	$ 21,775,010	$ 38,282,509

Note 3 – Cash, Cash Equivalents, and Investments (Continued)

F. Disclosures Relating Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local government units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. As of June 30, 2026 and 2025, $1,708,090 and $3,116,031 of the District's deposits with financial institutions in excess of the Federal insurance limits were held in collateralized accounts.

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G. Local Agency Investment Fund (LAIF)

The District is a participant in LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. As of June 30, 2026 and 2025, the District had $39,433,774 and $16,633,595, respectively, invested in LAIF. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available. LAIF is reported at amortized cost, which approximates fair value.

H. California Asset Management Program (CAMP)

The District is a voluntary participant in the California Asset Management Program (CAMP). CAMP is an investment pool offered by the California Asset Management Trust (the Trust) and has a rating of AAA. The Trust is a joint powers authority and public agency created by the Declaration of Trust and established under the provisions of the California Joint Exercise of Powers Act for the purpose of exercising the common power of its Participants to invest funds. The investments are limited to investments permitted by California Government Code. The total amount invested by all public agencies in CAMP at June 30, 2026 and 2025 was $19.1 billion and $22.3 billion, respectively. A board of seven trustees who are officials or employees of public agencies has oversight responsibility for CAMP.

CAMP measures its investments at amortized cost, and the District reports its investment in CAMP at the amortized cost value of its pool shares, which approximates fair value. At June 30, 2026 and 2025, the District had $21,947,576 and $25,978,926, respectively, invested in CAMP.

Note 3 – Cash, Cash Equivalents, and Investments (Continued)

I. Fair Value Measurements

The following is a summary of the fair value hierarchy of investments held by the District as of June 30, 2026:

	Fair Value Measurement Using Significant Other Observable Inputs (Level 2)	June 30, 2026
Investments by Fair Value Level		
U.S. Government Sponsored		
Entity Securities		
FHLB	$ 21,775,010	$ 21,775,010
FHLMC	988,810	988,810
FNMA	3,963,230	3,963,230
Total Investments by Fair Value Level	$ 26,727,050	26,727,050
Investments not subject to fair value hierarchy:		
Local Agency Investment Fund (LAIF)		39,433,774
California Asset Management Program (CAMP)		21,947,576
Money Market Mutual Funds		1,248,869
Held by Fiscal Agent		
Money Market Mutual Funds		2,550,374
Total investments not subject to fair value hierarchy		65,180,593
Total investments		$ 91,907,643

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The following is a summary of the fair value hierarchy of investments held by the District as of June 30, 2025:

	Fair Value Measurement Using Significant Other Observable Inputs (Level 2)	June 30, 2025
Investments by Fair Value Level		
U.S. Government Sponsored		
Entity Securities		
FHLB	$ 38,282,509	$ 38,282,509
FHLMC	1,796,256	1,796,256
U.S. Treasury Securities	1,995,948	1,995,948
Municipal Bonds	1,001,390	1,001,390
Total Investments by Fair Value Level	$ 43,076,103	43,076,103
Investments not subject to fair value hierarchy:		
Local Agency Investment Fund (LAIF)		16,633,595
California Asset Management Program (CAMP)		25,978,926
Money Market Mutual Funds		3,243,716
Held by Fiscal Agent		
Money Market Mutual Funds		2,381,311
Total investments not subject to fair value hierarchy		48,237,548
Total Investments		$ 91,313,651

Note 3 – Cash, Cash Equivalents, and Investments (Continued)

I. Fair Value Measurements (Continued)

Investments securities classified in Level 2 of the fair value hierarchy are valued using prices determined by the use of matrix pricing techniques maintained by the pricing vendors for these securities. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Note 4 – Leases Receivable

The District leases land, primarily cell tower sites, and recognizes leases receivable. Leases receivable consist of agreements with others for the "right-to-use" the underlying land asset at various locations owned by the District. The remaining terms of the agreements that were used in calculating the leases receivable range from 3 to 29 years, and include options to extend the leases, since the District is reasonably certain that these options will be exercised. The calculated interest rates used to calculate the net present value of the leases receivable vary depending on the length of the lease.

For the fiscal year ended June 30, 2026, the District recognized $642,225 in lease revenue and $267,086 in interest revenue, and the outstanding receivable amount was $8,397,602 at June 30, 2026. For the fiscal year ended June 30, 2025, the District recognized $643,671 in lease revenue and $319,804 in interest revenue, and the outstanding receivable amount was $10,206,264 at June 30, 2025.

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A summary of changes in leases receivable for the fiscal year ended June 30, 2026 was as follows:

Balance July 1, 2025	Remeasurement	Additions	Reductions	Balance June 30, 2026	Amounts due within one year	Amounts due in more than one year
$ 10,206,264	$ (1,297,466)	$ -	$ (511,196)	$ 8,397,602	$ 425,473	$ 7,972,129

A summary of changes in leases receivable for the fiscal year ended June 30, 2025 was as follows:

Balance July 1, 2024	Remeasurement	Additions	Reductions	Balance June 30, 2025	Amounts due within one year	Amounts due in more than one year
$ 10,975,961	$ (338,374)	$ -	$ (431,323)	$ 10,206,264	$ 470,100	$ 9,736,164

Note 4 – Leases Receivable (Continued)

At June 30, 2026, the required payments for these leases, including interest, are:

Year Ending June 30	Lease Receivable	Interest	Total
2027	$ 425,473	$ 252,738	$ 678,211
2028	456,657	239,377	696,034
2029	489,330	225,046	714,376
2030	478,461	210,388	688,849
2031	464,508	195,968	660,476
2032-2036	1,534,612	819,070	2,353,682
2037-2041	1,071,658	631,912	1,703,570
2042-2046	1,492,876	434,248	1,927,124
2047-2051	1,649,935	171,880	1,821,815
2052-2056	334,092	16,983	351,075
	$ 8,397,602	$ 3,197,610	$ 11,595,212

As of June 30, 2026, the amounts reported as lease-related deferred inflows of resources will be recognized as lease revenue in the upcoming years as follows:

Year Ending June 30	Total
2027	$ 536,539
2028	536,539
2029	536,539
2030	505,134
2031	470,327
2032-2036	1,537,014
2037-2041	971,295
2042-2046	971,295
2047-2051	824,028
2052-2056	184,979
	$ 7,073,689

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Note 5 – Inventories

Inventories at June 30, 2026 and 2025 were as follows:

	2026	2025
Water inventory	$ 284,991	$ 239,193
Materials inventory	1,975,606	1,443,883
Total	$ 2,260,597	$ 1,683,076

Materials inventory was reduced by an allowance for obsolete inventory of $206,600 at June 30, 2026 and 2025.

Note 6 – Capital Assets

A summary of changes in capital assets for the year ended June 30, 2026, is as follows:

	Balance July 1, 2025	Additions	Deletions	Transfers/ Adjustments	Balance June 30, 2026
Capital assets, not being depreciated:					
Land	$ 11,005,363	$ -	$ -	$ -	$ 11,005,363
Steel water storage tanks	19,861,397	-	-	-	19,861,397
Construction in progress	15,064,533	16,135,822	(130,721)	(16,648,936)	14,420,698
Total capital assets, not being depreciated	45,931,293	16,135,822	(130,721)	(16,648,936)	45,287,458
Capital assets, being depreciated/amortized:					
Treatment and distribution system	331,740,257	269,586	(779,597)	10,116,239	341,346,485
Capacity rights	27,739,008	-	-	-	27,739,008
Non-steel tanks	38,981,357	-	-	-	38,981,357
General plant	197,721,482	-	(1,629,702)	6,532,697	202,624,477
Subscription assets	413,408	33,268	(155,841)	-	290,835
Total capital assets, being depreciated/amortized	596,595,512	302,854	(2,565,140)	16,648,936	610,982,162
Accumulated depreciation/amortization:					
Treatment and distribution system	(137,011,054)	(8,136,396)	530,282	-	(144,617,168)
Capacity rights	(23,091,245)	(1,133,507)	-	-	(24,224,752)
Non-steel tanks	(17,258,183)	(944,479)	-	-	(18,202,662)
General plant	(93,778,021)	(6,580,105)	1,328,617	-	(99,029,509)
Subscription assets	(192,936)	(95,947)	155,840	-	(133,043)
Total accumulated depreciation/amortization	(271,331,439)	(16,890,434)	2,014,739	-	(286,207,134)
Total capital assets, being depreciated/amortized, net	325,264,073	(16,587,580)	(550,401)	16,648,936	324,775,028
Total capital assets, net	$ 371,195,366	$ (451,758)	$ (681,122)	$ -	$ 370,062,486

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Note 6 – Capital Assets (Continued)

A summary of changes in capital assets for the year ended June 30, 2025, is as follows:

	Balance July 1, 2024	Additions	Deletions	Transfers/ Adjustments	Balance June 30, 2025
Capital assets, not being depreciated:					
Land	$ 11,005,363	$ -	$ -	$ -	$ 11,005,363
Steel water storage tanks	19,861,397	-	-	-	19,861,397
Construction in progress	17,583,018	17,980,938	(24)	(20,499,399)	15,064,533
Total capital assets, not being depreciated	48,449,778	17,980,938	(24)	(20,499,399)	45,931,293
Capital assets, being depreciated/amortized:					
Treatment and distribution system	317,097,030	222,491	(2,406,148)	16,826,884	331,740,257
Capacity rights	27,739,008	-	-	-	27,739,008
Non-steel tanks	38,981,357	-	-	-	38,981,357
General plant	197,326,701	-	(3,277,734)	3,672,515	197,721,482
Subscription assets	247,215	257,567	(91,374)	-	413,408
Total capital assets, being depreciated/amortized	581,391,311	480,058	(5,775,256)	20,499,399	596,595,512
Accumulated depreciation/amortization:					
Treatment and distribution system	(130,270,306)	(7,832,793)	1,092,045	-	(137,011,054)
Capacity rights	(21,943,378)	(1,147,867)	-	-	(23,091,245)
Non-steel tanks	(16,313,702)	(944,481)	-	-	(17,258,183)
General plant	(89,920,364)	(6,568,925)	2,711,268	-	(93,778,021)
Subscription assets	(191,228)	(93,082)	91,374	-	(192,936)
Total accumulated depreciation/amortization	(258,638,978)	(16,587,148)	3,894,687	-	(271,331,439)
Total capital assets, being depreciated/amortized, net	322,752,333	(16,107,090)	(1,880,569)	20,499,399	325,264,073
Total capital assets, net	$ 371,202,111	$ 1,873,848	$ (1,880,593)	$ -	$ 371,195,366

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Depreciation expense for depreciable capital assets was $15,660,980 and $15,346,199 for the years ended June 30, 2026 and 2025, respectively. Amortization expense for amortizable capital assets was $1,229,454 and $1,240,949 for the years ending 2026 and 2025, respectively.

Construction in progress consisted of the following at June 30:

	2026	2025
San Elijo Valley Groundwater	$ 5,312,781	$ 5,173,651
Replace Headworks Manual System	1,721,514	537,673
District-wide PLC Replacements (Water)	1,308,809	833,975
District-wide PLC Replacements (Wastewater)	1,275,501	789,102
Palms I and II Reservoirs	543,906	211,825
DCMWTP 2nd Stage Basin & Beam	416,825	9,045
Off-Spec & High Flow Diver Pipeline	366,390	54,830
DCMWTP 4th Stage Centrifuge	-	3,161,693
Gardendale Pressure Reducing Station	-	1,121,239
Village Park Pressure Reducing Station	-	451,986
Other capital projects	3,474,972	2,719,514
Total construction in progress	$ 14,420,698	$ 15,064,533

Note 7 – Accounts Payable

Accounts payable to be paid from unrestricted current assets are as follows at June 30:

	2026	2025
Water purchases	$ 8,162,478	$ 5,531,257
Construction in progress	593,552	1,621,170
Other	1,854,237	1,583,528
Total	$ 10,610,267	$ 8,735,955

Accounts payable, to be paid from restricted current assets are as follows at June 30:

	2026	2025
Construction in progress	$ 20,378	$ 16,570
	$ 20,378	$ 16,570

Note 8 – Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2026 is as follows:

	Balance July 1, 2025	Additions	Deletions	Balance June 30, 2026	Due Within One Year	Due More Than One Year
Notes Payable:						
2013 Note Payable - direct borrowing	$ 9,083,311	$ -	$ (865,765)	$ 8,217,546	$ 885,822	$ 7,331,724
Notes Payable	9,083,311	-	(865,765)	8,217,546	885,822	7,331,724
SBITA Liability:						
SBITA liability - direct borrowing	189,006	33,268	(120,743)	101,531	90,447	11,084
SBITA liability	189,006	33,268	(120,743)	101,531	90,447	11,084
Revenue Bonds:						
Publicly-Offered:						
2015 Water System Refunding Revenue Bonds	6,710,000	-	(2,130,000)	4,580,000	2,235,000	2,345,000
Plus unamortized bond premiums	277,936	-	(154,281)	123,655	-	123,655
2016 Water System Refunding Revenue Bonds	11,130,000	-	(645,000)	10,485,000	675,000	9,810,000
Plus unamortized bond premiums	544,741	-	(71,810)	472,931	-	472,931
Direct Placement/Borrowing:						
2021A Wastewater Revenue Bonds	4,161,270	-	(220,840)	3,940,430	225,560	3,714,870
2021B Wastewater Revenue Bonds	1,786,450	-	(588,890)	1,197,560	595,310	602,250
Revenue Bonds, net	24,610,397	-	(3,810,821)	20,799,576	3,730,870	17,068,706
2019 Special Assessment Debt with Government Commitment	2,795,683	-	(912,774)	1,882,909	932,617	950,292
Total	$ 36,678,397	$ 33,268	$ (5,710,103)	$ 31,001,562	$ 5,639,756	$ 25,361,806

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Note 8 – Long-Term Debt (Continued)

A summary of changes in long-term debt for the year ended June 30, 2025 is as follows:

	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025	Due Within One Year	Due More Than One Year
Notes Payable:						
2013 Note Payable - direct borrowing	$ 9,929,472	$ -	$ (846,161)	$ 9,083,311	$ 865,765	$ 8,217,546
Notes Payable	9,929,472	-	(846,161)	9,083,311	865,765	8,217,546
SBITA Liability:						
SBITA liability - direct borrowing	47,800	257,568	(116,362)	189,006	109,218	79,788
SBITA liability	47,800	257,568	(116,362)	189,006	109,218	79,788
Revenue Bonds:						
Publicly Offered:						
2015 Water System Refunding Revenue Bonds	8,745,000	-	(2,035,000)	6,710,000	2,130,000	4,580,000
Plus unamortized bond premiums	491,018	-	(213,082)	277,936	-	277,936
2016 Water System Refunding Revenue Bonds	11,745,000	-	(615,000)	11,130,000	645,000	10,485,000
Plus unamortized bond premiums	623,286	-	(78,545)	544,741	-	544,741
Direct Placement/Borrowing:						
2021A Wastewater Revenue Bonds	4,377,480	-	(216,210)	4,161,270	220,840	3,940,430
2021B Wastewater Revenue Bonds	2,368,430	-	(581,980)	1,786,450	588,890	1,197,560
Revenue Bonds, net	28,350,214	-	(3,739,817)	24,610,397	3,584,730	21,025,667
2019 Special Assessment Debt with Government Commitment	3,690,782	-	(895,099)	2,795,683	912,067	1,883,616
Total	$ 42,018,268	$ 257,568	$ (5,597,439)	$ 36,678,397	$ 5,471,780	$ 31,206,617

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2013 Note Payable

On February 24, 2012, the District entered into an agreement with the State of California Department of Public Health for a loan not to exceed $17,812,998 (2013 Note Payable), under and pursuant to Part 12, Chapter 4 of Division 104 of the Health and Safety Code and California Code of Regulations Title 22 to assist in financing construction of a project which will enable the District to meet safe drinking water standards. The loan repayment term commenced on the due date of the first principal and interest invoice, which was on January 19, 2015, and expires twenty years after the due date of the first principal and interest invoice. The rate of interest to be paid on the principal amount of the loan is 2.3035% annually. At June 30, 2026, the outstanding loan balance was $8,217,546.

Future debt service requirements for the above note payable based on the initial loan rate is as follows:

Year Ending June 30,	Principal	Interest	Total
2027	$ 885,822	$ 184,220	$ 1,070,042
2028	906,345	163,697	1,070,042
2029	927,343	142,699	1,070,042
2030	948,827	121,215	1,070,042
2031	970,809	99,232	1,070,041
2032-2035	3,578,400	166,745	3,745,145
Total	$ 8,217,546	$ 877,808	$ 9,095,354

Note 8 – Long-Term Debt (Continued)

2015 Water System Refunding Revenue Bonds Payable

On August 27, 2015, the District issued Water System Refunding Revenue Bonds, Series 2015A in the amount of $23,455,000 for the purpose of refunding $26,290,000 of the outstanding balance of the Water Revenue Refunding Bonds, Series 2006A. The 2015A bonds are limited obligation bonds maturing annually from December 1, 2015 to June 1, 2028 bearing various interest rates between 2.0% and 5.0%.

The District has pledged all of the net water system revenues for the debt service payments of the bond. The total principal and interest remaining to be paid on the bonds is $4,809,000. For the current year, principal and interest paid on the bonds was $2,406,875 and net water system revenues were $18,205,352. The bonds contain various covenants and restrictions, principally that the District fix, prescribe, collect rates and charges for the Water Service, which are reasonably expected to be at least sufficient to yield, during each fiscal year net service revenues equal to one hundred and twenty-five percent (125%) of the debt service on senior obligations for such fiscal year, and one hundred percent (100%) of debt service on all obligations for such fiscal year.

The original deferred loss on refunding of $610,166 is being amortized over the remaining life of the refunded debt. Amortization expense totaled $32,982 for the year ended June 30, 2026. The remaining unamortized balance was $26,435 at June 30, 2026.

A summary of the refunding bonds is as follows:

Interest Rates	Fiscal year maturities (varying amounts)	Balance June 30, 2025	Additions	Deletions	Balance June 30, 2026
2%-5%	2027	$ 4,365,000	$ -	$ (2,130,000)	$ 2,235,000
3%	2028	2,345,000	-	-	2,345,000
		$ 6,710,000	$ -	$ (2,130,000)	$ 4,580,000

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Total bonds outstanding as of June 30, 2026, including unamortized bond premiums were as follows:

Principal outstanding at June 30, 2026	$ 4,580,000
Plus unamortized bond premium	123,655
Total bonds outstanding at June 30, 2026	$ 4,703,655

Future debt service requirements for the above bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2027	$ 2,235,000	$ 170,375	$ 2,405,375
2028	2,345,000	58,625	2,403,625
Total	$ 4,580,000	$ 229,000	$ 4,809,000

2016 Water System Refunding Revenue Bonds Payable

On October 19, 2016, the District issued Water System Refunding Revenue Bonds, Series 2016A in the amount of $15,990,000 for the purpose of refunding $16,610,000 of the outstanding balance of the Water Revenue Refunding Bonds, Series 2009. The 2016A bonds are limited obligation bonds maturing annually from December 1, 2016 to June 1, 2039 bearing various interest rates between 2.125% and 5.0%.

Note 8 – Long-Term Debt (Continued)

2016 Water System Refunding Revenue Bonds Payable (Continued)

The District has pledged all of the Net Water System Revenues for the debt service payment of the bond. The total principal and interest remaining to be paid on the bonds is $12,678,202. For the current year, principal and interest paid on the bonds was $976,913. The bonds contain various covenants and restrictions, principally that the District fix, prescribe, collect rates and charges for the Water Service, which are reasonably expected to be at least sufficient to yield, during each fiscal year net service revenues equal to one hundred and twenty-five percent (125%) of the debt service on senior obligations for such fiscal year, and one hundred percent (100%) of debt service on all obligations for such fiscal year.

The District refunded the Water Revenue Refunding Bonds, Series 2009 to reduce its total debt service payments over 22 years by $3,683,827 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $2,753,343.

The original deferred loss on refunding of $1,196,934 is being amortized over the remaining life of the refunded debt. Amortization expense totaled $70,509 for the year ended June 30, 2026. The remaining unamortized balance was $464,364 at June 30, 2026.

A summary of the refunding bonds is as follows:

Interest Rates	Fiscal year maturities (varying amounts)	Balance June 30, 2025	Additions	Deletions	Balance June 30, 2026
2.125%-5%	2027-2036	$ 8,375,000	$ -	$ (645,000)	$ 7,730,000
2.5%	2037-2039	2,755,000	-	-	2,755,000
		$ 11,130,000	$ -	$ (645,000)	$ 10,485,000

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Total bonds outstanding as of June 30, 2026, including unamortized bond premiums were as follows:

Principal outstanding at June 30, 2026	$ 10,485,000
Plus unamortized bond premium	472,931
Total bonds outstanding at June 30, 2026	$ 10,957,931

Future debt service requirements for the above bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2027	$ 675,000	$ 299,663	$ 974,663
2028	705,000	272,663	977,663
2029	730,000	244,463	974,463
2030	745,000	228,950	973,950
2031	765,000	212,188	977,188
2032-2036	4,110,000	768,475	4,878,475
2037-2039	2,755,000	166,800	2,921,800
Total	$ 10,485,000	$ 2,193,202	$ 12,678,202

Note 8 – Long-Term Debt (Continued)

2019 Reassessment District 96-1 Limited Obligation Improvement Bonds

In July 2019 the District issued Limited Obligation Improvement Bonds Reassessment District No. 2019-96-1 (OMWD Water Storage Project) in the amount of $7,130,000. The Reassessment District 2019-96-1 bonds are limited obligations of the District payable solely from Special Assessments that were previously assessed pursuant to the terms and provisions of the Municipal Improvement Act of 1913 (Division 12 of the Streets and Highways Code of the State of California) to form Assessment District No. 96-1 (OMWD Storage Project). The Reassessment District 2019-96-1 bonds were issued to provide funds to refund and refinance the outstanding principal amount of the District's 2007 Reassessment District No. 96-1 (OMWD Water Storage Project), and to pay for the costs of issuance incurred. The bonds were refinanced at an interest rate of 2.09% and mature in September 2027. The aggregate debt service payments of the new debt are $2.84 million less than the old debt. The issuance of the new debt and the refunding of the old debt resulted in an economic gain (the difference between the net present value of the old debt and new debt service payments) of approximately $2.59 million.

Principal of and interest on the Bonds are payable by the trustee, and such principal and interest payments, and premium, if any, are to be disbursed to the beneficial owners of the Bonds through their nominees. Installments of principal and interest sufficient to meet annual Bond debt service are included on the regular county tax bills sent to owners of property against which there are unpaid reassessments.

Future debt service requirements for the above bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2027	$ 932,617	$ 29,607	$ 962,224
2028	950,292	9,931	960,223
Total	$ 1,882,909	$ 39,538	$ 1,922,447

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2021A Wastewater Revenue Bonds

On October 27, 2021 the District issued Wastewater Revenue Bonds, Series 2021A in the amount of $5,042,140 to finance wastewater (sewer) improvements at the 4S Wastewater Treatment Plant, including rehabilitations, replacements, and modifications to the existing Neighborhood One Sewer Pump Station and the Headworks Screening System at the 4S Wastewater Treatment Plant. The Series 2021A bonds mature on June 1, 2041 and carry an interest rate of 2.14%. The District's annual debt service cost for the 2021A bonds is approximately $310,000. The 2021A Bonds were tax-exempt bonds issued by the Corporation. The District and the Corporation entered into installment purchase agreements to repay the 2021A Bonds from net wastewater revenues. The 2021A Bonds were directly purchased by Sterling National Bank through a private placement financing process.

The District has pledged all of the Net Wastewater System Revenues for the debt service payment of the bond. The total principal and interest remaining to be paid on the bonds is $4,648,306. For the current year, principal and interest paid on the bonds was $309,891. The bonds contain various covenants and restrictions, principally that the District fix, prescribe, collect rates and charges for wastewater service, which are reasonably expected to be at least sufficient to yield, during each fiscal year net service revenues equal to one hundred and twenty-five percent (125%) of the debt service on senior obligations for such fiscal year, and one hundred percent (100%) of debt service on all obligations for such fiscal year.

Note 8 – Long-Term Debt (Continued)

2021A Wastewater Revenue Bonds (Continued)

Future debt service requirements for the above bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2027	$ 225,560	$ 84,325	$ 309,885
2028	230,390	79,498	309,888
2029	235,320	74,568	309,888
2030	240,350	69,532	309,882
2031	245,500	64,389	309,889
2032-2036	1,308,590	240,853	1,549,443
2037-2041	1,454,720	94,711	1,549,431
Total	$ 3,940,430	$ 707,876	$ 4,648,306

2021B Wastewater Revenue Bonds

On October 27, 2021, the District also issued 2021B Refunding Revenue Bonds in the amount of $3,932,970 to refund and refinance the existing 2018A Sewer Revenue Bonds, which were issued in fiscal year 2018 to finance improvements to the District's administrative and operations building at 1966 Olivenhain Road, Encinitas, CA. The District received an interest rate of 1.14% for the 2021B Refunding Revenue Bonds, which resulted in an estimated net present value savings of $243,942 after the cost of issuance. The 2021B bonds mature on June 1, 2028. The 2021B Bonds were tax-exempt bonds issued by the OMWD Financing Authority. The District and the OMWD Financing Authority entered into installment purchase agreements to repay the 2021B Bonds from net wastewater revenues. The 2021B Bonds were directly purchased by Sterling National Bank through a private placement financing process.

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The District has pledged all of the Net Wastewater System Revenues for the debt service payment of the bond. The total principal and interest remaining to be paid on the bonds is $1,218,078. For the current year, principal and interest paid on the bonds was $609,256. The bonds contain various covenants and restrictions, principally that the District fix, prescribe, collect rates and charges for wastewater service, which are reasonably expected to be at least sufficient to yield, during each fiscal year net wastewater service revenues equal to one hundred and twenty-five percent (125%) of the debt service on senior obligations for such fiscal year, and one hundred percent (100%) of debt service on all obligations for such fiscal year.

The District refunded the 2018A Sewer Revenue Bonds to reduce its total debt service payments by $259,233 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $243,942.

Future debt service requirements for the above bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2027	$ 595,310	$ 13,652	$ 608,962
2028	602,250	6,866	609,116
Total	$ 1,197,560	$ 20,518	$ 1,218,078

Note 8 – Long-Term Debt (Continued)

Subscription-Based Information Technology Arrangements (SBITA) Liabilities

The District entered into various subscription-based IT arrangements and has recorded a liability to offset the right-to-use assets. These are calculated using the U.S. Treasury rates at the time of GASB Statement No. 96 implementation.

Future minimum payments on SBITA liabilities are as follows:

Year Ending June 30,	Principal	Interest	Total
2027	$ 90,447	$ 2,519	$ 92,966
2028	11,084	441	11,525
Total	$ 101,531	$ 2,960	$ 104,491

Note 9 – Compensated Absences

Vested or accumulated vacation and sick leave is recorded as an expense and liability as benefits accrue to employees. Summary of changes in compensated absences for the years ended June 30, 2026 and 2025, were as follows:

	Beginning Balance	Net Change	Ending Balance	Due within One Year	Due in More Than One Year
June 30, 2026	$ 2,307,939	$ 314,735	$ 2,622,674	$ 1,119,560	$ 1,503,114
June 30, 2025	2,138,637	169,302	2,307,939	1,258,429	1,049,510

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Note 10 – Employee Retirement Systems

A. General Information about the Pension Plan

Plan Description – All qualified full-time District employees are required to participate in the District's Miscellaneous Plan with California Public Employee's Retirement System (CalPERS). Employees hired prior to January 1, 2013 participate in the Miscellaneous Classic plan while employees hired January 1, 2013 and after participate in the Miscellaneous PEPRA (Public Employees' Reform Act) plan. Both plans, Classic and PEPRA, are considered a single pension plan. CalPERS provides retirement, disability benefits, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A menu of benefit provisions as well as other requirements is established by State statutes within the Public Employee's Retirement Law. The District selects certain benefit provisions from the CalPERS' menu by contract with CalPERS and adopts those benefits through the Board's approval. Benefits provisions and all other requirements are established by State statute, the District's resolutions, and the memorandum of understanding between the Olivenhain Municipal Water District and the Olivenhain Municipal Water District Employees Association and the Bargaining Unit Members Association. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Note 10 – Employee Retirement Systems (Continued)

A. General Information about the Pension Plan (Continued)

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 or 52 with statutorily reduced benefits. All members are eligible for non-industrial disability benefits after five (5) years of service. The death benefit is one of the following: Basic Death Benefit, 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost-of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2026, are summarized as follows:

	Miscellaneous Plan	
	Classic	PEPRA (Public Employees' Pension Reform Act)
Hire Date	Prior to January 1, 2013	January 1, 2013 and after
Benefit Formula	2.5% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50-55	52-67
Monthly benefits, as a % of eligible compensation	2.0% to 2.5%	1.0% to 2.5%
Required employee contribution rate	8.00%	7.75%
Required employer contribution rate	13.46%	7.96%

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Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. District contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions requirements are classified as plan member contributions.

Pension Funding Policy – In June 2022, The District's Board of Directors established a Pension Funding Policy to address the District's pension liability and to achieve a minimum target funded ratio goal of 85% by making additional discretionary payments to CalPERS and funding the District's Pension Stabilization Fund. As part of this policy, the District adopted a 13-year Fresh Start funding program to re-amortize its unfunded actuarial liability (UAL), enabling a faster payoff period and long-term savings. The policy calls for making regular annual additional discretionary payments of approximately $311,000 to CalPERS before December 31 each year; these optional payments further reduce the District's UAL and result in long-term cost savings.

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2026 and 2025 respectively, the District reported net pension liabilities for its proportionate shares of the net pension liability as follows:

	2026	2025
Classic & PEPRA Plans	$ 14,873,531	$ 17,449,508
Total Net Pension Liability	$ 14,873,531	$ 17,449,508

Note 10 – Employee Retirement Systems (Continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

The District Plans' net pension liability is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2024 rolled forward to June 30, 2025 using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool:

(1) In determining a cost-sharing plan's proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2024). The risk pool's fiduciary net position ("FNP") subtracted from its total pension liability ("TPL") determines the net pension liability ("NPL") at the valuation date.

(2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2025). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2025 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (fiscal year 2025).

(3) The individual plan's TPL, FNP, and NPL are also calculated at the valuation date.

(4) Two ratios are created by dividing the plan's individual TPL and FNP as of the valuation date from step (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively.

(5) The plan's TPL as of the measurement date is equal to the risk pool TPL generated in step (2) multiplied by the TPL ratio generated in step (4). The plan's FNP as of the measurement date is equal to the FNP generated in step (2) multiplied by the FNP ratio generated in step (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.

(6) The plan's NPL at the measurement date is the difference between the TPL and FNP calculated in step (5).

The District's proportionate share of the net pension liability for each Plan as of the measurement date ended June 30, 2024 and 2025 was as follows:

	Classic & PEPRA Plans
Proportion - June 30, 2023 (MD)	0.35858%
Proportion - June 30, 2024 (MD)	0.36078%
Change - Increase (Decrease)	0.00220%
Proportion - June 30, 2024 (MD)	0.36078%
Proportion - June 30, 2025 (MD)	0.37284%
Change - Increase (Decrease)	0.01206%

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Note 10 – Employee Retirement Systems (Continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

For the years ended June 30, 2026 and 2025, the District recognized pension expense of $3,144,675 and $3,506,543, respectively. At June 30, 2026 and 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2026		2025	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 2,936,880	$ -	$ 2,610,737	$ -
Differences between actual and expected experience	1,782,207	-	1,449,803	-
Change in assumptions	-	-	448,489	-
Changes in proportions	179,565	(303,535)	-	(180,627)
Differences between the employer's contributions and the employer's proportionate share of contributions	-	-	25,914	-
Net differences between projected and actual earnings on plan investments	-	(2,012,552)	1,004,548	-
Total	$ 4,898,652	$ (2,316,087)	$ 5,539,491	$ (180,627)

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The District reported $2,936,880 as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending June 30, 2027. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Amount
2027	$ 1,807,230
2028	(490,685)
2029	(902,586)
2030	(768,274)
Total	$ (354,315)

Deferred outflows of resources related to the contribution made subsequent to the measurement date in the amount of $2,610,737 were recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Amount
2026	$ 875,481
2027	2,201,295
2028	32
2029	(328,681)
Total	$ 2,748,127

Note 10 – Employee Retirement Systems (Continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Actuarial Assumptions – For the measurement period ended June 30, 2025 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2024 total pension liability determined in the June 30, 2024 actuarial accounting valuation. The June 30, 2025 total pension liability was based on the following actuarial methods and assumptions:

	Classic & PEPRA Plans
Valuation Date	June 30, 2024
Measurement Date	June 30, 2025
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	(1)
Mortality Rate Table	(2)
Post Retirement Benefit Increase	(3)

(1) Varies by entry age and service

(2) The mortality table used was developed based on CalPERS specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the April 2021 experience study report (based on CalPERS demographic data from 2017 to 2021) available on the CalPERS website.

(3) Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter.

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Change in Assumptions – GASB 68, paragraph 30 states that the long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. In fiscal year 2026, the actuarial report did not have a change of assumption. In fiscal year 2018, the discount rate was reduced from 7.65% to 7.15%. In fiscal year 2023, the discount rate was changed from 7.15% to 6.90%. All other actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial experience study for the period 2017 to 2021, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website.

Discount Rate – The discount rate used to measure the total pension liability was 6.90% for each Plan and reflects the long-term expected rate of return for each Plan net of investment expenses and without reduction for administrative expenses. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the Plans, the tests revealed the assets would not run out. Therefore, the current 6.90% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long term expected discount rate of 6.90% is applied to all plans in the Public Employees Retirement Fund (PERF). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained from the CalPERS website under the GASB 68 section.

Note 10 – Employee Retirement Systems (Continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2021.

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Asset Class	Strategic Allocation	Real Return
Public equity	37.00%	4.56%
Private equity	17.00%	5.56%
Fixed income	28.00%	2.53%
Real assets	15.00%	3.03%
Private debt	8.00%	4.93%
Strategic leverage	-5.00%	1.40%
Total	100.00%	

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District's proportionate share of the net pension liability for the Plans, calculated using the discount rate for the Plans, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Classic & PEPRA Plans	
	2026	2025
1% Decrease	5.90%	5.90%
Net Pension Liability	$ 25,613,912	$ 27,506,707
Current Discount Rate	6.90%	6.90%
Net Pension Liability	$ 14,873,531	$ 17,449,508
1% Increase	7.90%	7.90%
Net Pension Liability	$ 6,034,310	$ 9,170,952

Note 10 – Employee Retirement Systems (Continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Pension Plan Fiduciary Net Position – Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Payable to the Pension Plan – The District had no outstanding contributions to the pension plan required for the years ended June 30, 2026 and 2025.

Note 11 – Health Savings Plan

The Voluntary Employee Benefits Association ("VEBA") plan is a medical savings plan establishing a funded health reimbursement plan for eligible employees, former employees, and their dependents and beneficiaries as defined in the Plan pursuant to Internal Revenue Code Section 501 (c) (9). The District's VEBA plan was implemented on July 1, 2014 following the District's Board of Directors adoption of a resolution approving the VEBA program at the June 18, 2014 board meeting. During the years ended June 30, 2026 and 2025, the District contributed $71,000 and $36,800 to the VEBA plan, respectively.

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Note 12 – Deferred Compensation Plan and Defined Contribution Plan

The Board has adopted two deferred compensation plans and a defined contribution plan (the Plans) in accordance with Sections 457(b) and 401(a), respectively, of the Internal Revenue Code, and has discretion to amend the Plans. These plans permit all eligible employees to defer taxation of a portion of their income until future years.

All District employees are eligible to participate in the 457(b) plan. Participation in the 457(b) plan is not required and employee contributions may be modified from time to time at the employee's direction. The District makes annual longevity match contributions to the 457(b) plan as specified in its Memorandum of Understanding (MOU) with its Employees Association and Bargaining Unit Members Association.

Eligible participants of the 401(a) plan are the General Manager, Managers, and Supervisors. The District makes annual contribution to the 401(a) plan on behalf of the General Manager, Managers, and Supervisors as specified in the compensation plan.

Contributions to the Plans and interest earnings are 100 percent vested immediately. Benefits depend solely on the amounts contributed to the Plans plus investment earnings. Plan contributions and earnings are not available to employees until termination, retirement, death, disability, or unforeseeable emergencies. All assets and income of the Plans are held in a trust for the exclusive benefit of plan participants and their beneficiaries. The Plans are not considered part of the District's financial reporting entity.

For fiscal year 2026, the employee and employer contributions to the 457(b) plan were $647,821 and $69,250, respectively, and the 401(a) plan had employer contributions of $130,170.

For fiscal year 2025, the employee and employer contributions to the 457(b) plan were $581,682 and $70,500, respectively, and the 401(a) plan had employer contributions of $125,474.

Note 13 – Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job-related illnesses or injuries to employees; and natural disasters. The District purchases commercial insurance for its exposure to risk other than those under the workers' compensation laws from the Association of California Water Agencies Joint Powers Insurance Authority (JPIA). JPIA is an intergovernmental risk-pooling self-insurance authority, created under provisions of California Government Code Sections 6500 et. seq. The purpose of JPIA is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage. Commercial insurance expense amounted to $725,892 and $629,230 for the years ended June 30, 2026 and 2025, respectively.

The District's coverage as part of its participation in the self-insurance programs of JPIA is as follows:

General, Automobile, Employment Practices & Public Officials' Liability: Broad coverage against third-party claims for the District, its directors, employees and volunteers. Covered up to the following limits: the JPIA pools for the first $5 million and purchases excess coverage with limit up to $55 million with aggregated policy limits.

Property Loss: Covered up to replacement value with a $10,000 deductible per occurrence on scheduled buildings, fixed equipment and contents. Replacement cost value on scheduled mobile equipment with a $1,000 deductible per occurrence and replacement cash value on scheduled vehicles with a $500 deductible per occurrence. JPIA is self-insured up to $10,000,000 per loss and has purchased re-insurance coverage up to a $500,000,000 limit per occurrence. Scheduled fixed equipment is covered for Accidental Mechanical Breakdown up to sub-limit of $100,000,000 with a deductible of $25,000 to $50,000 depending on type of equipment. Property Program includes Earthquake with aggregate limit of $2,500,000, and is subject to minimum $75,000 deductible, Flood Coverage with aggregate limit of $25,000,000 and subject to a $100,000 deductible.

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Cyber Liability: Including Cyber Security up to $3,000,000 per occurrence and $5,000,000 Aggregate Limit. Cyber Liability Deductible varies from $10,000 to $100,000 depending on District Total Insured Values.

Employee Dishonesty/Crime Supplement: Insured up to $1,100,000 per occurrence with a $1,000 deductible for employee dishonesty, forgery or alteration and computer fraud. The program covers all employees, the Board of Directors, and the Treasurer.

Additionally, the District carries an Excess Crime Policy with a limit of $1,000,000 per occurrence and $100,000 deductible that is in full effect.

The District's workers' compensation risk exposure is handled by the District's participation in the Special District Risk Management Authority (SDRMA) established by the California Special Districts Association. SDRMA is a risk pooling joint powers authority formed under the California Government Code to provide workers' compensation coverage for SDRMA's member districts. SDRMA purchases excess insurance from commercial carriers to reduce its exposure to large losses. Workers' compensation expense amounted to $190,941 and $173,970 for the years ended June 30, 2026 and 2025, respectively. There were no instances in the past three years where a settlement exceeded the District's coverage provided through SDRMA or through the District's commercial carriers.

Workers' Compensation Coverage and Employer's Liability (SDRMA): Statutory limit per occurrence for Workers' Compensation and $5.0 Million for Employer's Liability Coverage, subject to the terms, conditions and exclusions as provided in the Certificate of Coverage, effective July 1, 2025.

Note 14 – Net Position

A. Net Investment in Capital Assets

Net Investment in Capital Assets at June 30 consisted of the following:

	2026	2025
Net investment in capital assets		
Capital assets, nondepreciable	$ 45,287,458	$ 45,931,293
Capital assets, depreciable/amortizable, net	324,775,028	325,264,073
Capital-related accounts payable	(593,552)	(1,621,170)
Capital-related accounts payable - restricted	(20,378)	(16,570)
Deferred amount on refunding	490,799	594,290
Current portion of long-term debt:		
Wastewater revenue bonds	(820,870)	(809,730)
Water revenue refunding bonds	(2,910,000)	(2,775,000)
Special assessment debt with government commitment	(932,617)	(912,067)
Note payable	(885,822)	(865,765)
Subscription liability	(90,447)	(109,218)
Long-term debt, non-current portion:		
Waste water revenue bonds	(4,317,120)	(5,137,990)
Water revenue refunding bonds	(12,751,586)	(15,887,677)
Special assessment debt with government commitment	(950,292)	(1,883,616)
Note payable	(7,331,724)	(8,217,546)
Subscription liability	(11,084)	(79,788)
Total net investment in capital assets	$ 338,937,793	$ 333,473,519

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B. Restricted Net Position

Restricted net position at June 30 consisted of the following:

	2026	2025
Net position restricted for debt service:		
Restricted Assets:		
Cash	$ 2,945,272	$ 2,460,411
Investments	168,487	66,694
Taxes/assessments receivable	22,269	57,206
Total restricted assets for debt service	3,136,028	2,584,311
Less liabilities payable from restricted assets	(155,099)	(183,944)
Net position restricted for debt service	2,980,929	2,400,367
Net position restricted for construction:		
Restricted Assets:		
Cash	6,233,453	4,648,694
Investments	2,659,300	3,919,676
Grants receivable	-	2,461
Total restricted assets for construction	8,892,753	8,570,831
Net position restricted for construction	8,892,753	8,570,831
Total restricted net position	$ 11,873,682	$ 10,971,198

Note 14 – Net Position (Continued)

C. Unrestricted Funds

Unrestricted funds are the District's Designated Fund Balances. These funds are designated by the District's Board of Directors to carry out specific purposes as stated in the Board Designated Fund Balances Policy ("Policy"). Unrestricted funds are reviewed annually with the Board to ensure compliance with the Policy. Changes to the Policy will require Board's approval. Unrestricted funds at June 30 consisted of the following:

	2026	2025
Capital replacement reserve	$ 46,708,144	$ 50,535,556
Rate stabilization reserve	13,052,922	13,860,784
Pension stabilization reserve	1,280,080	1,003,693
Unreserved	10,179,067	10,097,817
	$ 71,220,213	$ 75,497,850

The District received refund payments from the San Diego County Water Authority (SDCWA) in 2021 in the amount of $3,661,917 for overpayments on water wholesale costs to the Metropolitan Water District of Southern California (MWD). The District's Board of Directors voted to return these refund payments to the District's potable water customers on their monthly water bills as a Rate Reimbursement Credit (RRC) of 6.9 cents per unit of water billed, which was later increased to 11 cents per unit of water billed then increased to 22 cents. These funds are held and paid from the District's rate stabilization reserves. As of June 30, 2026, the District has refunded $3,391,757 to its customers via the RRC, leaving $270,160 in the District's rate stabilization reserves for future refunds.

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Note 15 – Economic Dependency

All potable water sold by the District is purchased from the San Diego County Water Authority (SDCWA). The District purchased 18,118.9 acre-feet (AF) of potable water during fiscal year 2026, and 17,718.3 AF during fiscal year 2025. An acre foot (AF) is a unit of measure equivalent to 325,900 gallons of water, which meets the needs of two average families for one year. The District continues to offset potable water consumption used for irrigation with recycled water through the expansion of its recycled water system. The prospect of future droughts as well as water supply shortages drives the need to diversify water supplies by developing alternative water sources locally to reduce reliance on potable water purchased from SDCWA. Recycled water sold by the District to its retail customers is either produced at the 4S Ranch Water Reclamation Facility or purchased from Rancho Santa Fe Community Services District, the City of San Diego, San Elijo Joint Powers Authority, and Vallecitos Water District.

Note 15 – Economic Dependency (Continued)

The District's recycled water system is comprised of two non-contiguous recycled water service areas, the Northwest and Southeast Quadrant. Recycled water sold by the District in the Northwest Quadrant is purchased from Vallecitos Water District and San Elijo Joint Powers Authority. Recycled water sold by the District in the Southeast Quadrant comes from the District's 4S Water Reclamation Facility and purchases from the District's recycled water supplier, the Rancho Santa Fe Community Services District and the City of San Diego.

Note 16 – Commitments and Contingencies

A. Contracts

The District has entered into contracts for the engineering and construction of additions to capital assets. Unfulfilled commitments under open contracts as of June 30 are summarized as follows:

	2026	2025
Total open contracts	$ 19,455,721	$ 14,362,231
Less costs incurred as of June 30,	(9,374,185)	(5,744,001)
Remaining contractual commitments	$ 10,081,536	$ 8,618,230

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B. Litigation

Management is of the opinion that there is no outstanding legal litigation that would have a material effect on the basic financial statements.

C. Grant Awards

Grant funds received by the District are subject to audit by the grantor agencies. Such audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the District believes that such disallowances, if any, would not be significant.

Note 17 – Segment Information

Although the District's financial statements jointly account for water and wastewater (sewer) services, investors in the 2015 and 2016 Water System Refunding Revenue Bonds rely solely on the revenues of the District's water services for repayment. Similarly, investors in the 2021A and 2021B Wastewater Revenue Bonds rely solely on the revenues of the District's wastewater services for repayment. The following condensed financial statements provide a summary of the District's financial information for water and wastewater services for the fiscal year ended June 30, 2026.

Condensed Statement of Net Position
June 30, 2026

	Water Services	Wastewater Services	Total
ASSETS			
Current assets	$ 93,359,192	$ 16,837,005	$ 110,196,197
Capital assets	308,783,969	61,278,517	370,062,486
Long-term assets	7,972,129	-	7,972,129
Other assets	6,713	-	6,713
Total assets	410,122,003	78,115,522	488,237,525
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	490,799	-	490,799
Pension-related deferred outflows of resources	4,142,518	756,134	4,898,652
Total deferred outflows of resources	4,633,317	756,134	5,389,451
LIABILITIES			
Current liabilities	19,143,088	1,323,973	20,467,061
Long-term liabilities	34,000,419	7,738,032	41,738,451
Total liabilities	53,143,507	9,062,005	62,205,512
DEFERRED INFLOWS OF RESOURCES			
Pension-related deferred inflows of resources	1,783,387	532,700	2,316,087
Lease-related deferred inflows of resources	7,073,689	-	7,073,689
Total deferred inflows of resources	8,857,076	532,700	9,389,776
NET POSITION			
Net investment in capital assets	283,028,356	55,909,437	338,937,793
Restricted for debt service	2,980,929	-	2,980,929
Restricted for construction	8,892,753	-	8,892,753
Unrestricted	57,852,699	13,367,514	71,220,213
Total net position	$ 352,754,737	$ 69,276,951	$ 422,031,688

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Note 17 – Segment Information (Continued)

Changes in Net Position
For the Year Ended June 30, 2026

	Water Services	Wastewater Services	Total
Operating Revenues			
Water sales	$ 70,687,752	$ -	$ 70,687,752
Wastewater charges	-	6,472,546	6,472,546
Other operating revenues	3,051,956	-	3,051,956
Total operating revenues	73,739,708	6,472,546	80,212,254
Operating Expenses			
Cost of purchased water sold	42,422,558	-	42,422,558
Pumping and water treatment	5,379,241	-	5,379,241
Transmission and distribution	5,757,879	-	5,757,879
Wastewater collection and treatment	-	2,352,274	2,352,274
Elfin Forest recreation operations	495,268	-	495,268
Facilities maintenance	1,396,937	88,416	1,485,353
Customer services	2,783,119	-	2,783,119
General and administrative	7,041,442	2,142,528	9,183,970
Other operating expenses	567,137	-	567,137
Depreciation and amortization	14,181,686	2,708,748	16,890,434
Total operating expenses	80,025,267	7,291,966	87,317,233
Operating income (loss)	(6,285,559)	(819,420)	(7,104,979)
Noncapital Subsidies			
Property tax	5,226,684	-	5,226,684
Intergovernmental - pass-through grants	5,484,449	-	5,484,449
Grant pass-through payments	(5,484,449)	-	(5,484,449)
Total noncapital subsidies	5,226,684	-	5,226,684
Operating income (loss) and noncapital subsidies	(1,058,875)	(819,420)	(1,878,295)
Nonoperating Revenues (Expenses)			
Fair market value adjustment	237,305	73,520	310,825
Investment income	2,689,946	526,576	3,216,522
Interest expense and other financing costs, net	(787,407)	(115,213)	(902,620)
Gain/(loss) on disposal of assets	(457,235)	(93,161)	(550,396)
Capital contributions	225,022	459,691	684,713
Capacity charges	161,079	-	161,079
Benefit assessments	1,047,293	-	1,047,293
Total nonoperating revenues (expenses)	3,116,003	851,413	3,967,416
Change in net position	2,057,128	31,993	2,089,121
Net position, beginning of year	350,697,609	69,244,958	419,942,567
Net position, end of year	$ 352,754,737	$ 69,276,951	$ 422,031,688

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Note 17 – Segment Information (Continued)

Condensed Statement of Cash Flows
For the Year Ended June 30, 2026

	Water Services	Wastewater Services	Total
Net cash provided by operating activities	$ 9,365,354	$ 1,670,793	$ 11,036,147
Net cash provided by noncapital and related financing activities	5,236,488	-	5,236,488
Net cash (used in) capital and related financing activities	(18,079,241)	(2,809,284)	(20,888,525)
Net cash provided by (used in) investing activities	15,272,172	3,474,602	18,746,774
Net increase (decrease) in cash and cash equivalents	11,794,773	2,336,111	14,130,884
Cash and cash equivalents, beginning	43,503,983	9,097,539	52,601,522
Cash and cash equivalents, ending	$ 55,298,756	$ 11,433,650	$ 66,732,406

The following condensed financial statements provide a summary of the District's financial information for water and wastewater services for the fiscal year ended June 30, 2025.

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Condensed Statement of Net Position
June 30, 2025

	Water Services	Wastewater Services	Total
ASSETS			
Current assets	$ 92,900,647	$ 17,192,484	$ 110,093,131
Capital assets	309,458,015	61,737,351	371,195,366
Long-term assets	9,736,164	-	9,736,164
Other assets	10,215	-	10,215
Total assets	412,105,041	78,929,835	491,034,876
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	594,290	-	594,290
Pension-related deferred outflows of resources	4,635,964	903,527	5,539,491
Total deferred outflows of resources	5,230,254	903,527	6,133,781
LIABILITIES			
Current liabilities	17,074,085	1,395,483	18,469,568
Long-term liabilities	40,554,258	9,151,377	49,705,635
Total liabilities	57,628,343	10,546,860	68,175,203
DEFERRED INFLOWS OF RESOURCES			
Pension-related deferred inflows of resources	139,083	41,544	180,627
Lease-related deferred inflows of resources	8,870,260	-	8,870,260
Total deferred inflows of resources	9,009,343	41,544	9,050,887
NET POSITION			
Net investment in capital assets	277,683,888	55,789,631	333,473,519
Restricted for debt service	2,400,367	-	2,400,367
Restricted for construction	8,570,831	-	8,570,831
Unrestricted	62,042,523	13,455,327	75,497,850
Total net position	$ 350,697,609	$ 69,244,958	$ 419,942,567

Note 17 – Segment Information (Continued)

Changes in Net Position
For the Year Ended June 30, 2025

	Water Services	Wastewater Services	Total
Operating Revenues			
Water sales	$ 67,209,475	$ -	$ 67,209,475
Wastewater charges	-	5,760,887	5,760,887
Other operating revenues	2,584,437	-	2,584,437
Total operating revenues	69,793,912	5,760,887	75,554,799
Operating Expenses			
Cost of purchased water sold	39,107,409	-	39,107,409
Pumping and water treatment	5,111,698	-	5,111,698
Transmission and distribution	4,781,999	-	4,781,999
Wastewater collection and treatment	-	2,361,678	2,361,678
Elfin Forest recreation operations	506,947	-	506,947
Facilities maintenance	1,294,402	102,222	1,396,624
Customer services	2,614,837	-	2,614,837
General and administrative	7,260,072	1,999,707	9,259,779
Other operating expenses	607,292	-	607,292
Depreciation and amortization	14,044,167	2,542,981	16,587,148
Total operating expenses	75,328,823	7,006,588	82,335,411
Operating income (loss)	(5,534,911)	(1,245,701)	(6,780,612)
Noncapital Subsidies			
Property tax	5,016,813	-	5,016,813
Intergovernmental - pass-through grants	7,349,666	-	7,349,666
Grant pass-through payments	(7,349,666)	-	(7,349,666)
Total noncapital subsidies	5,016,813	-	5,016,813
Operating income (loss) and noncapital subsidies	(518,098)	(1,245,701)	(1,763,799)
Nonoperating Revenues (Expenses)			
Fair market value adjustment	741,513	198,995	940,508
Investment income	3,000,877	491,138	3,492,015
Interest expense and other financing costs, net	(906,418)	(173,753)	(1,080,171)
Gain/(loss) on disposal of assets	(744,908)	(1,101,212)	(1,846,120)
Capital contributions	52,840	698,398	751,238
Capacity charges	2,083,500	4,070	2,087,570
Benefit assessments	1,121,827	-	1,121,827
Total nonoperating revenues (expenses)	5,349,231	117,636	5,466,867
Change in net position	4,831,133	(1,128,065)	3,703,068
Net position, beginning of year	345,866,476	70,373,023	416,239,499
Net position, end of year	$ 350,697,609	$ 69,244,958	$ 419,942,567

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Note 17 – Segment Information (Continued)

Condensed Statement of Cash Flows
For the Year Ended June 30, 2025

	Water Services	Wastewater Services	Total
Net cash provided by operating activities	$ 8,125,031	$ 3,407,991	$ 11,533,022
Net cash provided by noncapital and related financing activities	4,994,937	-	4,994,937
Net cash (used in) capital and related financing activities	(12,991,925)	(4,440,378)	(17,432,303)
Net cash (used in) investing activities	(3,413,375)	(836,365)	(4,249,740)
Net increase (decrease) in cash and cash equivalents	(3,285,332)	(1,868,752)	(5,154,084)
Cash and cash equivalents, beginning	46,789,315	10,966,291	57,755,606
Cash and cash equivalents, ending	$ 43,503,983	$ 9,097,539	$ 52,601,522

Note 18 – Reclassifications

Change in Accounting Principle – GASB 103 Reclassifications

As a result of implementing GASB Statement No. 103, *Financial Reporting Model Improvements,* certain amounts in the Statement of Revenues, Expenses and Changes in Net Position for the year ended June 30, 2025 have been reclassified to conform to the current year presentation:

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	Noncapital Subsidies	Nonoperating Revenues (Expenses)	Capital Contributions	Operating Income (Loss)
June 30, 2025, as originally reported	$ -	$ 1,771,471	$ 8,100,904	$ (6,169,307)
Property taxes	5,016,813	(5,016,813)	-	-
Intergovernmental - pass-through grants	7,349,666	(7,349,666)	-	-
Grant pass-through payments	(7,349,666)	7,349,666	-	-
Gain/(loss) on disposal of assets	-	(1,846,120)	-	-
Other nonoperating revenues	-	(34,450)	-	-
Other nonoperating expenses	-	1,880,570	-	-
Capital contributions	-	8,100,904	(8,100,904)	-
Rate reimbursement credit	-	1,071,387	-	(1,071,387)
Lease, rental, and other income	-	(626,949)	-	626,949
Grant administration and other charges	-	166,867	-	(166,867)
June 30, 2025, as reclassified	$ 5,016,813	$ 5,466,867	$ -	$ (6,780,612)

Note 18 – Reclassifications (Continued)

Change in Accounting Principle – GASB 103 Reclassifications (Continued)

As a result of implementing GASB Statement No. 103, *Financial Reporting Model Improvements,* certain amounts in the Statement of Cash Flows for the year ended June 30, 2025 have been reclassified to conform to the current year presentation:

	Operating Activities	Noncapital Financing	Capital Financing	Investing Activities
June 30, 2025, as originally reported	$ 12,315,429	$ 6,116,764	$ (19,016,732)	$ (4,569,545)
Benefit assessments	-	(1,121,827)	1,121,827	-
Pass-through grant receipts	-	7,349,666	(7,349,666)	-
Pass-through grant payments	-	(7,349,666)	7,349,666	-
Rate Reimbursement Credit	(1,071,387)	-	1,071,387	-
Lease principal and other receipts	455,850	-	(455,850)	-
Lease interest received	-	-	(319,805)	319,805
Grant administration and other payments	(166,870)	-	166,870	-
June 30, 2025, as reclassified	$ 11,533,022	$ 4,994,937	$ (17,432,303)	$ (4,249,740)

Net Position Reclassifications

Net position for the year ended June 30, 2025 has been reclassified to match current reporting as follows:

	Net Investment in Capital Assets	Restricted Net Position	Unrestricted Net Position
June 30, 2025, as originally reported	$ 335,111,259	$ 10,954,628	$ 73,876,680
Reclassification	(1,637,740)	16,570	1,621,170
June 30, 2025, as reclassified	$ 333,473,519	$ 10,971,198	$ 75,497,850

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Note 19 – Subsequent Events

The District received reimbursement payments from its insurance carrier, Association of California Water Agencies Joint Powers Insurance Authority (ACWA JPIA), in August and October 2026 for two claims originally filed in August 2025 related to the emergency pipeline replacement project along Azahar and Cadencia Streets. These reimbursements, which covered some of the costs associated with replacing the burst pipelines, totaled $2.1 million; $1.13 million for the Azahar claim and $927 thousand for the Cadencia claim.

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REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

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Modified Approach for Steel Water Storage Tanks Infrastructure Capital Assets

In accordance with GASB Statement No. 34, the District is required to account for and report infrastructure capital assets. The District defines infrastructure as the basic physical assets including water storage tanks system, used by the District to conduct its business. Each major infrastructure system can be divided into subsystems.

The District has elected to use the Modified Approach as defined by GASB Statement No. 34 for infrastructure reporting for its Steel Water Storage Tanks System. Under GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated under the following requirements:

- The District manages the eligible infrastructure capital assets using an assets management system with characteristics of: (1) an up-to-date inventory; (2) perform condition assessments and summarize the results using a measurement scale; and (3) estimate annual amount to maintain and preserve at the established condition assessment level.

The District documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level.

In September 2007, the District commissioned a study of the physical condition assessment of the steel water storage tanks. Tank assessment components include tank structure, tank exterior coating, tank interior coating, tank dry interior, tank foundations, tank security and tank safety. The condition assessment will be performed at least every three years. Each tank was assigned a physical condition based on potential defects. A Tank Assessment Index (TAI), a nationally recognized index, was assigned to each tank and expressed in a continuous scale from 1.0 to 10.0, where 1.0 is assigned to the least acceptable physical condition and 10.0 is assigned the physical characteristics of a new tank. During fiscal year 2026, inspections on the various tanks ended in July 2026.

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The following conditions were defined:

Condition	TAI Range
Very Good	9.0 - 10.0
Good	7.0 - 8.9
Satisfactory	5.0 - 6.9
Sub Standard	3.0 - 4.9
Unacceptable	1.0 - 2.9

According to the District's policy, a minimum average rating of 5.0 for all steel tanks is considered a satisfactory rating. As of June 30, 2026, 2025, 2024, 2023, and 2022 the District's steel water storage tanks were rated as follows:

				TAI				
Tank #	Name	Size (Gallons)	Type	FY 25/26	FY 24/25	FY 23/24	FY 22/23	FY 21/22
1	4 S-2 Tank	4,000,000	Ground Storage	9.8	9.4	9.4	9.4	9.4
2	Zorro Tank	1,200,000	Ground Storage	9.2	9.3	9.4	9.5	9.5
3	Wiegand Tank	1,000,000	Ground Storage	8.0	8.4	8.6	8.8	9.0
4	Peay Tank	10,000,000	Ground Storage	8.6	9.1	8.5	8.7	9.0
5	Denk Tank	10,000,000	Ground Storage	8.7	9.7	9.7	9.7	8.2
6	4S Tank	10,000,000	Ground Storage	9.5	8.9	8.9	9.1	9.6
7	Cielo Tank	1,000,000	Ground Storage	9.1	9.7	8.2	8.2	8.3
8	Roger Miller Tank	8,000,000	Ground Storage	9.1	8.6	9.1	9.4	9.4
9	Thelma Miller Tank	1,000,000	Ground Storage	8.4	9.9	9.9	9.9	8.9

Modified Approach for Steel Water Storage Tanks Infrastructure Capital Assets (Continued)

The District expensed $969,356 and $921,325 on the steel water storage tanks maintenance for the fiscal years ended June 30, 2026 and 2025, respectively. These expenses delayed deterioration; however, the overall condition of the steel water storage tanks was not improved through these maintenance expenses. The District has estimated that the amount of annual expenses required to maintain the District's steel water storage tanks at the average TAI rating of 5.0 through the year 2026 is a minimum of $873,294.

A schedule of actual expenses to maintain and preserve the steel water storage tanks at the current level is presented below:

		Maintenance Expenses 2026		Maintenance Expenses 2025		Maintenance Expenses 2024		Maintenance Expenses 2023		Maintenance Expenses 2022	
Tank #	Name	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
1	4 S-2 Tank	$ 68,075	$ 68,075	$ 64,702	$ 64,702	$ 61,329	$ 61,329	$ 63,539	$ 60,776	$ 58,290	$ 58,842
2	Zorro Tank	39,715	39,715	37,747	37,747	35,778	35,779	37,068	35,456	34,006	34,328
3	Wiegand Tank	29,834	29,834	28,355	28,355	26,877	26,877	27,845	26,635	25,545	25,787
4	Peay Tank	193,853	193,853	184,248	184,248	174,643	174,643	180,936	173,070	165,989	167,563
5	Denk Tank	205,528	205,528	195,344	195,344	185,160	185,160	191,832	183,492	175,985	177,654
6	4S Tank	194,756	194,756	185,106	185,106	175,456	175,456	181,779	173,875	166,762	168,343
7	Cielo Tank	34,070	34,070	32,382	32,382	30,694	30,694	31,800	30,418	29,174	29,450
8	Roger Miller Tank	172,052	172,052	163,527	163,527	155,002	155,002	160,588	153,606	147,322	148,718
9	Thelma Miller Tank	31,473	31,473	29,914	29,914	28,355	28,355	29,377	28,100	26,950	27,206
	Total	$ 969,356	$ 969,356	$ 921,325	$ 921,325	$ 873,294	$ 873,295	$ 904,764	$ 865,428	$ 830,023	$ 837,891

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Olivenhain Municipal Water District
Required Supplementary Information (Unaudited) (Continued)
For the Years Ended June 30, 2026 and 2025

SCHEDULE OF CONTRIBUTIONS - DEFINED BENEFIT PENSION PLANS

Last Ten Fiscal Years

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Contractually required contribution (actuarially determined)	$ 2,625,880	$ 2,299,737	$ 1,963,308	$ 2,065,470	$ 1,854,789	$ 1,733,027	$ 1,509,929	$ 1,321,485	$ 1,144,038	$ 1,026,323
Contributions in relation to the actuarially determined contributions	2,936,880	2,610,737	2,274,308	2,376,470	1,854,789	2,183,027	1,809,929	1,321,485	1,144,038	1,026,323
Contribution deficiency (excess)	$ (311,000)	$ (311,000)	$ (311,000)	$ (311,000)	$ -	$ (450,000)	$ (300,000)	$ -	$ -	$ -
Covered payroll	$ 9,883,917	$ 9,442,995	$ 8,953,066	$ 8,748,704	$ 7,687,861	$ 7,502,733	$ 7,168,522	$ 6,921,133	$ 6,760,547	$ 6,392,406
Contributions as a percentage of covered payroll	29.71%	27.65%	25.40%	27.16%	24.13%	29.10%	25.25%	19.09%	16.92%	16.06%
Notes to Schedule:										
Valuation Date	6/30/2024	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015

Methods and Assumptions Used to Determine Contribution Rates:

Cost-sharing employers	Entry age*
Amortization method	Level percentage of payroll, closed*
Asset valuation method	Fair Value**
Inflation	2.30%*
Salary increases	Depending on age, service, and type of employment*
Investment rate of return	6.80%, net of pension plan investment expense, including inflation*
Retirement age	50 (2.5%@55), 52 years (2%@62)

* The valuations for June 30, 2013, 2014, and 2015 (applicable to fiscal years ended June 30, 2015, 2016, and 2017 respectively) included the same actuarial assumptions.

** The fair value of asset valuation method was utilized for the June 30, 2017, 2018, 2019, 2020, 2021, 2022, 2023, and 2024 valuations (applicable to fiscal years ended June 30, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, and 2026 respectively).

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Olivenhain Municipal Water District
Required Supplementary Information (Unaudited) (Continued)
For the Years Ended June 30, 2026 and 2025

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Last Ten Fiscal Years

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Miscellaneous & PEPRA Plan										
Plan's Proportion of the Net Pension Liability	0.37284%	0.36078%	0.35858%	0.35973%	0.41183%	0.34634%	0.34363%	0.33439%	0.32551%	0.12734%
Plan's Proportionate Share of the Net Pension Liability	$ 14,873,531	$ 17,449,508	$ 17,930,299	$ 16,832,760	$ 7,819,768	$ 14,608,844	$ 13,760,678	$ 12,602,286	$ 12,831,806	$ 11,018,852
Plan's Covered Payroll	$ 9,442,995	$ 8,953,066	$ 8,748,704	$ 7,687,861	$ 7,502,733	$ 7,168,522	$ 6,921,133	$ 6,760,547	$ 6,392,406	$ 6,083,865
Plan's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	157.51%	194.90%	204.95%	218.95%	104.23%	203.79%	198.82%	186.41%	200.74%	181.12%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	81.31%	76.59%	74.58%	74.59%	87.14%	74.69%	74.59%	75.38%	73.57%	74.06%
Plan's Proportionate Share of Aggregate Employer Contributions	$ 2,936,880	$ 2,610,737	$ 2,274,308	$ 2,376,470	$ 2,084,274	$ 1,926,217	$ 1,673,663	$ 1,469,602	$ 1,351,241	$ 1,196,711

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

From fiscal year June 30, 2015 to June 30, 2016:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense.

From fiscal year June 30, 2016 to June 30, 2017:

There were no changes in assumptions.

From fiscal year June 30, 2017 to June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

From fiscal year June 30, 2018 to June 30, 2022:

There were no changes in assumptions.

Fiscal year June 30, 2023:

The discount rate was reduced from 7.15% to 6.90% and the inflation assumption was changed from 2.50% to 2.30%.

Fiscal year June 30, 2024:

There were no changes in assumptions.

Fiscal year June 30, 2025:

There were no changes in assumptions.

Fiscal year June 30, 2026:

There were no changes in assumptions.

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STATISTICAL SECTION

Government Accounting Standards Board (GASB) Statement No. 44 "Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1)" requires that statistical information be presented as part of the Annual Comprehensive Financial Report.

Contents **Table No.**

Financial Trends **I - II**

These tables show the current and historical financial trends regarding the nature of investments and ownership during the reporting period to assess the liquidity and financial strength of the District.

Net Position is the accumulated value of the District's assets minus its liabilities. Changes in Net Position (total revenue less total expenses) measures the success of the District's operations during the reporting period and its ability to meet its financial commitments.

Revenue Capacity **III - IX**

These tables provide more detailed information about the District's revenues and expenses. Tables presented in this section show the District's activities during the reporting year broken down by sources to provide the reader with more information in assessing the District's financial health over the reporting period. These tables can also be used to assess whether or not the District has successfully recovered all of its costs through its users fees and other charges.

The District's user rates and charges are established by the Board of Directors and are not subject to regulation by the California Public Utilities Commission or by any other local, state, or federal agency. The District is in compliance with Article XIIID of the California State Constitution and Proposition 218 Omnibus Implementation Act.

While the District does not assess a special tax rate, it receives a proportionate amount of ad-valorem tax as established by Proposition 13. The District levies and collects, through the San Diego County Tax Assessor office, for the Reassessment District 96-1 bonds. This assessment revenue is collected to repay for bonds issued to finance the construction of the Olivenhain Dam and Reservoir project.

Debt Capacity **X - XV**

These tables provide information on the District's ability to issue additional debt in the future.

Demographic and Economic Information **XVI - XVII**

Tables presented in this section will help the reader assess the District's community profile. Since the District's service area overlaps between several major cities and includes an unincorporated area, statistical information included in these tables represent the San Diego County economic data as a whole. Demographic and economic data presented have been collected from reasonably accurate sources, however, they should not be relied on in connection with any issuance of bonds.

Operating Information **XVIII - XIX**

Tables presented contain internal information about the District's water and wastewater operations to measure operational efficiency.

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Table I - Combined Net Position by Component (Water and Wastewater)

Last Ten Fiscal Years

	Fiscal Year ended June 30,									
	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Primary government										
Net investment in capital assets [2]	$ 338,937,793	$ 333,473,519	$ 330,711,440	$ 332,382,861	$ 328,832,740	$ 330,855,961	$ 330,720,794	$ 321,290,220	$ 322,232,147	$ 322,388,785
Restricted	11,873,682	10,971,198	12,129,396	10,503,646	7,727,858	7,121,300	6,593,159	10,947,134	10,912,202	11,690,890
Unrestricted [1][2]	71,220,213	75,497,850	73,398,663	68,346,614	70,773,336	69,458,948	60,757,811	62,445,287	57,908,178	53,114,033
Total Net Position	$ 422,031,688	$ 419,942,567	$ 416,239,499	$ 411,233,121	$ 407,333,934	$ 407,436,209	$ 398,071,764	$ 394,682,641	$ 391,052,527	$ 387,193,708

Source: Olivenhain Municipal Water District

Notes:

(1) *Unrestricted Net Position includes $270,160 in rebate payments from SDCWA that are being refunded to the District's customers via the Rate Reimbursement Credit (RRC) program.* The District received a total of $3,661,917 from SDCWA in 2022 and 2021, $3,391,757 of which has been refunded to customers as of June 2026.

(2) Fiscal year 2025 amounts were reclassified to deduct capital-related accounts payable in calculating net investment in capital assets, which decreased net investment in capital assets by $1,637,740 and increased restricted and unrestricted net position by $16,570 and $1,621,170, respectively.

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Table II - Changes in Net Position

Last Ten Fiscal Years

		Fiscal Year ended June 30,									
		2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Operating Revenues											
Water sales	(2)	$ 70,687,752	$ 67,209,475	$56,723,757	$53,633,877	$57,747,541	$ 58,169,813	$ 50,430,847	$ 48,238,490	$ 53,444,449	$ 45,433,161
Wastewater charges		6,472,546	5,760,887	5,443,940	5,621,985	5,480,925	5,127,136	4,952,194	5,245,015	4,464,710	4,447,426
Other operating revenues	(2)	3,051,956	2,584,437	1,606,103	1,084,666	1,303,126	1,461,229	2,200,252	2,269,665	2,271,495	2,217,932
Total operating revenues		$ 80,212,254	$ 75,554,799	$ 63,773,800	$ 60,340,528	$ 64,531,592	$ 64,758,178	$ 57,583,293	$ 55,753,170	$ 60,180,654	$ 52,098,519
Operating Expenses											
Cost of purchased water sold		$ 42,422,558	$ 39,107,409	$ 30,712,658	$ 29,609,781	$ 31,265,804	$ 30,601,983	$ 27,188,350	$ 25,532,687	$ 27,578,413	$ 24,568,729
Pumping and water treatment		5,379,241	5,111,698	5,246,548	4,353,775	4,322,820	4,378,418	4,139,526	4,028,711	4,129,127	3,988,991
Transmission and distribution		5,757,879	4,781,999	4,992,405	4,434,815	4,485,962	4,220,269	4,090,468	3,480,238	3,557,507	3,874,766
Wastewater collection and treatment		2,352,274	2,361,678	2,026,890	2,026,695	2,170,341	2,085,237	1,980,603	1,631,657	1,845,906	1,672,289
Elfin Forest Recreational Reserve		495,268	506,947	493,779	386,905	428,174	415,386	381,540	376,635	337,557	316,387
Facilities maintenance		1,485,353	1,396,624	1,441,133	1,274,751	1,387,010	1,363,564	1,456,702	1,224,506	1,083,246	1,154,241
Customer services		2,783,119	2,614,837	2,412,185	1,754,190	2,036,267	2,348,700	2,404,916	1,817,086	1,734,656	1,789,423
General and administrative		9,183,970	9,259,779	8,700,174	6,865,224	7,745,048	7,041,160	7,326,820	6,926,933	7,252,941	6,265,690
Other operating expenses	(2)	567,137	607,292	395,808	212,580	304,037	228,939	329,185	407,811	244,817	388,995
Depreciation and amortization		16,890,434	16,587,148	16,207,532	15,910,790	16,132,953	15,559,523	15,029,936	14,892,827	14,584,093	15,069,090
Total operating expenses		$ 87,317,233	$ 82,335,411	$ 72,629,112	$ 66,829,506	$ 70,278,416	$ 68,243,179	$ 64,328,046	$ 60,319,091	$ 62,348,263	$ 59,088,601
Operating income (loss)		(7,104,979)	(6,780,612)	(8,855,312)	(6,488,978)	(5,746,824)	(3,485,001)	(6,744,753)	(4,565,921)	(2,167,609)	(6,990,082)
Non Capital Subsidies	(1)										
Property Taxes		$ 5,226,684	$ 5,016,813	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Intergovernmental - pass-through grants		5,484,449	7,349,666	-	-	-	-	-	-	-	-
Grant pass-through payments		(5,484,449)	(7,349,666)	-	-	-	-	-	-	-	-
Total Noncapital Subsidies		$ 5,226,684	$ 5,016,813	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Operating income (loss) and noncapital subsidies		(1,878,295)	(1,763,799)	-	-	-	-	-	-	-	-
Non-operating Revenues (expenses)											
Investment income, net of market value adjustment	(5)	$ 3,527,347	$ 4,432,523	$ 4,550,350	$ 1,898,063	$ (2,064,940)	$ (107,057)	$ 1,542,608	$ 2,135,687	$ 658,473	$ 230,271
Property taxes	(1)	-	-	4,802,446	4,577,755	4,242,794	4,027,357	3,863,252	3,714,060	3,557,919	3,414,858
Interest expense and other financing costs, net	(2)	(902,620)	(1,080,171)	(1,171,516)	(1,220,156)	(1,322,948)	(1,419,009)	(1,457,739)	(1,794,797)	(2,120,456)	(2,342,667)
Gain (loss) on disposal of assets	(2)	(550,396)	(1,846,120)	-	-	-	-	-	-	-	-
Capital Contributions	(1)(2)	684,713	751,238	-	-	-	-	-	-	-	-
Capacity charges		161,079	2,087,570	577,702	1,327,295	1,530,925	2,754,730	3,200,022	2,337,015	645,964	3,624,426
Benefit assessments		1,047,293	1,121,827	1,048,779	1,045,315	1,058,241	1,177,302	1,115,704	1,474,830	1,414,791	1,460,881
Other non-operating revenues	(2)	-	-	1,361,331	1,055,260	2,237,334 (3)	6,592,672 (3)	91,836	67,097	2,669	278,589
Other non-operating expenses	(2)(3)	-	-	(4,291,473) (4)	(1,935,949) (4)	(606,602)	(1,076,547)	(1,458,033)	(1,036,442)	(561,079)	(1,012,913)
Total non-operating revenues (expenses)		$ 3,967,416	$ 5,466,867	$ 6,877,619	$ 6,747,583	$ 5,074,804	$ 11,949,448	$ 6,897,650	$ 6,897,450	$ 3,598,281	$ 5,653,445
Income before capital contributions	(2)	-	-	(1,977,693)	258,605	(672,020)	8,464,447	152,897	2,331,529	1,430,672	(1,336,637)
Capital contributions	(2)	-	-	6,984,071	3,640,582	569,745	899,998	3,236,226	1,298,585	2,428,147	2,016,203
Change in net position		2,089,121	3,703,068	5,006,378	3,899,187	(102,275)	9,364,445	3,389,123	3,630,114	3,858,819	679,566
Net Position											
Beginning of year		$ 419,942,567	$ 416,239,499	$ 411,233,121	$ 407,333,934	$ 407,436,209	$ 398,071,764	$ 394,682,641	$ 391,052,527	$ 387,193,708	$ 386,514,142
Prior Year Adjustment/Equity Adjustment		-	-	-	-	-	-	-	-	-	-
End of year		$ 422,031,688	$ 419,942,567	$ 416,239,499	$ 411,233,121	$ 407,333,934	$ 407,436,209	$ 398,071,764	$ 394,682,641	$ 391,052,527	$ 387,193,708

Source: Olivenhain Municipal Water District

(1) "Non Capital Subsidies" category added starting Fiscal Year 2026 with retroactive application to Fiscal Year 2025 for comparative presentation to comply with GASB 103 standards. Prior to Fiscal Year 2025 Property taxes are shown under "Non-Operating Revenues", pass-through grants revenues are shown under "Capital Contributions", and pass-through grant payments are shown under "Other Non-operating Expenses"

(2) GASB 103 was implemented in FY 2026 with reclassifications made for 2025 presentation. GASB 103 moved Gain and Loss on disposal of assets out of "Other Non-operating Revenues" and "Other Non-operating Expenses" respectively and into a combined line item. GASB 103 also moved Capital Contributions from its own category into the "Non-operating Revenues (Expenses)" category, which also removed the need for an "Income before Capital Contributions" subtotal. Also beginning with Fiscal Year 2025: the Rate Reimbursement Credit is reported as a reduction of water sales ($1,244,966 in FY 2026 and $1,071,387 in FY 2025); lease, rental, and miscellaneous income previously in "Other non-operating revenues" is reported in "Other operating revenues"; lease interest income is reported in investment income; grant administration and other expenses previously in "Other non-operating expenses" are reported in "Other operating expenses"; and debt administration costs are reported with interest expense as "Interest expense and other financing costs, net."

(3) For fiscal year 2024 and prior, includes mainly Rate Reimbursement Credit payments to customers from SDCWA rate refunds, loss on disposal of assets, grant pass-through payments, and miscellaneous other non-operating expenses. Beginning in fiscal year 2025, these amounts are reclassified as described in footnotes (1) and (2).

(4) Includes grant pass-through payments to grant sub-recipients of $3.3 million in FY 2024 and $1.0 million in FY 2023. Beginning in FY 2025, grant pass-through payments ($7.3 million in FY 2025 and $5.5 million in FY 2026) are reported under Non Capital Subsidies.

(5) Fair market value adjustment of $310,825 for FY 2026, $940,508 for FY 2025, $1,355,207 for FY 2024, $(207,285) for FY 2023, $(2,467,642) for FY 2022 and $(562,019) for FY 2021. Beginning in FY 2025, also includes interest income on leases of $267,086 for FY 2026 and $319,805 for FY 2025.

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Table III - Revenues by Source

Last Ten Fiscal Years

Fiscal Year Ended	OPERATING REVENUES						NON CAPITAL SUBSIDIES			NONOPERATING REVENUES						TOTAL REVENUES
	Water Sales [1]	Service Charges [1]	Meter Installs	Wastewater Charges	Other [2]	Total Operating Revenues	Property Taxes [6]	Pass-through Grants	Total Noncapital Subsidies (Gross) [6]	Investment Income [3]	Prop. Taxes & Benefit Assessment [6]	Capacity Charges [4]	Capital Contributions [5]	Other [2]	Total Non-operating Revenues	
2026	$ 51,625,141	$ 19,062,611	$ (4,490)	$ 6,472,546	$ 3,056,446	$ 80,212,254	$ 5,226,684	$ 5,484,449	$ 10,711,133	$ 3,527,347	$ 1,047,293	$ 161,079	$ 684,713	$ -	$ 5,420,432	$ 96,343,819
2025	48,927,544	18,281,931	(56)	5,760,887	2,584,493	75,554,799	5,016,813	7,349,666	12,366,479	4,432,523	1,121,827	2,087,570	751,238	-	8,393,158	96,314,436
2024	39,767,355	16,956,402	(891)	5,443,940	1,606,994	63,773,800	-	-	-	4,550,350	5,851,225	577,702	6,984,071	1,361,331	19,324,679	83,098,479
2023	37,503,235	16,130,642	2,017	5,621,985	1,082,649	60,340,528	-	-	-	1,898,063	5,623,070	1,327,295	3,640,582	1,055,260	13,544,270	73,884,798
2022	42,215,756	15,531,785	1,116	5,480,925	1,302,010	64,531,592	-	-	-	(2,064,940)	5,301,035	1,530,925	569,745	2,237,334	7,574,099	72,105,691
2021	42,879,845	15,289,968	11,940	5,127,136	1,449,289	64,758,178	-	-	-	(107,057)	5,204,659	2,754,730	899,998	6,592,672	15,345,002	80,103,180
2020	35,794,646	14,636,202	5,279	4,952,194	2,194,972	57,583,293	-	-	-	1,542,608	4,978,956	3,200,022	3,236,226	91,836	13,049,648	70,632,941
2019	33,747,315	14,491,175	5,891	5,245,015	2,263,774	55,753,170	-	-	-	2,135,687	5,188,890	2,337,015	1,298,585	67,097	11,027,274	66,780,444
2018	39,411,902	14,032,547	5,405	4,464,710	2,266,090	60,180,654	-	-	-	658,473	4,972,710	645,964	2,428,147	2,669	8,707,963	68,888,617
2017	32,160,956	13,272,205	8,590	4,447,426	2,209,342	52,098,519	-	-	-	230,271	4,875,739	3,624,426	2,016,203	278,589	11,025,228	63,123,747

Source: Olivenhain Municipal Water District

Notes:

(1) Includes estimated unbilled water revenue, miscellaneous water sales, recycled commodity sales, and fixed monthly fees. Beginning in FY 2025, reported net of Rate Reimbursement Credits to customers ($1,244,966 in FY 2026 and $1,071,387 in FY 2025).

(2) Other revenues includes excess treated water capacity revenues, rental income, MWD lawsuit settlements, and sale of District parcels. Beginning in FY 2025, lease, rental, and miscellaneous income is reported in operating "Other" upon implementation of GASB 103.

(3) Net of fair market value adjustment of $310,825 for FY 2026, $940,508 for FY 2025, $1,355,207 for FY 2024, $(207,285) for FY 2023, $(2,467,642) for FY 2022 and $(562,019) for FY 2021. Beginning in FY 2025, includes interest income on leases ($267,086 in FY 2026 and $319,805 in FY 2025).

(4) Fees paid by developers and new customers for water services.

(5) Cash contributions or contributions of capital assets in kind or when governmental constructions are earned.

(6) "Non Capital Subsidies" category added in fiscal year 2026 upon implementation of GASB 103, with fiscal year 2025 reclassified. Prior to fiscal year 2025, property taxes are shown under "Non-Operating Revenues" and pass-through grants under "Capital Contributions". Noncapital subsidies are shown gross; the related grant pass-through payments are shown in Table IV. Net of those payments, total noncapital subsidies were $5,226,684 in FY 2026 and $5,016,813 in FY 2025.

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Table IV - Expenses by Function

Last Ten Fiscal Years

Fiscal Year	OPERATING EXPENSES								NONCAPITAL SUBSIDIES [4]	NONOPERATING EXPENSES				TOTAL EXPENSES
	Cost of Water Sold	Pumping & Water Treatment	Transmission and Distribution	Wastewater Collection & Treatment	Customer Services	Depreciation & Amortization	Other [1]	Total Operating Expenses	Grant Pass-through Payments	Interest Expense & Other Financing Costs, Net [5]	Loss on disposal of assets [3]	Other [2]	Total Non-operating Expenses	
2026	$ 42,422,558	$ 5,379,241	$ 5,757,879	$ 2,352,274	$ 2,783,119	$ 16,890,434	$ 11,731,728	$ 87,317,233	$ 5,484,449	$ 902,620	$ 550,396	$ -	$ 1,453,016	$ 94,254,698
2025	39,107,409	5,111,698	4,781,999	2,361,678	2,614,837	16,587,148	11,770,642	82,335,411	7,349,666	1,080,171	1,846,120	-	2,926,291	92,611,368
2024	30,712,658	5,246,548	4,992,405	2,026,890	2,412,185	16,207,532	11,030,894	72,629,112	-	1,171,516	-	4,291,473	5,462,989	78,092,101
2023	29,609,781	4,353,775	4,434,815	2,026,695	1,754,190	15,910,790	8,739,460	66,829,506	-	1,220,156	-	1,935,949	3,156,105	69,985,611
2022	31,265,804	4,322,820	4,485,962	2,170,341	2,036,267	16,132,953	9,864,269	70,278,416	-	1,322,948	-	606,602	1,929,550	72,207,966
2021	30,601,983	4,378,418	4,220,269	2,085,237	2,348,700	15,559,523	9,049,049	68,243,179	-	1,419,009	-	1,076,547	2,495,556	70,738,735
2020	27,188,350	4,139,526	4,090,468	1,980,603	2,404,916	15,029,936	9,494,247	64,328,046	-	1,457,739	-	1,458,033	2,915,772	67,243,818
2019	25,532,687	4,028,711	3,480,238	1,631,657	1,817,086	14,892,827	8,935,885	60,319,091	-	1,794,797	-	1,036,442	2,831,239	63,150,330
2018	27,578,413	4,129,127	3,557,507	1,845,906	1,734,656	14,584,093	8,918,561	62,348,263	-	2,120,456	-	561,079	2,681,535	65,029,798
2017	24,568,729	3,988,991	3,874,766	1,672,289	1,789,423	15,069,090	8,125,313	59,088,601	-	2,342,667	-	1,012,913	3,355,580	62,444,181

Source: Olivenhain Municipal Water District

Notes:

(1) Includes General and Administrative, Facilities Maintenance, and Elfin Forest Recreational Reserve operations, and miscellaneous operating expenses such as expenses related to Work for Others projects. Beginning in FY 2025, also includes grant administration and other expenses previously reported as non-operating.

(2) FY 2024 and prior includes Rate Reimbursement Credit payments to customers from SDCWA/MWD rate refunds, loss on disposal of capital assets,grant pass-through payments to grant sub-recipients of $3.3 million in FY 2024 and $1.0 million in FY 2023 , and miscellaneous other non-operating expenses such as bank fees and bond consultants.

(3) Category added upon implementation of GASB 103 in fiscal year 2026 (fiscal year 2025 reclassified); reported net of gains on disposal of assets. Prior to fiscal year 2025, loss on disposal of assets is shown under "Other" Non-operating.

(4) "Non Capital Subsidies" category added upon implementation of GASB 103 in fiscal year 2026 (fiscal year 2025 reclassified). Prior to fiscal year 2025, grant pass-through payments are shown under "Other" Non-Operating.

(5) Beginning in FY 2025, includes debt administration costs (bond outside services, assessment district administration, SRF bank charges, and amortization of prepaid bond insurance). Prior to fiscal year 2025, these costs are shown under "Other" Non-Operating.

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Table V- Water Sales by Source [1]

Last Ten Fiscal Years

Fiscal Year Ended	Domestic/Commercial			Agricultural			Recycled Water			Total		Combined Direct Rate [2]	Combined Direct Rate [2]
	Value	Acre Feet	% of Total	Value	Acre Feet	% of Total	Value	Acre Feet	% of Total	Value	Acre Feet	$/Acre Feet	$/HCF
2026	$ 45,553,509	16,092.8	88.1%	$ 565,080	184.9	1.1%	$ 5,610,031	2,747.3	10.8%	$ 51,728,620	19,025.0	$ 2,719	$ 6.24
2025	44,214,476	16,419.3	88.1%	591,224	199.8	1.2%	5,401,351	2,816.4	10.8%	50,207,051	19,435.5	2,583	5.93
2024	34,742,474	14,158.6	88.8%	453,107	163.2	1.2%	3,918,060	2,192.4	10.0%	39,113,642	16,514.2	2,368	5.44
2023	33,831,813	14,657.2	88.7%	475,857	183.9	1.2%	3,821,445	2,270.1	10.0%	38,129,114	17,111.2	2,228	5.12
2022	38,105,626	17,179.4	88.7%	373,711	237.5 [3]	0.9%	4,481,597	2,773.8	10.4%	42,960,934	20,190.6	2,128	4.88
2021	37,551,897	17,477.5	88.2%	820,954	479.3	1.9%	4,204,817	2,719.3	9.9%	42,577,668	20,676.1	2,059	4.73
2020	30,779,447	15,174.0	87.9%	631,705	420.7	1.8%	3,619,602	2,182.8	10.3%	35,030,754	17,777.5	1,971	4.52
2019	30,025,491	15,221.1	87.5%	629,535	457.6	1.8%	3,655,658	2,227.7	10.7%	34,310,684	17,906.3	1,916	4.40
2018	33,672,603	17,455.7	87.2%	805,794	583.1	2.1%	4,137,994	2,615.3	10.7%	38,616,391	20,654.0	1,870	4.29
2017	27,946,765	15,500.9	87.8%	630,479	475.3	2.0%	3,262,852	2,252.3	10.2%	31,840,096	18,228.5	1,747	4.01

Source: Olivenhain Municipal Water District

Notes:

(1) Excludes unbilled water sales.

(2) Calculated based on total water sales divided by total volume. 1 acre-foot = 43,600 cubic feet = 325,900 gallons.

(3) Decrease in FY 2022 due to reclassing certain Agricultural customers to Domestic/Commercial that did not meet requirements for the PSAWR (Ag) program set forth by SDCWA.

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Table VI - Rate by Activity

Last Ten Fiscal Years

	Fiscal Year ended June 30									
	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Potable Water (1)										
Monthly System Access Charge	$ 53.19	$ 48.53	$ 44.79	$ 41.94	$ 40.41	$ 39.44	$ 38.46	$ 37.70	$ 37.70	$ 36.08
Monthly Commodity Charge										
Domestic Rate										
1st Tier	4.71	4.43	4.24	3.92	3.68	3.39	3.30	2.71	2.64	2.53
2nd Tier	6.76	6.47	6.14	5.69	5.34	5.02	4.90	4.75	4.62	4.43
3rd Tier	7.57	7.25	6.85	6.35	5.96	5.63	5.49	5.61	5.46	5.23
4th Tier	8.55	8.20	8.14	7.55	7.09	6.74	6.58	6.58	6.40	6.13
Rate Reimbursement Credit (6)	(0.11)	(0.22)	(0.11)	(0.069)	(0.069)	-	-	-	-	-
Commercial Rate										
1st Tier	6.43	6.14	5.78	5.35	5.02	4.71	4.59	4.07	3.96	3.79
Irrigation (2)										
1st Tier	7.23	6.91	6.50	6.02	5.65	5.33	5.20	4.35	4.23	4.05
2nd Tier	8.16	7.80	6.94	6.43	6.04	5.71	5.57	5.90	5.74	5.50
Agricultural Rate	7.22	6.90	6.75	6.26	5.88	5.55	5.42	4.75	4.62	4.43
PSAWR/TSAWR Credit (3)	(1.98)	(1.75)	(1.34)	(1.17)	(1.11)	(0.97)	(0.99)	(0.94)	(0.95)	(0.89)
Recycled (1)										
Monthly System Access Charge	$ 53.19	$ 48.53	$ 44.79	$ 41.94	$ 40.41	$ 39.44	$ 38.46	$ 37.70	$ 37.70	$ 36.08
Monthly Commodity Charge Uniform Rate	4.70	4.68	4.29	4.04	3.79	3.65	3.61	3.85	3.75	3.59
Wastewater (1)										
Annual System Access Charge per EDU (4)										
4S Ranch	$ 229.56	$ 217.59	$ 197.52	$ 191.76	$ 186.17	$ 181.09	$ 181.09	$ 175.81	$ 170.68	$ 165.70
Rancho Cielo	229.56	217.59	197.52	191.76	186.17	181.09	181.09	175.81	170.68	165.70
Multi-Family and Commercial	181.67	172.19	156.31	151.75	147.33	181.09	181.09	175.81	170.68	165.70
Commodity Charge per unit										
Domestic Rate	7.91	7.49	7.24	7.02	6.81	6.59	6.59	6.39	6.20	6.01
Multi-Family Rate	7.91	7.49	7.24	7.02	6.81	6.59	6.59	6.39	6.20	6.01
Commercial Rate										
Group I	7.91	7.49	7.24	7.02	6.81	6.59	6.59	6.39	6.20	6.01
Group II	11.31	10.72	10.02	9.72	9.43	10.16	10.16	9.86	9.57	9.29
Group III	-	-	-	-	-	11.36	11.36	11.02	10.69	10.37

Source: Olivenhain Municipal Water District

Notes:

(1) Commodity charges are for one unit of water as of June 30 (1 unit = 748 gallons).
(2) Irrigation tiers are based on seasonal allotments by meter size.
(3) Permanent/Transitional Special Agricultural Water Rate is calendar year based (Jan 1st to Dec 31st).
(4) An Equivalent Dwelling Unit (EDU) means the standard measurement of sewage discharged into the sewer system equal to the average discharge from a detached single family unit.
(6) Rate refunds received in FY 2021 and 2022 from SDCWA/MWD given back to customers as a per unit bill credit each month.

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Table VII - Principal Water Consumers

Current and Nine Years Ago

FISCAL YEAR ENDED 2026

Customer Name	Usage (AF)	% of Water Sold
The Bridges Club at RSF Inc (1)	884.1	4.65%
4S Ranch Master HOA (2)	421.2	2.21%
Bando National Corporation(2)(3)	409.8	2.15%
Del Mar Country Club (2)	264.8	1.39%
La Costa Glen Carlsbad LLC(1)	253.5	1.33%
Rancho Santa Fe Farms Golf Inc (2)	247.3	1.30%
Crosby Estate HOA (2)	238.4	1.25%
La Costa Oaks Association (2)	226.0	1.19%
Cielo Homeowners Assn (1)	219.8	1.16%
Rancho Paseana Trust (2)	204.6	1.08%
Total top ten consumers	3,369.6	17.71%
Other consumers	15,655.4	82.29%
Total water billed	19,025.0	100.00%

FISCAL YEAR ENDED 2017

Customer Name	Usage (AF)	% of Water Sold
4S Ranch Master HOA	422.4	2.32%
The Bridges Club at RSF	367.7	2.02%
Rancho Santa Fe Farms Golf Inc.	267.8	1.47%
Del Mar Country Club	225.6	1.24%
Fairbanks Country Club	202.9	1.11%
Crosby Estates HOA	164.3	0.90%
La Costa Oaks Association	157.8	0.87%
Crosby National Golf Club	151.0	0.83%
Cielo Homeowners Association	134.0	0.73%
La Costa Glen Carlsbad CCRC LLC	131.9	0.72%
Total top ten consumers	2,225.4	12.21%
Other consumers	16,003.1	87.79%
Total water billed	18,228.5	100.00%

Source: Olivenhain Municipal Water District

Notes:

(1) Mainly potable water customer

(2) Mainly recycled water customer

(3) Previously named Crosby National Golf Club.

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Table VIII - Principal Wastewater (Sewer) Customers

Current and Six Years Ago

FISCAL YEAR ENDED 2026

Customer Name	Amount Billed	% of Total Wastewater Billed
Cymer Inc	$ 388,182	6.00%
4S Ranch Holdco LLC	331,291	5.12%
Amante and Ravenna at 4S Ranch	222,800	3.44%
Summit of Rancho Bernardo HOA	189,885	2.93%
Bridgeport 4S	150,682	2.33%
Gianni at 4S Ranch	135,499	2.09%
Santaluz Family Apartments LP	113,327	1.75%
Dove Canyon Apartments	83,084	1.28%
Poway Unified School District	98,260	1.52%
San Moritz at 4S Ranch HOA	86,775	1.34%
Total top ten customers	1,799,785	27.81%
Other customers	4,672,761	72.19%
Total Wastewater billed	$ 6,472,546	100.00%

FISCAL YEAR ENDED 2020

Customer Name	Amount Billed	% of Total Wastewater Billed
Cymer Inc	$ 313,822	6.13%
4S Ranch Holdco LLC	264,327	5.16%
Amante and Ravenna at 4S Ranch	189,320	3.70%
Summit of Rancho Bernardo HOA	174,256	3.40%
Bridgeport 4S	119,255	2.33%
Gianni at 4S Ranch	111,443	2.18%
Santaluz Family Apartments LP	89,493	1.75%
Poway Unified School District	83,738	1.64%
4S Regency Partners LLC	78,087	1.53%
Dove Canyon Apartments	61,606	1.20%
Total top ten customers	1,485,346	29.01%
Other customers	3,634,257	70.99%
Total Wastewater billed	$ 5,119,604	100.00%

Source: Olivenhain Municipal Water District - records before 2020 not available

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Table IX - Property Tax and Special Assessment

Last Ten Fiscal Years

Fiscal Year Ended	Current Year Levy(1) Property Taxes(2)	Special Assessment(3)	Total Levy	Total Collection Thru 6/30 (4)	Net Uncollected at 6/30	Percent Uncollected at 6/30
2026	$5,196,316	$ 1,036,130	$ 6,232,446	$ 6,272,225	$ (39,779)	-0.64%
2025	$4,965,354	1,037,320	6,002,674	6,038,265	(35,591)	-0.59%
2024	4,716,595	1,032,120	5,748,715	5,835,739	(87,024)	-1.51%
2023	4,466,104	1,032,342	5,498,447	5,584,041	(85,594)	-1.56%
2022	4,157,765	1,029,837	5,187,602	5,247,821	(60,219)	-1.16%
2021	3,998,833	1,054,717	5,053,550	5,103,286	(49,737)	-0.98%
2020	3,878,790	1,027,879	4,906,669	4,890,204	16,465	0.34%
2019	3,670,386	1,417,674	5,088,059	5,103,906	(15,847)	-0.31%
2018	3,578,486	1,417,716	4,996,202	4,973,806	22,396	0.45%
2017	3,371,836	1,438,673	4,810,509	4,856,043	(45,534)	-0.95%

Source: County of San Diego Office of the Auditor Controller

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Notes:

(1) Excludes Wastewater Service fees and Stand-by Charges collected on the county's tax roll.

(2) Includes only current secured and unsecured charges. Excludes delinquent charges, which were reported in previous year.

(3) Special Assessment includes special assessment debt with government commitment (RAD 96-1).

(4) Includes monies collected for all outstanding years, and includes late charges and interest on delinquent payments collected.

Table X - Assessed Value of Taxable Property

Last Ten Fiscal Years

Fiscal Year Ended	SECURED			Net Assessed Secured Value	Assessed Unsecured Value	Total Assessed Value
	Real Property	Personal Property	Exemptions			
2026	$ 32,634,549,527	$ 33,405,629	$ (382,989,302)	32,284,965,854	$ 531,141,894	32,816,107,748
2025	31,260,472,235	33,493,649	(364,480,241)	30,929,485,643	569,883,381	31,499,369,024
2024	29,750,083,901	31,170,448	(344,505,718)	29,436,748,631	516,144,903	29,952,893,534
2023	28,259,090,456	29,421,612	(326,716,447)	27,961,795,621	428,194,797	28,389,990,418
2022	26,419,545,022	19,958,978	(303,262,519)	26,136,241,481	335,348,712	26,471,590,193
2021	25,473,591,937	40,376,998	(303,002,411)	25,210,966,524	438,607,395	25,649,573,919
2020	24,494,325,764	37,689,822	(283,228,046)	24,248,787,540	370,522,672	24,619,310,212
2019	23,391,490,448	39,283,241	(271,258,202)	23,159,515,487	372,459,608	23,531,975,095
2018	22,371,096,064	48,645,131	(270,514,800)	22,149,226,395	281,799,829	22,431,026,224
2017	21,383,894,218	67,716,928	(259,092,644)	21,192,518,502	247,856,828	21,440,375,330

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Source: County of San Diego Office of the Auditor Controller

Note: The District receives its proportionate share of property taxes levied by the County of San Diego in accordance with Proposition 13. The District neither sets its own tax rate nor assesses a tax rate. The County of San Diego bills and collects the District's sewer service charges on behalf of the District.

Table XI - Ratios of Net Bonded Debt to Assessed Value and Net Bonded Debt Per Capita

Last Ten Fiscal Years

Fiscal Year Ended	Gross Bonded Debt(1)	Add: Premium(2)	Less: Reserve Funds(3)	Net Bonded Debt	Total Secured Real Property(4)	Debt to Total Secured Real Property	Population Estimate (5)	Net Bonded Debt Per Capita	Personal Income	As a Share of Personal Income
2026	$ 1,882,909	$ -	$ 170,197	$ 1,712,712	$ 32,634,549,527	0.01%	87,412	$ 20	$ 7,065,861,608	0.02%
2025	2,795,683	-	69,855	2,725,828	31,260,472,235	0.01%	86,804	31	$ 6,995,968,380	0.04%
2024	3,690,782	-	54,918	3,635,864	29,750,083,901	0.01%	86,458	42	$ 6,775,367,628	0.05%
2023	4,594,691	-	79,155	4,515,536	28,259,090,456	0.02%	86,441	52	$ 6,355,401,643	0.07%
2022	5,457,755	-	82,152	5,375,603	26,419,545,022	0.02%	86,614	62	$ 6,055,791,038	0.09%
2021	6,300,863	-	247,578	6,053,286	25,473,591,937	0.02%	86,649	70	$ 5,717,794,212	0.11%
2020	7,130,000	-	71,899	7,058,100	24,494,325,764	0.03%	87,084	81	$ 5,379,178,680	0.13%
2019	9,765,000	22,870	1,438,918	8,348,952	23,391,490,448	0.04%	86,997	96	$ 5,167,708,797	0.16%
2018	10,625,000	25,671	1,431,668	9,219,003	22,371,096,064	0.04%	86,478	107	$ 4,987,791,606	0.18%
2017	11,670,000	28,471	1,435,593	10,262,879	21,383,894,218	0.05%	85,792	120	$ 4,842,786,816	0.21%

Source: Olivenhain Municipal Water District, County of San Diego Office of the Auditor Controller, California Department of Finance, and California Department of Transportation

Notes:

(1) Gross Bonded Debt is a special assessment debt with government commitment. It is the outstanding balance of Reassessment District 96-1 Bond at the end of the fiscal year.

(2) Premium was eliminated in fiscal year 2020 due to refinancing of the Reassessment District 96-1 Bond.

(3) Reserve Funds decreased significantly in fiscal year 2020 due to refinancing of the Reassessment District 96-1 Bond.

(4) Total Secured Real Property is the total secured value of land and Improvements as stated on County of San Diego Assessed Valuation report for each fiscal year, exclusive of personal property, exemptions and unsecured property.

(5) Population estimate is based on California Department of Finance's Special District Population Benchmark based on 2010 and 2020 census data and population growth estimates for San Diego County.

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Table XII - Direct and Overlapping Debt

June 30, 2026

2025-26 Assessed Valuation: $32,816,107,748

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	Total Debt As of 6/30/26	% Applicable (1)	District's Share of Debt As of 6/30/26
Metropolitan Water District	$ 16,045,000	0.771%	$ 123,707
Mira Costa Community College District	342,075,000	15.742%	53,849,447
Palomar Community College District	602,339,848	4.459%	26,858,334
Poway Unified School District School Facilities Improvement District No. 2002-1	68,930,766	5.116%	3,526,498
Poway Unified School District School Facilities Improvement District No. 2007-1	148,124,044	3.074%	4,553,333
San Marcos Unified School District	421,228,684	0.080%	336,983
Escondido Union High School District	67,993,714	1.521%	1,034,184
San Dieguito Union High School District	382,885,000	26.133%	100,059,337
Cardiff School District	21,475,000	4.208%	903,668
Encinitas Union School District	103,588,318	56.766%	58,802,945
Escondido Union School District	158,869,622	1.569%	2,492,664
Rancho Santa Fe School District	20,247,829	26.616%	5,389,162
Solana Beach School District School Facilities Improvement District No. 2016-1	83,625,000	27.726%	23,185,868
Palomar Health District	371,736,507	6.461%	24,017,896
Poway Unified School District Community Facilities Districts	154,045,712	19.641-100.	134,470,798
San Dieguito Union High School District Community Facilities Districts	50,830,000	16.751-100.	23,741,424
City of Encinitas Community Facilities District No. 1	10,800,000	23.696%	2,559,168
City of San Diego Community Facilities District No. 4	10,940,000	6.659%	728,495
Rancho Santa Fe Community Services District Community Facilities District No. 1	16,400,000	100.000%	16,400,000
Olivenhain Municipal Water District	-	**100.000%**	-
Olivenhain Municipal Water District Assessment District No. 96-1	1,882,909	100.000%	1,882,909
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT			$ 484,916,820
OVERLAPPING GENERAL FUND DEBT:			
San Diego County General Fund Obligations	$ 408,165,000	4.223%	17,236,808
San Diego County Pension Obligation Bonds	65,150,000	4.223%	2,751,285
San Diego County Superintendent of Schools General Fund Obligations	4,705,000	4.223%	198,692
Mira Costa Community College District General Fund Obligations	47,230,000	15.742%	7,434,947
Palomar Community College District General Fund Obligations	880,000	4.459%	39,239
Poway Unified School District Certificates of Participation	50,830,000	11.579%	5,885,606
Other School District General Fund Obligations	170,924,939	Various	5,770,987
City of Encinitas Certificates of Participation	34,160,000	35.851%	12,246,702
City of San Diego General Fund Obligations	1,101,775,000	0.283%	3,118,023
Other Cities' General Fund Obligations	855,000	Various	906
TOTAL OVERLAPPING GENERAL FUND DEBT			$ 54,683,195
OVERLAPPING TAX INCREMENT DEBT (Successor Agency):	$ 146,035,000	0.117%	170,861
TOTAL DIRECT DEBT			$ 1,882,909
TOTAL OVERLAPPING DEBT			$ 537,887,967
COMBINED TOTAL DEBT			$ 539,770,876 (2)

(1) The percentage of overlapping debt applicable to the District is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping District's assessed value that is within the boundaries of the overlapping District divided by the District's total taxable assessed value.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded lease obligations.

Ratios to 2025-26 Assessed Valuation:

Direct Debt	0.01%
Total Direct and Overlapping Tax and Assessment Debt	1.48%
Combined Total Debt	1.64%

Ratios to Redevelopment Successor Agency Incremental Valuation ($15,540,660):

Total Overlapping Tax Increment Debt	1.10%

Source: California Municipal Statistics, Inc.; District direct debt (Assessment District No. 96-1) per District records at June 30, 2026.

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Table XIII - Water System Revenue to Debt Service Ratio

Last Ten Fiscal Years

Fiscal Year Ended	Water Sales (1)	Property Taxes	Capacity Charges	Other Revenues (2)	Total Water System Revenues	Less: Cost of water sold	Less: Operations and Maintenance Costs (3)	Net Water System Revenues (4)	Debt Service Payment (5)	Revenue to Debt Service Ratio	Pledged Revenue Debt Limit
2026	$ 74,996,765	$ 5,226,684	$ 161,079	$ 3,105,073	$ 83,489,601	$ 42,422,558	$ 22,861,688	$ 18,205,355	$ 4,453,829	4.09	125%
2025	70,238,350	5,016,813	2,083,500	3,778,687	81,117,350	39,107,409	20,996,854	21,013,087	4,461,330	4.71	125%
2024	58,329,860	4,802,446	577,702	6,473,199	70,183,207	30,712,658	20,774,816	18,695,733	4,457,329	4.19	125%
2023	54,718,543	4,577,755	1,327,295	4,622,474	65,246,067	29,609,781	19,271,036	16,365,250	4,462,579	3.67	125%
2022	58,746,630	4,242,794	1,530,925	2,963,069	67,483,418	31,265,804	18,435,197	17,782,417	4,451,579	3.99	125%
2021	59,402,103	4,027,357	2,754,730	4,522,808	70,706,998	30,601,983	17,883,079	22,221,936	4,450,079	4.99	125%
2020	52,301,914	3,863,252	620,224	1,345,972	58,131,362	27,188,350	18,112,974	12,830,038	4,453,579	2.88	125%
2019	50,100,344	3,714,060	1,761,723	1,779,546	57,355,673	25,532,687	16,223,249	15,599,737	4,457,329	3.50	125%
2018	55,471,127	3,557,919	645,964	533,766	60,208,776	27,578,413	16,487,251	16,143,112	4,513,537	3.58	125%
2017	47,262,098	3,414,858	3,624,426	474,085	54,775,467	24,568,729	15,906,059	14,300,679	4,716,802	3.03	125%

Source: Olivenhain Municipal Water District

Notes:

(1) Includes potable and recycled water sales and other water operating revenues. Excludes other operating revenues related to the District's Work for Other projects.

(2) Includes investment income, settlement payments from MWD lawsuit (2022 & 2021 only), sale of District parcels, and contributions from federal and state grant funding for reimbursement of certain capital expenditures. Excludes Wastewater (Sewer) revenues, unrealized gains and loses on investments, contributed assets from developers, and GASB year-end adjustments.

(3) Excludes Elfin Forest Recreational Reserve operations & other operating expenses related to the District's Work for Other projects.

(4) Includes Total Water System Revenues less Cost of water sold and Operations and Maintenance Costs.

(5) Debt Service Payments include Interest and Principal paid on the 2015 and 2016 Water System Refunding Revenue Bonds and the 2013 State Revolving Fund Loan. Excludes Wastewater Bonds.

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Table XIV - Reassessment District 96-1 Billings and Collections (1)

Last Ten Fiscal Years

Fiscal Year Ended	AMOUNT LEVIED				Amount Collected (3)	Percent Collected
	Principal	Interest	Other (2)	Total		
2026	$ 932,690	$ 39,447	$ 63,993	$ 1,036,130	$ 1,074,439	103.7%
2025	912,913	58,462	65,945	1,037,320	1,039,414	100.2%
2024	893,750	77,234	61,136	1,032,120	1,039,275	100.7%
2023	879,601	95,670	57,071	1,032,342	1,034,916	100.2%
2022	862,309	113,983	53,546	1,029,837	1,037,863	100.8%
2021	844,142	131,835	78,740	1,054,717	1,067,741	101.2%
2020	815,000	162,677	50,202	1,027,879	1,047,644	101.9%
2019	915,294	473,591	28,789	1,417,674	1,410,387	99.5%
2018	876,008	511,464	30,244	1,417,716	1,414,221	99.8%
2017	844,112	548,651	45,911	1,438,673	1,446,310	100.5%

Source: Olivenhain Municipal Water District

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Notes:

(1) The Reassessment District (RAD) 96-1 Bond was refinanced in fiscal year 2020 resulting in a decrease to principal and interest. The District issued RAD 2019 96-1 bonds to refund and refinance the outstanding principal on the 2007 RAD 96-1 bonds.

(2) Includes administration and delinquency management fees as well as fund credits.

(3) As of June 30 of the fiscal year listed. Includes penalties and interest for delinquent payments.

Table XV - Net Outstanding Long-Term Debt by Type

Last Ten Fiscal Years

	Water Revenue Bonds		Wastewater Revenue Bonds			Special Assessment Bonds	Note Payable	SBITA Liability			
Fiscal Year Ended	2016 Water Revenue Refunding Bonds	2015 Water Revenue Refunding Bonds	2018 Wastewater Revenue Bonds (2)	2021A Wastewater Revenue Bonds	2021B Wastewater Revenue Refunding Bonds (2)	Limited Obligation Reassessment District 96-1(1)	2013 State Revolving Fund	SBITA Liability (3)	Total Net Outstanding Debt	Percentage of Personal Income	Per Capita
2026	$ 10,957,931	$ 4,703,655	$ -	$ 3,940,430	$ 1,197,560	$ 1,882,909	$ 8,217,546	$ 101,531	$ 31,001,562	0.44%	$ 355
2025	11,674,741	6,987,936	-	4,161,270	1,786,450	2,795,683	9,083,311	189,006	36,678,397	0.52%	423
2024	12,368,286	9,236,018	-	4,377,480	2,368,430	3,690,782	9,929,472	47,800	42,018,268	0.62%	486
2023	13,038,237	11,440,036	-	4,589,160	2,944,060	4,594,691	10,345,340	115,752	47,067,277	0.74%	545
2022	13,689,319	13,607,376	-	4,796,400	3,513,900	5,457,755	11,162,925	181,698	52,409,373	0.87%	605
2021	14,316,208	15,730,315	4,013,000	-	-	6,300,863	11,961,998	-	52,322,384	0.92%	604
2020	14,923,628	17,816,383	4,520,000	-	-	7,130,000	12,742,976	-	57,132,987	1.06%	656
2019	15,511,305	19,873,396	5,011,000	-	-	9,787,870	13,506,271	-	63,689,842	1.23%	732
2018	16,084,017	21,899,196	5,500,000	-	-	10,650,671	14,252,283	-	68,386,167	1.37%	791
2017	16,577,296	23,627,014	-	-	-	11,698,471	15,339,748	-	67,242,530	1.39%	784

Source: Olivenhain Municipal Water District

Notes:

(1) The Limited Obligation Reassessment District (RAD) 96-1 bonds were refinanced in July 2019.
The District issued the 2019 RAD 96-1 bonds to refund and refinance the outstanding principal on the 2007 RAD 96-1 bonds.

(2) The District issued 2021B Wastewater Revenue Refunding Bonds to refund and refinance the 2018 Sewer Revenue Bonds.

(3) The District implemented GASB 96 Accounting for Subscription-Based Information Technology Arrangements starting with fiscal year 2022.

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Table XVI - Demographic Statistics

SD County Current and Prior Nine Years

Year	Population Estimate	Personal Income	Per Capita Personal Income (1)	Unemployment Rate (2)
2026	87,412	$ 7,065,861,608	$ 80,834	4.5%
2025	86,804	6,995,968,380	80,595	4.9%
2024	86,458	6,775,367,628	78,366	4.5%
2023	86,441	6,355,401,643	73,523	3.9%
2022	86,614	6,055,791,038	69,917	3.5%
2021	86,649	5,717,794,212	65,988	7.3% (3)
2020	87,084	5,379,178,680	61,770	13.3% (3)
2019	86,997	5,167,708,797	59,401	3.4%
2018	86,478	4,987,791,606	57,677	3.6%
2017	85,792	4,842,786,816	56,448	4.3%

Source: California Department of Finance and California Employment Development Department

Notes:

(1) Per capita personal income is for the San Diego County Region.
Source: CA Employment Development Department.

(2) Estimate for the San Diego County Region as of June in respective FY.
Source: CA Employment Development Department.

(3) COVID-19 Pandemic

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Table XVII - San Diego County Principal Employers

Current and Nine Years Ago

SAN DIEGO COUNTY - FISCAL YEAR 2026

Employer Name	Number of Employees (1)	Percentage of Total County Employment
University of California San Diego (4)	40,627	2.64%
Naval Base San Diego	38,852	2.53%
County of San Diego	22,803	1.48%
Sharp HealthCare	21,105	1.37%
Scripps Health	13,572	0.88%
San Diego Unified School District	13,559	0.88%
City of San Diego	13,078	0.85%
San Diego State University	10,750	0.70%
Qualcomm Inc. (2)	10,000	0.65%
Kaiser Permanente San Diego	8,566	0.56%
Total Top Ten County Employers	192,912	12.54%
All Other County Employers	1,345,148	87.46%
Total County Employment (3)	1,538,060	100.00%

FISCAL YEAR 2017

Employer Name	Number of Employees	Percentage of Total County Employment
University of California San Diego	32,524	2.17%
Sharp HealthCare	17,962	1.20%
Scripps Health	15,238	1.02%
Qualcomm Inc.	12,600	0.84%
City of San Diego	11,544	0.77%
Kaiser Permanente	8,965	0.60%
UC San Diego Health	8,923	0.60%
San Diego Community College District	6,817	0.46%
San Diego State University	5,921	0.40%
General Atomics	5,781	0.39%
Total Top Ten County Employers	126,275	8.44%
All Other County Employers	1,369,260	91.56%
Total County Employment	1,495,535	100.00%

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Source: California Employment Development Department, PublicPay.ca.gov, military.com, Company Websites

Notes:

(1) Numbers are based on most recent data available from California Employment Development Department, company websites, or PublicPay.ca.gov

(2) Approximate based on secondary sources, no primary sources available

(3) California Employment Development Department in May

(4) UC San Diego and UC San Diego Health numbers are combined starting in FY 2022

Table XVIII - Full-time Equivalent Employees by Activity

Last Ten Fiscal Years

	Full-time Equivalent Employees (1)									
	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Water Operations (2)	39	37	36	37	36	35	37	34	36	34
Wastewater and Recycled Operations (3)	9	9	9	8	8	8	8	7	7	6
Elfin Forest Recreation Operations	3	3	3	3	3	3	3	3	3	3
General and Administration										
General Manager	4	4	4	4	4	4	4	4	4	4
Engineering	8	10	10	10	8	9	8	8	8	8
Finance	8	8	8	8	8	7	8	8	8	8
Human Resources	4	4	4	4	4	4	4	4	4	4
Customer Service & Public Relations	15	17	17	16	16	14	16	15	16	14
Total	90	92	91	90	87	84	88	83	86	81

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Source: Olivenhain Municipal Water District

Notes:

(1) Based on active full-time employees included in the District's payroll as of June 30th, excludes temporary labor and interns.

(2) Includes treatment plant operations at the David C. McCollom Water Treatment Plant.

(3) Includes treatment plant operations at the 4S wastewater treatment plant and water reclamation facility.

Table XIX - Capital and Operating Indicators by Activity

Last Ten Fiscal Years

	Fiscal Year ended June 30									
	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Potable										
Service area (acres)	31,117.9	31,117.9	31,117.9	31,123.0	31,123.0	31,123.0	31,123.0	31,123.0	31,123.0	31,123.0
Miles of water main (1)	466.9	466.7	466.6	466.5	466.2	466.2	466.2	466.2	466.2	466.2
Number of treated reservoirs in service	12	12	12	12	12	12	12	12	12	12
Total treated reservoirs capacity (million gallons)	66.9	66.9	66.9	66.9	66.9	66.9	66.9	66.9	66.9	66.9
Number of service connections	28,924	28,922	28,909	28,888	28,871	28,848	28,803	28,664	28,585	28,563
Number of meters in service	28,770	28,764	28,757	28,731	28,713	28,696	28,657	28,504	28,431	28,393
Potable water peak demand (million gallons) (2)	24.9	29.8	23.6	24.0	27.0	25.8	25.5	26.7	25.4	29.8
Average treated water demand (MGD) (2)	15.8	15.8	13.9	14.2	17.4	17.4	15.3	15.0	17.3	18.9
David McCollom treatment plant maximum capacity (MGD)	34.0	34.0	34.0	34.0	34.0	34.0	34.0	34.0	34.0	34.0
Average treatment plant production (MGD) (2)	17.7	14.6	15.2	14.3	17.6	20.8	18.1	17.7	21.4	18.7
Wastewater										
Service area (acres)	5,549.5	5,549.5	5,549.5	5,549.5	5,508.0	5,508.0	5,508.0	5,508.0	5,508.0	5,508.0
Maximum system capacity (MGD)	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Number of in-service equivalent dwelling units (3)	7,341	7,341	7,340	7,334	7,250	7,247	7,244	7,239	7,236	7,063
Recycled										
Service area (acres)	10,638.0	10,638.0	10,638.0	10,638.0	10,638.0	10,638.0	10,638.0	10,638.0	10,638.0	10,637.8
Miles of recycled water main (6)	69.2	69.2	68.2	67.3	67.1	67.1	67.1	67.1	67.0	54.5
Total recycled storage capacity (million gallons) (4)	136.0	136.0	136.0	136.0	136.0	136.0	136.0	136.0	136.0	135.6
4S WRF maximum capacity (MGD)	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Average treatment daily plant flow (MGD)	1.2	1.2	1.2	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Number of meters in service	344	330	328	320	314	314	308	295	293	288
General Information										
Average years of service of employees (5)	10.1	10.0	9.5	9.1	8.5	9.1	8.6	10.0	9.3	9.1

Source: Olivenhain Municipal Water District

Notes:

(1) Total miles includes hydrant laterals in Geographic Information System (GIS).

(2) Includes selling of treatment capacity to Vallecitos Water District.

(3) An equivalent dwelling unit means the standard measurement of water discharged into the sewer collection and treatment system equal to the average discharge from a detached single-family unit.

(4) Recycled storage includes Wet Weather Storage Pond storage capacity.

(5) Based on the number of full-time equivalent employees as of June 30th.

(6) Total miles includes laterals in Geographic Information System (GIS).

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DRAFT 10.26.2026

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditor's Report

Board of Directors
Olivenhain Municipal Water District
Encinitas, California

DRAFT 10.26.2026

We have audited, in accordance with the auditing 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 financial statements of Olivenhain Municipal Water District, California (the "District"), which comprise the statement of net position as of June 30, 2026, and the related statement of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the basic financial statements and have issued our report thereon dated _____, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DRAFT 10.26.2026

San Diego, California
_____, 2026

Attachment 4

Olivenhain Municipal Water District

Encinitas, California

DRAFT 10.26.2026

Single Audit and Independent Auditor's Reports

For the Year Ended June 30, 2026

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Page

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* 1

Independent Auditor's Report on Compliance for Each Major Federal Program, on Internal Control Over Compliance Required by the Uniform Guidance, and on Schedule of Expenditures of Federal Awards 3

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Notes to the Schedule of Expenditures of Federal Awards 8

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditor's Report

To the Board of Directors
of the Olivenhain Municipal Water District
Encinitas, California

We have audited, in accordance with the auditing 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 financial statements of the Olivenhain Municipal Water District (the "District"), as of June 30, 2026, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated _____, 2026.

DRAFT 10.26.2026

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

San Diego, California
_____, 2026

DRAFT 10.26.2026

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE, AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Independent Auditor's Report

To the Board of Directors
of the Olivenhain Municipal Water District
San Diego, California

DRAFT 10-26-2026

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Olivenhain Municipal Water District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2026. The District's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2026.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

DRAFT 10.28.2026

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the District as of June 30, 2026 and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated _____, 2026, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming our opinion on the District's financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

DRAFT 10/23/2026

San Diego, California
_____, 2026, except for the Schedule of Expenditures of Federal Awards, which is dated _____, 2026.

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Federal Grantor/Pass-Through Grantor Program Title	Federal Assistance Listing Number	Agency or Pass-Through Number	Federal Expenditures	Amount Passed-through to Subrecipients
U.S. Department of the Interior				
Direct Programs:				
Title XVI Water Reclamation and Reuse	15.504	R22AP00518	$ 4,482,357	$ 4,482,357
		Total U.S. Department of the Interior	4,482,357	4,482,357
		TOTAL EXPENDITURES OF FEDERAL AWARDS	$ 4,482,357	$ 4,482,357

DRAFT 10.26.2026

Note 1 – Reporting Entity

The Olivenhain Municipal Water District (the "District") is a governmental corporation governed by an elected five-member board of directors. The District was incorporated in 1959 under the provisions of the California Municipal Water District Act of 1911.

The District is operated as an enterprise fund. The finances of the District are kept on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. As an enterprise fund, the District maintains a self-balancing set of accounts established to record the financial position and results that pertain to each activity. The activities of enterprise funds are similar to regular businesses whereby a governmental agency collects sufficient revenues through rates and user charges to pay for on-going operating expenses and maintaining infrastructure in order to sustain operations.

The District's service area is approximately 48.6 square miles. This service area lies within the northern region of San Diego County and includes portions of incorporated areas such as Encinitas, Carlsbad, San Diego, Solana Beach, San Marcos and large portions of unincorporated areas such as 4S Ranch, Rancho Cielo, Rancho Santa Fe, Elfin Forest, and Santa Fe Valley.

The District is at approximately 95% of its ultimate build-out of approximately 34,400 equivalent dwelling units. For the fiscal year ended June 30, 2026, 69.3% of water delivered was for domestic use, 29.7% for commercial and irrigation use (including construction and recycled water), and 1.0% for agricultural use. The District relies on the San Diego County Water Authority (SDCWA) as a sole source of untreated water, which is treated at the District's David C. McCollom Water Treatment Plant.

The District provides sewer collection and treatment services to a portion of the District's service area and sells recycled water to golf courses and other customers for irrigation. The District's 4S Ranch Water Reclamation Facility ("WRF") collects and treats sewage from two specific areas of the District, Rancho Cielo and 4S Ranch. The 4S WRF currently produces approximately 1.2 million gallons per day ("mgd") of recycled water to help meet demand in the southeast quadrant of the District's service area. The District also purchases recycled water from Santa Fe Valley Community Services District, City of San Diego, Vallecitos Water District, and the San Elijo Joint Powers Authority to help meet recycled water demand throughout its service area.

During the fiscal year ended June 30, 2026, the District billed 19,025 acre-feet ("AF") of potable water through 28,770 active potable water meters and 2,520 AF of recycled water through 344 active recycled meters. The District provided wastewater collection services to 7,341 sewer equivalent dwelling units ("EDU"s) in 4S Ranch, Rancho Cielo, Santa Luz, and Black Mountain Ranch.

Note 2 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2026. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial statements of the District.

DRAFT 10.20.2026

Note 3 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the full accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 4 – Indirect Cost Rate

The District has not elected to use the de minimis indirect rate as allowed under the Uniform Guidance (10 percent of modified total direct costs for awards issued prior to October 1, 2024 and 15 percent for awards issued or amended on or after October 1, 2024).

Note 5 – Subrecipients

The District passed $4,482,357 through to sub-recipient members of the North San Diego Water Reuse Coalition ("Coalition") during the fiscal year ended June 30, 2026. The Coalition is a group of nine water and wastewater agencies in San Diego County working together to maximize recycled water use and reduce demand for imported water. The Title XVI Water Reclamation and Reuse grant was awarded to the coalition to fund its Regional Recycled Water Program, which is a joint effort between Coalition members to expand recycled water infrastructure to increase and maximize water reuse in the region. Upon completion of all long-term project elements, the Coalition anticipates increasing water reuse by 11 billion gallons per year.

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Note 6 – Contingencies

Under the terms of federal and state grants, additional audits may be requested by the grantor agencies and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to a request for reimbursement to the grantor agencies.

Section I – Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None Reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

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Identification of major programs:

Name of Federal Program or Cluster	Federal Assistance Listing Number	Expenditures
Title XVI Water Reclamation and Reuse	15.504	$ 4,482,357
Total expenditures of all major federal programs		$ 4,482,357
Total expenditures of federal awards		$ 4,482,357
Percentage of total expenditures of federal awards tested as major programs		100.00%

Dollar threshold used to distinguish between type A and type B programs	$1,000,000
Auditee qualified as low-risk auditee in accordance with 2 CFR 200.520?	Yes

Section II – Financial Statement Findings

A. Current Year Financial Statement Findings

No financial statement findings were noted for the year ended June 30, 2026.

B. Prior Year Financial Statement Findings

No financial statement findings were noted for the year ended June 30, 2025.

Section III – Federal Awards Findings and Questioned Costs

A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit

No federal award findings were noted for the year ended June 30, 2026.

B. Prior Year Findings and Questioned Costs – Major Federal Award Program Audit

No federal award findings were noted for the year ended June 30, 2025.

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OLIVENHAIN
Municipal Water District

Agenda Item 7

Memo

Date:	November 10, 2026
To:	Finance Committee
From:	Leo Mendez, Finance Manager
Via:	Kimberly Thorner, General Manager
Subject:	**REVIEW STAFF'S REPORT ON DISTRICT PENSION PLANS FUNDING STATUS WITH CALPERS AND DISCUSS STAFF'S RECOMMENDED PENSION FUNDING PLANS FOR 2026**

The staff presentation is attached for the committee's review and consideration. During the meeting, staff will deliver the presentation, provide a recommendation, and will be available to answer any questions.

Prepared by: August Trees, Financial Analyst I
Reviewed by: Jared Graffam, Accounting Supervisor
Leo Mendez, Finance Manager
Approved by: Kimberly A. Thorner, General Manager

Attachment: Presentation

Attachment

ANNUAL REVIEW OF PENSION FUNDING STATUS

Finance Committee
November 10, 2026

OLIVENHAIN
Municipal Water District

Agenda

- Background
- OMWD Pension Funding Policy
- OMWD Funded Ratio
- Pension Funding Policy: Progress and Impact
- Staff recommendation for 2026

Background

- District has two pension plans through CalPERS:
  - Classic Plan (2.5% at 55)
  - Public Employment Pension Reform Act (PEPRA) Plan (2.0% at 62) – if hired after January 1, 2013
- The District is required to make payments to CalPERS, comprised of two components:
  - **Normal Cost** – For benefits earned by current employees for current years of service. Paid bi-weekly, and based on % of payroll
  - **Payments for portion of Unfunded Accrued Liability (UAL)** – Determined by CalPERS and paid in July of each year.

Background (cont'd)



- UAL (Unfunded Accrued Liability) = When actuarily determined cost of future retirement benefits is greater than the assets available to pay for them
- A portion of the UAL is paid annually by OMWD

Background (cont'd)

- CalPERS releases a new actuarial valuation report on an annual basis, based on values as of June 30th of the previous year, which includes most recent UAL
- UAL increases or decreases from year-to-year, due to changes in factors/assumptions:
  - Investment Performance relative to CalPERS Discount Rate (6.80%)
  - Demographics, actuarial assumptions, and payroll changes (life expectancy, disability, terminations, discount rate, inflation, pay rate changes, etc.)
- CalPERS accounts for these changes by adding to or reducing the UAL

OMWD Pension Funding Policy

- Established by the Board in 2022 to proactively address OMWD's pension liability
  - Important for maintaining OMWD's financial position and creditworthiness into the future
- Requires staff to report OMWD's pension funding status to the Board following completion of year-end audit
- Long-term goal per Pension Funding Policy: **Achieve a minimum target funded ratio of 85%**

OMWD Pension Funding Policy (cont'd)

- Pension funding policy included:
  - 13-year fresh start that re-amortized a portion of the District's UAL for savings
  - Making regular annual discretionary payments (ADPs) of approximately $311,000 for savings
  - Establishment and funding of Pension Stabilization Fund
    - Set funds aside for future pension liability payments
    - ADPs paid out of Pension Stabilization Fund
    - Min: 1 year average of projected future UAL payments over the next 5 fiscal years; Max: 2-year average of projected future UAL payments over the next 5 fiscal years

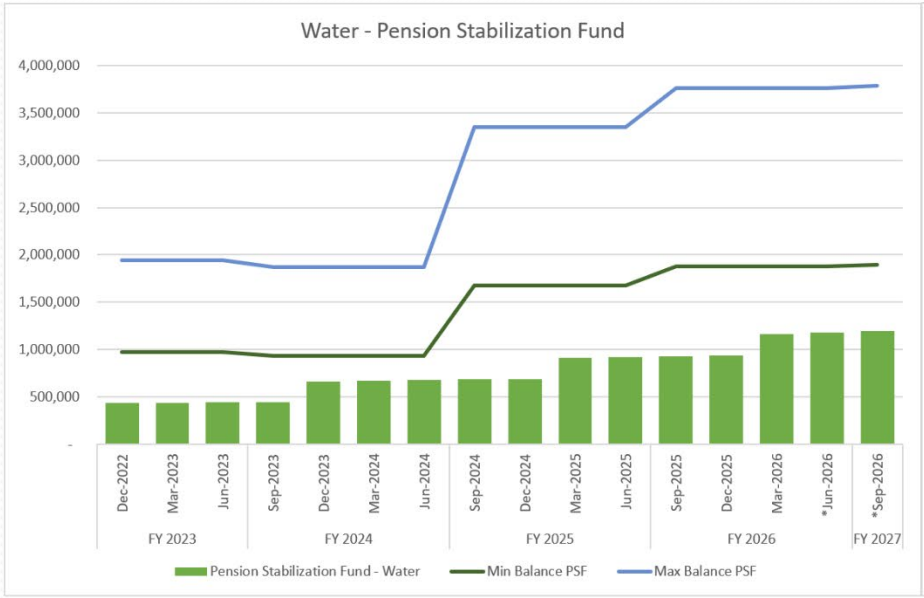
OMWD Pension Funding Policy (cont'd)

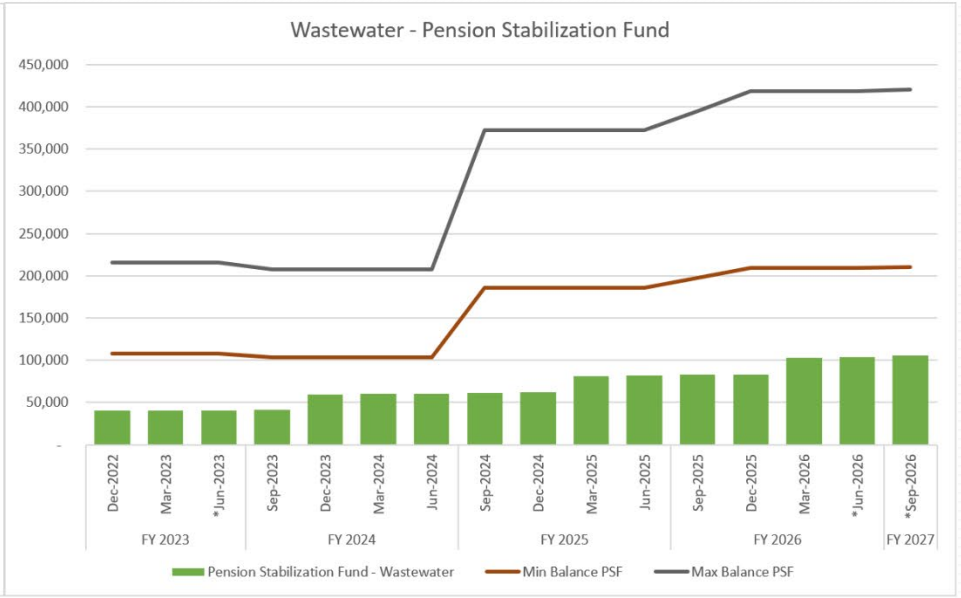
Water - Pension Stabilization Fund

	Transfer to PSF	Payment of ADP	PSF Balance
Dec 2022	$ 715,000	$ (280,000)	$ 435,000
Dec 2023	$ 500,000	$ (280,000)	$ 655,000
Dec 2024	$ 500,000	$ (280,000)	$ 875,000
Dec 2025	$ 500,000	$ (280,000)	$ 1,095,000

Wastewater - Pension Stabilization Fund

	Transfer to PSF	Payment of ADP	PSF Balance
Dec 2022	$ 71,000	$ (31,000)	$ 40,000
Dec 2023	$ 50,000	$ (31,000)	$ 59,000
Dec 2024	$ 50,000	$ (31,000)	$ 78,000
Dec 2025	$ 50,000	$ (31,000)	$ 97,000





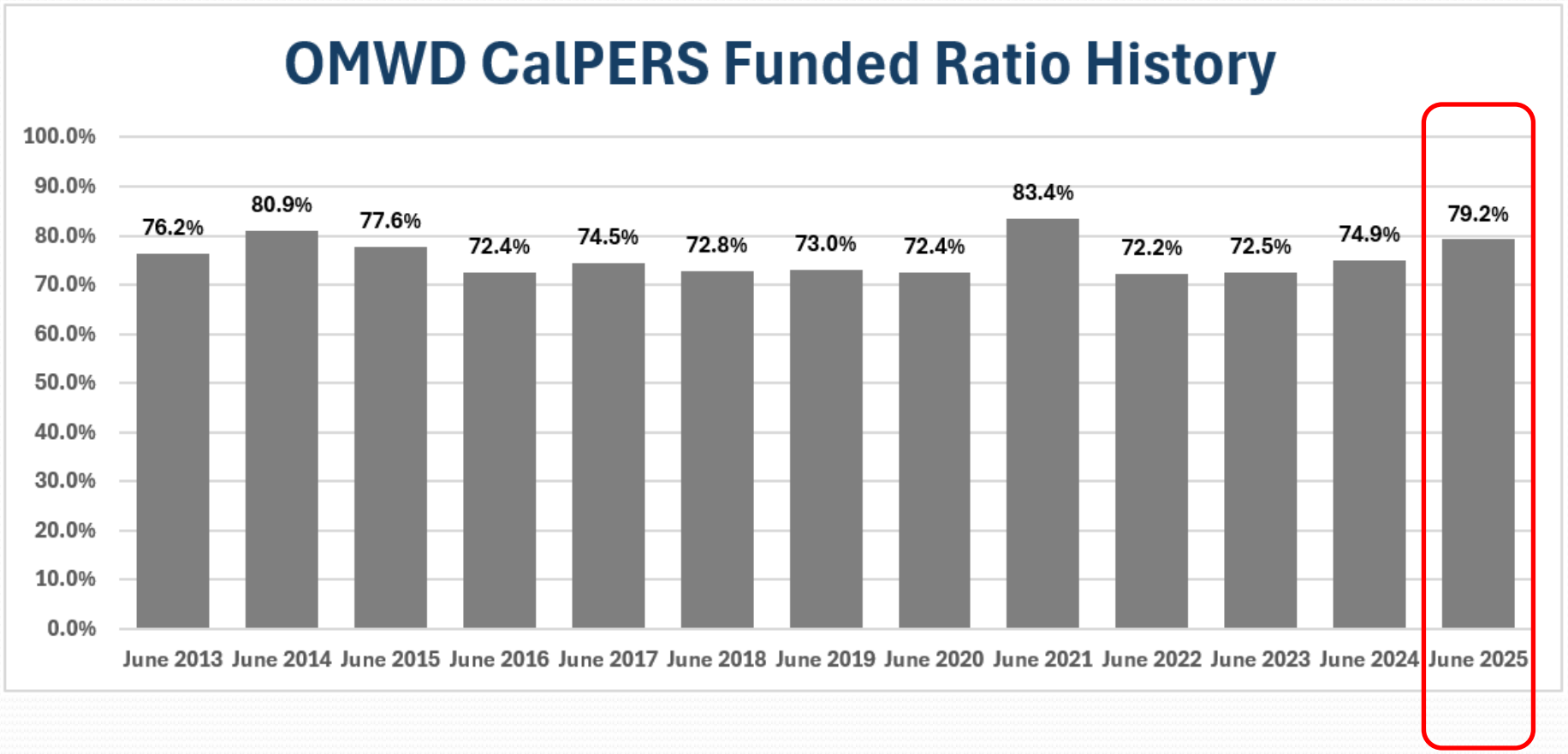
*June and September 2026 are draft numbers until the FY2026 audit is completed.

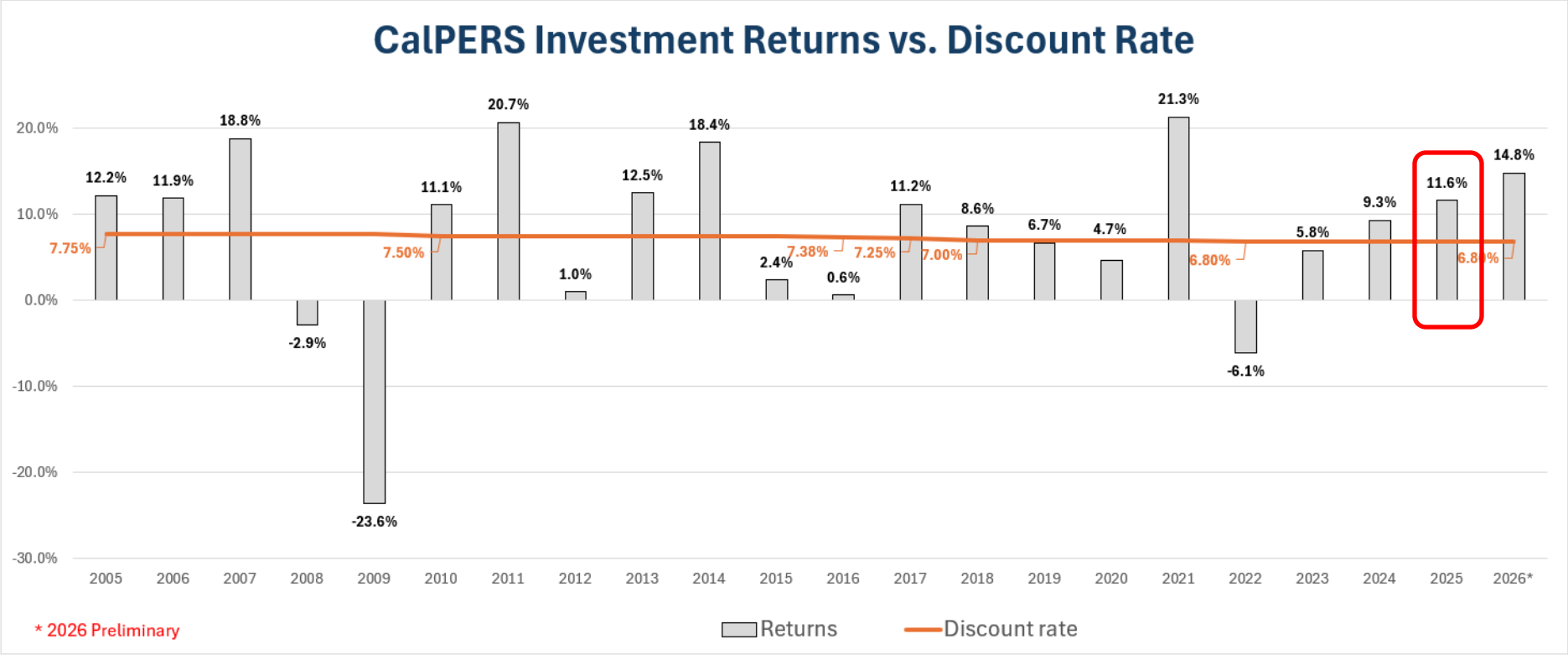
OMWD Funded Ratio

	June 30, 2024	June 30, 2025
Entry Age Accrued Liability (AL)	$77,153,185	$81,259,657
Fair Value of Assets (Assets)	57,809,627	64,384,164
Unfunded Accrued Liability (UAL) [AL – Assets]	$19,343,558	$16,875,493
Funded Ratio [Assets ÷ AL]	74.9%	79.2%

- **79.2% as of 6/30/25**, an increase from 74.9% in the prior year (4.3% increase)
- Increase due to investment returns of 11.6% exceeding CalPERS' expected returns of 6.8%
- Still below the target funded ratio of 85%

OMWD Funded Ratio (cont'd)





- 79.2% funded ratio reflects 11.6% CalPERS returns
- CalPERS announced preliminary returns of 14.8% in 2026, which will likely increase OMWD's funded ratio next year

OMWD Pension Funding Policy: Progress and Impact to Date

- Pension funded ratio is higher
  - 79.2% vs 76.7 % (2.5% higher)
- Savings to OMWD of about $650k to date from ADPs/fresh start
  - $433k net of investment income opportunity cost
- Pension stabilization fund balance of $1.2 million

OMWD Pension Funding Policy: Progress and Impact to Date (cont'd)

- What would it take to get to 85% funded?
  - We will likely get there next year due to CalPERS 2026 preliminary returns of 14.8%
- What would it take to get to 100% now?
  - Additional Discretionary Payment (ADP) of $9.1 million

Staff recommendation

- Stay the course on the Board's plan
- Continue making Additional Discretionary Payment (ADP) of $311,000 in 2026 per the Policy
- Proposed Pension Funding for 2026:
  - A $500,000 transfer from Water Operating Fund to Pension Stabilization Fund - Water
  - A $50,000 transfer from Wastewater Operating Fund to Pension Stabilization Fund – Wastewater
  - $311,000 of these transfers will be used to make $311,000 ADP for 2026

Questions?

OLIVENHAIN
Municipal Water District

OLIVENHAIN
Municipal Water District

Agenda Item 8

Memo

Date:	November 10, 2026
To:	Finance Committee
From:	Leo Mendez, Finance Manager
Via:	Kimberly Thorner, General Manager
Subject:	**QUARTERLY REVIEW OF INVESTMENTS AND CASH REPORT (1st QTR OF FY 2027)**

Purpose

The purpose of this agenda is to provide a 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. The report provides documentation that the District has sufficient funds to meet the next 60 days' obligations.

Background

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

All investments have been made in accordance with the District's Annual Statement of Investment Policy. A copy of District historic water and wastewater reserve fund balances is also provided and attached for review.

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

Prepared by: August Trees, Financial Analyst
Georgeanna Clark, Project Accountant II
Jared Graffam, Accounting Supervisor
Reviewed by: Jared Graffam, Accounting Supervisor
Leo Mendez, Finance Manager
Approved by: Kimberly A. Thorner, General Manager

Attachments:

Attachment 1 - DRAFT Monthly Cash and Investment Summary Report as of September 30, 2026
Attachment 2 - Graphs showing 5-year history of OMWD fund balances by quarter
Attachment 3 - Graph showing current yield on investments and SDCPI - quarterly over last 3 years

Attachment 1

Olivenhain Municipal Water District
MONTHLY CASH AND INVESTMENT SUMMARY
As of September 30, 2026

Active Deposits	**Book Value**
Checking Accounts	$ 4,345,500
Cash Restricted for Specific Use	152,032
Petty Cash/Disaster Preparedness	1,900
Total Active Deposits	$ 4,499,431

Deposits Not Covered by Investment Policy	
Cash with Fiscal Agents	1,478,897

Investments	**Face Value**	**Market Value**	**Current Yield**	**Book Value**
LAIF	$ 31,860,789	31,824,862	3.91%	$ 31,860,789
CAMP - US Bank	26,129,968	26,129,968	3.87%	26,129,968
Money Market Funds	723,767	723,767	3.71%	723,767
U.S. Agency Securities	27,000,000	26,099,180	4.15%	26,998,300
Total Investments	$ 87,714,524	$ 86,737,277	3.98%	$ 87,671,581
Total - All Deposits/Investments				**$ 93,649,909**

Maturity Analysis of Investments	**Percent**	**Balance**
Demand Deposits	67.0%	$ 58,714,524
Maturity within the next two months	2.3%	2,000,000
Maturity within three months and one year	2.2%	1,958,757
Maturity beyond one year	28.5%	24,998,300
Total Investments	**100.0%**	**$ 87,671,581**
Weighted Average Days to Maturity	**452**	

Other Required Disclosures:

Accrued interest receivable as of 09/30/2026 $ 561,038

The above investments are in accordance with the portfolio limitations in the Investment Policy approved by the Board in December 2025.

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

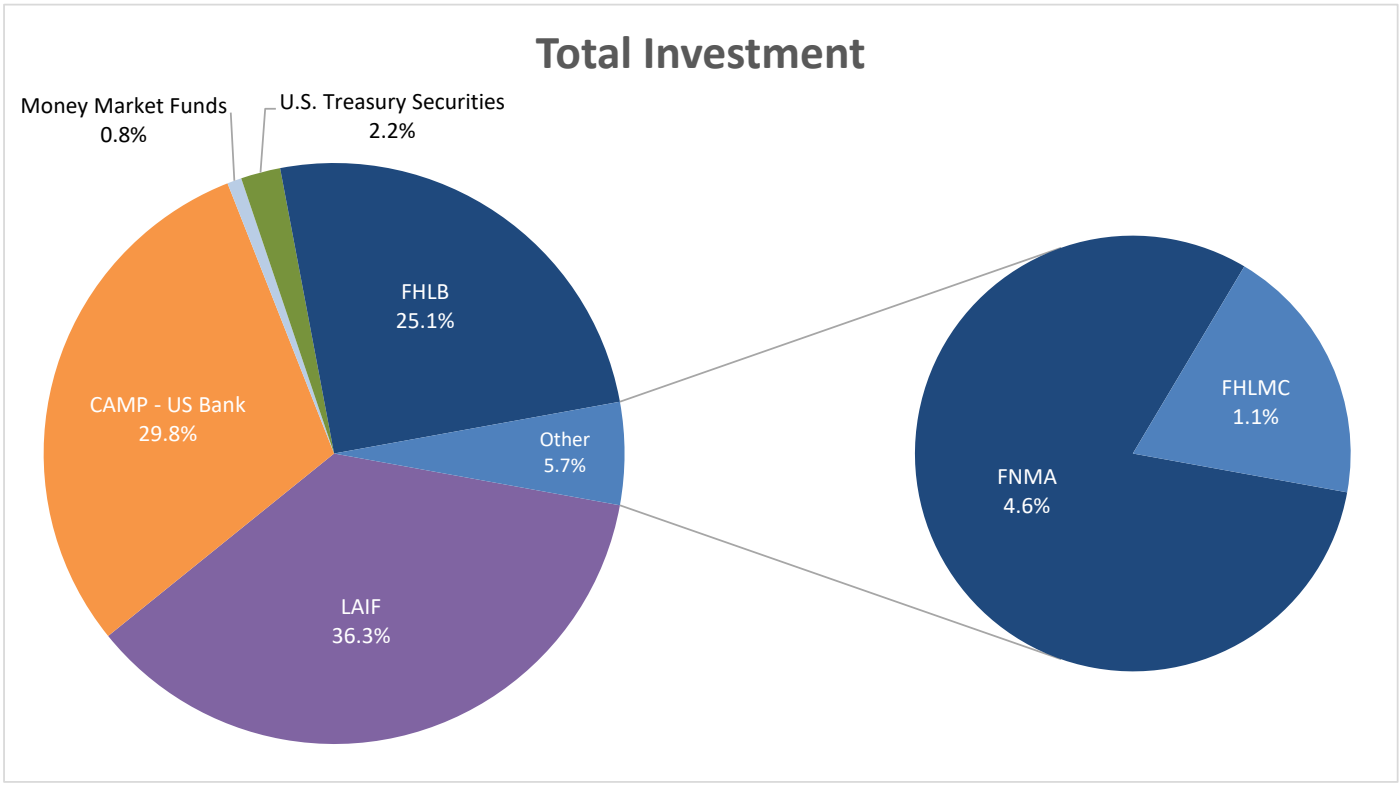
Olivenhain Municipal Water District
PORTFOLIO LIMITATIONS ANALYSIS PER INVESTMENT POLICY
September 30, 2026

		Book Value	Percent	Permitted Percent		In Compliance?
LAIF		$ 31,860,789	36.3%	50.0%	(1)	Yes
CAMP - US Bank		26,129,968	29.8%	30.0%		Yes
Money Market Funds		723,767	0.8%	20.0%	(2)	Yes
U.S. Treasury Securities		1,958,757	2.2%	100.0%	(3)	Yes
U.S. Agency Securities		26,998,300	30.8%	50.0%		Yes
FHLB	*Federal Home Loan Bank*	*21,998,300*	*25.1%*			
FNMA	*Fannie Mae*	*4,000,000*	*4.6%*			
FHLMC	*Freddie Mac*	*1,000,000*	*1.1%*			
Total Investments		**$ 87,671,581**	**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.



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

Olivenhain Municipal Water District
MONTHLY INVESTMENTS DETAIL
September 30, 2026

ACTIVE DEPOSIT		Book Value
Checking A/C:	California Bank and Trust for General Purpose	4,345,499.67
	California Bank and Trust for Specific Purpose	152,032
Petty Cash/Disaster Preparedness		1,900
	Total - Active Deposits	**4,499,431**

DEPOSITS NOT COVERED BY INVESTMENT POLICY	
Cash with Fiscal Agents:	
Union Bank - RAD 96-1 Refunding Bond	400,183
Union Bank - 2015A Refunding Bond	4,684
SRF Loan	1,072,630
Union Bank - 2016A Refunding Bond	1,233
Union Bank - 2021A WW Revenue Bond	94
Union Bank - 2021B Refunding Bond	73
Total Deposits Not Covered by Investment Policy	**1,478,897**

		RATING		DATE				Weighted Average Days to		*Stated*	*Current*			
		Moody's	S&P	Purchase	Maturity	Next Call	Next S-U	Maturity	Call	*Coupon*	*Yield*	Market Value	Face Value	Book Value
INVESTMENTS														
Invest. Pools:	US Bank Calif. Asset Mgmt Prgm (CAMP)				Demand			1			*3.87%*	$ 26,129,968	$ 26,129,968	$ 26,129,968
State Local Agency Investment Fund (LAIF)					Demand			1			*3.91%*	31,824,862	31,860,789	$ 31,860,789
First American Government 31846V567					Demand			1			*3.72%*	720,965	720,965	$ 720,965
CB&T Money Market Account					Demand			1			*1.99%*	2,802	2,802	$ 2,802
U.S. Treasury Notes/Bills														
912797WL7	U.S.Treasury Bill	Aa1	-	09/29/26	03/25/27			177		*4.34%*	*4.43%*	1,959,500	2,000,000	$ 1,958,757
								173		***4.34%***	***4.43%***	**$ 1,959,500**	**$ 2,000,000**	**$ 1,958,757**
U.S. Agency Securities														
3130APAY1	FHLB Callable	Aa1	AA+	10/21/21	10/21/26	10/21/26		22	22	*1.10%*	*1.10%*	998,290	1,000,000	$ 1,000,000
3130APL78	FHLB Callable	Aa1	AA+	10/28/21	10/28/26	10/28/26		29	29	*1.38%*	*1.38%*	997,890	1,000,000	$ 1,000,000
3130B6CG9	FHLB Callable	Aa1	AA+	05/22/25	05/22/29	anytime		966	1	*4.38%*	*4.46%*	980,990	1,000,000	$ 998,300
3130B2N43	FHLB Callable	Aa1	AA+	09/10/24	09/10/29	12/10/26		1,077	72	*4.00%*	*4.13%*	968,870	1,000,000	$ 1,000,000
3130BADZ7	FHLB Callable	Aa1	AA+	04/22/26	10/22/29	10/22/26		1,119	23	*4.15%*	*4.23%*	980,200	1,000,000	$ 1,000,000
3130B9MN7	FHLB Callable	Aa1	AA+	02/26/26	08/26/30	11/26/26		1,427	58	*4.00%*	*4.18%*	956,920	1,000,000	$ 1,000,000
3134HCNC9	FHLMC Callable	Aa1	AA+	01/09/26	01/09/31	10/09/26		1,563	10	*4.10%*	*4.27%*	960,780	1,000,000	$ 1,000,000
3136GCGV1	FNMA Callable	Aa1	AA+	01/23/26	01/23/31	10/23/26		1,577	24	*4.13%*	*4.27%*	967,030	1,000,000	$ 1,000,000
3130B9DE7	FHLB Callable	Aa1	AA+	02/11/26	02/11/31	02/11/27		1,596	135	*4.02%*	*4.19%*	960,440	1,000,000	$ 1,000,000
3130B9HA1	FHLB Callable	Aa1	AA+	02/26/26	02/26/31	02/26/27		1,611	150	*4.00%*	*4.20%*	1,902,620	2,000,000	$ 2,000,000
3130B9LF5	FHLB Callable	Aa1	AA+	02/26/26	02/26/31	02/26/27		1,611	150	*4.00%*	*4.20%*	1,903,760	2,000,000	$ 2,000,000
3136GCNU5	FNMA Callable	Aa1	AA+	03/04/26	03/04/31	10/04/26		1,617	5	*4.10%*	*4.30%*	954,060	1,000,000	$ 1,000,000
3130B9Q45	FHLB Callable	Aa1	AA+	03/10/26	03/10/31	12/10/26		1,623	72	*4.00%*	*4.19%*	955,510	1,000,000	$ 1,000,000
3130B9W63	FHLB Callable	Aa1	AA+	03/17/26	03/11/31	12/11/26		1,624	73	*4.30%*	*4.44%*	969,160	1,000,000	$ 1,000,000
3130B9VN7	FHLB Callable	Aa1	AA+	03/17/26	03/17/31	03/17/27		1,630	169	*4.13%*	*4.33%*	1,903,880	2,000,000	$ 2,000,000
3130B9RH5	FHLB Callable	Aa1	AA+	03/24/26	03/24/31	10/24/26		1,637	25	*4.25%*	*4.40%*	966,540	1,000,000	$ 1,000,000
3130BA2S5	FHLB Callable	Aa1	AA+	03/30/26	03/25/31	03/25/27		1,638	177	*4.50%*	*4.61%*	975,950	1,000,000	$ 1,000,000
3130BAE45	FHLB Callable	Aa1	AA+	04/23/26	04/23/31	10/23/26		1,667	24	*4.40%*	*4.54%*	968,480	1,000,000	$ 1,000,000
3130BANF0	FHLB Callable	Aa1	AA+	05/19/26	05/19/31	11/19/26		1,693	51	*4.50%*	*4.62%*	1,948,620	2,000,000	$ 2,000,000
3136GDHU0	FNMA Callable	Aa2	AA+	06/30/26	06/30/31	12/30/26		1,735	92	*4.50%*	*4.66%*	1,932,220	2,000,000	$ 2,000,000
3130BBAB1	FHLB Callable	Aa3	AA+	06/30/26	06/30/31	12/30/26		1,735	92	*4.60%*	*4.71%*	975,760	1,000,000	$ 1,000,000
3130BB4U6	FHLB Callable	Aa4	AA+	06/30/26	06/30/31	12/30/26		1,735	92	*4.79%*	*4.93%*	971,210	1,000,000	$ 1,000,000
								1,452	**80**	***4.02%***	***4.15%***	**$ 26,099,180**	**$ 27,000,000**	**$ 26,998,300**
	Total Investments							**452**		***3.94%***	***3.98%***	**$ 86,737,277**	**$ 87,714,524**	**$ 87,671,581**

TOTAL - ALL DEPOSITS AND INVESTMENTS	$ 93,649,909

Olivenhain Municipal Water District
INVESTMENTS TRANSACTION
September 30, 2026

PURCHASED

DATE					*Stated*	*Current*		
Purchase	**Maturity**	**Call**	**Step-Up**	**Investment Description**	***Coupon***	***Yield***	**Face Value**	**Book Value**
09/29/26	03/25/27			U.S.Treasury Bill	*4.342%*	*4.432%*	2,000,000	1,958,757

MATURED / REDEEMED / CALLED

DATE					*Stated*	*Current*		
Redemption	**Maturity**	**Call**	**Step-Up**	**Investment Description**	***Coupon***	***Yield***	**Face Value**	**Book Value**

Olivenhain Municipal Water District
UNAUDITED CASH POSITION BY FUNDING SOURCES
As of September 30, 2026

Water Funds (Potable & Recycled)		Balance
10050-100	Cash - Petty Cash Fund	1,900
10010-100	Cash - Operating Fund	17,243,093
10030-100	Cash - Capital and Equipment Fund	37,568,584
10040-100	Cash - Rate Stabilization Fund	10,007,439
10080-100	Cash - Pension Stabilization Fund	1,194,003
10060-100	Cash - Deposit Work for Other	1,542,707
14000-500	Restricted Cash - Capacity Fee Fund	9,227,910
Total Water Funds (Potable & Recycled)		**76,785,636**

Wastewater Funds		
10010-110	Wastewater - Operating Fund	833,224
10030-110	Wastewater - Capital Replacement Fund	11,308,095
10040-110	Wastewater - Rate Stabilization Fund	2,986,549
10080-110	Cash - Pension Stabilization Fund	105,477
Total Wastewater Funds		**15,233,344**

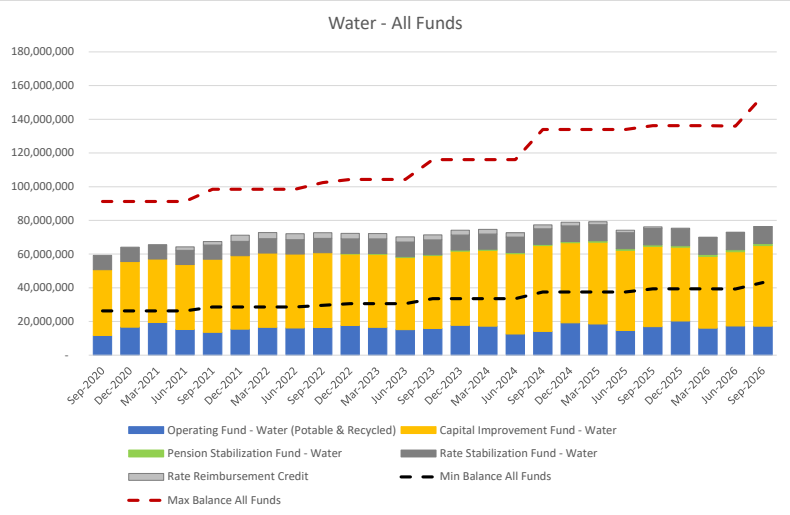
Non Fiscal Agent Debt Service Cash		
14020-570	Cash non-agent - RAD 96-1	140,831
10070-561	Cash non-agent - Bond 2015A	621
10070-581	Cash non-agent - Bond 2016A	10,580
Total Non Fiscal Agent Debt Service Cash		**152,032**

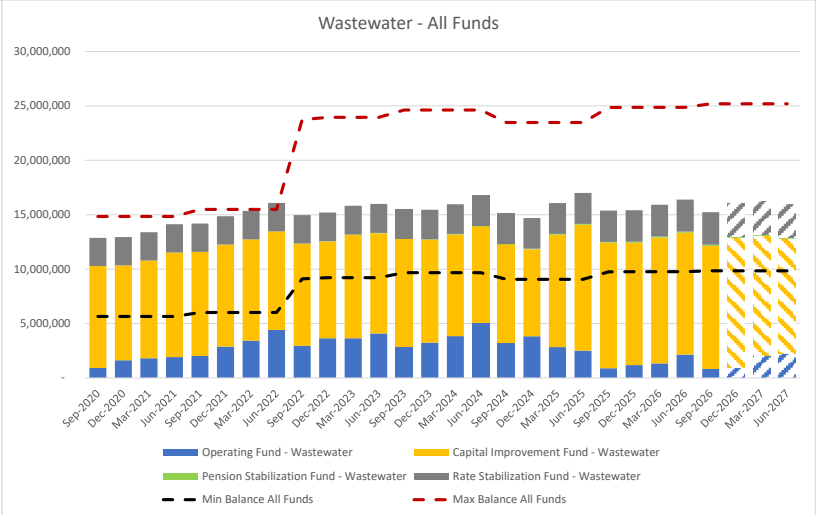
Debt Service Funds		
14030-510	SRF Loan - Fiscal Agent	1,072,630
14105-570	Redemption fund - RAD 96-1	351,595
14110-570	Reserve fund - RAD 96-1	48,589
14100-561	Redemption fund - Bond 2015A	4,684
14100-581	Redemption fund - Bond 2016A	1,233
14100-521	Redemption fund - Bond 2021A	94
14100-522	Redemption fund - Bond 2021B	73
Total Debt Service Funds		**1,478,897**

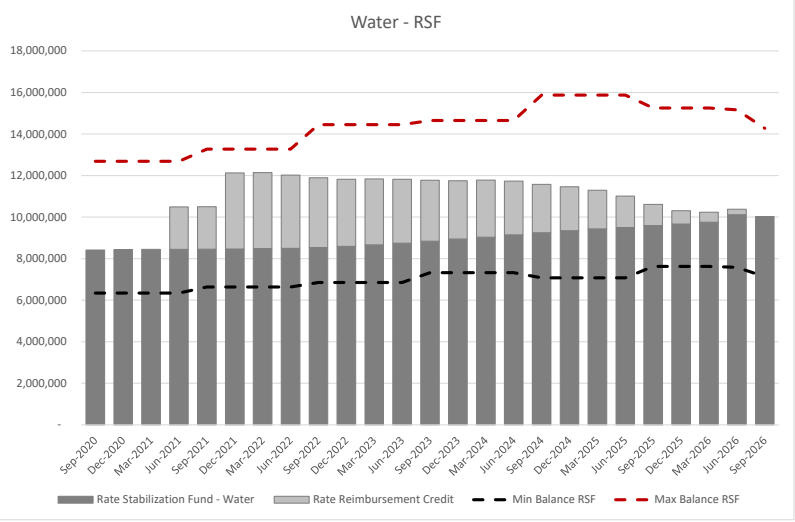
TOTAL FUND BALANCES	**93,649,909**

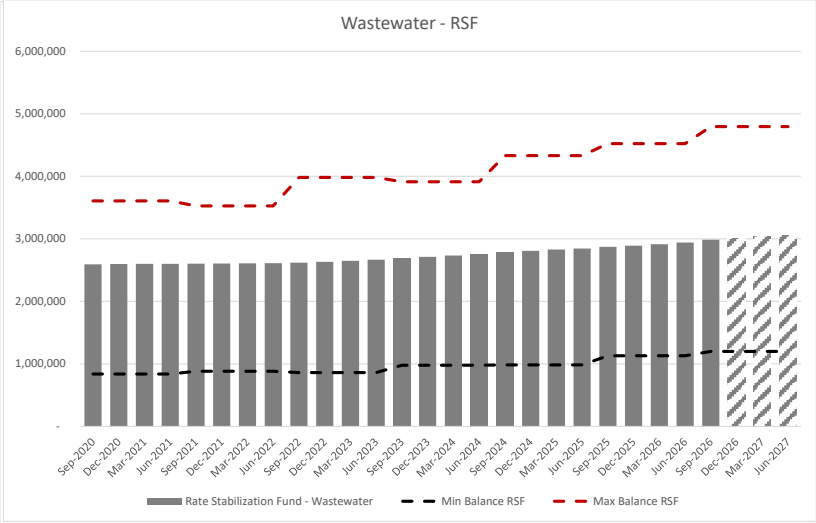
Attachment 2

5 Year History of OMWD Fund Balances by Quarter

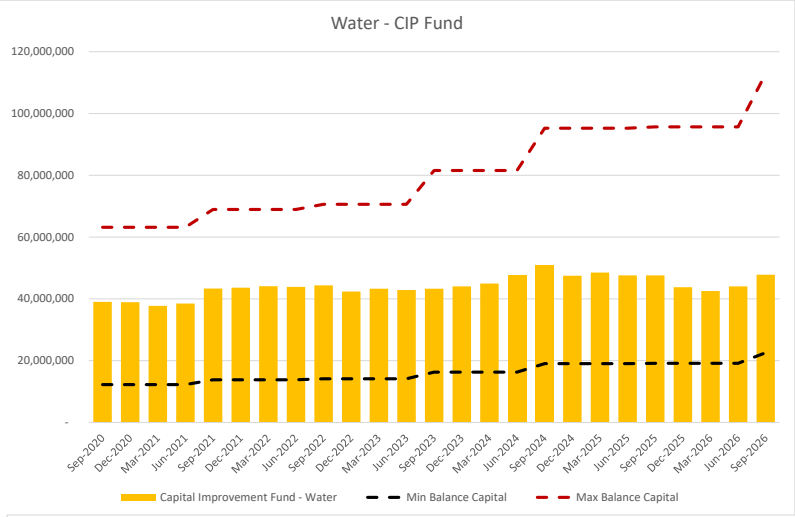


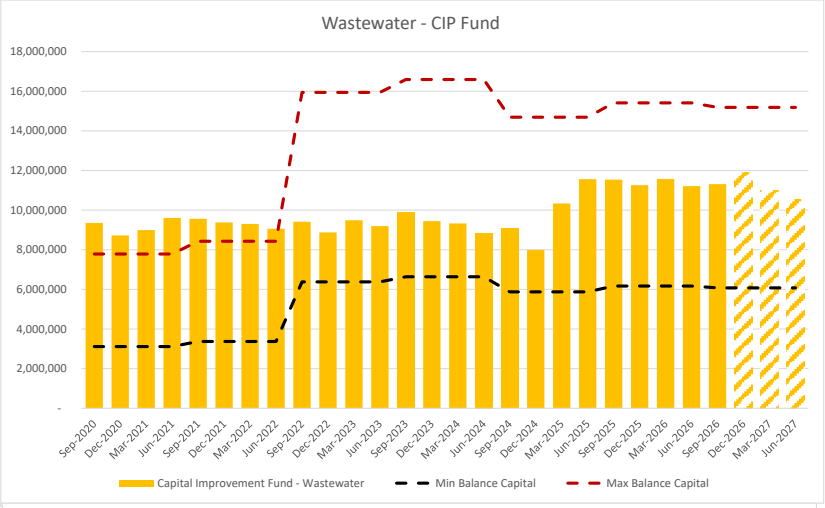


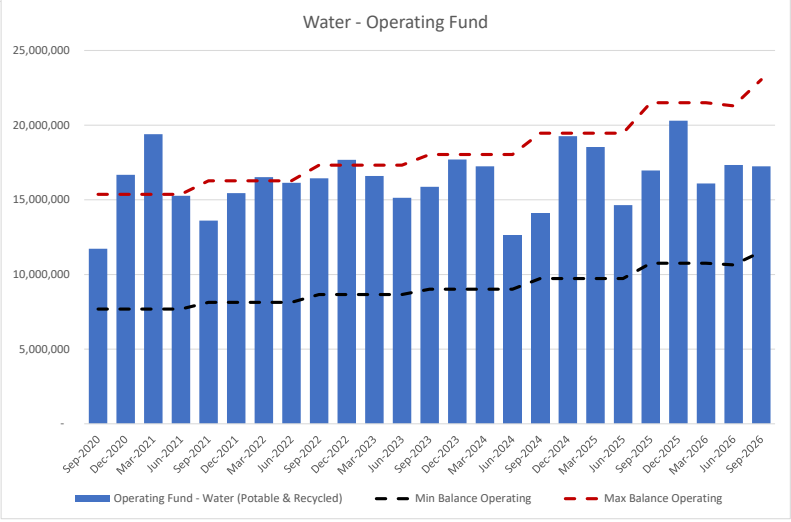


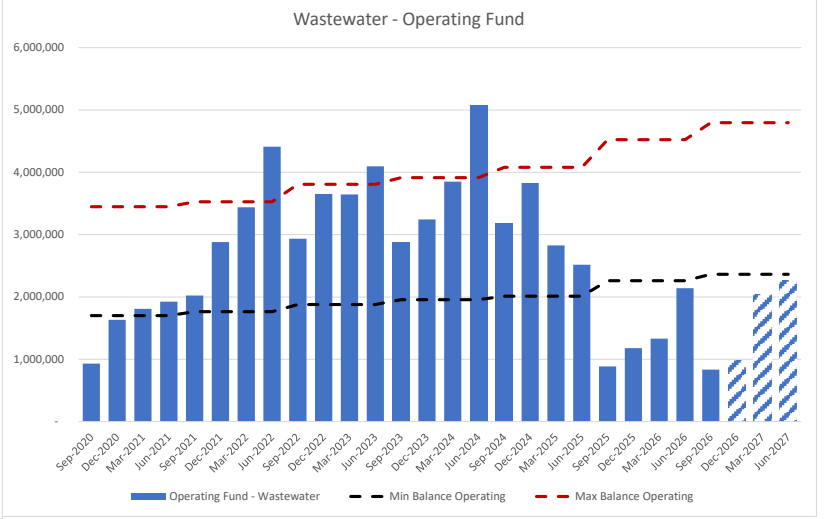


5 Year History of OMWD Fund Balances by Quarter





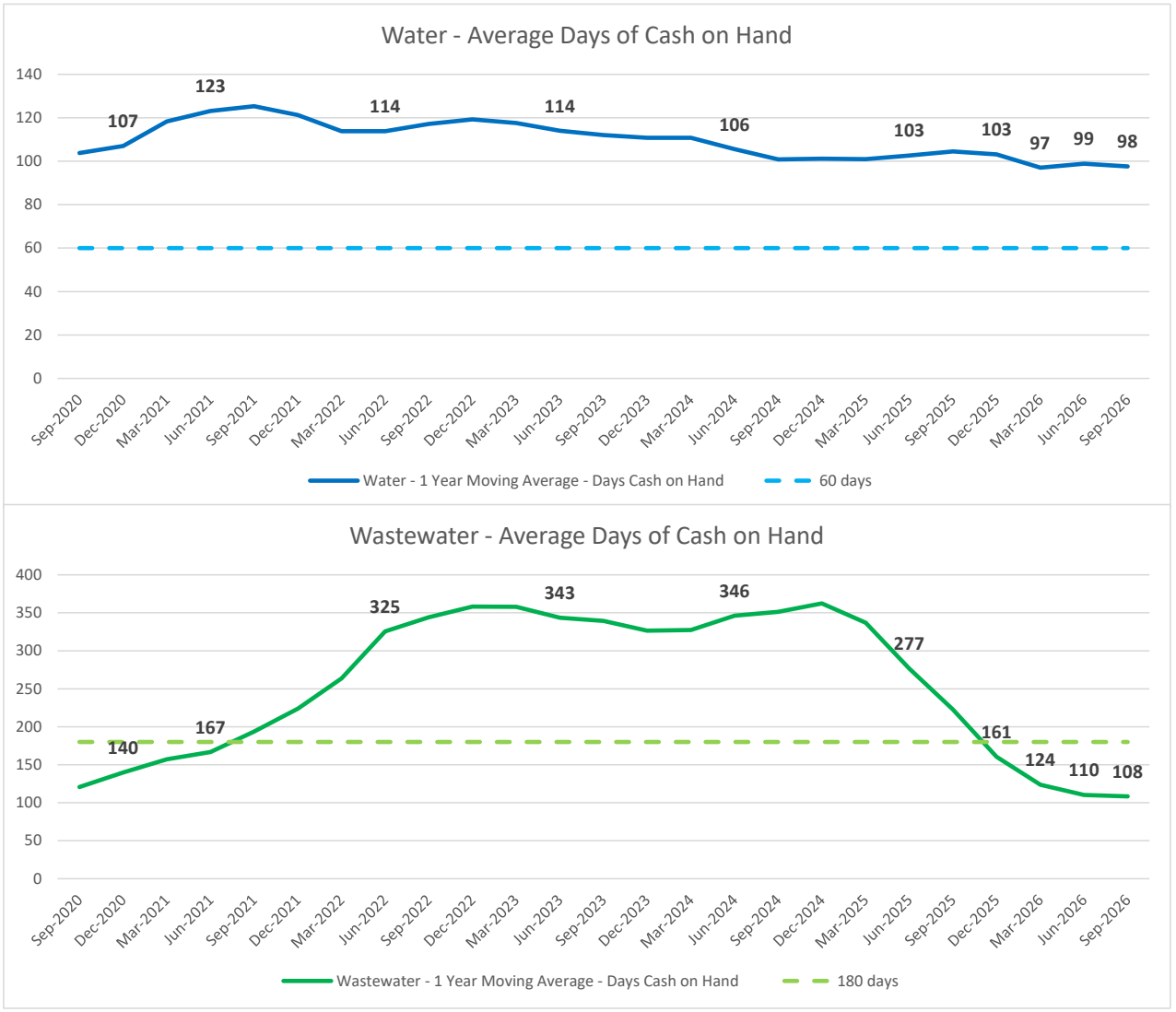


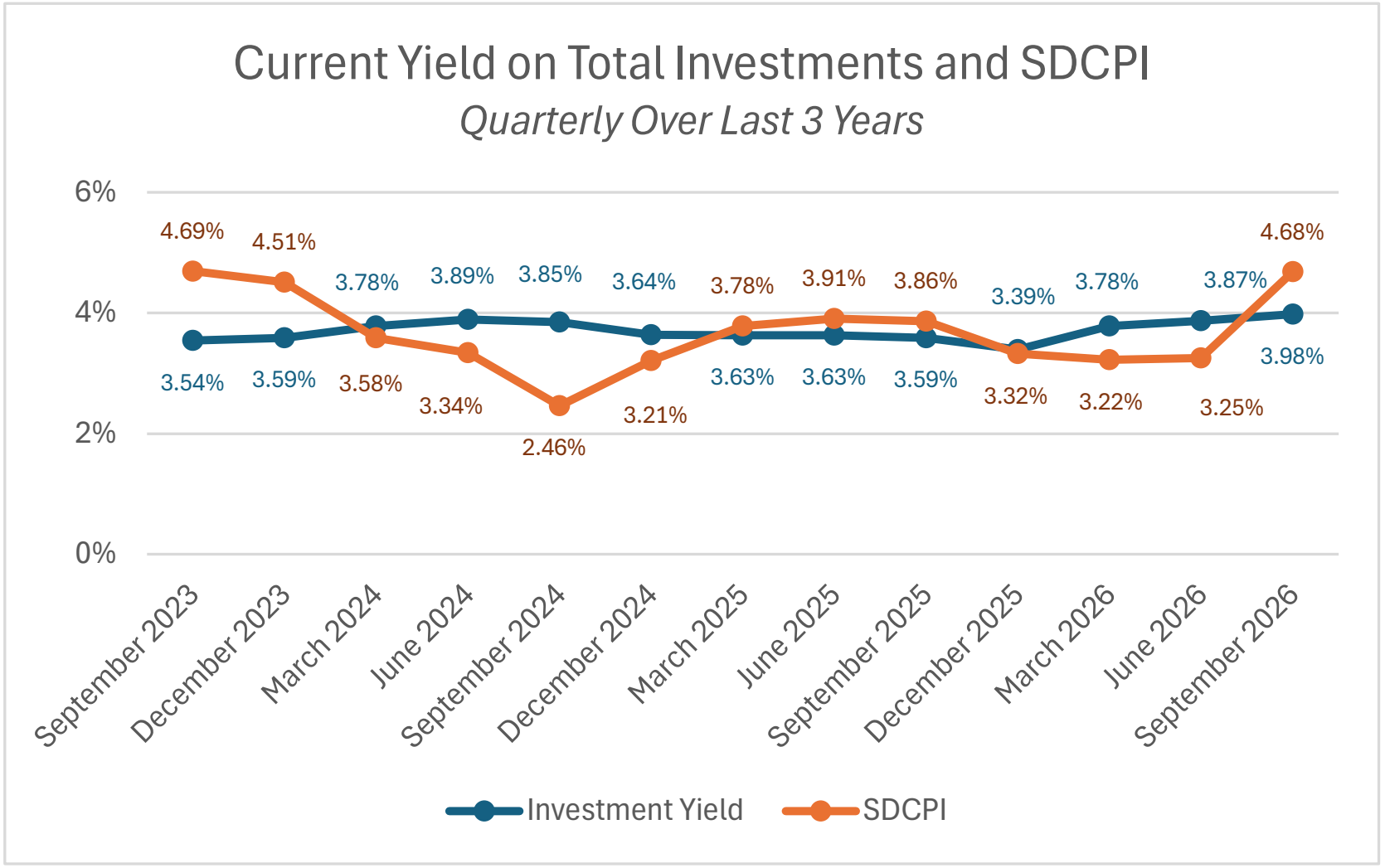


Notes to fund balance graphs above:

Quarterly fund balances in these graphs may exceed the maximum or fall below the minimum threshold set in the District's Reserves Policy due to the timing of cash receipts and expenditures. In November, after the District's financial audit is completed, fund balances will be reviewed with the finance committee and reported to the full Board. Any excess over the maximum set in the District's Reserve Policy, at that time, will be reported and any handling of excess funds will be discussed with the Finance Committee.

5 Year History of OMWD Operating Fund Balances as Average Days Cash on Hand by Quarter





June and December SDCPI are the average of the months on either side.

OLIVENHAIN
Municipal Water District

Agenda Item 9

Memo

Date: November 10, 2026

To: Finance Committee

From: Leo Mendez, Finance Manager

Via: Kimberly Thorner, General Manager

Subject: **REVIEW OF OMWD'S FINANCIAL REPORT – BUDGET VS. ACTUAL REPORT (1st QUARTER OF FY 2027)**

The purpose of this agenda item is to review the most recent quarterly Budget vs. Actual financial report with the Finance Committee. Staff will review the attachments with the committee and will be available to answer any questions.

Prepared by: August Trees, Financial Analyst
Georgeanna Clark, Project Accountant II
Jared Graffam, Accounting Supervisor
Reviewed by: Jared Graffam, Accounting Supervisor
Leo Mendez, Finance Manager
Approved by: Kimberly A. Thorner, General Manager

Attachments:

Attachment 1 – Budget Vs. Actual Report (1st Quarter of FY 2027)
Attachment 2 – FY 2027 Budgeted vs. Actual Water Sales through September 2026

Attachment 1

OLIVENHAIN MUNICIPAL WATER DISTRICT
Consolidated Actual vs Budget Summary
For the Three Months Ending 9/30/2026

	Approved Budget	Actual YTD	Budget YTD	Variance Amt	Variance %	Notes
Operating Revenues						
Commodity Water Sales	$53,025,000.00	$19,217,833.26	$17,723,500.00	$1,494,333.26	8.4%	1
Water Fees and Services	23,087,000.00	5,681,303.38	5,607,090.00	74,213.38	1.3%	
Wastewater Revenue	6,658,000.00	28,872.61	19,800.00	9,072.61	45.8%	
Total Operating Revenues	**82,770,000.00**	**24,928,009.25**	**23,350,390.00**	**1,577,619.25**	**6.8%**	
Operating Expenses						
Purchased Water - Variable	32,601,000.00	11,294,708.11	10,771,750.00	(522,958.11)	(4.9%)	2
Purchased Water - Fixed	13,259,000.00	3,185,553.00	3,185,700.00	147.00	0.0%	
General Manager Dept	2,505,000.00	557,881.74	627,090.00	69,208.26	11.0%	3
Engineering Dept	2,801,200.00	536,901.21	700,620.00	163,718.79	23.4%	3
Finance Dept	1,873,000.00	428,502.33	468,360.00	39,857.67	8.5%	3
Customer Service Dept	3,650,000.00	751,821.58	912,765.00	160,943.42	17.6%	3
Human Resources Dept	1,211,000.00	248,704.73	302,919.00	54,214.27	17.9%	3
Water Operations and Maintenance Dept	14,065,700.00	3,408,935.54	3,516,459.00	107,523.46	3.1%	3
Parks Dept	608,500.00	131,109.24	152,268.00	21,158.76	13.9%	3
Other Operating Expenses	50,000.00		12,600.00	12,600.00	100.0%	
Wastewater Operations and Maintenance Dept	3,922,000.00	723,301.63	980,256.00	256,954.37	26.2%	3
Recycled Water Operations Dept	1,364,500.00	379,713.98	341,820.00	(37,893.98)	(11.1%)	3
Paygo Transfers						
Water Operations	5,448,000.00	1,362,000.00	1,362,000.00		0.0%	
Wastewater Operations	819,000.00	204,000.00	204,000.00		0.0%	
Recycled Operations	1,700,000.00	426,000.00	426,000.00		0.0%	
Capitalized Operations Expenditures	(2,194,000.00)	(385,265.51)	(546,900.00)	(161,634.49)	29.6%	4
Total Operating Expenses	**83,683,900.00**	**23,253,867.58**	**23,417,707.00**	**163,839.42**	**0.7%**	
Net Operating Income (Loss)	**(913,900.00)**	**1,674,141.67**	**(67,317.00)**	**1,741,458.67**		
Nonoperating Revenues						
Water Funds	6,670,000.00	1,667,069.78	529,810.00	1,137,259.78	214.7%	5
Debt Service Funds	1,046,000.00	9,243.32	32,040.00	(22,796.68)	(71.2%)	
Wastewater Funds	161,000.00	42,463.69	40,200.00	2,263.69	5.6%	6
Recycled Water Funds	374,000.00	80,682.28	93,600.00	(12,917.72)	(13.8%)	6
Total Nonoperating Revenue	**8,251,000.00**	**1,799,459.07**	**695,650.00**	**1,103,809.07**	**158.7%**	
Nonoperating Expense						
Capacity Fee Funds	30,000.00	8,307.78	7,440.00	(867.78)	(11.7%)	
Debt Service Funds	1,232,500.00	197,191.41	217,440.00	20,248.59	9.3%	7
Potable Water Funds	282,000.00	300,110.51	209,400.00	(90,710.51)	(43.3%)	8
Total Nonoperating Expense	**1,544,500.00**	**505,609.70**	**434,280.00**	**(71,329.70)**	**(16.4%)**	
Inc before Cap Fees and Capital Contributions	**5,792,600.00**	**2,967,991.04**	**194,053.00**	**2,773,938.04**		
Capacity Fee Funds	6,474,000.00	663,763.00				
Capital contributions	2,211,000.00	37,949.52				
Change in Net Position		**3,669,703.56**				

1. Water Sales revenue was approximately $1.49 million (8.4%) above Budget YTD for a favorable variance through September primarily due to actual water sales to date being higher than budgeted. Customers' total water usage through September was 282 acre-feet more than Budget YTD.

2. Purchased water variable expenses were $523 thousand (4.9%) above Budget YTD for an unfavorable variance primarily due to actual water sales exceeding budgeted, and the use of potable water to meet recycled water demand in the northwest quadrant. With Vallecitos Water District's Meadowlark Reclamation Facility currently offline, the District has supplemented recycled water supplies with potable water to satisfy customer demand.

3. Actual departmental expenses varied from the Budget YTD amounts due to the timing of actual operating expenses. The Budget YTD amounts assume expenditures are incurred evenly throughout the year.

4. Actual Capitalized Operating Expenses were lower than the Budget YTD amount due to the timing of capitalized labor spent on District projects. The Budget YTD amount assumes expenditures are incurred evenly throughout the year.

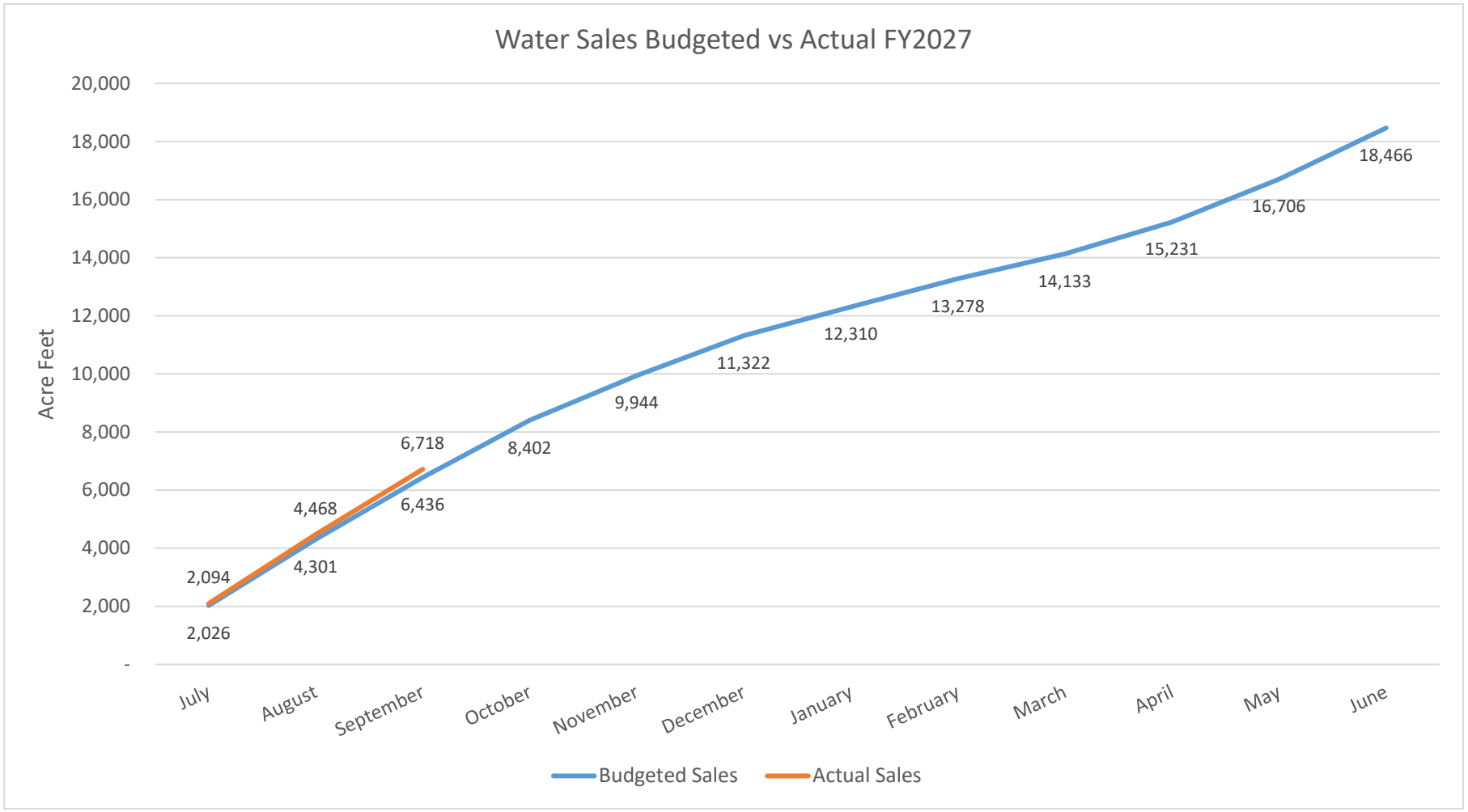
5. Actual Non-operating Revenues – Water Funds were greater than Budget YTD for a favorable variance primarily due to an insurance claim payment received from ACWA JPIA. The District received a $1.13 million payment from ACWA JPIA related to the Azahar Street emergency pipeline replacement project claim filed at the beginning of fiscal year 2026.

6. Actual Non-operating Revenues – Wastewater Funds, and Recycled Water Funds were overall greater than Budget YTD for a positive variance due to higher interest income earned on short-term investments over budgeted returns.

7. Actual Non-operating Expenses - Debt Service Funds were less than the Budget YTD amount for a favorable variance because amortization of the issuance premium is not included in the 2015A Bonds interest expense.

8. Actual Non-operating Expenses - Water Funds were greater than the Budget YTD amount for an unfavorable variance primarily due to the actual MET rate imbursement credit to customers exceeding Budget YTD from increased water sales.

Attachment 2



OLIVENHAIN
Municipal Water District

Agenda Item 10

Memo

Date: November 10, 2026

To: Olivenhain Municipal Water District Board of Directors

From: Leo Mendez, Finance Manager

Via: Kimberly Thorner, General Manager

Subject: **ANNUAL REVIEW OF INVESTMENT AND BOARD DESIGNATED FUND BALANCES (RESERVES) POLICIES AND PROPOSED CHANGES TO THE POLICIES FOR 2026**

The District's Investment Policy is reviewed annually to ensure compliance with California Government Code sections that govern the investment of public funds. The District's Operating Fund, Capital and Equipment Fund, Rate Stabilization Fund, and Pension Stabilization Fund balances are reviewed annually when the District's financial audit is completed.

Investment Policy

PFM Asset Management (PFM) has reviewed the District's Investment Policy to ensure its alignment with the California Government Code provisions governing public fund investments. PFM confirmed that the Policy remains comprehensive and fully compliant with current legal requirements. PFM recommended that the District update its Investment Policy for 2027 to remain compliant due to California Government Code section changes and code renumbering effective January 1, 2027. The proposed changes extend the maximum maturity for commercial paper from 270 to 397 days, aligning with California Government Code as amended by SB 858. While the District does not currently invest in commercial paper, this update provides future investment flexibility.

Board Designated Fund Balances (Reserves) Policy

The sole proposed update to the Water Operating Reserves Policy increases the maximum balance from 120 to 150 days of operating liquidity. Staff will review this change with the Committee using the attached PowerPoint presentation (Attachment 3).

Staff will also review the District's Wastewater Reserves using the attached presentation (Attachment 4). As part of the presentation, staff will recommend decreasing PAYGO for Wastewater from $800 thousand to $400 thousand for fiscal year 2027.

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

Attachments: **Attachment 1 –** DRAFT Investment Policy
Attachment 2 – PFM Review Memorandum
Attachment 3 – Presentation – Proposed Operating Reserves Policy Change
Attachment 4 – Presentation – Wastewater Reserves Review
Attachment 5 - Board Designated Fund Balances (Reserves) Policy

OLIVENHAIN
Municipal Water District

Annual Statement of Investment Policy
Calendar Year 2027~~6~~

OLIVENHAIN MUNICIPAL WATER DISTRICT
Annual Investment Policy
Calendar Year 2027~~6~~

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OLIVENHAIN MUNICIPAL WATER DISTRICT
Annual Investment Policy
Calendar Year 20277~~6~~

INVESTMENT POLICY

I. INTRODUCTION

The purpose of this document is to identify policies and procedures that shall govern the investment of all District funds. The ultimate goal of this policy is to enhance the economic status of the District while protecting its funds. These policies shall be followed by the Treasurer in making all investment decisions on behalf of the District.

The Board of Directors of the District has delegated authority to invest funds on behalf of the District to its Treasurer for one (1) year. The Treasurer is required to provide a monthly report of all District investments to the Board. The Treasurer's authority to make investments for the District under this policy is limited to a one (1) year term expiring on December 31, 20277~~6~~. This authority may be renewed annually at the discretion of the Board of Directors of the District.

This investment policy is intended to guide the Treasurer in the investment of all District funds. These investment policies have four primary goals:

1. To ensure that all District investments comply with federal, state, and local laws governing the investment of all District funds;

2. To recognize that the primary objective of all District investments is to safeguard the principal invested;

3. To recognize that the second objective of all District investments is to meet the liquidity needs of the District; and

4. To maximize the return on all District investments keeping in mind that safeguarding the principal and providing liquidity are more important objectives than the return obtained.

II. SCOPE

This investment policy shall cover all funds and investment activities under the direct authority of the District, except for the employee's retirement and deferred compensation funds, checking and payroll accounts, and debt service construction and reserve funds held by trustee in accordance with the District's bond documents.

III. OBJECTIVES

A. Safety. It is the primary duty and responsibility of the Treasurer to protect and preserve the principal of all District funds and investments. Prior to investing any District funds, the investment shall be evaluated by the Treasurer to ensure that capital losses are avoided whether from institution default, broker-dealer default, or erosion of the market value of the securities. The Treasurer shall evaluate, or cause a qualified professional to evaluate, each potential investment of District funds to verify that the issuer is financially strong and there is adequate security as collateral for each investment sufficient to protect the principal being invested. The Treasurer shall diversify District investments so as to reduce the exposure to principal loss.

B. Liquidity. An adequate percentage of all District investments shall be maintained at all times in liquid short-term securities which can be converted to cash if necessary to meet the District's financial obligations. The Treasurer should consider the District's liquidity needs over the next year in determining the amount that should be maintained in short term instruments. Since all future cash requirements of the District cannot be anticipated, the Treasurer shall, at all times, invest a portion of all District investments in liquid short-term securities that are readily tradable so as to meet the ongoing liquidity needs of the District. These short-term securities shall be selected in a manner that minimizes market risk and provides for the anticipated needs of the District over the next year.

C. Return on Investments. The Treasurer should invest all District funds in investments that maximize the return for the District keeping in mind that safeguarding the principal and providing liquidity are more important objectives than the return obtained. All investment decisions made by the Treasurer shall be, first, to ensure protection of the principal of all District funds and investments, second, to provide adequate liquidity for the District's future needs, and third, to maximize return where possible without jeopardizing the principal or creating liquidity problems for the District.

D. Market-Average Rate of Return. The investment portfolio shall be designed to attain a market-average rate of return throughout economic cycles, taking into account the District's risk and liquidity constraints, the cash flow characteristics of the portfolio, State laws limiting District investments, and ordinances or resolutions that restrict investments. To determine if the District is attaining its return

objectives, the Treasurer will periodically review the portfolio's performance against an appropriate benchmark(s).

E. Diversification. The investment portfolio shall be diversified to avoid incurring unreasonable and avoidable risks regarding specific security types or individual financial institutions. The amount invested by the Treasurer in a particular security at any time shall not exceed the limitations contained in Section VII of this Investment Policy.

F. Prudence. The District adheres to the guidance provided by the "Prudent Investor Rule" California Government Code (Sec. 53602 (b)~~53600.3~~), which obligates a fiduciary to insure that investment decisions be made with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.

The Treasurer and all other individuals assigned to manage the District's investment portfolio, acting within the intent and scope of the investment policy and other written procedures and exercising due diligence, shall be relieved of personal responsibility and liability for an individual security's credit risk or market price changes, provided deviations from expectations are reported monthly and appropriate action is taken to control adverse developments.

G. Public Trust: All participants in the investment process shall act as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to review and evaluation by the Board. The overall program shall be designed and managed with a degree of professionalism that is worthy of the public trust. In a diversified portfolio it must be recognized that occasional measured losses are inevitable, and these losses must be considered within the context of the overall portfolio's investment return, provided that adequate diversification has been obtained.

H. Risk Tolerance. The District recognizes that investment risks can result from issuer defaults, market price changes or various technical complications leading to temporary illiquidity. Portfolio diversification is employed as a way to control risk. The Treasurer is expected to display prudence in diversifying the District's investments as a way to minimize default risk. No individual investment transaction shall

be undertaken by the Treasurer which jeopardizes the total capital position of the overall portfolio or which exceeds the investment limitations contained in Section VII of this policy. The Treasurer shall periodically establish guidelines and strategies to control risks of default, market price changes and illiquidity.

Risk will also be managed by subscribing to a portfolio management philosophy that helps to control market and interest rate risk by investing to ensure required liquidity and appropriate term. This philosophy also prohibits trading losses (for speculative purposes) unless there is a sudden need for liquidity and the need cannot be satisfied by any other means. Loss of principal will only be acceptable if economic gain can be conclusively demonstrated.

Controlling and managing risk is the foremost portfolio management objective. The District strives to maintain an efficient portfolio by providing for the lowest level of risk for a given level of return. This acceptable level of return has been quantified as a return that is equal to an appropriate benchmark(s) based on the weighted average of the District's portfolio depending on investments and maturities. In addition to these general policy considerations, the following specific policies will be strictly observed:

1. All book-entry transactions will be executed on a delivery-versus-payment basis.

2. A competitive bid process, when practical, will be used to place all investment purchases and to minimize investment costs.

IV. DELEGATION OF AUTHORITY

The investment of District money is delegated to the Treasurer by the Board of Directors for one year ending December 31, 2027~~6~~. The Treasurer may delegate the day-to-day operations of investing to his/her designee(s), but not the responsibility for the overall investment program.

V. REPORTING

Although it is no longer required for the Treasurer of a local agency to annually render a statement of investment policy to the legislative body and submit a quarterly investment report to the legislative body (Government Code Section 53646 (b)), the District Treasurer and General Manager shall submit a monthly investment report to the Board of Directors. This report shall include: type of investment, issuer, date of maturity, the par and dollar amount invested on all securities, the total amount of all investments and monies held by the District, a

description of any District funds being held or managed by other persons or entities, the coupon and current yield of all securities, a statement that there are or are not sufficient funds to meet the District's obligations for the next six (6) months, and accrued interest receivable. The monthly statement shall also indicate the District's anticipated liquidity needs for the next six (6) months, the ability of the District's investments to meet these anticipated liquidity needs, and a monthly list of transactions, which is required under Government Code 53602 (o) ~~53607~~ whenever investment authority is delegated by the Board. Additional items listed will also include average weighted average days to maturity, maturity date, purchase date, percentage distribution to each type of investment, and a statement indicating compliance or noncompliance of all District investments with this Statement of Investment Policy. An investment's term or remaining maturity shall be measured from the settlement date to final maturity rather than the commonly interpreted trade date. Furthermore, the forward settlement date of an investment cannot exceed 45 days from the time of investment. All investments not complying with this investment policy shall be called to the attention of the Board during the first monthly meeting after an investment does not comply with this policy.

VI. AUTHORIZED INVESTMENT INSTRUMENTS

The District is governed by the California Government Code, Sections ~~53600~~ 53600 et seq and 16429.1. For all investment types, the purchase of zero coupon, inverse floaters, range notes, strips, mortgage derived interest-only strips, deep discount treasury bonds, or any security that could result in zero interest accrual if held to maturity is not permitted (Government Code Section 53602 (i) ~~56301.6~~). Within the context of these limitations, the following investments are authorized:

Commented [RM3]: Leaving as is - correct

A. Local Agency Investment Fund: The District may invest in the Local Agency Investment Fund established by the State Treasurer for the benefit of local agencies (Government Code Section 16429.1). The fund must have twenty-four hour liquidity. No more than 50% of the total value of all District investments or $40,000,000 (whichever is lesser) may be invested in Local Agency Investment Fund.

The District may also invest bond proceeds in the Local Agency Investment Fund. Liquidity for bond proceeds, per fund regulations, is thirty calendar day increments from the date of the initial deposit.

B. Treasury Securities: United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest (Government Code Section 53603~~1~~(b)). These investments are considered the safest possible investment available. There is no maximum portfolio limit. Maximum investment maturities in Treasury Securities shall be restricted to five years.

Commented [RM5]: **2026 reference:**
§ 53601(b) → U.S. Treasury obligations

Being changed to

2027 reference:
§ 53603(b) → U.S. Treasury obligation

C. Depository Accounts and Certificates of Deposit: The District may invest in insured or collateralized certificates of deposits, saving accounts, market rate accounts, or other bank deposits insured by commercial banks, savings and loans, state or federal credit union in California (Government Code Section 53630 et seq). A written depository contract is required with all institutions that hold District deposits. Securities placed in a collateral pool must provide coverage for at least 110 percent of all deposits that are placed in the institution. Acceptable pooled collateral is governed by California Government Code Section 53651. Real estate mortgages are not considered acceptable collateral by the District, even though they are permitted in Government Code Section 53651(m). All financial institutions are required to provide the District with a regular statement of pooled collateral. This report will state that they are meeting the 110 percent collateral rule (Government Code Section 53652(a)), a listing of all collateral with location and market value, plus an accountability of the total amount of deposits secured by the pool. Certificates of deposit, shall not exceed 5% per issuer of the value of all District investments at any time.

Deposits, up to the federal deposit limit, are allowable in any institution that insures its deposits with the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Administration (NCUA), regardless of Moody's Investors Service or Standard & Poor's Corporation ratings. The Treasurer, for deposits of up to federal insurance limit may waive collateral requirements. A maximum deposit of up to federal insurance limit may be deposited in any one institution without collateral. No bank shall receive District funds of greater than federal insurance limit if it has a Moody's Investor Service or Standard & Poor's Corporation rating less than "A". Maximum investment maturity will be restricted to three (3) years.

In accordance with section 53638 of the California Government Code, any deposit shall not exceed the shareholder's equity of any depository bank, nor shall the deposit exceed the total net worth of any institution. No deposits shall be made at a state or federal credit union if a member of the Board of Directors or the General Manager or Treasurer serves on the Board of Directors or any committee appointed by the Board of Directors of the credit union.

D. Placement Service Deposit: The District may invest in insured deposit placed with a private sector entity that assists in the placement deposits with eligible financial institutions located in the United States (Government Code Section 53604~~53601.8~~). The full amount of the principal and the interest that may be accrued during the maximum term of each deposit shall at all times be insured by federal deposit insurance. Placement Service Deposit, shall not exceed 5% per issuer of the value of the District's investments at any time. The maximum investment maturity will be restricted to three years.

Commented [RM6]: Deposit Placement Services 53601.8 changed to 53604 Relocated.

E. Negotiable Certificates of Deposit: Negotiable certificates of Deposits issued by a national or a State-chartered or a State or Federal association or by a federally licensed or State-licensed branch of a foreign bank (Government Code Section 53603~~1~~(i)). Maximum investment maturity is restricted to two years for notes rated "AA-"or higher and five years for "AAA" rated notes. Negotiable Certificates of Deposit, shall not exceed 5% per issuer of the value of all District investments at any time.

F. Commercial Paper: Investment is limited to the highest grade of stand alone or enhanced ("prime") commercial paper as rated by Moody's Investor Service, Standard & Poor's Corporation, or Fitch Financial Services (A1/P1/F1) issued only by a general corporation that is organized and operating within the United States, and having total assets in excess of $500 million and has debt other than commercial paper that is rated "A" or higher by Moody's, S&P, or Fitch (Government Code Section 53603~~1~~(h)). The maximum investment maturity for commercial paper shall be restricted to 397~~270~~ days. Purchases of commercial paper shall not exceed 20% the total value of all District investments at any time and shall not exceed 5% per issuer of all District investments at any time.

G. Medium Term Notes: Medium term notes are corporate or bank notes with a maximum remaining maturity of 5 years or less. Investment is limited to "AA- " rated or higher notes, from a nationally recognized rating service like Moody's Investor Service or Standard and Poor's Corporation. All such notes shall be solely from corporations organized and operating in the U.S. or banks licensed in the U.S. or any state and operating in the United States. Permissible types of notes include fixed rate and variable rate. Maximum investment maturity is restricted to two years for notes rated "AA-",or higher and five years for "AAA" rated notes. Medium term notes shall not exceed 5% per issuer of all District investments at any time.

H. Agencies: The District is permitted to invest in federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued and fully guaranteed as to principal and interest by federal agencies or United States government sponsored enterprises (Government Code 53603~~1~~(f)). Maximum maturity is limited to 5 years. The amount invested in agencies shall not exceed 50% of all District investments at any time.

I. Money Market Funds: Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 and following) (Government Code 53603~~1~~(l)(2)). Investments are limited to those money market funds that invest in U.S. Treasuries, Federal Agency obligations, and repurchase agreements relating to such obligations. Funds must have the highest ranking or the highest letter and

Commented [RM7]: **Government Code § 53601(i)** being changed to **Government Code § 53603(i)**

Commented [RM8]: Changing 53601 to 53603 (h)

Commented [RM9]: **SB 858**

Extends allowable maturity for commercial paper from **270 days to 397 days**

Commented [RM10]: Changing 53601 to 53603 (f)

Commented [RM11]: Changing 53601 to 53603

numerical rating by not less than two nationally recognized rating services, or have an investment adviser registered with the Securities and Exchange Commission with not less than five years' experience managing money market funds with assets under management in excess of $500,000,000. No more than 5% of the value of all District investments shall be invested in any fund and no more than 20% of the value of all District investments may be invested in all money market funds combined. Any fund shares purchased will not include any type of commission.

J. Banker's Acceptances: Bankers' acceptances are bills of exchange or time drafts drawn on and accepted by a commercial bank (Government Code 5360~~3+~~(g)). Purchases of banker's acceptances may not exceed 180 days maturity as per Government Code Section 5360~~3+~~ (g). Maximum portfolio exposure will be limited to 20% of the total value of all District investments at any time and single issuer holdings to no more than 3% per issuer. Banker's acceptances shall not be purchased by the Treasurer without the prior approval of the Board.

Commented [RM12]: Again referencing 53603 instead of 53601

K. Repurchase Agreements and Reverse Repurchase Agreements: A Repurchase Agreement is a purchase of securities by the District under an agreement with another party who will repurchase these securities on or before a specified date and for a specified amount and the other party delivers the underlying securities to the District by book entry, physical delivery, or by third-party custodial account. A Reverse Repurchase Agreement means a sale of securities by the District under an agreement where the District will repurchase the securities on or before a specified date. While Repurchase Agreements and Reverse Repurchase Agreements are permitted by state law (Government Code 53603 (j)(2) ~~53601(j))~~, the Treasurer shall not purchase any securities under a Repurchase Agreement or a Reverse Repurchase Agreement unless it has first been approved by the Board of Directors of the District. State law prohibits Repurchase Agreements unless the underlying value of the securities covering the Repurchase Agreement are valued at least 102% or greater of the funds borrowed against those securities and this value must be adjusted no less than quarterly. Collateral for repurchase agreements is limited to obligations of the United States government and its agencies. Reverse Repurchase Agreements are only permitted by state law where the security being sold by the District has been owned and fully paid for by the District for a minimum of thirty (30) days prior to sale, The agreement may not exceed a term of 90 days unless the agreement includes a provision guaranteeing a minimum earning or spread for the entire period between the sale of a security and the final maturity date.

Commented [RM13]: Changed from 53601 (j) to 53603 (j)(2)

The amount invested repurchase agreements shall not exceed 20% of all District investments at any time. The amount invested in reverse repurchase agreements shall not exceed 10% of the base value of the District's portfolio at any time.

L. Local Government Investment Pool: Shares of beneficial interest issued by a joint powers authority organized pursuant to Government Code Section 6509.7 that invests in the securities and obligations authorized in the Government Code(Government Code 53603 (m) ~~53601(p)~~). Investments are limited to pools that are rated "AA" or better. Local Government Investment Pools shall not exceed 30% of the value of all District investments at any time. The District shall conduct a thorough investigation of any pool prior to making an investment, and on a continual basis thereafter. Best efforts will be made to acquire the following information:

Commented [RM14]: Changing from 53601 (p) to 53603 (m)

1. A description of eligible investment securities, and a written statement of investment policy and objectives.
2. A description of interest calculations and how it is distributed, and how gains and losses are treated.
3. A description of how the securities are safeguarded (including the settlement processes), and how often the securities are priced and the program audited.
4. A description of who may invest in the program, how often, what size deposit and withdrawal are allowed.
5. A schedule for receiving statements and portfolio listings.
6. Are reserves, retained earnings, etc. utilized by the pool/fund?
7. A fee schedule, and when and how is it assessed.
8. Is the pool/fund eligible for bond proceeds and/or will it accept such proceeds?

M. Municipal Bonds: The Treasurer is authorized to invest in registered treasury notes or bonds of any of the 50 United States payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency or authority of any of the 50 United States. Such securities must have ratings from at least two of three ratings as follows: "A1" by Moody's Investors Service, or "A+" by Standard & Poor's, or "A+" by Fitch Ratings; or as otherwise approved by the Board; or

Registered general obligation treasury notes or bonds of any of the 50 United States. Such securities must have ratings from two of three rating agencies as follows: at least "A3" by Moody's Investors Service, or "A-" by Standard & Poor's, or "A-" by Fitch Ratings; or as otherwise approved by the Board; or

Adjustable rate registered treasury notes or bonds of any of the 50 United States, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency or authority of any of the 50 United States. Such securities must have ratings from at least two of three rating agencies as follows: "P-1" by Moody's

Investors Service, or "A-1+" by Standard & Poor's, or "F-1+" by Fitch Ratings; or as otherwise approved by the Board; or.

Adjustable rate notes or bonds warrants, or other evidences of indebtedness of any local agency within the State of California with a minimum rating of either "P-1" by Moody's Investors Service, or "A-1+" by Standard & Poor's, or "F-1+" by Fitch Ratings, including bonds, notes, warrants, or other evidences of indebtedness payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by either the local agency, a department, board, agency, or authority of the local agency, or of any local agency within this state; or.

Taxable or tax-exempt bonds, notes, warrants, or other evidences of indebtedness of any local agency within the State of California with a minimum rating of either "A1" by Moody's Investors Service, or "A+" by Standard & Poor's, or "A+" by Fitch Ratings (the minimum rating shall apply to the local agency, irrespective of any credit enhancement), including bonds, notes, warrants, or other evidences of indebtedness payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by either the local agency, a department, board, agency, or authority of the local agency, or of any local agency within this state.

The amount invested in municipal securities shall not exceed 5% per issuer of all District investments at any time.

N. Permitted Investments Without Board Approval: The Treasurer is authorized to invest District funds in federally insured or collateralized depository accounts, the Local Agency Investment Fund, the California Asset Management Pool (CAMP), treasury securities, negotiable certificates of deposit, commercial paper, medium term notes, agencies and money market funds meeting all requirements of this investment policy for the particular investment being purchased without prior Board approval. All other investments such as banker's acceptances, Repurchase Agreements, Reverse Repurchase Agreements, and investments in the San Diego County Investment Pool shall only occur with prior approval of the Board. The Treasurer shall ensure that all investments made on behalf of the District meet all of the minimum requirements contained in this Investment Policy.

VII. PORTFOLIO LIMITATIONS

Following is a listing of potential authorized investments with corresponding limitations on the amount of the District's portfolio that may be invested in each authorized investment at any given time:

OLIVENHAIN MUNICIPAL WATER DISTRICT
Annual Investment Policy
Calendar Year 2027~~6~~

Investment Type	Maximum Maturity Remaining	Maximum % of Portfolio	% or $ Limit per Issuer	Minimum Rating Category
Local Agency Investment Fund	N/A	50%	$40,000,000	None
Treasury Securities	5 years	None	None	None
Certificates of Deposit	3 years	30% all CDs and Placement Deposits	5% or FDIC Limit for any institution that insures its deposits with FDIC	Minimum rating of A if investment is greater than FDIC limit
Placement Service Deposits	3 years	30% all CDs and Placement Deposits	5% and/or FDIC Limit	None
Negotiable Certificates of Deposit	2 years (AA- or greater) 5 years (AAA)	30% all CDs and Placement Deposits	5%	AA- if 2 years AAA if 5 years
Commercial Paper	397~~270~~ days	20%	5%	A1/P1/F1
Medium Term Notes	2 years (AA- or greater) 5 years (AAA)	30%	5%	AA- if 2 years AAA if 5 years
Agencies	5 years	50%	None	None
Depository Accounts, Money Market Funds	None	20%	5% in any money market fund	None
Bankers Acceptances	180 days	20%	3% per issuer with prior approval of the Board	None
Repurchase	90 days	20%	With the prior	None

Commented [RM15]: SB 858

Extends allowable maturity for commercial paper from **270 days to 397 days**.

Agreements			approval of the Board	
Reverse Repurchase Agreements	90 days	10%	With the prior approval of the Board	None
Local Government Investments Pools (such as CAMP)	None	30%	None	AA
Municipal Bonds	N/A	30%	5%	A1/A+

The weighted average days to maturity of the total portfolio shall not exceed the liquidity requirements of the District for the next six months based upon on-going staff analyses.

VIII. REVIEW OF INVESTMENT PORTFOLIO

At least once each quarter, a sub-committee of the Board shall meet with the General Manager or his/her designee to review the District's portfolio and provide guidance for future investments. All transactions will be reviewed by the Treasurer on a regular basis to assure compliance with this Statement of Investment Policy and a monthly report shall be provided to the Board on all District investments.

In the event a security held by the District is subject to a rating change that brings it below the minimum credit ratings specified by the Policy, the Treasurer shall notify the Board at the next regularly scheduled Board meeting along with the Treasurer's recommended course of action. The course of action to be followed will be decided on a case-by-case basis by the Board, considering such factors as the reason for the rate drop, prognosis for recovery or further rate drops, and the market price of the security.

In the event that the percentage limits attributable to each security type are violated due to a temporary imbalance in the portfolio, the Treasurer will make a determination as to the appropriate course of action. The appropriate course of action may be to liquidate securities to rebalance the portfolio or to hold the securities to maturity in order to avoid a market loss. Portfolio percentages are in place to ensure diversification of the investment portfolio and as such a small temporary imbalance would not violate this basic tenet. When a portfolio

percentage is exceeded the Treasurer will report the violation in the Treasurers Report at the next regularly scheduled Board meeting, with detail of the strategy determined to address the imbalance, for Board ratification. However, the Treasurer shall meet the portfolio percentages required by this investment policy at the end of each month, unless waived by the Board.

IX. BOND PROCEEDS, BOND RESERVE FUNDS AND BOND SERVICE FUNDS

Investment of bond proceeds and amounts held in bond reserve and service funds are to be made in accordance with the related bond indentures.

X. INTERNAL CONTROLS

Internal controls shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation of third parties, unanticipated changes in financial markets or imprudent action by employees and officers of the District. Controls deemed most important include: control of collusion; separation of duties and administrative controls; custodial safekeeping; clear delegation of authority; management review and approval of investment transactions; specific limitations regarding securities losses and remedial action; written confirmation of telephone transactions; minimizing the number of authorized investment officials; documentation of transactions and strategies; and code of ethic standards.

Existing procedures require all wire transfers initiated by the Finance Department be reconfirmed by the appropriate financial institution. In addition, the District's signatory resolution specifies authorized signers and number of required signatures for different disbursement transactions. Proper documentation obtained from confirmation and cash disbursement wire transfers is required for each investment transaction. Timely bank reconciliations are conducted to ensure proper handling of all transactions.

The investment portfolio and all related transactions are reviewed and balanced to appropriate general ledger accounts by the Finance Department on a monthly basis. A listing of all investment transactions is provided on a monthly basis to the Board of Directors for their approval. Current policy also requires that the Treasurer's approval be obtained for the purchase or sale of securities other than transfers to/from investment pools or money market funds.

An independent analysis by an external auditor shall be conducted annually to review internal controls, account activity and compliance with policies and procedures.

XI. QUALIFIED BANKS AND SECURITIES DEALERS

The District shall conduct business only with nationally or state chartered banks, savings and loans or credit unions that are licensed and operating in the United States or a state of the United States, and registered investment securities dealers. The District's staff will investigate all institutions that wish to conduct business with the District prior to any District investment in the institution. All banks shall have a minimum rating of "A" by Moody's or Standard and Poor. A list will be maintained by the Finance Manager of approved institutions and security broker/dealers. A bank rating service will be used by staff to verify financial information provided by a financial institution or dealer. Annually, the Treasurer shall transmit a copy of the current Statement of Investment Policy to all approved dealers. The dealer is required to return a signed statement indicating receipt and understanding of the District's Investment Policies. Primary dealers of the Federal Reserve may provide substitute certification language at the discretion of the Treasurer.

XII. ETHICS AND CONFLICTS OF INTEREST

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Additionally, the Treasurer and the Finance Manager are required to annually file applicable financial disclosures as required by the Fair Political Practices Commission (FPPC). All officers and employees involved in the investment of public funds are required to comply with the District's Conflict of Interest Code. The Treasurer and any District employees or agents evaluating any investment for the District shall disclose any interest owned or held in any institution or investment being considered by the District prior to the investment.

XII. BOARD DISCRETION

The District recognizes that this policy consists of guidelines designed to protect District funds and to provide liquidity for the on-going District operations. The Board of Directors may timely approve, on an individual basis, investments which would otherwise not be in accordance with this policy, in the event of unforeseen circumstances, so long as the investment is permitted by state law.

XIII. SAFEKEEPING AND CUSTODY

To protect against potential losses caused by the collapse of a security dealer, all book-entry securities owned by the District, including repurchase agreement collateral previously approved by the Board, shall be kept in safekeeping with "perfected interest" by a third party bank trust department, acting as agent for the District under the terms of a custody agreement executed by the bank and by the District. All book-entry securities will be received and delivered using standard delivery-versus-payment procedures.

XIV. INTEREST EARNINGS

All monies earned and collected from investments authorized in this policy shall be allocated monthly to various fund accounts based on the cash balance in each fund as a percentage of the entire pooled portfolio.

XV. PROHIBITED INVESTMENTS

The Treasurer shall not invest any funds of the District in inverse floaters, range notes, or mortgage derived interest-only strips at any time. The Treasurer shall not invest any funds of the District in any security that could result in zero interest accrual if held to maturity, except as authorized by Code. (Gov't Code §53602 (i) ~~53601.6~~).

Commented [RM16]: Prohibited Instruments 53601.6 changed to 53602(i) Relocated inverse floaters, range notes, zero/negative-accrual restrictions.

XVI. INVESTMENT PURCHASES

Any investments that the Treasurer purchases for the District that are not purchased directly from the issuer shall be purchased either from an institution licensed by the State of California as a broker/dealer or from a member of a federally registered securities exchange, from a national or state-chartered bank, from a savings association or a federal association, or from a brokerage firm designated as a primary government dealer by the Federal Reserve Bank. (Gov't Code §53602 (h) ~~53601.5~~)

Commented [RM17]: Investments; Qualified Purchase Agent 53601.5 changed to 53602(h) .Relocated approved institutions list.

XVII. QUARTERLY REPORTS

At least once each quarter, and within 45 days following the end of the quarter, the District's Finance Officer shall provide an oral report to the Finance Committee, comprised of the District's treasurer and one board member, evaluating the safety of all District investments and advising the committee of any investments of the District that represent a credit risk.

XVIII. TREASURER'S AUTHORITY AND REVIEW OF INVESTMENT POLICY

The Authority of the Treasurer to make investment decisions on behalf of the District shall automatically expire on December 31, 2027~~6~~ unless renewed or extended by formal action of the Board of Directors of the District. This investment policy shall be presented to the Board of Directors of the District by no later than December 31, 2027~~6~~ and annually thereafter.

XIX. GLOSSARY OF INVESTMENT TERMS

AGENCIES: Federal agency securities and/or Government Sponsored Enterprises (GSE) which include Federal Home Loan Bank (FHLB), Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), Federal Farm Credit Bank (FFCB), and Federal Agricultural Mortgage Association (Farmer Mac).

ASKED: The price at which securities are offered by the seller.

BANKERS' ACCEPTANCE: A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

BENCHMARK: A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

BID: The price at which a buyer offers to buy a security.

BROKER: A broker brings buyers and sellers together for a transaction for which the broker receives a commission.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a Certificate. Large-denomination CD's are typically negotiable.

COLLATERAL: Securities, evidence of deposit or other property, which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COUPON: The rate of return at which interest is paid on a bond.

CREDIT RISK: The risk that principal and/or interest on an investment will not be paid in a timely manner due to changes in the condition of the issuer.

CURRENT YIELD: The annual income from an investment divided by the current market value. This measure examines the current price of a bond rather than the face value. Current yield represents the return an investor would expect to earn if the owner purchased the bond and held it for a year. However, current yield is not the actual return an investor receives if he holds a bond until maturity.

DEALER: A dealer acts as a principal in all transactions, buying and selling for his own account.

DELIVERY VERSUS PAYMENT: There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus

payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

DERIVATIVES: (1) Financial instruments whose return profile is linked to, or derived from, the movement of one or more underlying index or security, and may include a leveraging factor, or (2) financial contracts based upon notional amounts whose value is derived from an underlying index or security (interest rates, foreign exchange rates, equities or commodities).

DISCOUNT: The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

DISCOUNT SECURITIES: Noninterest-bearing money market instruments that are issued a discount and redeemed at maturity for full face value *(e.g., U.S. Treasury Bills.)*

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns.

DURATION: A measure of the sensitivity of the price (the value of principal) of a fixed-income investment to a change in interest rates. Duration is expressed as a number of years. Rising interest rates mean falling bond prices, while declining interest rates mean rising bond prices.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that insures bank deposits, currently up to $250,000 per entity.

FEDERAL FUNDS RATE: The rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

LOCAL AGENCY INVESTMENT POOL (LAIF): A voluntary investment fund open to government entities and certain non-profit organizations in California that is managed by the State Treasurer's Office,

LOCAL GOVERNMENT INVESTMENT POOL (LGIP): The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

MEDIUM TERM NOTES: Corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.

MONEY MARKET: The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

MUNICIPAL BONDS: Securities issued by state and local agencies to finance capital and operating expenses.

NEGOTIABLE CD: A short-term debt instrument that pays interest and is issued by a bank, savings or federal association, state or federal credit union, or state-licensed branch of foreign bank. Negotiable CDs are traded in a secondary market.

OFFER: The price asked by a seller of securities. (When you are buying securities, you ask for an offer.) See Asked and Bid.

PORTFOLIO: Collection of securities held by an investor.

PRIMARY DEALER: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker-dealers, banks, and a few unregulated firms.

PRUDENT PERSON (PRUDENT INVESTOR) RULE: A standard of responsibility which obligates a fiduciary to insure that investment decisions be made with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.

RATE OF RETURN: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond the current income return.

REPURCHASE AGREEMENT (REPO): A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security "buyer" in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate him for this.

REVERSE REPURCHASE AGREEMENT (REVERSE REPO): A reverse-repurchase agreement (reverse repo) involves an investor borrowing cash from a financial institution in exchange for securities. The investor agrees to repurchase the securities at a specified date for the same cash value plus an agreed upon interest rate. Although the transaction is similar to a repo, the purpose of entering into a reverse repo is quite different. While a repo is a straightforward investment of public funds, the reverse repo is a borrowing.

SAFEKEEPING: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

SECONDARY MARKET: A market made for the purchase and sale of outstanding issues following the initial distribution.

SECURITIES & EXCHANGE COMMISSION: Agency created by Congress to protect investors in securities transactions by administering securities legislation.

STRUCTURED NOTES: Notes issued by Government Sponsored Enterprises (FHLB, FNMA, FHLMC, etc.) and Corporations, which have imbedded options (e.g., call features, step-up coupons, floating rate coupons, derivative-based returns) into their debt structure. Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the shape of the yield curve.

TREASURY BILLS: A noninterest-bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

TREASURY BONDS: Long-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities of more than 10 years.

TREASURY NOTES: Medium-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities from two to 10 years.

YIELD: The rate of annual income return on an investment, expressed as a percentage. (a) INCOME YIELD is obtained by dividing the current dollar income by the current market price for the security. (b) NET YIELD or YIELD TO MATURITY is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

Attachment 2

pfm asset management

October 27,2026

Memorandum

To: Leo Mendez, Financial Manager, CPA
Olivenhain Municipal Water District

From: Monique Spyke, Managing Director
Robert Montoya, Relationship Manager
PFM Asset Management

Re: 2026 Investment Policy Review

At your request, we reviewed the Olivenhain Municipal Water District (the "District") Investment Policy (the "Policy") as part of the Agency's annual review process. The current Policy is comprehensive and is in compliance with the current California Government Code ("Code") statutes regulating the investment of public funds for 2026.

However, there were a few changes in Code effective January 1, 2026, that we recommend be included into the policy. In addition, there will be several changes to Code effective January 1, 2027, that we also recommend be included in the policy for the District to remain compliant next year.

For 2026, SB 858 extended the allowable maturity for commercial paper from 270 days to 397days. The change is recommended as it allows for consistency with SEC Rule a-7, enhanced flexibility and modernization of statues.

For 2027, we recommend the following changes be made due to numerous Code renumbering's and section changes:

- Update the Prudent Investor Standard citation from§53600.3 to §53602(b).
- Update delegated investment authority and transaction reporting from§53607 to §53602(o).
- Update prohibited-investment provisions from§53601.6 to §53602(i).
- Update qualified purchase-agent requirements from§53601.5 to §53602(h).
- Update authorized-investment citations from§53601 to §53603, including:
    - Treasuries: §53603(b)
    - Federal agencies/GSEs: §53603(f)
    - Bankers' acceptances: §53603(g)
    - Commercial paper: §53603(h)
    - Negotiable certificates of deposit: §53603(i)
    - Repurchase agreements: §53603(j)(2)
    - Money market funds: §53603(l)(2)
    - Local government investment pools: §53603(m)
- Update deposit placement services from§53601.8 to §53604.
- Retain the 110% collateralization reference under§53652(a).

Please let us know if you have any questions or if you would like to discuss further.

PFM Asset Management serves clients in the public sector and is a division of U.S. Bancorp Asset Management, Inc., which is the legal entity providing investment advisory services. U.S. Bancorp Asset Management, Inc. is a registered investment adviser, a direct subsidiary of U.S. Bank N.A. and an indirect

subsidiary of U.S. Bancorp. U.S. Bank N.A. is not responsible for and does not guarantee the products, services, or performance of U.S. Bancorp Asset Management, Inc.

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For Institutional Investor or Investment Professional U se Only – This material is not for inspection by, distribution to, or quotation to the general public

Attachment 3

Water Operating Reserves Proposed Change to Policy

Finance Committee
November 10, 2026

OLIVENHAIN
Municipal Water District

Proposed Policy Update

- Current Water Operating Reserves Policy:
  - Minimum 60 days (of annual operating expenditures)
  - Maximum 120 days (of annual operating expenditures)

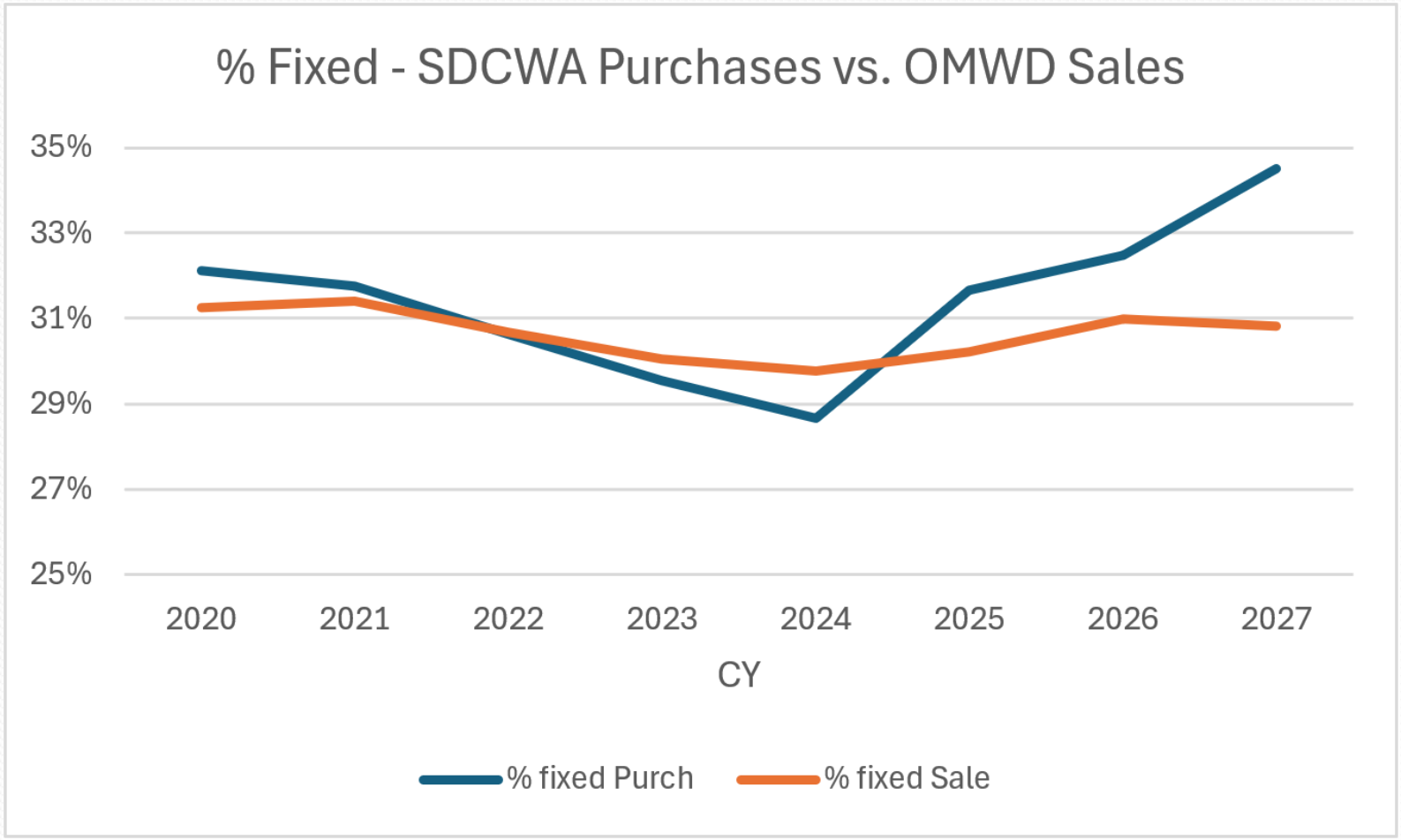
- Proposed Water Operating Reserves Policy:
  - Minimum 60 days (no change)
  - Maximum 150 days

- For additional operating liquidity to pay for rising costs and potential revenue fluctuations

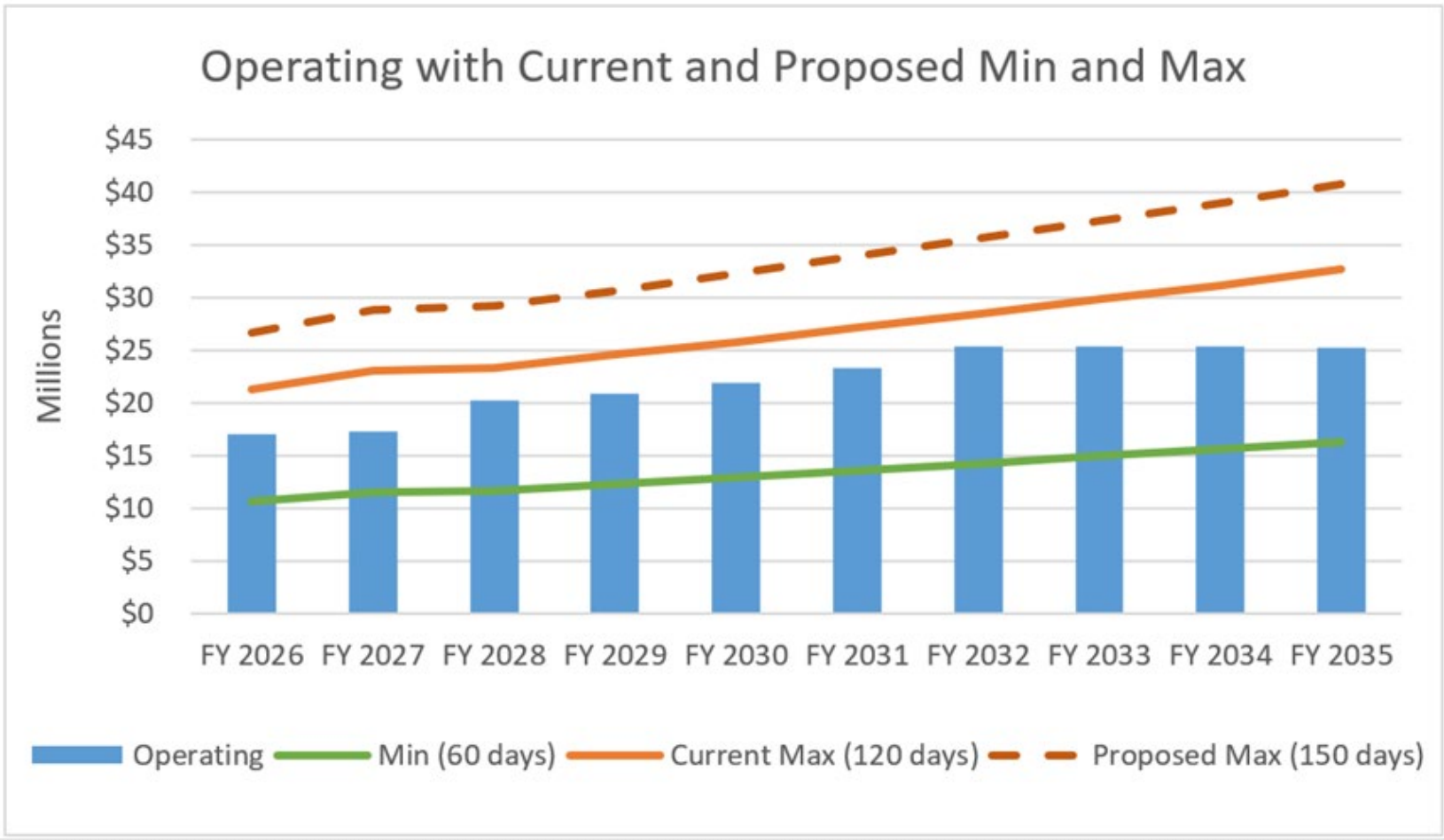
Why update the Reserve Policy?

- Continued exposure to rising operating costs and revenue fluctuations
  - SDCWA shifting more costs to fixed
  - Transportation charge – shifted from a fully variable charge to a 60% fixed and 40% variable charge over calendar years 2025 – 2027.
    - CY 25: 40% Fixed
    - CY 26: 50% Fixed
    - CY 27: 60% Fixed (final year of phase-in)
  - Future anticipated CWA shifts to fixed costs – from decreasing member agency demand
    - Pure Water
  - Wet weather effect on revenues
    - El Nino

SDCWA Fixed Costs vs. OMWD Fixed Charges Collected



Current vs. Proposed Operating Min/Max



Staff Recommendation

- Increase Operating Reserves Max 30 days for additional operating liquidity
  - From Max of 120 days to 150 days
  - No change to minimum
- To strengthen OMWD's financial resiliency in light of rising fixed costs and potential revenue fluctuations

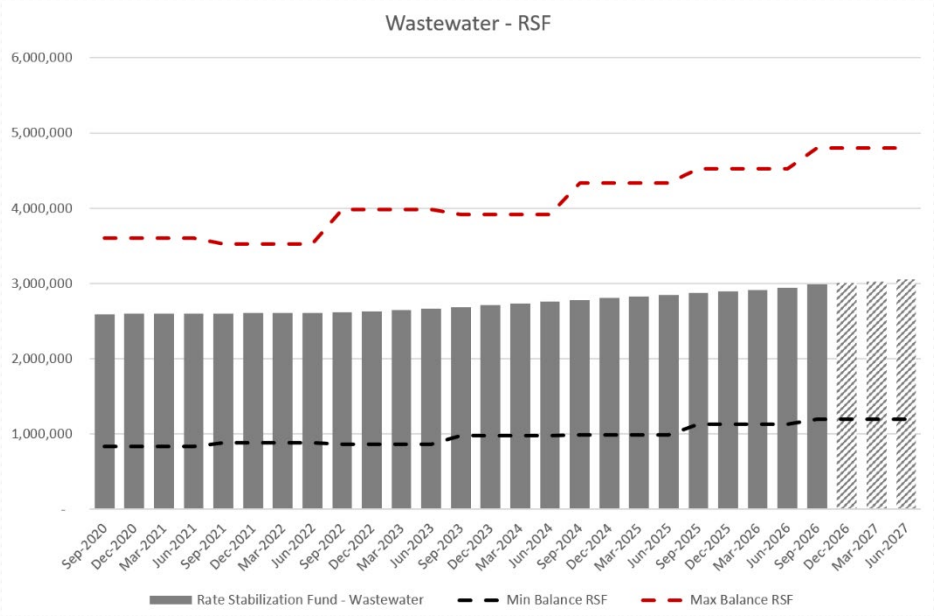
Attachment 4

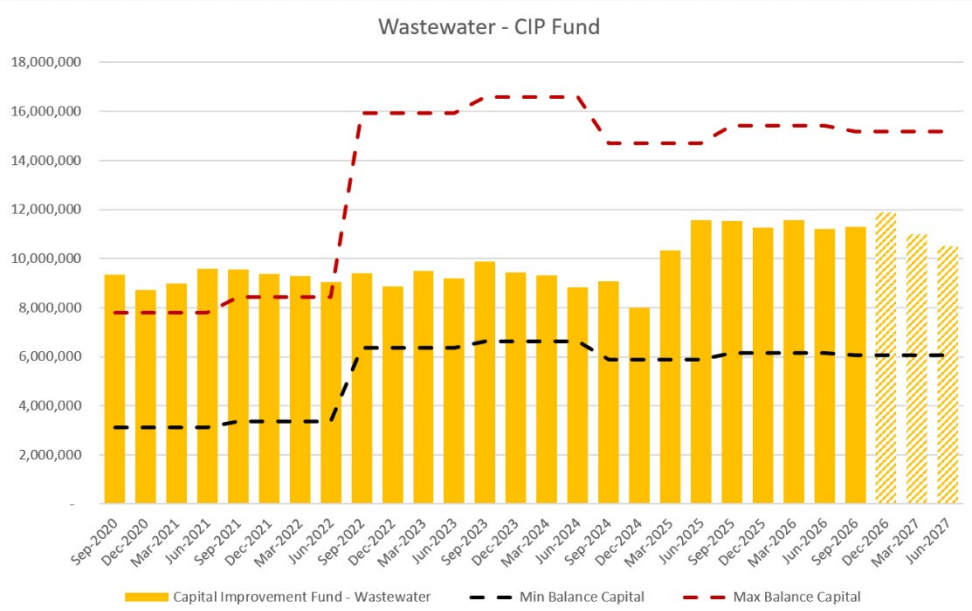
Wastewater Reserves Review

Finance Committee
November 10, 2026

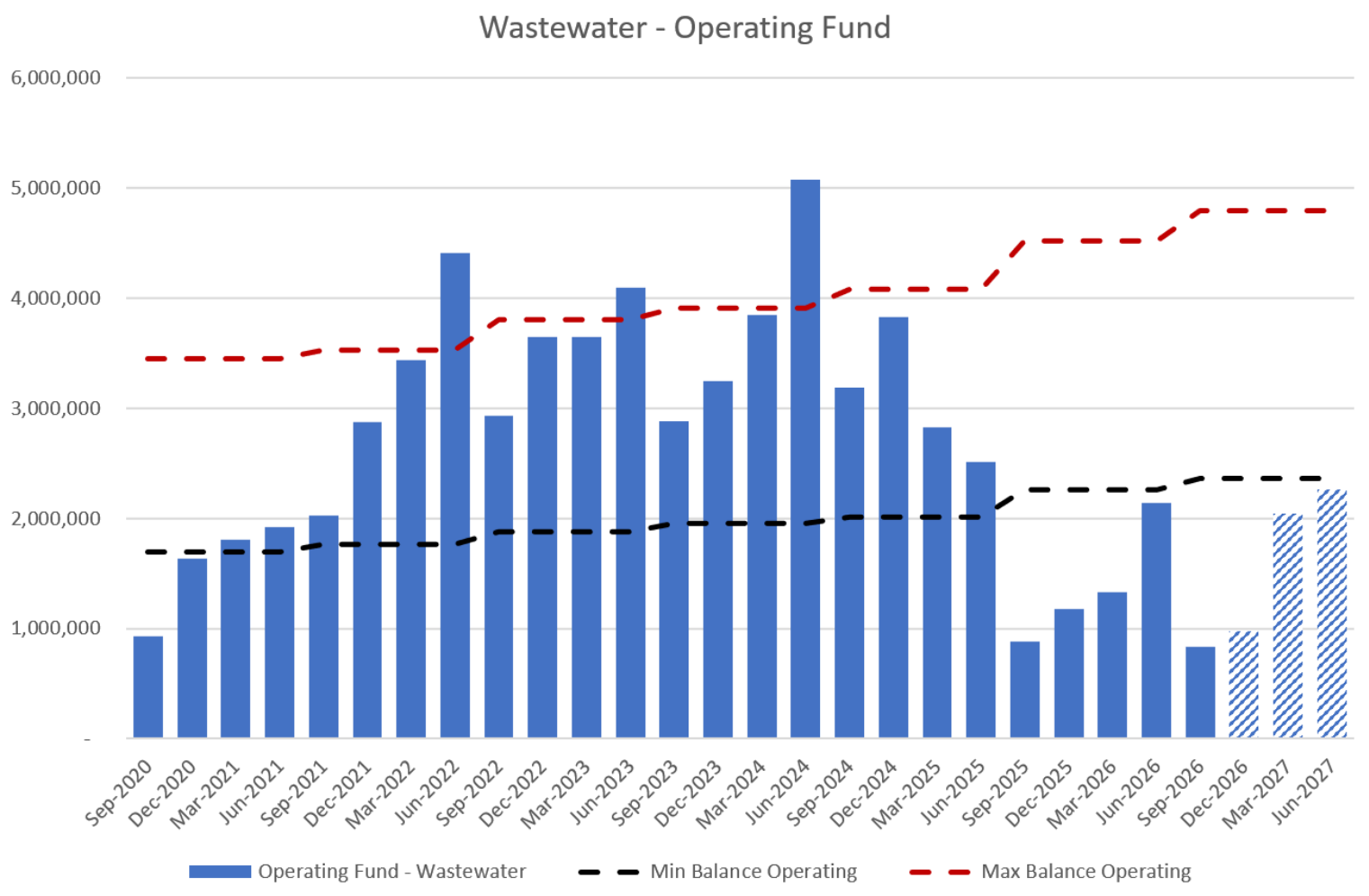
OLIVENHAIN
Municipal Water District

Wastewater Reserves





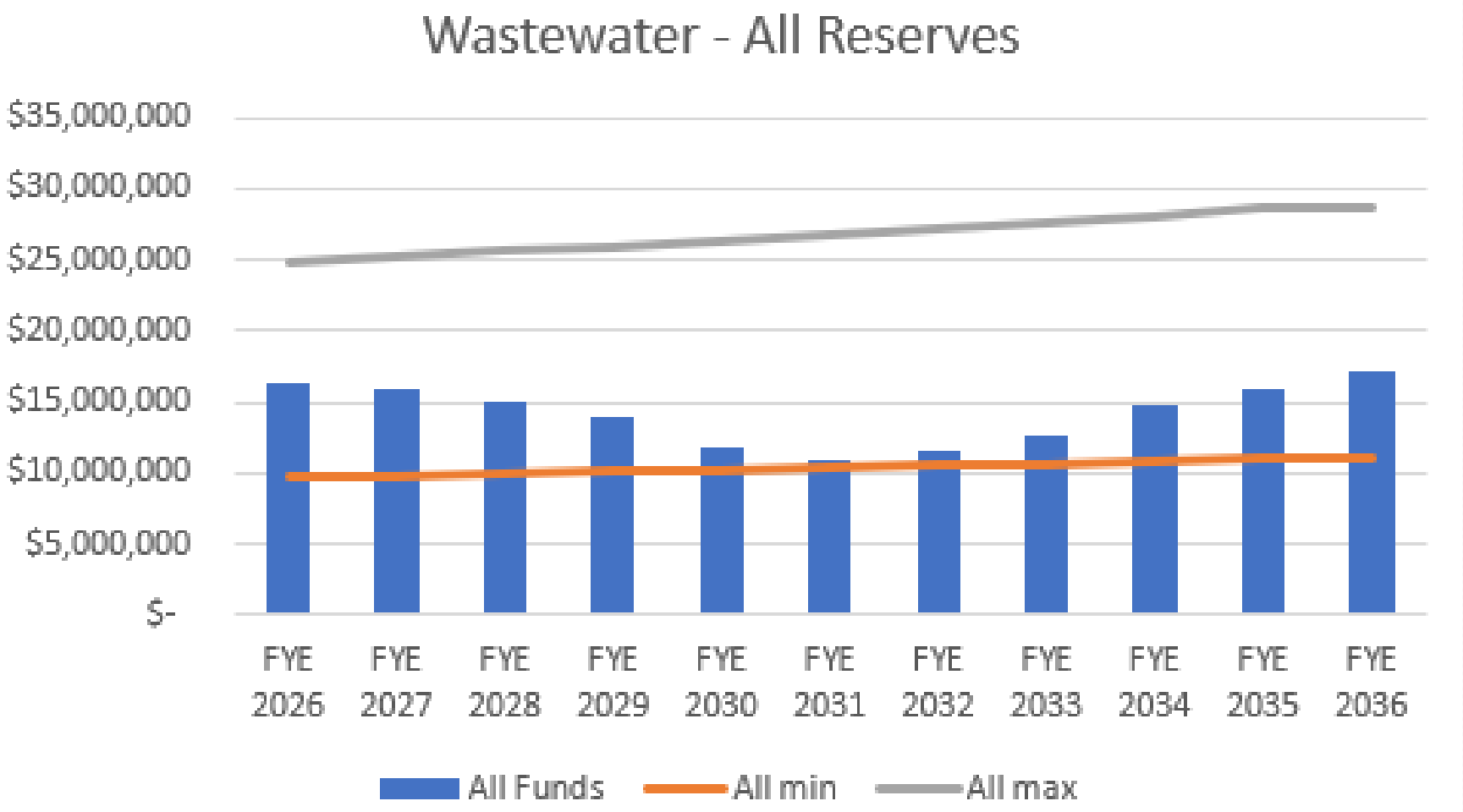
Wastewater Reserves



Operating Reserves

- Currently at the minimum for the following reasons:
  - Timing of property tax receipts – Dec/April
  - Larger than usual PAYGO transfers in 2025 - following Cost of Service Study ($3.3 million)
    - PAYGO are budgeted transfers from Operating to Capital to fund CIP
    - To keep capital funded prior to debt issuance while intentionally keeping Operating reserves close to the minimum
  - Wastewater Operating Reserves min/max are more conservative than water at 180 days and 365 days (vs. 60-120 days for water)
    - "The bar is higher"
    - To account for timing of property tax receipts

Projected Total Wastewater Reserves



- Assumes 100% capital spending

Total projected Wastewater Reserves

- Total reserves are projected to be within the min/max
- Projected total reserves close to minimum in 2030/2031
  - Due to growing CIP:
    - Wastewater 10-year CIP has grown from $20.4 to $30.4 million over past several budget cycles
    - Neighborhood 1 Sewer Pump Station – initially budgeted at $3 million (2018), budget increased through completion of project.
      - Final cost = $8.6 million (partially offset by $1.9 Title XVI grant funds)
  - Revenue adjustments likely not keeping up with CIP growth

Fiscal Year	Revenue Adjustment	Fiscal Year	Revenue Adjustment	Fiscal Year	Revenue Adjustment
2018	3%	2023	3%	2028	5.5%
2019	3%	2024	5.5%	2029	5.5%
2020	0%	2025	5.5%	2030	TBD*
2021	2%	2026	5.5%	2031	TBD*
2022	3%	2027	5.5%	2032	TBD*

*To be determined at next Wastewater Cost of Service Study, anticipate completing in 2029.

Long-term planning

- Continue to watch reserves closely
  - Wastewater is a relatively small system in terms of dollar amounts
    - A small change in planned CIP spending can have a significant impact on projected reserves
  - 2029 Cost of Service Study (For fiscal years starting 2030) will be an opportunity to review rates and the wastewater financial plan
  - Consider future debt to smooth rates, especially if CIP grows

Near-term staff recommendation

- Reduce budgeted PAYGO from $800k to $400k for FY 2027
  - To raise Operating reserves to ensure sufficient liquidity per the Board's reserve policy

Attachment 5

Board Designated Fund Balances (Reserves) Policy

This Policy represents public affirmation of the Board's commitment to financial prudence and careful stewardship of community assets. This Policy shall cover the District's Operating Fund, Capital and Equipment Fund, and Rate Stabilization Fund for water (potable and recycled) and wastewater (sewer) operations. These Funds are designated by the District's Board to carry out specific purposes, ensuring prudent management of the District's financial resources, and are used by District staff as parameters within which the Board expects staff to operate.

This Policy has three primary goals:

- To provide adequate funding to meet the District's short-term and long-term plans and commitments to its customers.
- To minimize adverse multi-year budgetary impacts from anticipated and unanticipated expenditures, thus avoiding future rate fluctuations.
- To preserve the financial stability of the District against present and future uncertainties in an ever-changing environment.

Operating Fund, Capital and Equipment Fund, and Rate Stabilization Fund balances will be reviewed annually when the District's financial audit is completed. At that time, staff will present to the Board a recommendation on the handling of these Funds.

Water - Operating Fund

Purpose:	To ensure cash resources are available to pay for day-to-day water operations, including payments for purchased water and debt service payments and to provide funding in case of operating emergencies and unforeseen circumstances.
Target Balance:	A minimum balance equal to 60 days of approved annual water operating and maintenance expenditures in the budget shall be maintained in this fund. The maximum amount in this fund shall not exceed ~~120~~ 150 days of approved annual water operating and maintenance expenditures in the budget. Operating Fund balance in excess of the ~~120~~150-day maximum balance will be transferred into other Fund(s), with Board approval, as long as fund balances are below their maximum amount stated in this Policy. Any excess over the maximum amount shall be reported to the Board at the first monthly regular Board meeting after the excess occurs with a staff recommendation as to the handling of the excess funds. A cash balance below the minimum target balance shall also be reported with specific notes to the Board on a regular basis.
Methodology:	Due to the timing difference between the dates when cash is collected and spent, the District is required to maintain sufficient cash on hand to meet its day-to-day cash disbursements, such as payroll, water purchases, debt service payments, and to provide funding for emergency operating expenditures due to unforeseen situations, such as natural disasters or any other unanticipated expenses that will result in an unexpected increase in the District's expenditures.
Use of Funds:	To pay for day-to-day water operating and maintenance expenditures and any unexpected expenses or emergencies due to the timing difference between cash being collected and spent.
Contributions:	Additions to this fund come from any excess in water operations (revenues over expenses.) When water revenue is not sufficient to meet the District's debt service coverage requirements, funds will be transferred from the Rate Stabilization Fund into the Operating Fund. The adequacy of this fund will be reviewed annually after the financial audit is completed.

Water - Capital and Equipment Fund

Purpose: To provide funding for the District's water capital infrastructure improvements and replacements approved by the Board and included in the 10 Year Capital Spending Plan. The District also has Debt Management Policy that provides guidelines on how Capital Improvement Programs should be funded.

Target Balance: A minimum balance equals to one (1) year of the average approved capital expenditures over the next ten years in the District's 10 Year Capital Spending Plan shall be maintained in this fund. A maximum balance equals to five (5) years of the average approved capital expenditures over the next ten years in the District's 10 Year Capital Spending Plan. Any excess over the maximum amount in this fund shall be reported to the Board at the first regular monthly Board meeting after the excess occurs. Staff will provide a recommendation on the handling of these excess funds. Any cash balance below the minimum target balance shall also be reported with specific notes to the Board on a regular basis.

Methodology: The District follows a 10 Year Capital Spending Plan which outlines water infrastructure improvements and replacements planned for the next ten years.

Use of Funds: To construct, improve, and replace water capital infrastructures and to purchase capital items approved by the Board and included in the District's Budget.

Contribution: Water Rates and Capacity Fees. The District will make annual contributions from water rates and capacity fees to this fund to provide funding for District water capital infrastructure improvements and replacements included in the 20 Year Capital Spending Plan. Any excess over the maximum amount in this fund shall be reported to the Board at the first regular monthly Board meeting after the excess occurs. Staff will provide a recommendation on the handling of these excess funds.

Water - Rate Stabilization Fund

Purpose: To protect the District's financial stability and to secure the District's ability to pay for its financial obligations, including debt service installment payments when revenue shortfalls occur due to weather conditions, economic shortfalls, changes in state and federal legislation, or other future uncertainties, enabling the District to avoid the need for rate spikes.

Target Balance: A minimum of 25% of the average estimated Net Water Sales over two (2) fiscal years approved in the District's budget shall be maintained in the Rate

Stabilization Fund. The maximum amount in the Rate Stabilization Fund shall not exceed 50% of the average estimated Net Water Sales over two fiscal years approved in the District's budget. Net Water Sales are defined as total revenues from water operations less water purchase expenses. Any excess over the maximum amount in this fund shall be reported at the next regular Board Meeting with staff's recommendation on the handling of these excess funds.

Methodology: The District relies on water commodity revenues to pay for costs to deliver water and provide service to its customers. This fund allows for financial flexibility to manage water sales fluctuations due to uncontrollable conditions such as prolonged wet or dry weather, enabling the District to stabilize rates from year to year.

Use of Funds: To mitigate the immediate need to raise water rates in the event of cash flow reductions from operations so that the District has the ability to meet its debt service payments.

Contributions: Any excess from the Water Operating Fund after annual contributions to the Capital and Equipment Fund is made for that year. Contributions to this fund can only be made with Board approval. Adequacy of this fund will be reviewed by District staff during budget process. By maintaining an adequate balance in this fund, the District can experience years when revenues fluctuate (e.g., due to drought or wet weather) without the need to raise rates. By decreasing this fund, the District becomes less stable and, therefore, more vulnerable to future rate increases. The Board must determine the level of risk it is willing to assume for the Rate Stabilization Fund as part of the budget process.

Water – Pension Stabilization Fund

Purpose: To secure the District's ability to have a consistent annual Unfunded Accrued Liability (UAL) payment to California Public Employee's Retirement System (CalPERS), including Additional Discretionary Payment(s) while achieving its pension funding goal with no rate spikes. The funding goal of a defined benefit pension plan is 100%, which is to fund the long-term cost of benefits provided to the plan members.

Target Balance: A minimum of one (1) year average of Projected Future Employer Contributions for UAL Payment over the next 5 fiscal years based on the most current CalPERS annual actuarial report for Classic and PEPRA plans shall be maintained in this fund. A maximum of two (2) years average of Projected Future Employer Contributions for UAL Payment over the next 5

fiscal years included in the most current CalPERS annual actuarial report for Classic and PEPRA Miscellaneous Plans.

Methodology: The funding goal of a defined benefit pension plan is 100%, which is to fund the long-term cost of benefits provided to plan members. The District relies on water revenues which are subject to external and uncontrollable factors such as weather conditions, federal and state mandates, and economic uncertainty to sustain operations. This fund allows the District to continue funding its pension liability during temporary budget shortfalls, such as prolonged wet or dry weather, thus avoiding rate spikes.

Use of Funds: To mitigate the immediate need to use other available reserves to fund the District's pension obligations and to comply with the District's Pension Funding Policy. In the event that a District's pension plan achieves a "superfunded" status (funding level exceeds 100%), District staff will report to the Board and provide a recommendation to the Board on the handling of these excess funds after the most recent CalPERS actuarial report is released and the District's financial audit is completed.

Contributions: Any excess from the Water Operating Fund after annual contributions to the Capital and Equipment Fund is made for that year. Contributions to this fund can only be made with Board approval. Maintaining an adequate balance in this fund reflects the Board's commitment to achieve a fully funded pension plan in a timely manner when revenues fluctuate from year to year. Adequacy of this fund will be reviewed by District staff annually, after the most current CalPERS actuarial report is released and the District's financial audit is completed.

Wastewater - Operating (Revenue) Fund

Purpose: The District receives the majority of its wastewater service revenues in December and April at the same time when customers pay their property tax bills. Because of the timing difference between revenues and expenditures, the District must have cash resources available to pay for day-to-day wastewater operations and maintenance, debt service, and operating emergencies.

Target Balance: A minimum of 180 days of annual wastewater operations and maintenance expenditures approved by the Board in the District's budget shall be maintained in this fund. The maximum in this fund shall not exceed 365 days of annual wastewater operations and maintenance expenditures approved by the Board in the District's budget. After the annual financial audit is completed, any excess over the maximum amount, with Board approval, will be transferred to the Wastewater Capital and Equipment Fund and/or Rate Stabilization Fund as long as the fund balance is below their maximum amount. Any excess over the maximum amount shall be reported to the Board at the first regular Board Meeting with staff's recommendation on the handling of these excess funds. Any cash balance below the minimum target balance shall also be reported with specific notes to the Board on a regular basis.

Methodology: Wastewater service charges are collected through the County Tax Collector's office at the same time that property tax bills are paid by sewer customers (the majority of which are collected on December 31 and April 30). Due to the timing of these receipts, the District needs to have sufficient cash on hand to pay for day-to-day Wastewater operating and maintenance expenses.

Use of Funds: These funds will be used to pay for wastewater (sewer) operating and maintenance expenditures approved by the Board, wastewater debt service payments, and for any operating emergencies or unanticipated expenditures.

Contributions: Additions to this fund are a result of net income from Wastewater operations (revenue over expenses) after annual cash transfers to the Wastewater Capital and Equipment Fund and Wastewater Rate Stabilization Fund.

Wastewater - Rate Stabilization Fund

Purpose:	To protect the District's financial resources against economic shortfalls or an unexpected increase in expenditures, including sewage spill clean-up costs, a penalty imposed by the Regional Water Quality Control Board when sewage spills occur, or an emergency repair to damaged sewer facilities following natural disasters or other unforeseen emergencies. These conditions can lead the District to operating deficits.
Target Balance:	A minimum of 25 percent of annual Wastewater operating and maintenance expenditures approved by the Board shall be maintained in this fund. A maximum equal to 100 percent of annual Wastewater operating and maintenance expenditures approved by the Board.. Any excess over the maximum amount in this fund shall be reported at the next regular Board meeting with staff's recommendation on the handling of these excess funds.
Methodology:	This fund will be available to minimize the need for sewer rate increases as well as for spending changes during the fiscal year. It can also be used to stabilize wastewater rates and charges from year to year.
Use of Funds:	These funds will be used to mitigate the immediate need to raise wastewater rates and charges in the event of cash flow reductions from wastewater service revenues so that the District has the ability to meet its sewer debt service coverage ratio.
Contributions:	Contributions to this fund can only be made with Board approval and are reviewed by District staff during the budget process. By maintaining an adequate balance in this fund, the District can avoid operating deficits due to major unexpected expenditures without the need to raise sewer rates and charges and to secure the District's ability to pay its sewer debt service obligations. When revenues are not sufficient to meet the District's annual debt service payment, funds will be transferred from the Wastewater- Rate Stabilization Fund into this fund.

Wastewater - Capital and Equipment Fund

Purpose: To provide funding for the District's Wastewater (sewer) Capital Improvement Program as identified in the District's 10 Year Capital Spending Plan. The District follows its Debt Management Policy to fund its Wastewater (sewer) Capital Improvement Program.

Target Balance: A minimum balance of two years' average of planned capital expenditures of the approved 10-year Wastewater Capital Spending Plan spending shall be maintained in this fund. The maximum in this fund shall not exceed five years' average of planned capital expenditures of the approved 10-Year Wastewater Capital Spending Plan. Any excess over the maximum amount in this fund shall be reported to the Board at its next regular Board meeting with staff's recommendation on the handling of these excess funds. Any cash balance below the minimum target balance shall also be reported with specific notes to the Board on a regular basis.

Methodology: The District follows a 10 Year Wastewater Capital Spending Plan which has a list of wastewater infrastructure improvements and replacements for the next ten years

Use of Funds: The funds will be used to improve, acquire, and replace Wastewater infrastructures in the 10 Year Wastewater Capital Spending Plan.

Contribution: Wastewater (sewer) service charges, wastewater capacity fees, and wastewater annexation fees. Net operating income from wastewater operations collected from user charges will be transferred to Wastewater Capital and Equipment Fund annually to provide funds for Wastewater Capital Improvement Program.

Wastewater – Pension Stabilization Fund

Purpose: To secure the District's ability to have a consistent annual Unfunded Accrued Liability (UAL) payment to California Public Employee's Retirement System (CalPERS), including Additional Discretionary Payment(s) while achieving its pension funding goal. The funding goal of a defined benefit pension plan is 100%, which is to fund the long-term cost of benefits provided to the plan members.

Target Balance: A minimum of one (1) year average of Projected Future Employer Contributions for UAL Payment over the next 5 fiscal years based on the most current CalPERS annual actuarial report for Classic and PEPRA plans shall be maintained in this fund. A maximum of two (2) years average of Projected Future Employer Contributions for UAL Payment over the next 5

fiscal years included in the most current CalPERS annual actuarial report for Classic and PEPRA Miscellaneous Plans.

Methodology: The funding goal of a defined benefit pension plan is 100%, which is to fund the long-term cost of benefits provided to plan members. The District relies on water revenues which are subject to external and uncontrollable factors such as weather conditions, federal and state mandates, and economic uncertainty to sustain operations. This fund allows the District to continue funding its pension liability during revenue shortfalls.

Use of Funds: To mitigate the immediate need to use other available reserves to fund the District's pension obligations and to comply with the District's Pension Funding Policy. In the event that a District's pension plan achieves a "superfunded" status (funding level exceeds 100%), District staff will report to the Board and provide a recommendation to the Board on the handling of these excess funds after the most recent CalPERS actuarial report is released and the District's financial audit is completed.

Contributions: Any excess from the Wastewater Operating (Revenue) Fund after annual contributions to the Capital and Equipment Fund is made for that year. Contributions to this fund can only be made with Board approval. Maintaining adequate balance in this fund reflects the Board's commitment to achieve a fully funded pension plan in a timely manner when revenues fluctuate from year to year. Adequacy of this fund will be reviewed by District staff annually, after the most current CalPERS actuarial report is released and the District's financial audit is completed.

OLIVENHAIN
Municipal Water District

Agenda Item 11

Memo

Date: November 10, 2026

To: Finance Committee

From: Leo Mendez, Finance Manager

Via: Kimberly Thorner, General Manager

Subject: **EVALUATE PROPOSALS RECEIVED IN RESPONSE TO PROFESSIONAL AUDITING SERVICES REQUEST FOR PROPOSALS (RFP)**

The purpose of this item is to review the nine responses received from the request for proposals for professional auditing services and select three firms to interview.

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 consider the employment of a different Auditor every 4 to 5 years. Per California Government Code section 12410.6.(b), a local agency shall not employ a public accounting firm to provide audit services to a local agency if the lead audit partner or coordinating audit partner having primary responsibility for the audit, or the audit partner responsible for reviewing the audit, has performed audit services for the local agency for six consecutive years.

The Pun Group, LLP has served as the District's existing auditor for the past eight fiscal years. The Board originally 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. The Board once again selected The Pun Group, LLP in September 2023 to serve as the District's auditor for fiscal years 2024, 2025, and 2026 in the following Request for Proposals process. To comply with

California Government Code, The Pun Group, LLP rotated their lead audit partner after the new contract commenced.

Staff prepared and distributed a request for proposals (RFP) to SDCWA member agency auditors. Staff also posted the RFP to the California Society of Municipal Finance Officers (CSMFO) website. As a result, the District received a strong response of 9 proposals (attached).

Staff will be available during the meeting for discussion and has prepared Attachment 2 for the Committee to easily compare the proposals. Staff can verbally provide rankings at the meeting if the Committee so desires.

Once the Finance Committee has narrowed the list to three to four firms, interviews will be scheduled with the Finance Committee in the month of February, and a recommendation will be brought to the Board for consideration in March.

Prepared by: August Trees, Financial Analyst I
Jared Graffam, Accounting Supervisor
Reviewed by: Georgeanna Clark, Project Accountant II
Jared Graffam, Accounting Supervisor
Leo Mendez, Finance Manager
Approved by: Kimberly A. Thorner, General Manager

Attachments:

Attachment 1: Request for Proposals (RFP)
Attachment 2: Summary of Proposals
Attachment 3: Proposals (9 received)

REQUEST FOR PROPOSALS

PROFESSIONAL AUDITING SERVICES

DUE DATE: October 19, 2026

Olivenhain Municipal Water
District 1966 Olivenhain Road
Encinitas, CA 92024
760-753-6466

INTRODUCTION:

Olivenhain Municipal Water District (hereinafter called "the District") is requesting audit service proposals from qualified certified public accounting firms to perform annual audits and issue opinions on the District's financial statements for a three-year period for years ending June 30, 2027, 2028, and 2029 with an option to extend the contract for two (2) additional years ending June 30, 2030 and 2031.

It is the firm's responsibility to obtain a thorough understanding of the District's accounting system, the scope of audit, and the work to be performed in order to successfully complete the audit prior to submitting their proposal and maximum price bid.

DESCRIPTION OF THE DISTRICT:

The District is a governmental corporation governed by a publicly elected five-member Board of Directors. The District's Board of Directors delegate management responsibility of the day-to-day operations of the District to an appointed General Manager. The District currently has a total of 96 full-time employees for potable and recycled water and wastewater (sewer) operations.

The District has a Finance Committee, which provides oversight and guidance on financial matters. The Finance Committee meets at least quarterly and is comprised of the Board Treasurer, a Board Member, the General Manager, and the Finance Manager. The Finance Committee reviews financial matters that require Board action before they are presented to the full board.

The District's service area is approximately 48 square miles. This service area lies within the northern region of San Diego County and includes portions of incorporated areas such as Encinitas, Carlsbad, San Diego, Solana Beach, San Marcos and large portions of unincorporated areas such as 4S Ranch, Rancho Cielo, Rancho Santa Fe, Elfin Forest, and Santa Fe Valley. All of these communities are fairly affluent. The total estimated population served by the District is 86,000.

The District is at approximately 95% of its ultimate build-out of approximately 34,400 equivalent dwelling units. 69.7% of water that the District delivers is for domestic use, 29.3% for commercial and irrigation use (including construction and recycled water), and 1.0% for agricultural use. Residential customers represent the majority of District's customer base. The District's top 10 (ten) water customers are golf courses and homeowners' associations. The District relies on the San Diego County Water Authority (SDCWA) as a sole source of untreated water. The District owns a water treatment plant. Purchased untreated potable water is treated at the David C. McCollom Water Treatment Plant (DCMWTP). DCMWTP is a 34 million gallons

per day potable water treatment facility. The District then sells excess treatment services from its DCMWTP to Vallecitos Water District to optimize DCMWTP's capacity.

The District provides sewer collection and treatment services to a portion of the District's service area and sells recycled water to golf courses and other customers for irrigation. The District's 4S Ranch Water Reclamation Facility (WRF) collects and treats sewage from two specific areas of the District, Rancho Cielo and 4S Ranch. Sewage is processed in the 4S WRF through various treatment stages to produce California Title 22 tertiary treated recycled water that can be used for unrestricted irrigation purposes. The 4S WRF currently produces approximately 1 million gallons per day (mgd) of its maximum production of 2.0 mgd to meet recycled water demand in the southeast quadrant of the District's service area. In order to meet demand in the southeast, the District has recycled water purchase agreements with Rancho Santa Fe Community Services District and the City of San Diego.

The District serves recycled water in the northwest of its service area as well. The southeast and northwest recycled water systems are separate recycled water systems. To meet recycled water demand in the northwest, the District purchases recycled water from Vallecitos Water District and San Elijo Joint Powers Authority.

The District also operates the Elfin Forest Recreational Reserve. One of San Diego County's most precious natural resources, the Reserve offers approximately 11 miles of hiking, mountain biking, and equestrian trails, as well as picnic areas and scenic mountain viewing points. The 784-acre reserve was developed by OMWD in partnership with San Diego County Water Authority and US Department of the Interior – Bureau of Land Management, as an element of the Olivenhain Water Storage Project and the Authority's Emergency Storage Project.

During the fiscal year ended June 30, 2025, the District billed 16,619 acre-feet (AF) of potable water through 28,764 active potable water meters and 2,816 AF of recycled water through 330 active recycled meters. The District provided wastewater collection services to 7,340 sewer equivalent dwelling units (EDUs) in 4S Ranch, Rancho Cielo, Santa Luz, Avion, and Black Mountain Ranch areas.

The District is operated as an enterprise fund. As an enterprise fund, the District maintains a self-balancing set of accounts established to record the financial position and results that pertain to each activity to enhance internal control and to further the attainment of other management objectives. These groups of accounts, which are sub funds of the reporting entity, are identified in the District's books and records.

The District utilizes Microsoft Dynamic Great Plains (GP) for processing payroll, fund management, accounts payable, accounts receivable, inventory, fixed assets, and project accounting transactions. CIS Infinity is used for the District's Utility Billing and Customer Information System. The District is subject to Government Accounting Standards Board (GASB) 68 reporting requirements for its Miscellaneous Classic and PEPRA plans under the CalPERS retirement program. The District does not have postemployment benefits other than pension plans, and therefore was not subject to the GASB 74 & 75 reporting requirements. Aside from GASB 68, over the last several fiscal years, District Finance staff have implemented GASB 87 (leases), GASB 96 (Subscription-Based Information Technology Arrangements), and GASB 101 (Compensated Absences). The District is currently implementing GASB 103 (Financial Reporting Model Improvements) for fiscal year 2026. Annual GASB 68 adjustments are currently prepared by an actuarial consultant and reviewed by District staff.

The District has been successful in attaining federal grant funds to fund various projects. At least for fiscal year 2027 and potentially 2028, the District is expected to expend more than $750,000 in federal funds and would therefore be subject to single audit requirements. The District has undergone a Single Audit over the past three fiscal years (2025, 2024, 2023), which have resulted in no findings.

The Finance Team consists of eight members with strong tenure at the District, including a Finance Manager and an Accounting Supervisor, both licensed Certified Public Accountants. The team also includes a Project Accountant II who is currently completing the CPA licensing process, having already passed all four exams, a Financial Analyst, three Accountants, and a Warehouse Clerk responsible for managing District inventory.

This strong and highly qualified team has consistently achieved clean annual audits with no audit adjustments. All of the District's accounting and financial reporting is managed internally and the Annual Comprehensive Financial Report (ACFR) is prepared in-house without the need for external accounting assistance. The District submits its Annual Comprehensive Financial Report (ACFR) to the Government Finance Officers Association and has received the Certificate of Achievement for Excellence in Financial Reporting for 31 consecutive years.

The District begins its audit early in the year, and a typical audit timeline is as follows:

- June – Interim audit completed
- July/Aug – District staff closes the year
- Early September – District staff provide trial balance and Prepared by Client (PBC) list items to auditors
- Mid-September – Audit Fieldwork completed and draft audited financial statements are

provided by auditors

- September/October – District staff completes ACFR
- Early November – Audit results/ACFR are presented to the Finance Committee **(audit partner responsible for engagement expected to attend in-person)**
- Mid December – Audit results/ACFR are presented to the full Board of Directors **(audit partner responsible for engagement expected to attend in-person)**

The District's audited financial information and adopted budget documents are available online at https://www.olivenhain.com/about-us/administration/government-transparency/.

SCOPE OF THE AUDIT:

The audits are to be performed in accordance with Generally Accepted Auditing Standards (GAAS), Generally Accepted Accounting Principles (GAAP), Governmental Accounting Standards Board (GASB) guidelines, and all other applicable guidelines.

The auditors will evaluate the adequacy of the internal control system and, where weaknesses are noted, make appropriate recommendations for improvements. A management letter will be submitted by the auditing firm if material weaknesses are noted or if otherwise deemed appropriate.

The auditor will be required to make an immediate written report of all irregularities, fraud and illegal acts, of which they become aware, to the Board President and General Manager.

The audit will cover the general purpose financial statements, footnote disclosures to the audited financial statements, and schedules to support the audited financial statements. The auditing firm shall submit a draft of the Audited Financial Statements, Notes to the Financial Statements, and Required Supplementary Information (RSI), no later than September 30 of each year or shortly following the auditing firm's field work. The District shall provide a year-end adjusted trial balance no later than September 10 of each year. Prepared by Client (PBC) list items and other relevant records for audit testing will be made available after September 10 of each year, or date agreed on for audit fieldwork. Records for the interim audit of internal controls will be available on date agreed on for the interim audit fieldwork.

The auditing firm will complete a single audit (if applicable for the fiscal year) and issue a report on the single audit as required by the federal government, should the District be required to complete a single audit in a given fiscal year.

The auditing firm shall provide one copy of the Management Representation Letter, a copy of

the Communications with Those Charged with Governance Letter, a copy of the Other Comments Letter, and a copy of the Auditor Opinion Letter. The auditing firm shall provide copies of Microsoft Excel and Word files that contain the Audited Financial Statements, Notes to the Basic Financial Statements, the Required Supplementary Information (RSI), and any other supporting schedules for ACFR printing and reproduction. The partner in charge of the audit shall be available to attend at least one Finance Committee meeting and one Board meeting to review and present audit results and reports.

The audit firm will assist with the preparation of the District's ACFR in accordance with the requirements of Government Finance Officers Association (GFOA) and the Government Accounting Standards Board (GASB). The District submits its ACFR under the GFOA's "Certificate of Achievement of Excellence in Financial Reporting" award program. The transmittal letter, management's discussion and analysis, and statistical sections will be prepared by the District for review and comment by the audit firm prior to release of the District's ACFR.

A copy of the District's ACFR is available on District's website at

https://www.olivenhain.com/about-us/administration/government-transparency/.

The audit firm shall make available its working papers and respond to all reasonable inquiries of successor auditors and others to review working papers of the District, upon the District's written consent. The auditing firm will retain all working papers, at the firm's expense, for a minimum of five years, or longer, if required by generally accepted auditing standards.

The audit firm will be required to provide up to 20 hours of consultation annually at no charge, either verbal or written as requested, by answering questions regarding but not limited to payroll, taxes, internal controls, auditing, financial reporting, and accounting procedures and issues. The selected auditors shall also provide financial advice and counsel on significant matters occurring throughout the year.

The District values consistency and efficiency. It is requested that the same audit staff be assigned to the audit from the beginning to the end of the annual audit. Any new audit staff will be supervised during the time they are in the field conducting an audit.

PROPOSAL REQUIREMENTS:

An electronic copy of the proposal must be received **no later than Monday, October 19, 2026**, sent to:

Leo Mendez, Finance Manager (lmendez@olivenhain.com)
Jared Graffam, Accounting Supervisor (jgraffam@olivenhain.com)

The following information is required by the deadline for the firm to be

considered: A COPY OF THE PROPOSAL TO INCLUDE:

1. Transmittal letter

   A signed letter of transmittal briefly stating the proposer's understanding of the work to be done, the commitment to perform the work within the required time period, a statement of why the firm believes itself to be the best qualified to perform the engagement, and a statement that the proposal is a firm and irrevocable offer until April 30, 2027.

2. Detailed proposal

3. Bidding proposal

GENERAL REQUIREMENTS OF THE PROPOSAL:

The purpose of the proposal is to demonstrate the qualifications, competence, and capacity of the firms seeking to undertake an independent audit of a special district in order to meet the requirements described in this Request for Proposal. The proposal shall demonstrate the qualifications of the firm and of the particular staff to be assigned to this engagement. It should also specify an audit approach that will meet the Request for Proposal requirements.

INDEPENDENCE:

The firm should provide an affirmation statement that it is independent of the District as defined by generally accepted auditing standards. The firm should also list and describe its professional relationships involving the District for the past five years, together with a statement explaining why such relationships do not constitute a conflict of interest relative to performing the proposed audit.

LICENSE TO PRACTICE:

An affirmation statement should be included indicating that the firm and all assigned key professional staff are properly licensed to practice in California.

FIRM QUALIFICATIONS AND EXPERIENCE:

The proposal should state the size of the firm, the size of the firm's governmental audit staff, the location of the office from which the work on this engagement is to be performed, and the number and nature of professional staff to be employed in this engagement.

The firm is also required to submit information on the report of its most recent peer review, with a statement of whether the peer review included a review of specific government engagements. In addition, the firm will submit a statement whether they have been the object of any disciplinary action in the past three years.

PARTNER/SUPERVISORY/STAFF QUALIFICATIONS AND EXPERIENCE:

The firm should identify the principal supervisory and management staff, including engagement partners, managers, other supervisors and specialists who would be assigned to the engagement, and indicate whether each person is licensed to practice as a Certified Public Accountant in California. The firm should also supply information on the government auditing experience of each person, including information on relevant continued education and professional organizations relevant to the performance of this audit.

SIMILAR ENGAGEMENTS WITH OTHER GOVERNMENT ENTITIES:

For the firm's office that will be assigned responsibility for the audit, list the most significant engagements (maximum of five), including single audit experience and list of clients who received the GFOA award, performed for water districts, wastewater districts, and other special districts in the last five years that are similar to the engagement described in this Request for Proposal.

Indicate the scope of work, date, engagement partner, total hours, and the name and telephone number of the principal client contact.

SPECIFIC AUDIT APPROACH:

The proposal should set forth a work plan, including an explanation of the audit methodology to be followed, type and extent of statistical sampling, compliance tests,

substantive tests, and analytical tests to be performed, as well as a schedule (by date and hours) of the work to be performed to meet the requirements of this Request for Proposal.

IDENTIFICATION OF ANTICIPATED POTENTIAL AUDIT PROBLEMS:

The proposal should identify and describe any anticipated potential audit problems, the firm's approach to resolving these problems, and specific assistance that will be requested from the District.

BIDDING PROPOSAL:

The bidding proposal should contain all pricing information relative to performing the audit engagement as described in this Request for Proposal. A schedule of rates for partners, specialists, supervisors, and staff, multiplied by the number of hours anticipated by each, should be included. The bidding proposal shall contain all direct and indirect costs including out-of-pocket expenses to arrive at an all-inclusive maximum price.

The bidding proposal should separately list the cost of completing a single audit for each fiscal year. A single audit may be required during the agreement period.

If it should become necessary for the District to request the auditor to render additional service to either supplement the services requested in this Request for Proposal or to perform additional work, such additional work shall be performed only if set forth in an addendum to the contract between the District and the firm. Any such additional work agreed to between the District and the firm shall be performed at the same rates set forth in the schedule of fees and expenses included in the formal bidding proposal.

DISTRICT OBLIGATION:

PAYMENT TERM:

Progress payments will be made based on hours of work performed during the engagement in accordance with the firm's formal bidding proposal. Interim billings shall cover a period of not less than one calendar month.

SELECTION PROCESS:

Proposals submitted will be evaluated by the District's Finance Committee (Committee), comprised of the Treasurer, a Board member, and staff appointed by General Manager.

The District reserves the right to retain all proposals submitted and use any idea in a proposal regardless of whether that proposal is selected.

During the evaluation process, the Committee may, at its discretion, request any one or all firms to make oral presentations and personal introduction of the proposed managing accountant and/or senior partner of the audit. Such presentations will provide firms with an opportunity to answer any questions the Committee may have on a firm's proposal. Not all firms may be selected to make such oral presentations. Routine clarification may be obtained by telephone or e-mail.

The final selection will be made based on the Committee's recommendations. The Committee's recommended audit firm will be brought forward to the District's Board of Directors regular monthly meeting for consideration and approval by the full Board. Final selection by the Board will be based on the firm's qualifications, experience, audit approach, and bid. Please note that the lowest bid will not be the sole deciding factor in the final selection.

It is anticipated that a firm will be selected by February 15, 2027. Following notification of the firm selected, it is expected that a contract will be executed by approximately March 17, 2027.

Submission of a proposal constitutes acceptance by the firm of the conditions contained in this Request for Proposal unless clearly and specifically noted in the proposal submitted and confirmed in the contract between the District and the firm selected.

The District reserves the right to reject any and all proposals. The District also reserves the right to cancel the contract, due to unsatisfactory performance of audit services, between audit years with a 30-day written notice. The District may extend the contract an additional two years, at any time, upon agreeable terms with the successful bidder.

For additional information and inquiries, contact:

Leo Mendez
Finance Manager
Olivenhain Municipal Water District
1966 Olivenhain Road
Encinitas, California 92024
lmendez@olivenhain.com
Ph. 760.632.4652

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

_____

Authorized Representative/Date

Attachment: OMWD Standard Professional Service Agreement

ATTACHMENT

STANDARD PROFESSIONAL SERVICES AGREEMENT

FOR THE OLIVENHAIN MUNICIPAL WATER DISTRICT

This Agreement is entered into by and between the Olivenhain Municipal Water District, a Municipal Water District organized and operating pursuant to Water Code Sections 71000 *et seq.* (hereinafter the District) and CONSULTANT NAME, a California corporation organized and operating in the State of California (hereinafter "CONSULTANT").

R-E-C-I-T-A-L-S

1. The District is a public agency organized and operating pursuant to Water Code Sections 71000 *et seq*., which provides water, recycled water, and sewer service within certain areas of Northern San Diego County.

2. The District requires the services of an [TYPE OF COMPANY] to provide [SERVICES] with in the District boundaries.

3. CONSULTANT is an [TYPE OF COMPANY] licensed to do business in the State of California with [EXPERTISE]

4. The District desires to retain CONSULTANT to provide [SERVICES TO BE PROVIDED].

C-O-V-E-N-A-N-T-S

1. Services to Be Performed. CONSULTANT agrees to perform [SERVICES TO BE PERFOMED AND PROJECT NAME]. The services to be provided by CONSULTANT are more particularly described in the Scope and Cost Proposal attached hereto as Exhibit "A" and incorporated herein by reference. All work performed by CONSULTANT shall be subject to review and approval by the District. The District shall have no obligation to approve any work found defective by the District, in its sole discretion.

2. Correction of Defective Work. CONSULTANT agrees to correct all labor or materials found defective by the District at its sole cost and expense. All work found defective by the District shall be corrected in the time specified by the District by written notice to CONSULTANT.

3. Price for Work. CONSULTANT agrees to perform all work described in Exhibit "A" for a total price not to exceed $XX,XXX. No increase in this price shall be allowed without the express written consent of the District. The District shall have no obligation to grant this consent and may deny consent to any price increase, in its sole discretion.

4. Payment for Work. CONSULTANT shall bill the District monthly for all labor provided during the previous month. Progress payments will be made based on hours of work performed. All billings shall include a complete description of all work completed during the previous month, including hours and costs of each person performing the work and shall also include a detailed description of progress to date on each task of work described in Exhibit "A". All bills shall be subject to review and approval by the District. Invoices approved by the District will be paid on a monthly basis thirty (30) days after the invoice has been approved by the District. The District shall have no obligation to pay for any work not expressly approved by the District. The District's approval shall not be unreasonably withheld. CONSULTANT shall provide the District with any additional information requested by the District from time to time to support any item contained on an invoice no later than seven (7) days after a written request for this information from the District.

5. Extra Work. The District may request additional work or services from CONSULTANT from time to time, as the District shall determine, in its sole discretion. CONSULTANT shall not commence any extra work without a written change order expressly approved by the District, in writing. Work performed by CONSULTANT without an approved change order signed by the District will not be paid for by the District. In the event the District determines that additional work is justified, the parties shall agree on the additional work to be performed and the price to be paid for this additional work prior to commencement of any additional work by CONSULTANT. It is understood by the parties that CONSULTANT shall not be entitled to any payment for extra work unless the District determines that it desires extra work to be performed and a written change order has been executed by the parties.

Attached as Exhibit "B" is the Request for Additional Work Form required by the District for all requests for additional work or task transfers.

6. Standard of Care. In performing all work and services required by this Agreement, CONSULTANT agrees to use the highest degree of skill and expertise ordinarily exercised, under similar circumstances, by a [INSERT CONSULTANT TYPE] with expertise in [EXPERTISE] and the other services described in the Scope and Cost Proposal attached as Exhibit "A". As a material term of this Agreement, CONSULTANT warrants and represents that it has secured all licenses required by federal or California law to perform all work and services required by this Agreement. CONSULTANT agrees to perform all work required by this Agreement at all times in strict accordance with all applicable federal, state, and local laws and regulations which apply to the labor or materials being provided.

7. Work Performance Standards. CONSULTANT agrees to perform all work and services required by this Agreement in a manner which complies with all federal and state health and safety standards and in a manner which avoids damage or injury to any real or personal property of any person or entity, including any real or personal property of the District. CONSULTANT agrees to perform the work at all times in a manner which avoids the creation of any trespass or private or public nuisance during conduct of the work.

8. Liability for Work of Agents, Independent Contractors, and Subcontractors. CONSULTANT shall be solely liable and responsible for all labor and materials provided by any director, officer, agent, employee, subcontractor, supplier, or independent contractor hired or retained by CONSULTANT to perform any work or to provide any materials or supplies. The District shall have no liability whatsoever for any work or services performed or any materials or supplies provided by CONSULTANT or its directors, officers, agents, employees, subcontractors, suppliers, or independent contractors.

9. Time for Completion of Services. As a material term of this Agreement, CONSULTANT agrees to complete all work and services required by this agreement by no later than DATE. The breach of this paragraph shall constitute a material breach of this Agreement.

10. District Termination Right. The District shall have the express right to terminate this Agreement at any time without cause by giving seven (7) consecutive days advance written notice to CONSULTANT. This Agreement shall be automatically terminated without further action of any party upon expiration of the seven (7) day period. Promptly upon receipt of any termination notice from the District, CONSULTANT shall cease all further work and services, except as otherwise expressly directed by the District in the written termination notice. In the event the District exercises its termination right, CONSULTANT shall be paid only for work and services performed and approved by the District to the date this Agreement terminates. The District shall have the express right to withhold any payment otherwise due CONSULTANT to correct any labor or materials determined to be defective by the District at the time of termination. All plans, maps, drawings, reports, designs, or other writings of any type or nature prepared by CONSULTANT as a result of this Agreement shall become and remain the sole property of the District. All such writings shall be provided to the District not later than seven (7) consecutive days after termination of this Agreement for any reason. All labor, supplies, work and materials provided by CONSULTANT in conjunction with this Agreement shall become and remain the sole property of the District.

11. Independent Contractor. As a material term of this Agreement, it is expressly agreed between the parties that CONSULTANT is performing all work and services for the District pursuant to this Agreement as an independent contractor and not as an agent or employee of the District. The parties further agree and acknowledge that the District expects CONSULTANT to make its own independent determination of the means and methods to perform all work required by this Agreement, and will not be directed as to any of these means or methods by the District.

12. Conflicts of Interest Prohibited. As a material term of this Agreement, CONSULTANT shall not in any way attempt to use its position to influence any decision of the District in which it knows, or has reason to know, its has a financial interest other than the compensation provided in this agreement. As a material term of this Agreement, CONSULTANT warrants and represents that it does not, to the best of its knowledge, have any economic interests which would conflict with any of its duties under this Agreement. CONSULTANT agrees not to secure any economic interest during the performance of this Agreement which conflicts with its duties to the District under this Agreement.

13. Breach. The breach of any term or provision of this Agreement by CONSULTANT shall constitute a material breach of this Agreement.

14. District Remedies for Breach. In the event CONSULTANT breaches any term, covenant, or condition of this Agreement or fails to perform any work or services required by this Agreement, the District shall be entitled to elect all or any of the following remedies at its sole option:

14.1 Unilateral Termination. Unilaterally terminate this Agreement by written notice to CONSULTANT. Upon election of this remedy by the District, Paragraph 10 governing District Termination Right shall apply; or

14.2 Specific Enforcement. Enforce any provision of this Agreement by specific performance. If this remedy is elected by the District, CONSULTANT agrees that specific performance is appropriate and reasonable given the unique and special services being performed by CONSULTANT and expressly waives the right to contest the right of the District to seek specific performance in any subsequent action or proceeding between the parties; or

14.3 File suit against CONSULTANT for damages arising from breach of this Agreement. In the event the District elects this remedy, it shall be entitled to recover all damages authorized by law; and/or

14.4 The District shall be entitled to withhold such amounts as the District determines are appropriate, in its sole discretion, to complete the work or services required by this Agreement, or to correct any labor or materials resulting from CONSULTANT's negligence.

In the event the District is required to pay any sum or amount to complete any labor or materials services required by this Agreement, or to correct any labor or materials resulting from CONSULTANT's negligence, amounts paid by the District shall earn interest at the rate of one percent (1%) per month from the date of payment until the District is repaid in full.

15. Insurance. At all times during the term of this Agreement, CONSULTANT must maintain a commercial liability insurance policy, workers' compensation insurance, and professional liability insurance in strict accordance with all terms of this paragraph. The insurance required by this paragraph shall be provided as follows:

15.1 Liability Insurance. Following execution of this Agreement, and prior to commencement of any work, CONSULTANT shall provide the District with proof of liability insurance coverage with an insurance company licensed to do business in the State of California and acceptable to the District, providing $1,000,000 of coverage per occurrence and $2,000,000 minimum aggregate. The liability insurance coverage shall include each of the following types of insurance:

A. General Liability:

1. Comprehensive Form
2. Premises-Operations
3. Explosion and Collapse Hazard
4. Underground Hazard
5. Projects/Completed Operations Hazard
6. Contractual Insurance
7. Broad form Property Damage, Including Completed Operations
8. Independent Contractors
9. Personal Liability

B. Auto Liability:

1. Comprehensive Form
2. Owned
3. Hired

The policy shall include contractual coverage sufficiently broad to insure the matters set forth in the section entitled "Indemnity" in this Agreement. The deductible amount shall not exceed $5,000.00. Also included in such insurance shall be a "cross-liability" or "severability of interest" clause.

15.2 Workers' Compensation Insurance. Following execution of this Agreement and prior to commencement of any work, CONSULTANT shall submit proof of insurance showing they have obtained, for the period of the agreement, full workers' compensation insurance coverage for no less than the statutory limits covering all persons whom CONSULTANT employs or may employ in carrying out the work under this agreement.

15.3 Professional Liability Insurance. Following execution of this Agreement, and prior to commencement of any work, CONSULTANT shall provide the District with proof of professional liability insurance with an insurance provider licensed to do business in the State of California, providing $1,000,000 of coverage per occurrence and $2,000,000 minimum aggregate. This insurance shall have a deductible not to exceed $5,000.

15.4 ACORD Certificate of Liability Insurance and Additional Insured Endorsements. All insurance required by Paragraph 15.1, 15.2, and 15.3 of this agreement shall be submitted on an ACORD Certificate of Liability Insurance. Insurers must be authorized to do business and have an agent for service of process in the State of California and have an 'A' financial strength rating and a financial size rating of at least Class VI in accordance with the most current A.M. Best's Rating Guide. Additional Insured Endorsements must be provided for the Liability Insurance called out in Paragraph 15.1 with the **Olivenhain Municipal Water District (District), the District's Engineer/Architect, the District's Representatives, Consultants, and each of the District's Directors, Officers, Agents, and Employees** named as additional insurers. The insurance must include a Waiver of Subrogation and must be Primary and non-Contributory. The additional insured endorsements must be provided on Form CG 20 10 10 01. The insurance certificate and endorsements shall be cancelable with notice delivered to the District in accordance with the policy provisions.

16. Job Site Safety. CONSULTANT shall be solely liable and responsible for complying with all federal, state and local laws, rules and regulations pertaining to job safety for all agents, employees, subcontractors, suppliers, and independent contractors retained by CONSULTANT to perform any work or services or to provide any materials required by this Agreement.

17. Indemnity. As a material term of this Agreement, CONSULTANT agrees to hold harmless, indemnify, and defend the District and its directors, officers, employees, agents, and representatives from and against any and all demands, liability, claims, suits, actions, damages, costs, fees, expenses, fines, and penalties, of whatever type or nature, including, but not limited to, reasonable attorney fees, to the extent arising out of, pertaining to, or relating to the willful misconduct, recklessness, or negligence of CONSULTANT, including its directors, officers, employees, agents, subcontractors, sub-consultants, suppliers, independent contractors, or other persons and entities employed or utilized by

CONSULTANT in the performance of this Agreement. In the event that any administrative proceeding, litigation or arbitration is instituted naming the District or any other indemnified parties as a defendant, the District and such other indemnified parties shall be entitled to appoint their own independent counsel to represent them, and CONSULTANT agrees to pay all reasonable attorneys fees, expert fees and costs, and litigation costs associated with this defense within thirty (30) days of any billing; provided however, that the CONSULTANT's obligation shall be limited as provided by Civil Code Section 2782.8 to the extent that the CONSULTANT establishes its proportionate percentage of fault by stipulation of all the parties to the proceeding or a final adjudicatory determination.

18. Miscellaneous Provisions.

18.1 California Law Governs. This Agreement shall by governed by California law.

18.2 Jurisdiction and Venue. In the event of any legal or equitable proceeding to enforce or interpret the terms and conditions of this Agreement, the parties agree that jurisdiction and venue shall lie only in the federal or state courts in or nearest to the North County Judicial District, County of San Diego, State of California.

18.3 Modification. This Agreement may not be altered in whole or in part except by a written modification approved by the Board of Directors of the District and executed by all the parties to this Agreement.

18.4 Attorneys' Fees. In the event any arbitration, action or proceeding is initiated to challenge, invalidate, enforce or interpret any of the terms of this Agreement, the prevailing party shall be entitled to all attorneys' fees, all expert fees and costs, and all litigation fees, costs, and expenses in addition to any other relief granted by law. This provision shall apply to the entire Agreement.

18.5 Entire Agreement. This Agreement, together with all exhibits attached hereto, contains all representations and the entire understanding between the parties with respect to the subject matter of this Agreement. Any prior correspondence, memoranda, or agreements, whether or not such correspondence, memoranda or agreements are in conflict with this Agreement, are intended to be replaced in total by this Agreement and its exhibits. CONSULTANT warrants and represents that no District

representative has made any oral representations or oral agreements not contained in this Agreement. CONSULTANT further warrants and represents that CONSULTANT has not relied upon any oral statements or promises made by any District representative or agent in executing this Agreement. The parties mutually declare that this Agreement and its exhibits constitute a final, complete and integrated agreement between the parties.

18.6 Prohibition on Assignment. CONSULTANT shall not be entitled to assign or transfer all or any portion of its rights or obligations in this Agreement without obtaining the express prior written consent of the District. The District shall have no obligation to give its consent to any assignment and may deny any requested assignment, in its sole discretion.

18.7 Binding Effect. This Agreement shall inure to the benefit of and be binding upon the parties and on their respective purchasers, successors, heirs and assigns.

18.8 Unenforceable Provisions. The terms, conditions, and covenants of this Agreement shall be construed whenever possible as consistent with all applicable laws and regulations. To the extent that any provision of this Agreement, as so interpreted, is held to violate any applicable law or regulation, the remaining provisions shall nevertheless be carried into full force and effect and remain enforceable.

18.9 Representation of Capacity to Contract. Each party to this Agreement represents and warrants that he or she has the authority to execute this Agreement on behalf of the entity represented by that individual. This representation is a material term of this Agreement.

18.10 Opportunity to be Represented by Independent Counsel. Each of the parties to this Agreement warrants and represents that it has been advised to consult independent counsel of its own choosing and has had a reasonable opportunity to do so prior to executing this Agreement.

18.11 No Waiver. The failure of either party to enforce any term, covenant or condition of this Agreement on the date it is to be performed shall not be construed as a waiver of that party's right to enforce this, or any other, term, covenant, or condition of this Agreement at any later date or as a waiver of any term, covenant, or condition of this Agreement. No waiver shall occur unless the waiver is expressly stated in writing and signed by the person for the party having the authority to expressly waive the benefit

or provision, in writing. No oral waivers shall be effective against either party.

18.12 No Joint Venture and No Third Party Beneficiaries. Nothing in this Agreement is intended to create a joint venture, partnership or common enterprise relationship of any kind between the District and CONSULTANT. No third parties shall be construed as beneficiaries of any term, covenant or provision of this Agreement.

18.13 Time of Essence. The parties agree that time is of the essence as to all matters specified in this Agreement. The parties mutually declare that this is a material term of this Agreement.

18.14 Notices. All letters, statements, or notices required pursuant to this Agreement shall be deemed effective upon receipt when personally served, transmitted by facsimile machine, or sent certified mail, return receipt requested, to the following addresses or facsimile numbers:

To: "CONSULTANT"
FULL NAME
Attn:
ADDRESS
CITY, STATE, ZIP
Fax No. :(XXX) XXX-XXXX

To: "District"

Olivenhain Municipal Water District
Attn: General Manager
1966 Olivenhain Road
Encinitas, California 92024

18.15 Effective Date. The effective date of this Agreement executed in counterparts in Olivenhain, California, within the North County Judicial District, County of San Diego, State of California, is _____, 20XX.

Dated: _____, 20XX

Olivenhain Municipal Water District,
a public agency

By:_____
Kimberly A. Thorner
General Manager

Dated: _____, 20XX

CONSULTANT

By:_____

Title:_____

Attachment 2

Audit Proposals Summary

OMWD RFP for Professional Auditing Services

For Fiscal Years 2027, 2028, & 2029; option to extend to 2030 & 2031

Item	The Pun Group	LSL, LLP	Nigro & Nigro, PC	CliftonLarsonAllen LLP	Harshwal & Company LLP	DavisFarr	Rogers Anderson Malody & Scott, LLP	Vasquez & Company LLP	Badawi and Associates
Proposed Fees	FY 26-27: $ 40,000.00 FY 27-28: $ 42,000.00 FY 28-29: $ 44,100.00 FY 29-30: $ 46,305.00 FY 30-31: $ 48,620.00 Total 5-year fee: $ 221,025.00	FY 26-27: $ 35,150.00 FY 27-28: $ 35,150.00 FY 28-29: $ 36,910.00 FY 29-30: $ 36,910.00 FY 30-31: $ 38,760.00 Total 5-year fee: $ 182,880.00	FY 26-27: $ 30,000.00 FY 27-28: $ 30,000.00 FY 28-29: $ 30,000.00 FY 29-30: $ 30,000.00 FY 30-31: $ 30,000.00 Total 5-year fee: $ 150,000.00	FY 26-27: $ 36,500.00 FY 27-28: $ 37,595.00 FY 28-29: $ 38,725.00 FY 29-30: $ 39,880.00 FY 30-31: $ 41,080.00 Total 5-year fee: $ 193,780.00	FY 26-27: $ 28,450.00 FY 27-28: $ 29,875.00 FY 28-29: $ 31,365.00 FY 29-30: $ 32,935.00 FY 30-31: $ 34,580.00 Total 5-year fee: $ 157,205.00	FY 26-27: $ 31,500.00 FY 27-28: $ 33,200.00 FY 28-29: $ 34,860.00 FY 29-30: Not provided FY 30-31: Not provided Total 3-year fee: $ 99,560.00	FY 26-27: $ 33,950.00 FY 27-28: $ 38,950.00 FY 28-29: $ 35,075.00 FY 29-30: $ 36,125.00 FY 30-31: $ 37,350.00 Total 5-year fee: $ 181,450.00	FY 26-27: $ 45,150.00 FY 27-28: $ 46,515.00 FY 28-29: $ 47,880.00 FY 29-30: $ 49,350.00 FY 30-31: $ 50,820.00 Total 5-year fee: $ 239,715.00	FY 26-27: $ 31,815.00 FY 27-28: $ 32,769.00 FY 28-29: $ 33,752.00 FY 29-30: $ 34,765.00 FY 30-31: $ 35,808.00 Total 5-year fee: $ 168,909.00
Proposed Fees (Single Audit)	FY 26-27: $ 7,500.00 FY 27-28: $ 7,875.00 FY 28-29: $ 8,269.00 FY 29-30: $ 8,682.00 FY 30-31: $ 9,116.00 Total with Single Audit: $ 262,467.00	FY 26-27: $ 6,170.00 FY 27-28: $ 6,170.00 FY 28-29: $ 6,480.00 FY 29-30: $ 6,480.00 FY 30-31: $ 6,800.00 Total 5-year fee: $ 214,980.00	FY 26-27: $ 5,000.00 FY 27-28: $ 5,000.00 FY 28-29: $ 5,000.00 FY 29-30: $ 5,000.00 FY 30-31: $ 5,000.00 Total 5-year fee: $ 175,000.00	FY 26-27: $ 6,820.00 FY 27-28: $ 7,025.00 FY 28-29: $ 7,235.00 FY 29-30: $ 7,455.00 FY 30-31: $ 7,680.00 Total 5-year fee: $ 229,995.00	FY 26-27: $ 4,500.00 FY 27-28: $ 4,725.00 FY 28-29: $ 4,960.00 FY 29-30: $ 5,210.00 FY 30-31: $ 5,470.00 Total 5-year fee: $ 182,070.00	FY 26-27: $ 4,500.00 FY 27-28: $ 4,725.00 FY 28-29: $ 4,960.00 FY 29-30: Not provided FY 30-31: Not provided Total 3-year fee: $ 113,745.00	FY 26-27: $ 6,435.00 FY 27-28: $ 6,435.00 FY 28-29: $ 6,650.00 FY 29-30: $ 6,850.00 FY 30-31: $ 7,070.00 Total 5-year fee: $ 214,890.00	FY 26-27: $ 5,500.00 FY 27-28: $ 5,500.00 FY 28-29: $ 5,500.00 FY 29-30: $ 5,500.00 FY 30-31: $ 5,500.00 Total 5-year fee: $ 267,215.00	FY 26-27: $ 5,075.00 FY 27-28: $ 5,227.00 FY 28-29: $ 5,384.00 FY 29-30: $ 5,546.00 FY 30-31: $ 5,712.00 Total 5-year fee: $ 195,853.00
Firm Size	5 partners. Total personnel of 60.	15 partners. Total personnel of 180+.	9 partners. Total personnel of 43.	9300 employees	6 partners. Total personnel of 26. (states they have an extended team of 80+ accountants in India)	7 partners. Total personnel of 51.	6 partners. Total personnel of 57.	16 "Partners and Directors". Total personnel of 188.	28 employees
Location	HQ in Orange County, CA. Branches in San Diego, Walnut Creek, Sacramento, Las Vegas, and Phoenix	Irvine, Sacramento, Phoenix, The Woodlands (TX)	Murrieta and Walnut Creek	120 locations, office in Carlsbad	HQ in San Diego, Albuquerque and Oakland	Carlsbad (HQ), Irvine and Tacoma	San Bernardino	Glendale (HQ), Fresno, Irvine, Las Vegas, San Diego, Sacramento, Phoenix, Manila	Emeryville
Audit Team	2 Partners (CPA), 1 Manager (CPA), "Seniors and Professional Staff"	2 Partners (CPA), 1 Manager (CPA), 1 Audit Supervisor (CPA), 1 "audit in charge"	2 Partners (CPA), 2 Managers (CPA), 1 Audit Supervisor, 1 Audit Senior, 3 Audit Staff	2 "Principals" (CPA), 1 Manager (CPA), 1 Audit Senior, "Additional Staff"	1 Managing Partner (CPA), 2 Partners (CA and CPA), 2 Senior Managers (CPA)	1 Partner (CPA), 1 Manager (CPA), 1 Audit Supervisor, 1 QC Reviewer (CPA),1 IT Specialist (CPA,CISA), 1 staff	3 Partners (CPA), 1 Manager (CPA), 1 Audit Senior, 1 Consultant (retired partner/CPA), "Staff level accountants"	1 Director (CPA), 1 Partner (CPA), 2 Managers (CPA), 2 Supervisors	1 Partner (CPA), 1 Manager (CPA), 1 Audit Reviewer (CPA), 1 Audit Senior (CPA), IT Specialist (CPA), "Professional Audit Staff"
Segmentation of Proposed Audit Hours	Partner: 23 Manager: 46 Supervisor / Senior: 62 Staff: 106 Clerical: 3 Total: 240	Partner: 17 Manager: 36 upervisor / Senior: 70 Staff: 130 Clerical: 12 Total: 265	Partner: Manager: 50 upervisor / Senior: 60 Staff: 100 Clerical: Total: 210	Partner: 10 Manager: 28 upervisor / Senior: 90 Staff: 112 Clerical: 10 Total: 250	Partner: 29 Manager: 58 upervisor / Senior: 91 Staff: 121 Clerical: 7 Total: 306	Partner: 20 Manager: 30 Supervisor / Senior: 95 Staff: 85 Clerical: Total: 230	Partner: 15 Manager: 25 Supervisor / Senior: 50 Staff: 120 Clerical: Total: 210	Partner: 8 Director: 32 Manager: 64 Supervisor: 101 Senior 219 Total: 424 w/ single audit: 484	Partner: 23 Manager: 34 upervisor / Senior: 53 Staff: 97 Clerical: 19 Total: 226
Total Recent Water District Clients	10	11	18	5	7	16	12	30	3
Recent Local Water/Wastewater District Clients & Last fiscal year Audited by CPA firm	Helix Water District FY 26 Padre Dam MWD FY 26 Sweetwater Authority FY 26 Vallecitos Water District FY 26	Rainbow MWD FY 26	Yuima MWD FY 26 SEJPA FY 26 VID FY 26 Lakeside Water FY 26	Fallbrook PUD FY 25		VID FY 25 Valley Center MWD FY 26 Santa Fe Irrigation FY 25 Ramona MWD FY 26 Otay FY 25 SDCWA FY 26 Rincon Del Diablo FY 26	Leucadia WW District FY 25	Encina Wastewater Authority FY 21	
Non-Local Current Water and Wastewater District Clients	Carmel Area Wastewater District Monterey Peninsula Water Mgmt Dist. OMWD West Valley Water District Salinas Valley Basin Groundwater Sustainability Agen CAWD/PBSCD Wastewater Recl.	Coachella Valley Water District Mesa Water District San Bernardino MWD Three Valleys MWD Yorba Linda Water District Eastern Municipal Water District El Toro Water District Orchard Dale Water District United Water Conservation District Citrus Heights Water District	Mammoth Community Water District Palmdale Water District Littlerock Creek Irrigation District San Gorgonio Pass Water Agency Hi-Desert Water District Scotts Valley Water District Trabuco Canyon Water District Calleguas MWD Montecito Water District Rowland Water District	Glendale Water and Power Western MWD Casitas MWD South Coast Water District	Central Basin MWD Port Hueneme Water Agency San Dieguito River Park JPA Valley of the Moon Water District Fox Canyon Groundwater Mgmt Agency Hoopa Valley PUD Ojai Basin Groundwater Mgmt Agency	Borrego Srpings Water District Cucamonga Valley Water District Irvine Ranch Water District Laguna Beach County Water District MWD of Orange County Orange County Water District Otay Water District Placer County Water Agency Rancho California Water District San Juan Water District Santa Margarita Water District Soquel Creek Water District	Elsinore MWD Las Virgenes MWD Beaumont-Cherry Valley Water District Valley Water Company East Valley Water District Crestline Village Water District Mojave Water Agency San Luis Rey MWD Amador Water Agency Mission Springs Water District San Bernardino Valley MWD	Arizona Water Company California American Water City of El Monte Sewer Fund City of Hawthorne Sewer and Storm Drain Fund City of Montebello Water Utility Fund City of Simi Valley Sanitation Fund City of Norwalk Sewer and Water Fund Big Bear MWD Central Basin MWD Desert Water Agency FY 26 Fox Canyon Groundwater Mgmt Agency Hidden Valley MWD Imperial Irrigation District Long Beach Water Department Los Angeles Department of Water and Power Metropolitan Water District of Southern California Additional water Districts listed in proposal	El Dorado Irrigation District Elk Grove Water District Victorville Valley Water District

THE PUN GROUP
ACCOUNTANTS & ADVISORS

OLIVENHAIN
Municipal Water District
A Public Agency

October 19, 2026

Proposal for Professional Auditing Services

CONTACT

Sophia Kuo, CPA, MAcc, MBA
Partner

EMAIL
sophia.kuo@pungroup.cpa

ADDRESS

4660 La Jolla Village Drive
Suite 100
San Diego, CA 92122

www.pungroup.cpa



In Memoriam
Kenneth H. Pun, CPA, CGMA
Founder

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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Appendix A – Firm Warrants i

Appendix B – Available Training ii

Appendix C – Certificate of Insurance iii

For the 5th consecutive year, The Pun Group has been honored with the "Best of Accounting" Award.





The Pun Group LLP is proud to have won 2025's Best of Accounting® award from ClearlyRated for consistently delivering exceptional service to its clients for the fifth consecutive year.

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 2025 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 2025 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.

For the 4th consecutive year, INSIDE Public Accounting has recognized The Pun Group as one of the Top 500 Firms and one of the fastest-growing firms.

"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 an auditor."

Clint O.
State and Local Government Client

"The Pun Group team is knowledgeable in their field. They communicate clearly with timelines and required items for the audit."

Graciela S.
State and Local Government Client

"An excellent partner and amazing service."

Jim T.
Private Sector Client



THE PUN GROUP
ACCOUNTANTS & ADVISORS

4660 La Jolla Village Drive, Suite 100
San Diego, California 92122

www.pungroup.cpa

October 19, 2026

Olivenhain Municipal Water District
Leo Mendez, Finance Manager
1966 Olivenhain Road
Encinitas, California 92024

Re: RFP for Professional Auditing Services

Dear Mr. Mendez:

Thank you for the opportunity to submit our proposal to continue providing Professional Auditing Services to the Olivenhain Municipal Water District (the "District"). The engagement covers a three year period for years ending June 30, 2027, 2028, and 2029 with an option to extend the contract for two (2) additional fiscal years ending June 30, 2030 and 2031.

As the District's current auditor, The Pun Group LLP (the "Firm") understands the District's operations, financial systems, and reporting requirements. We understand the work to be performed. We commit to completing all required work within the District's timeline, including delivering draft audited financial statements by September 30 each year.

The Pun Group continues to be the right choice for the Olivenhain Municipal Water District because:

We Understand the Demographics and Your Needs. The Pun Group is well regarded for its governmental practice, particularly among water and wastewater agencies. In addition to the District, the Firm serves as principal auditor for special districts across California, including Helix Water District, Padre Dam Municipal Water District, Sweetwater Authority, Vallecitos Water District, West Valley Water District, and Carmel Area Wastewater District. As a result, the proposed engagement team has a deep understanding of the issues water agencies face, including rate-setting and revenue requirements, reliance on imported and purchased water, recycled water and wastewater operations, capital-intensive infrastructure programs, federal grant compliance, and constantly changing laws, regulations, and accounting standards.

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.

Knowledge is Shared with You. As part of our pledge to keep you updated on new technical accounting and financial issues, we implemented our 2026 *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 an equal opportunity employer and complies with all federal and state employment requirements. The Firm values an inclusive workplace and is committed to providing growth and development opportunities for all of its professionals.

This proposal is a firm and irrevocable offer until April 30, 2027.

We value the relationship we have built with the District and are committed to earning your continued trust. We are confident that the experienced team we have assembled, many of whom already know the District's operations and staff, is the right team to continue serving the District.

I look forward to continuing our partnership. As the Engagement Partner, I will be your primary contact for contract negotiations and am authorized to legally bind the Firm. If you have any questions or would like to discuss this proposal, please contact me at (949) 777-8809 or sophia.kuo@pungroup.cpa.

Sincerely,

Sophia Kuo

Sophia Kuo, CPA, MAcc, MBA | Partner | The Pun Group LLP
4660 La Jolla Village Drive, Suite 100, San Diego, CA 92122

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 Firm certifies that it is independent of the Olivenhain Municipal Water District as defined by the AICPA and by Government Auditing Standards issued by the U.S. Government Accountability Office (GAO).

The Firm has served as the District's independent auditor providing annual financial statement audit and Single Audit services. This relationship does not constitute a conflict of interest. All services have been attest engagements performed under professional standards, and the Firm has not performed management functions or made management decisions for the District. The Firm annually evaluates its independence, including familiarity threats arising from its long-term relationship with the District, and applies safeguards such as engagement quality review and rotation of staff when appropriate.

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

Insurance

As the District's current auditor, the Firm maintains all insurance coverage required under its existing agreement with the Olivenhain Municipal Water District. If selected, the Firm will continue to maintain the minimum insurance required by the District for the full term of the new agreement. Within seven (7) days of notification of selection, the Firm will provide updated certificates of insurance and required endorsements naming the District as an additional insured. Each carrier will give the District at least 30 days' written notice before any policy is cancelled.

A copy of our current certificate of insurance is presented in the *Appendices* section of this proposal.

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

Firm Qualifications and Experience

Established in 2012, The Pun Group, LLP stands as a limited liability partnership comprising a team of sixty dedicated professionals who specialize in providing auditing, accounting, and advisory services. Our firm, which includes Certified Public Accountants and Business Advisors, has garnered recognition as one of the foremost accounting entities in Orange County, as acknowledged by the Orange County Business Journal. Additionally, we proudly secure a place among the CalCPA Top 150 firms.

Our distinction within the industry lies in the fusion of hands-on experience and pragmatic knowledge demonstrated by our audit professionals. This combination sets our firm apart. We possess a profound grasp of prevailing regulations and issues bolstered by our technical acumen. Furthermore, our commitment to diligence, integrity, and collaborative teamwork is evident in every engagement we undertake, thus contributing to our clients' success.

The Partners' Group is a distinguished assembly comprising notable professionals such as Frances Kuo, Coley Delaney, Andrew Roth, John Georger Jr., and Sophia Kuo. We specialize in providing auditing, accounting, and advisory services to numerous governmental entities across the United States. With a collective experience of over two centuries, we have established ourselves as a trusted business ally and have gained recognition as industry leaders in a rapidly expanding market. Our dedication to the field is evident through our work with nearly 100 government and not-for-profit audit clients, demonstrating our unwavering passion and unparalleled municipal experience.

Moreover, our practices adhere to professional standards embraced nationwide within the United States of America, including the rigorous criteria outlined in the *Government Auditing Standards* issued by the Comptroller General of the United States.

The Firm's headquarters is 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.

OUR FIRM AT A GLANCE

60 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

Members of AICPA

AICPA GAQC Member

CalCPA MEMBER

AICPA EBPAQC Member

CSMFO California Society of Municipal Finance Officers
Dedicated to Excellence in Municipal Financial Management

AICPA PCPS Member

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.

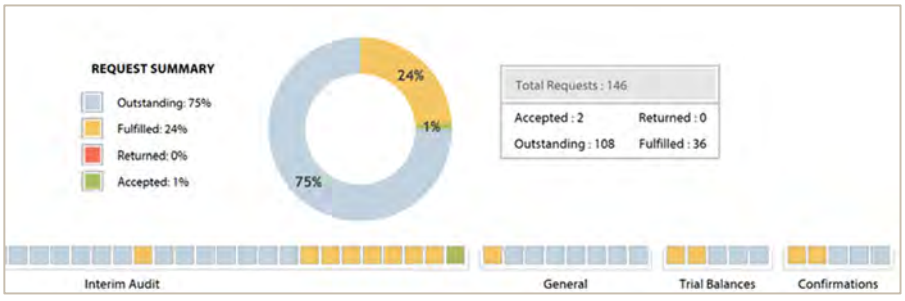
Local Office's Information Technology (IT) Audit Capabilities

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

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 below.

GYL

Report on the Firm's System of Quality Control

To the Partners of
THE PUN GROUP, 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 The Pun Group, LLP (the firm) in effect for the year ended December 31, 2023. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a system review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported on in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing and complying with a system of quality control to provide the firm with reasonable assurance of performing and reporting in conformity with the requirements of applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported on in conformity with the requirements of applicable professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of and compliance with the firm's system of quality control based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act and audits of employee benefit plans.

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

CPAmerica
Member Crowe Global

Peer Review Report
Page 2 of 2

In our opinion, the system of quality control for the accounting and auditing practice of The Pun Group, LLP in effect for the year ended December 31, 2023, 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*. The Pun Group, LLP has received a peer review rating of *pass*.

GYL LLP

Ontario, California
December 30, 2024

GYL

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.

Partner, Supervisory, and Staff Qualifications and Experience

About Your Engagement Team

The personnel assigned to this engagement are fully qualified to perform an effective audit of the District. Our professionals hold CPA credentials and bring deep expertise in governmental accounting and financial reporting, including GASB pronouncements, the Single Audit Act, and Uniform Guidance. As full-time government auditors, we understand the complex web of local, state, and federal relationships in which public entities operate — and how resource management is central to their success. The Pun Group distinguishes itself not only through technical competence but through lasting client relationships, hands-on partner involvement, and low personnel turnover, all of which directly benefit the District.



Sophia Kuo, CPA, MAcc, MBA | Engagement/Lead Partner
Sophia is an Assurance Services Partner with extensive experience auditing cities, counties, water and wastewater districts, and other special districts. She holds the AICPA's Advanced Single Audit Certificate. As Engagement Partner, she will hold overall responsibility for the District's audit. That includes developing the audit plan, overseeing the engagement team, reviewing fieldwork and key judgments, approving all reports, and serving as the District's primary partner contact. Sophia will attend the Finance Committee and Board of Directors meetings in person to present the audit results each year. She is a licensed CPA in California and holds a Master of Accountancy and an MBA.



Coley Delaney, CPA | Technical/Concurring Partner
Coley is a Partner in the Firm's Assurance division with more than twenty years of experience performing audits and attestation services for California governmental entities, including cities, counties, special districts, transportation agencies, and public financing authorities. As Technical/Concurring Partner, Coley will perform an independent review of high-risk areas, significant accounting and auditing judgments, and the District's audit reports before issuance. He will also consult with the engagement team on complex accounting and reporting matters. He is a licensed CPA in California.



Marina Youssef, CPA, MBA | Engagement/Project Manager
Marina is an Assurance Services Manager with experience auditing special districts and other governmental entities. As Engagement Manager, she will be the District Finance team's day-to-day point of contact. She will coordinate interim and year-end fieldwork, manage PBC requests, supervise staff, and provide regular progress updates to District management and engagement leadership. She will also oversee preparation of the draft financial statements by the District's deadline. She is a licensed CPA in California and holds an MBA in Accounting.

Seniors and Professional Staff

Every member of the engagement team is qualified to perform financial and compliance audits under Government Auditing Standards and the Uniform Guidance. Because the District values consistency, the Firm will assign the same audit staff from the start to the end of each annual audit and keep the core team in place year over year. Any new staff will be supervised directly by the Engagement Manager during fieldwork.

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, and Single Audit.



In 2025, 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.

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. Resumes for key engagement team members are presented as follows:



Sophia Kuo

CPA, MAcc, MBA

Engagement/
Lead Partner

EMAIL
sophia.kuo@pungroup.cpa

WEBSITE
www.pungroup.cpa

Expertise:

- CITIES
- COUNTIES
- TRANSPORTATION AGENCIES
- ENTERPRISE OPERATIONS
- HIGHER EDUCATION
- NOT-FOR-PROFIT

Licensed to Practice in:
California
Hawaii

EXPERIENCE

Sophia Kuo is a Partner within The Pun Group, LLP's Assurance division and brings extensive accounting and auditing experience across governmental, not-for-profit, and private for-profit entities . Throughout her career, Sophia has developed deep technical expertise in governmental accounting and reporting, including audits performed in accordance with GASB standards, evaluation and documentation of internal controls under the COSO framework, Single Audits under Uniform Guidance, corporate financial reporting, data analysis, taxation, and employee benefit plan audits. She currently serves as the lead engagement partner for the firm's employee benefit plan audit practice, providing oversight and technical leadership to ensure compliance with ERISA, DOL, and applicable accounting standards.

Ms. Kuo has led and performed audits and attestation engagements for a wide range of governmental agencies throughout California. Her portfolio includes cities, counties, redevelopment agencies, public financing authorities, housing authorities, transportation agencies, and special districts. She has significant experience assisting clients with the preparation and issuance of Annual Comprehensive Financial Reports (ACFRs) in compliance with GASB Statement No. 34 and related pronouncements. Sophia is known for her ability to manage complex engagements, communicate technical matters clearly to management and governing boards, and deliver high-quality audit services while fostering strong, collaborative client relationships.

In addition to her client service responsibilities, Ms. Kuo plays a key role in developing the firm's talent. She provides in-house technical training and mentorship to audit staff, with a strong focus on professional development, knowledge sharing, and leadership growth. Ms. Kuo is committed to fostering an environment that supports continuous learning and helps team members build the skills and experience necessary to advance their careers within the profession.

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 (MBA)

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
- Helix Water District
- City of Desert Hot Springs
- City of Monterey
- City of Perris
- City of Stockton
- City of Coachella
- City of Cupertino
- Olivenhain Municipal Water District
- City of Pleasanton
- City of Culver City
- City of Monterey Park
- City of Pomona
- City of Hercules
- City of Glendora

CONTINUING PROFESSIONAL EDUCATION

Various courses are offered by the Firm online through Thomson 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.



Coley Delaney
CPA

Technical/
Concurring 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 holds the position of Partner within The Pun Group, LLP's Assurance division. With an extensive background spanning twenty years in accounting and auditing, Coley's professional experience encompasses collaborations with governmental agencies, not-for-profit entities, and private for-profit entities. His specialization lies in conducting financial audits adhering to GAO Yellow Book standards, as well as compliance audits in alignment with Uniform Guidance (previously known as OMB Circular A-133).

Throughout his career, Mr. Delaney has successfully executed audits and various attestation services for multiple governmental agencies across California. This includes engagement with cities, counties, redevelopment agencies, public financing authorities, housing authorities, transportation agencies, and special districts. His contributions have facilitated the accurate preparation of Annual Comprehensive Financial Reports in accordance with GASB Statement No. 34.

Beyond his client-facing responsibilities, Mr. Delaney is actively involved in internal capacity building. He is involved in developing training materials and sharing his expertise with fellow professionals within the firm. Additionally, Coley is a sought-after speaker for in-house seminars that delve into subjects 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

- Monterey Peninsula Water Management District
- City of National City
- City of Encinitas
- City of Shafter
- Town of Danville
- City of Fairfield
- City of Industry
- City of Lake Elsinore
- Padre Dam Municipal Water District/East County Advanced Water Purification JPA
- Vallecitos Water District
- City of San Bernardino
- City of Escondido
- City of Stockton
- City of Salinas
- City of Hermosa Beach
- San Diego Metropolitan Transit System
- City of Santa Cruz
- Olivenhain Municipal Water District
- Sweetwater Authority

CONTINUING PROFESSIONAL EDUCATION

Various courses are offered by the Firm online through Thomson 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.



Marina Youssef
CPA, MBA

Engagement/
Project Manager

EMAIL
marina.youssef@pungroup.cpa

WEBSITE
www.pungroup.cpa

Expertise:

- CITIES
- TRANSPORTATION AGENCIES
- ENTERPRISE OPERATIONS
- NOT-FOR-PROFIT

Licensed to Practice in: California

EXPERIENCE

Marina Youssef is an accomplished Assurance Services Manager at The Pun Group, LLP, bringing years of progressive experience in accounting, auditing, and financial reporting. Throughout her career, Ms. Youssef has demonstrated expertise in planning, executing, and overseeing audits and attestation engagements for a diverse portfolio of clients, with a particular focus on governmental and nonprofit organizations.

Ms. Youssef is recognized for her thorough understanding of Generally Accepted Accounting Principles (GAAP), Governmental Accounting Standards Board (GASB) guidelines, and compliance requirements unique to the public and nonprofit sectors. She has successfully led teams in the execution of complex audit assignments, ensuring the delivery of high-quality, timely, and value-added services. Her collaborative approach, attention to detail, and commitment to client service have contributed to strong, long-term client relationships and the continuous improvement of internal audit processes.

EDUCATION

Ain Shams University, Egypt
B.S. Degree – Accounting

Touro University Worldwide – Los Angeles, CA
MBA - Accounting

LEADERSHIP & AFFILIATIONS

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

RELEVANT EXPERIENCE

- City of Glendora
- City of Santa Clarita
- City of Corona
- City of Coachella
- Monterey Peninsula Water Management District
- City of Lynwood
- City of Baldwin Park
- City of Arvin
- Los Angeles County Law Library

CONTINUING PROFESSIONAL EDUCATION

Various courses offered by the Firm, online through Thomson Reuters, AICPA, 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.

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	**Helix Water District**
Contact Info	Timothy A. Parr, CPA, Finance Manager timothy.parr@helixwater.org | (619) 667-6216
Address	7811 University Avenue, La Mesa, CA 91942
Total Hours:	320
Contract Price	$45,000/year
Date of Services	2024 – Present
Scope of Work/Reports Prepared	Annual Comprehensive Financial Report Audit, Compliance audits under GAAS/GAGAS, GASB compliance, GFOA Certificate assistance, Single Audit (as applicable): compliance reports, SEFA, findings, Data Collection Form, Management Letter, Auditor's Communication Letter, Attendance at meetings as required.

Name of Public Agency	**Padre Dam Municipal Water District**
Contact Info	Ms. Karen Jassoy, Director of Finance/Chief Financial Officer kjassoy@padre.org | (619) 258-4612
Address	9300 Fanita Parkway, Santee, CA 92071
Total Hours	365 hours
Contract Price	$55,000/year
Date of Services	2020 – Present
Scope of Work/ Reports Prepared	District Financial Report Audit and ECAWP Audit. Compliance audits under GAAS/GAGAS, GASB compliance, GFOA Certificate assistance, Single Audit (as applicable): compliance reports, SEFA, findings, Data Collection Form, Management Letter, Auditor's Communication Letter, Attendance at meetings as required.

Name of Public Agency	**San Diego Metropolitan Transit System**
Contact Info	Ms. Erin Dunn, Controller erin.dunn@sdmts.com | (619) 557-4536
Address	1255 Imperial Ave, San Diego, CA 92101
Total Hours	Approximately 1,850 hours
Contract Price	$225,000/year
Date of Services	2015 – Present
Scope of Work/ Reports Prepared	Financial Audit and Compliance Services: Annual Comprehensive Financial Report Audit, GFOA Award, San Diego Transit Corporation Employee's Retirement Plan, AUP/National Transit Database (NTD): MTS, San Diego Transit Corp., San Diego Trolley, Inc., AUP/Transportation Development Act (TDA): MTS, San Diego Transit Corp., San Diego Trolley, Inc., AUP/Indirect Costs, and Public Transportation Modernization Improvement Service Enhancement Account (PTMISEA).

List of Current Municipal Clients

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 Anderson	2023 – Present	Yes	Yes	N/A	530
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

Municipalities	Dates	Financial Audit	Single Audit	GFOA Certificate	Total Hours
City of Bradbury	2012 – Present	Yes	N/A	N/A	150
City of Calexico	2007 – Present	Yes	Yes	N/A	750
City of Chino Hills	2026 – Present	Yes	Yes	Yes	550
City of Clovis	2006 – Present	Yes	Yes	Yes	500
City of Coachella	2017 – Present	Yes	Yes	Yes	410
City of Commerce	2023 – Present	Yes	Yes	Yes	570
City of Cottonwood, AZ	2007 – Present	Yes	Yes	Yes	400
City of Corona	2021 – Present	Yes	Yes	Yes	640
City of Cudahy	2023 – Present	Yes	Yes	Yes	500
City of Cupertino	2023 – Present	Yes	Yes	Yes	1,120
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 Encinitas	2024 – Present	Yes	Yes	Yes	600
City of Fairfield	2025 – Present	Yes	Yes	Yes	928
City of Fresno	2022 – Present	Yes	Yes	Yes	1,450
City of Galt	2026 – Present	Yes	Yes	Yes	495
City of Gilroy	2020 – Present	Yes	Yes	Yes	640
City of Hercules	2020 – Present	Yes	Yes	Yes	450
City of Indio	2024 – Present	Yes	Yes	Yes	708
City of Lake Elsinore	2023 – Present	Yes	Yes	Yes	460
City of Lakewood	2013 – Present	Yes	Yes	Yes	380
City of Madera	2019 – Present	Yes	Yes	Yes	470
City of Manteca	2026 – Present	Yes	Yes	Yes	775
City of Menlo Park	2023 – Present	Yes	Yes	Yes	550
City of Montebello	2022 – Present	Yes	Yes	Yes	600
County of Imperial	2022 – Present	Part of the audit & AUP services			100
County of Monterey	2023 – Present	Part of the audit & consulting services pool			TBD
City of Monterey Park	2023 – Present	Yes	Yes	Yes	612
City of National City	2013 – Present	Yes	Yes	Yes	600
City of Newport Beach	2024 – Present	Part of the internal audit consulting services			TBD
City of Pacific Grove	2023 – Present	Yes	Yes	Yes	490
City of Patterson	2017 – Present	Yes	Yes	Yes	450
City of Placerville	2008 – Present	Yes	Yes	N/A	400
City of Pleasanton	2024 – Present	Yes	Yes	Yes	700
City of Pinole	2023 – Present	Yes	Yes	Yes	400
City of Redlands	2022 – Present	Yes	Yes	Yes	650
City of Redwood City	2025 – Present	Yes	Yes	Yes	1,340
City of Rialto	2025 – Present	Yes	Yes	Yes	685
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 Shafter	2024 – Present	Yes	Yes	Yes	520
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 Union City	2025 – Present	Yes	Yes	Yes	820
City of Vernon	2023 – Present	Yes	Yes	Yes	1,000
City of Ventura	2024 – Present	Yes	Yes	Yes	960
Imperial County Local Transportation Authority	2020 – Present	Yes	Yes	Yes	600
San Diego Metropolitan Transit System	2005 – Present	Yes	Yes	Yes	1,850
Carmel Area Wastewater District	2022 – Present	Yes	Yes	N/A	150
CAWD/PBSCD Wastewater Reclamation Project	2022 – Present	Yes	N/A	N/A	150
Emerald Bay Service District	2024 – Present	Yes	Yes	N/A	225
Helix Water District	2024 – Present	Yes	Yes	Yes	320

Municipalities	Dates	Financial Audit	Single Audit	GFOA Certificate	Total Hours
Monterey Peninsula Water Mgmt. District	2025 – Present	Yes	Yes	N/A	620
NALEO Educational Fund and NALEO	2020 – Present	Yes	N/A	N/A	300
Olivenhain Municipal Water District	2019 – Present	Yes	Yes	Yes	200
Orange County Council of Governments	2026 – Present	Yes	Yes	N/A	160
Padre Dam Municipal Water District	2020 – Present	Yes	Yes	Yes	250
Regional Government Services Authority	2021 – Present	Yes	No	N/A	170
Salinas Valley Basin Groundwater Sustainability Agency	2021 – Present	Yes	No	N/A	60
San Bernardino County (Multiple entities)	2023 – Present	Yes	Yes	Yes	400
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 Mateo County Mosquito & Vector Control District	2024 – Present	Yes	N/A	N/A	220
Sweetwater Authority	2022 – Present	Yes	Yes	Yes	270
South Bay Cities Council of Governments	2020 – Present	Yes	N/A	N/A	100
South Bay Regional Public Communications Authority	2015 – Present	Yes	N/A	N/A	100
Vallecitos Water District	2023 – Present	Yes	Yes	N/A	215
West Valley Water District	2018 – Present	Yes	N/A	N/A	430

GFOA Award Program

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

Our dedication and active engagement in shaping auditing and accounting standards are evident through our enthusiastic participation in the GFOA's financial statements certificate programs. Remarkably, all of our present clients who have submitted their Annual Comprehensive Financial Reports to the GFOA have been honored with these prestigious awards.

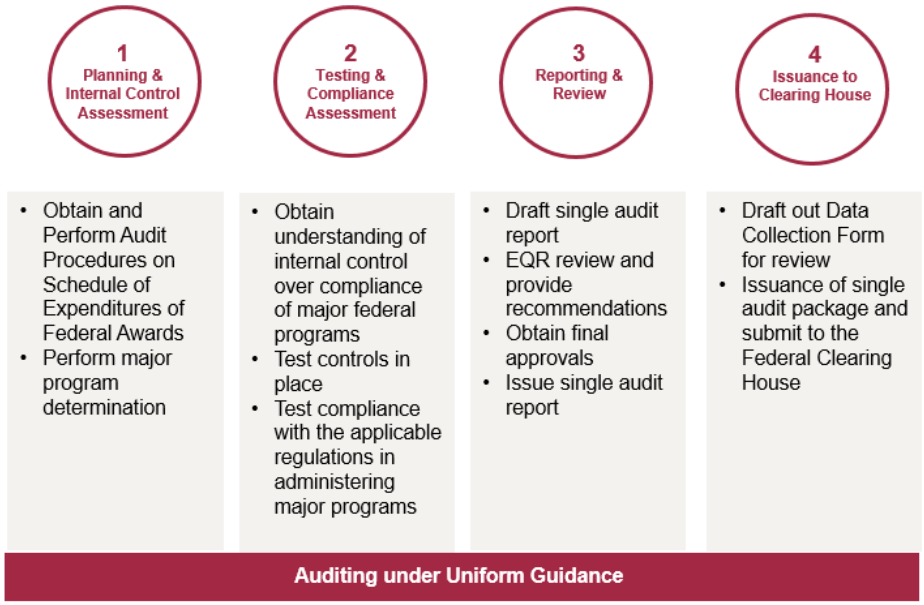
Also, our senior partner, Mr. John F. Georger, is a member of the Government Finance Officers Association and participates in the GFOA Special Review Committee.

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 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 Management Standards issued by the AICPA. Any comments will be issued to the management or those charged 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 Clearinghouse:** 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 Audit Clearinghouse.

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 Service
- 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
Section 8 Housing Choice Vouchers	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
National Urban Search and Rescue (US&R) Response System	97.025
Homeland Security Grant Program	97.067

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

The Firm focuses on governmental accounting standards and regulatory compliance and has extensive experience helping public agencies interpret and implement new Governmental Accounting Standards Board (GASB) pronouncements. Our professionals monitor changes in governmental accounting guidance and help clients understand early how new standards will affect their financial reporting, disclosures, and internal processes.

The Firm's expertise covers GASB standards, the Single Audit Act, the Uniform Guidance, and enterprise fund accounting and reporting for water, wastewater, and other special districts. Our clients include agencies with standards and operations similar to the District's, including CalPERS pension plans, capital-intensive infrastructure, recycled water and wastewater operations, and federally funded capital projects.

As the District's auditor, the Firm has worked with District Finance staff through the implementation of GASB 87 (leases), GASB 96 (subscription-based IT arrangements), and GASB 101 (compensated absences). We are now supporting the District's implementation of GASB 103, Financial Reporting Model Improvements, for fiscal year 2026. That experience gives the Firm a working knowledge of how new standards affect the District's systems, schedules, and ACFR presentation.

During each audit year, the Firm will identify GASB pronouncements that will take effect during the contract term and discuss their impact with District staff during interim planning in June. This gives Finance staff time to prepare implementation analyses and avoids last-minute adjustments during year-end fieldwork. The Firm will also review the District's draft implementation schedules and disclosures before year-end, using the 20 hours of annual consultation provided under the RFP at no charge.

Over the contract term, the Firm is prepared to assist the District with GASB 103, enhanced capital asset disclosures, and future pronouncements as they are issued. By staying current with GASB developments, the Firm helps the District stay compliant and maintain the high-quality financial reporting behind its 31 consecutive GFOA Certificates of Achievement.

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

The Pun Group, LLP has extensive experience providing financial audit services to California special districts and other governmental entities of similar size, complexity, and regulatory environment. Our experience includes successfully completing financial statement audits, Single Audits, ACFR preparation, and related compliance reporting in accordance with applicable professional standards. The engagements summarized below demonstrate our firm's ability to deliver high-quality, timely audit services using the same project team proposed for this engagement.

- Adelanto Public Utility Authority
- Arbuckle Public Utility District
- Bodega Bay Fire Protection District
- Camrosa Water District
- Carmel Area Wastewater District
- Casitas 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
- Helix Water District
- Las Virgenes Municipal Water District
- Las Virgenes – Triunfo Joint Powers Authority
- Los Angeles Waterkeeper
- Marina Coast Water District
- Menlo Park Fire Protection District
- Monterey Peninsula Water Management District
- Mountain Recreation Conservation Authority
- North County Dispatch Joint Powers Authority
- North County Fire Protection District
- Orange County – City Hazardous Materials Emergency Response Authority
- Orange County Coastkeeper
- Padre Dam Municipal Water District
- 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
- Sweetwater Springs Water District
- Trabuco Canyon Water District
- Twentynine Palms Water District
- Vallecitos Water District
- Valley Sanitary District
- Water Replenishment District of Southern California
- West County Wastewater District
- West Valley Water District

Firm's Experience with Financial Management Systems

As the District's current auditor, the engagement team is already familiar with the District's financial systems: Microsoft Dynamics GP, used for general ledger, payroll, accounts payable, accounts receivable, inventory, fixed assets, and project accounting, and CIS Infinity, used for utility billing and customer information. The team understands how data moves between the two systems, including the posting of water, recycled water, and sewer billing activity to the general ledger, and knows which reports and data extracts the audit relies on.

That familiarity lets the team request reports in the format District staff already produce, test the interface between CIS Infinity and the general ledger efficiently, and evaluate IT general controls without a learning curve. The Firm's broader experience with ERP and utility billing systems used by other California water and wastewater agencies also keeps the team current on common system risks and controls. As a result, the District can expect efficient fieldwork, minimal disruption to Finance staff, and no transition time at the start of each audit.

Specific Audit Approach

Scope of Work, Audit Approach, and Methodology

The Olivenhain Municipal Water District is requesting the Firm to express an opinion on the fair presentation of its basic financial statements in conformity with generally accepted accounting principles. These 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 (GAAS) as promulgated by the American Institute of Certified Public Accountants (AICPA).
- *Government Auditing Standards* (GAGAS), commonly referred to as the Yellow Book, issued by the Comptroller General of the United States.
- Governmental Accounting Standards Board (GASB) Pronouncements, as applicable to local governments and California special districts.
- California State Controller's Office (SCO) reporting requirements, including preparation and filing of the Special Districts Financial Transactions Report (FTR), as applicable.
- The Single Audit Act of 1984, as amended, when federal expenditures meet the applicable threshold.
- Title 2, Code of Federal Regulations (2 CFR) Part 200 (Uniform Guidance), including the audit requirements for federal awards (Subpart F), when applicable.
- Applicable provisions of the California Government Code governing financial reporting, auditing, and accountability requirements for special districts.

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. 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:

- o Report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
- o Report on compliance for each major federal program, internal control over compliance, and the Schedule of Expenditures of Federal Awards, in accordance with the Uniform Guidance and the Single Audit Act Amendments of 1996.
- o Opinion on the SEFA, as prepared by the District.
- o Notes to Schedule of Expenditures of Federal Awards.
- o Schedule of Findings and Questioned Costs.
- o Any other required schedules or reports.
- o Prepare the Data Collection Form for Reporting on Audits of States, Local Governments, and Non-Profit Organizations.

✓ Issue an **Auditor's Communication Letter** with any significant deficiencies or material weaknesses found during the audit.

✓ Issue a separate **"Management Letter"** that includes recommendations for improvements on internal control, accounting procedures, and other significant observations that do not rise to the level of a significant deficiency or material weakness.

✓ The Firm will provide up to 20 hours of consultation annually on accounting and financial issues during the year at no extra cost.

Deliverables: Management Representation Letter, the Communications with Those Charged with Governance letter, the Other Comments Letter, the Auditor Opinion Letter, the Excel/Word files for ACFR production, and the draft financial statements, notes, and RSI by September 30.

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 staff. 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.

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. Jack Georger, who will be responsible for providing advice and consultation for the implementation of these new standards. GASB implementation guidance is provided as part of the up to 20 hours of annual consultation at no additional cost. Implementation assistance that goes beyond that, such as extensive research, preparing implementation schedules, or a formal written report, will be agreed upon in writing with the District before work begins.

Report of Irregularities and Illegal Acts: As under its current engagement, the Firm will make an immediate written report of all irregularities, fraud, and illegal acts, or indications of illegal acts, that come to its attention, to the Board President and the General Manager. The engagement team will also make all communications to the District required by the auditing standards under which the engagement is performed.

Working Paper Retention and Access to Working Papers: The Firm will retain all working papers and reports, at its own expense, for a minimum of seven (7) years. That exceeds the District's five-year requirement, and the Firm will extend the period if generally accepted auditing standards require it or if the District requests it in writing. With the District's written consent, the Firm will make its working papers available to:

- the District's Finance Manager or other designees;
- parties designated by federal or state agencies as part of an audit quality review; and
- auditors of entities from which the District receives federal or state grant funds.

The Firm will also respond to reasonable inquiries from successor auditors and allow them to review working papers relating to matters of continuing accounting significance.

Methodology and Segmentation of Engagement

The Firm's audit approach for the District has six phases, aligned with the District's annual audit timeline. As the District's current auditor, the Firm will build on its existing knowledge of the District's operations, systems, and staff, so each phase focuses on changes and areas of risk rather than relearning the District.



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. ***Planning and Risk Assessment:*** The Engagement Partner and Engagement Manager will meet with the Finance Manager and Accounting Supervisor to discuss changes in operations, personnel, systems, and new GASB pronouncements, including GASB 103. The team will update its risk assessment, determine whether a Single Audit is required for the year, and finalize the audit plan and PBC list. *Proposed timeline: May.*

2. ***Interim Fieldwork:*** The team will update its walkthroughs of significant processes, including utility billing, purchasing and disbursements, payroll, and capital projects. The team will test internal controls, perform preliminary analytical procedures, and begin Single Audit internal control and compliance testing when applicable. A status meeting will be held with District staff at the end of interim fieldwork. *Proposed timeline: June.*

3. ***Year-End Close and PBC Preparation:*** District staff will close the fiscal year and prepare the year-end adjusted trial balance and PBC items. The Firm will be available for consultation on any accounting questions that come up during the close. *Proposed timeline: July–August, with the trial balance and PBC items provided by September 10.*

4. ***Year-End Fieldwork:*** The team will perform substantive testing of account balances, confirmations, the search for unrecorded liabilities, pension (GASB 68) testing, and Single Audit major program testing when applicable. The team will also hold an exit meeting with District staff to discuss results. *Proposed timeline: mid-September.*

5. ***Draft Financial Statements and ACFR Review:*** The Firm will provide the draft audited financial statements, notes, and Required Supplementary Information, along with Excel and Word files for ACFR production. The Firm will then review the District-prepared transmittal letter, MD&A, and statistical section, as well as the ACFR against GFOA Certificate of Achievement requirements. *Proposed timeline: draft financial statements by September 30; ACFR review September–October.*

6. ***Final Reports and Presentations:*** The Firm will obtain the management representation letter and issue the auditor's opinion, the Communication with Those Charged with Governance letter, the Other Comments Letter, and the Single Audit report when applicable. The Engagement Partner will present the results in person to the Finance Committee and the Board of Directors. *Proposed timeline: Finance Committee presentation in early November; Board of Directors presentation in mid-December; Single Audit report issued before the federal filing deadline.*

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

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.

Type and Extent of Substantive Tests to Be Performed

Substantive testing will be performed primarily during year-end fieldwork in September, based on the risks identified during planning and interim fieldwork. The tests will focus on the District's material account balances and classes of transactions:

- **Cash and Investments:** Confirmation of balances with financial institutions and investment custodians, review of bank reconciliations, and testing of fair value measurements and compliance with the District's investment policy and the California Government Code.
- **Water, Recycled Water, and Sewer Revenues and Receivables:** Analytical review of revenue against consumption and rate data from CIS Infinity, testing of billing accuracy and cutoff, and evaluation of the allowance for uncollectible accounts.
- **Capacity Fees and Capital Contributions:** Testing of capacity fees, connection charges, and developer contributions for proper recognition and classification.
- **Capital Assets:** Testing of additions and disposals, including construction in progress and transfers of completed projects, and recalculation of depreciation.
- **Accounts Payable and Accrued Liabilities:** A search for unrecorded liabilities, testing of year-end accruals, and review of purchased water and treatment service costs.
- **Long-Term Debt:** Confirmation of debt balances, recalculation of interest, and review of debt covenant compliance.
- **Pension Liabilities:** Testing of the CalPERS GASB 68 valuation data, census data, and the reasonableness of actuarial assumptions.
- **Leases and Subscription-Based IT Arrangements:** Recalculation of lease and SBITA balances under GASB 87 and GASB 96.
- **Net Position and Financial Statement Presentation:** Review of net position classifications, financial statement presentation under GASB 103, and note disclosures.

Sample sizes and the extent of testing will be based on assessed risk and materiality, building on the Firm's knowledge of the District from prior audits.

Type and Extent of Analytical Procedures to Be Used in the Engagement

Analytical procedures help the auditor understand the District's operations, identify changes in its environment, and pinpoint risk areas for further testing. These procedures compare financial information with prior periods, drawing on several years of the District's historical data from our prior audits, as well as with budgets and benchmarks for water and wastewater agencies. We use trend and ratio analysis to identify unusual results, including water sales revenue per acre-foot billed, purchased water costs as a percentage of water revenue, debt service coverage, operating ratio, days cash on hand, and capital asset additions compared with the capital improvement budget.

Our analytical procedures are performed at three stages of the audit:

- **Risk assessment procedures** help the auditor understand the District's operations and plan the nature, timing, and extent of audit procedures.
- **Substantive analytical procedures** provide evidence about specific assertions related to account balances or classes of transactions. During interim fieldwork, the engagement team will set expectations for year-to-date results and compare them with budgeted and prior-year amounts. This lets us forecast year-end amounts, reduce year-end workload, and focus on areas of concern.
- **Final analytical procedures** serve as an overall review of the financial statements at the end of the audit. The Engagement Partner will perform a high-level quantitative and qualitative analysis to confirm amounts are fairly presented in all material respects.

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, provisions of applicable grant guidelines, the California Water Code, debt covenants.

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.

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)	Manager	Supervisory Staff	Staff	Clerical	Total
Planning & Risk Assessment	3	6	4	4	0	**17**
Interim Fieldwork	4	10	18	34	0	**66**
Year-End Close & PBC Preparation	1	3	2	0	0	**6**
Year-End Fieldwork	6	14	27	56	0	**103**
Draft FS & ACFR Review	5	10	10	10	1	**36**
Final Reports & Presentations	4	3	1	2	2	**12**
Total*	**23**	**46**	**62**	**106**	**3**	**240**

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

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. 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.

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

As the District's current auditor, the Firm has a thorough understanding of its operations, systems, and financial reporting, and does not anticipate any audit problems. We will continue to monitor the following areas:

Investments

- Compliance with GASB standards for investments, fair value measurement, and related disclosures, including GASB 40 and GASB 72
- Authorization and approval of the District's investment activities
- Controls to ensure compliance with the District's investment policy and the permissible investment types under California Government Code
- Monitoring and internal reporting of investment performance

Revenue and Capital Assets

- Recognition of water sales and service charge revenue, including billing and rate controls
- Accounting for capacity fees, connection charges, and developer contributions
- Capitalization of construction in progress and transfer of completed projects to capital assets, including depreciation
- Compliance with debt covenants, including debt service coverage requirements

Financial Reporting

- Compliance with current GASB reporting and disclosure requirements, including new pronouncements as they take effect
- Pension reporting under GASB 68 and GASB 71 for the District's CalPERS plans, including the reasonableness of actuarial assumptions and valuation data
- Recognition and disclosure of long-term obligations and other management estimates
- Compliance with Uniform Guidance requirements for federal awards, including the Schedule of Expenditures of Federal Awards and major program testing

Internal Control Structure

- Evaluation of the District's control environment and governance processes
- Review of IT general controls, including access controls, change management, user rights, and system interfaces
- Consideration of internal control over financial reporting, compliance, and safeguarding of assets under GAAS and *Government Auditing Standards*

Additional Considerations

- We will monitor newly issued pronouncements from GASB, the AICPA Auditing Standards Board, and the GAO and assess their impact on the engagement.
- Our audit will follow a risk-based approach under the Firm's system of quality management, consistent with the AICPA's Statements on Quality Management Standards (SQMS No. 1 and No. 2) and SAS No. 146.

Approach to Resolving Potential Issues

The Firm will address these areas through early planning and ongoing communication. Upcoming GASB pronouncements, including GASB 103, and any significant changes in operations or funding will be discussed with District staff at the planning meeting in May. Internal controls and federal grant activity will be reviewed during interim fieldwork in June, so issues can be resolved before year-end. Any matter that arises during the audit will be communicated promptly to the Finance Manager and, when appropriate, the Finance Committee, so it can be resolved without affecting the District's reporting deadlines.

Assistance Requested from the District

To keep the audit on schedule, the Firm will request the following from District staff:

- Timely delivery of PBC items, including the year-end adjusted trial balance by September 10
- The CalPERS GASB 68 actuarial reports and the actuarial consultant's GASB 68 adjustments
- GASB 103 implementation schedules and draft financial statement presentation
- Lease and subscription-based IT arrangement schedules under GASB 87 and GASB 96
- Federal grant agreements, reimbursement requests, and the District-prepared Schedule of Expenditures of Federal Awards, when a Single Audit is required
- Access to Finance staff and to read-only reports from Microsoft Dynamics GP and CIS Infinity during interim and year-end fieldwork

Bidding Proposal

Certification

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: Sophia Kuo, CPA, MAcc, MBA
Contact Email Address: sophia.kuo@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.

Sophia Kuo

Sophia Kuo, CPA, MAcc, MBA | Partner
The Pun Group LLP

October 19, 2026
Date

Total All-Inclusive Maximum Price

Our proposed fees for Professional Auditing Services for the three year period for years ending June 30, 2027, 2028, and 2029 with an option to extend the contract for two (2) additional fiscal years ending June 30, 2030 and 2031, are as follows:

						Optional Years	
	Hours	Hourly Rates	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Partners	20	$ 330	$ 6,600	$ 6,930	$ 7,277	$ 7,640	$ 8,022
Manager(s)	40	$ 275	$ 11,000	$ 11,550	$ 12,128	$ 12,734	$ 13,371
Supervisor(s)	52	$ 195	$ 10,140	$ 10,647	$ 11,179	$ 11,738	$ 12,325
Staff Accountant(s)	86	$ 140	$ 12,040	$ 12,642	$ 13,274	$ 13,938	$ 14,635
Clerical	2	$ 110	$ 220	$ 231	$ 243	$ 255	$ 267
Total Hours	200						
Total All-Inclusive Price for the Financial Audit			**$ 40,000**	**$ 42,000**	**$ 44,100**	**$ 46,305**	**$ 48,620**
Partners	3	$ 330	$ 990	$ 1,040	$ 1,091	$ 1,146	$ 1,203
Manager(s)	6	$ 275	$ 1,650	$ 1,733	$ 1,819	$ 1,910	$ 2,006
Supervisor(s)	10	$ 195	$ 1,950	$ 2,048	$ 2,150	$ 2,257	$ 2,370
Staff Accountant(s)	20	$ 140	$ 2,800	$ 2,940	$ 3,087	$ 3,241	$ 3,403
Clerical	1	$ 110	$ 110	$ 116	$ 121	$ 127	$ 134
Total Hours	40						
Total All-Inclusive Price for the Single Audit (1)			**$ 7,500**	**$ 7,875**	**$ 8,269**	**$ 8,682**	**$ 9,116**
Out-of-pocket expenses:							
Meals & lodging	Included	Included	Included	Included	Included	Included	Included
Transportation	Included	Included	Included	Included	Included	Included	Included
Total All-Inclusive Maximum Price (Financial Audit and Single Audit, if required) (1)			**$ 47,500**	**$ 49,875**	**$ 52,369**	**$ 54,987**	**$ 57,737**

(1) Single Audit fees based on one (1) major program. The fee for auditing additional major programs will be $6,000 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.

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)	$	330
Director(s)	$	315
Senior Manager(s)	$	305
Manager(s)	$	275
Supervisor(s)	$	195
Senior Accountant(s)	$	165
Staff Accountant(s)	$	140
Clerical	$	110

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

The Firm will bill the District monthly for work performed during the prior month, based on actual hours, showing each person's hours, rates, and progress on each task, not to exceed the all-inclusive maximum price.

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 offer 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 bringing 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:

Sophia Kuo, CPA, MAcc, MBA
Partner
Email: sophia.kuo@pungroup.cpa
Phone: (949) 777-8809 | Fax: (949) 777-8850

Sincerely,

The Pun Group, LLP

The Pun Group LLP
Certified Public Accountants and Business Advisors

Appendix A – Firm Warrants

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

Sophia Kuo 10/19/2026

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. The following are examples of webinar subjects offered in 2026.



Appendix C – Certificate of Insurance

ACORD®

CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY): 2/19/2026

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	CONTACT NAME: Sarah Caballero
The Baldwin Group West, LLC 15901 Red Hill Ave, Ste 100 Tustin CA 92780	PHONE (A/C, No, Ext): (714) 824-8300 FAX (A/C, No): (714) 573-1770 E-MAIL ADDRESS: Sarah.Caballero@Baldwin.com

INSURED	INSURER(S) AFFORDING COVERAGE	NAIC #
The Pun Group, LLP 6 Hutton Centre Drive, Suite 1200 Santa Ana CA 92707 PUN&M-1	INSURER A : Great Divide Insurance Company	25224
	INSURER B : Continental Casualty Company	20443
	INSURER C : American Casualty Company of R	20427
	INSURER D : Lloyd's Insurance Company S.A.	
	INSURER E : The Continental Insurance Comp	35289
	INSURER F :	

COVERAGES **CERTIFICATE NUMBER:** 1355581535 **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 INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
B	X COMMERCIAL GENERAL LIABILITY	Y		7013134445	3/1/2026	3/1/2027	EACH OCCURRENCE	$ 2,000,000
	CLAIMS-MADE X OCCUR						DAMAGE TO RENTED PREMISES (Ea occurrence)	$ 1,000,000
	X $0 deductible						MED EXP (Any one person)	$ 10,000
	GEN'L AGGREGATE LIMIT APPLIES PER:						PERSONAL & ADV INJURY	$ 2,000,000
	X POLICY PRO-JECT LOC						GENERAL AGGREGATE	$ 4,000,000
	OTHER:						PRODUCTS - COMP/OP AGG	$ 4,000,000
								$
E	AUTOMOBILE LIABILITY			7013117645	3/1/2026	3/1/2027	COMBINED SINGLE LIMIT (Ea accident)	$ 1,000,000
	ANY AUTO						BODILY INJURY (Per person)	$
	OWNED AUTOS ONLY / SCHEDULED AUTOS						BODILY INJURY (Per accident)	$
	X HIRED AUTOS ONLY / X NON-OWNED AUTOS ONLY						PROPERTY DAMAGE (Per accident)	$
								$
B	X UMBRELLA LIAB X OCCUR			7013136468	3/1/2026	3/1/2027	EACH OCCURRENCE	$ 2,000,000
	EXCESS LIAB CLAIMS-MADE						AGGREGATE	$ 2,000,000
	DED X RETENTION $ 10,000							$
C	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY Y / N	N / A		WC713136289	3/1/2026	3/1/2027	X PER STATUTE OTH-ER	No Deductible
	ANYPROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH)						E.L. EACH ACCIDENT	$ 1,000,000
	If yes, describe under DESCRIPTION OF OPERATIONS below						E.L. DISEASE - EA EMPLOYEE	$ 1,000,000
							E.L. DISEASE - POLICY LIMIT	$ 1,000,000
A	E&O - Retro 12/29/11			CAB202359-6	3/1/2026	3/1/2027	4,000,000 agg	2,000,000
D	Cyber			ESO0040404824	7/1/2025	7/1/2026	Aggregate	3,000,000

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	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 DA, III

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PREPARED BY
LSL, LLP
Certified Public Accountants
License Number 2584

PROPOSAL PRESENTED TO
Olivenhain Municipal Water District
RFP - Professional Auditing Services

Date of Submission: October 19, 2026
Valid until April 30, 2027

Authorized by:
Ryan Domino, CPA, Partner
Ryan.Domino@lslcpas.com
500 Technology Drive, Suite 350
Irvine, CA 92618
Office: (949) 829-8299
Direct: (714) 592-1814

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1. Transmittal Letter

October 19, 2026

Olivenhain Municipal Water District
Attn: Leo Medez, Finance Manager
1966 Olivenhain Road
Encinitas, CA 92024

Dear Mr. Medez & District Finance Committee,

LSL, LLP ("LSL") is pleased to present our proposal for Professional Auditing Services, and we value the opportunity to demonstrate our professional qualifications and commitment to excellence to the Olivenhain Municipal Water District ("District").

This proposal details our understanding of the scope of work outlined in the District's RFP and showcases our firm's experience, knowledge, and creative problem-solving capabilities in governmental auditing.

We understand that the Olivenhain Municipal Water District is seeking a qualified firm to perform annual audits and issue opinions on the District's financial statements for a three-year period for years ending June 30, 2027, 2028, and 2029 with the option to extend the contract for two (2) additional years ending June 30, 2030, and 2031. This includes the performance of a single audit, as needed. Our government assurance team specializes in high-quality governmental audits aligned with GAAS and current GASB pronouncements. We prioritize accuracy and thoroughness while ensuring timely report delivery. Our commitment to effective collaboration and transparency with the District safeguards the integrity of its financial reporting and compliance with all regulatory requirements.

At LSL, our Government Services team isn't just another department – it's the backbone of our firm. With a robust team of 60+ audit and consulting professionals, we bring decades of experience and highly specialized industry knowledge dedicated to serving state and local governments across the United States. Our expertise has shaped efficient procedures and streamlined work plans that deliver results. With unequaled government experience, we are confident that LSL is the best-qualified accounting firm for the District.

AUTHORIZED SIGNER

Ryan Domino is the designated Engagement Partner who will serve as the primary point of contact for this proposal. He is authorized to make representations on behalf of our firm and can be reached directly by phone at (714) 592-1814 or by email at Ryan.Domino@lslcpas.com. Please contact Ryan for any clarification or contract negotiations related to this proposal.

We affirm that our proposal fully aligns with all terms, conditions, and requirements outlined in the District's RFP. Our proposal is a firm and irrevocable offer for until April 30, 2027.

We welcome the opportunity to discuss any aspect of our proposal to ensure your complete satisfaction.

Sincerely,



Ryan Domino, CPA, Partner
LSL, LLP

2. Detailed Proposal

INDEPENDENCE

LSL meets the independence requirements set forth by the *Government Auditing Standards*. Our partners have no ownership in any other business organization that currently or will potentially provide services, supplies, materials, or equipment to the District. We annually distribute a listing of our firm's clients to all employees to ensure that any possible independence threats are properly documented and reviewed. Additionally, LSL has no professional relationships involving the District to disclose.

LICENSE TO PRACTICE IN CALIFORNIA

LSL is a public accounting firm licensed by the State of California Department of Consumer Affairs as a Public Accounting Partnership. Additionally, we are members of the American Institute of Certified Public Accountants (AICPA) and the California Society of Certified Public Accountants (CalCPA). All key members assigned to this engagement are licensed or are in the process of obtaining their license as Certified Public Accountants by the State of California.

Business License

LSL affirms that we will obtain and maintain active business licensure with the Olivenhain Municipal Water District upon award of contract.

FIRM QUALIFICATIONS AND EXPERIENCE

History & Size

LSL, LLP is a limited liability partnership and is not a wholly owned subsidiary of a parent company. Established in 1929, our full-service accounting firm is headquartered in Irvine, California, with a dynamic team of 15 partners, 4 principals, and 180+ employees. We provide auditing, accounting, and consulting services to over 100 municipal clients, including counties, cities, water and electric utility districts, and special-purpose government agencies. Our government sector services encompass a broad range of specialties, including attestation, compliance, consulting, outsourced accounting and reporting, year-end close assistance, interim staffing, strategic planning, and tax services.

LSL's Government Team Resources

Our governmental staff consists of three (3) Partners, three (3) Senior Managers, six (6) Managers, six (6) Supervisors, and fourteen (14) Professional Staff.

There will be five (5) staff assigned to the District's engagement: one (1) engagement partner, one (1) concurring partner, one (1) relationship manager, one (1) audit supervisor, and one (1) audit in-charge. LSL will not be subcontracting any portion of the District's audit. All staff assigned to the audit portion of the engagement will be employed by LSL on a full-time basis and have extensive experience providing auditing services for cities, counties, and special-purpose government agencies.

Our educational programs are designed to provide our team members with the knowledge and skills necessary to deliver high-quality services to our clients. We offer a variety of training opportunities, including those provided by CalCPA, AICPA, Government Audit Quality Center, and Government Finance Officers Association (GFOA).

Our Offices



Irvine, CA
500 Technology Drive, Suite 350
Irvine, CA 92618
Phone: (949) 829-8299

Sacramento, CA
500 Capitol Mall, Suite 2350
Sacramento, CA 95814
Phone: (916) 503-9691

Phoenix Metropolitan Area, AZ
950 W. Elliot Rd., Suite 110
Tempe, AZ 85284
Phone: (480) 424-7855

The Woodlands, TX
21 Waterway Avenue, Suite 30089
The Woodlands, TX 77380
Phone: (936) 828-4587

The Irvine office will serve as the location to support the District; however, we regularly share staff and resources across our offices to leverage the virtual footprint of our government team that spans across the United States. This collaborative approach ensures that you receive the highest level of industry-specialized service while maintaining a streamlined, reliable audit and comprehensive coverage.

Peer Review

Our firm has participated in the AICPA Peer Review Program since its inception. All our peer reviews have covered governmental engagements and have received *pass* ratings. Our most recent peer review conducted by Spafford and Landry CPAs is provided on the following page.

Desk Review / Disciplinary Action

There have been no disciplinary actions against our organization since its inception. There have been no litigations against our firm in the past three years. Our Single Audit reports are desk reviewed either by the federal cognizant agency or the State Controller's Office acting as the Oversight Agency. LSL has never had a report rejected by any of these agencies and is highly regarded and recognized by the staff of the State Controller's Office for top-quality reports.

SPAFFORD AND LANDRY CPAs
HERE TO MAKE THE COMPLEX SIMPLE.

Patrick D. Spafford, CPA
Todd C. Landry, CPA
Licensed by the California Board of Accountancy
Member: American Institute of Certified Public Accountants

Report on the Firm's System of Quality Control

To the Partners of LSL, 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 LSL, LLP, (the firm) in effect for the year ended May 31, 2025. 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 the applicable professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of and compliance with the firm's system of quality control based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act and employee benefit plan audits.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of LSL, LLP in effect for the year ended May 31, 2025, 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*. LSL, LLP has received a peer review rating of *pass*.

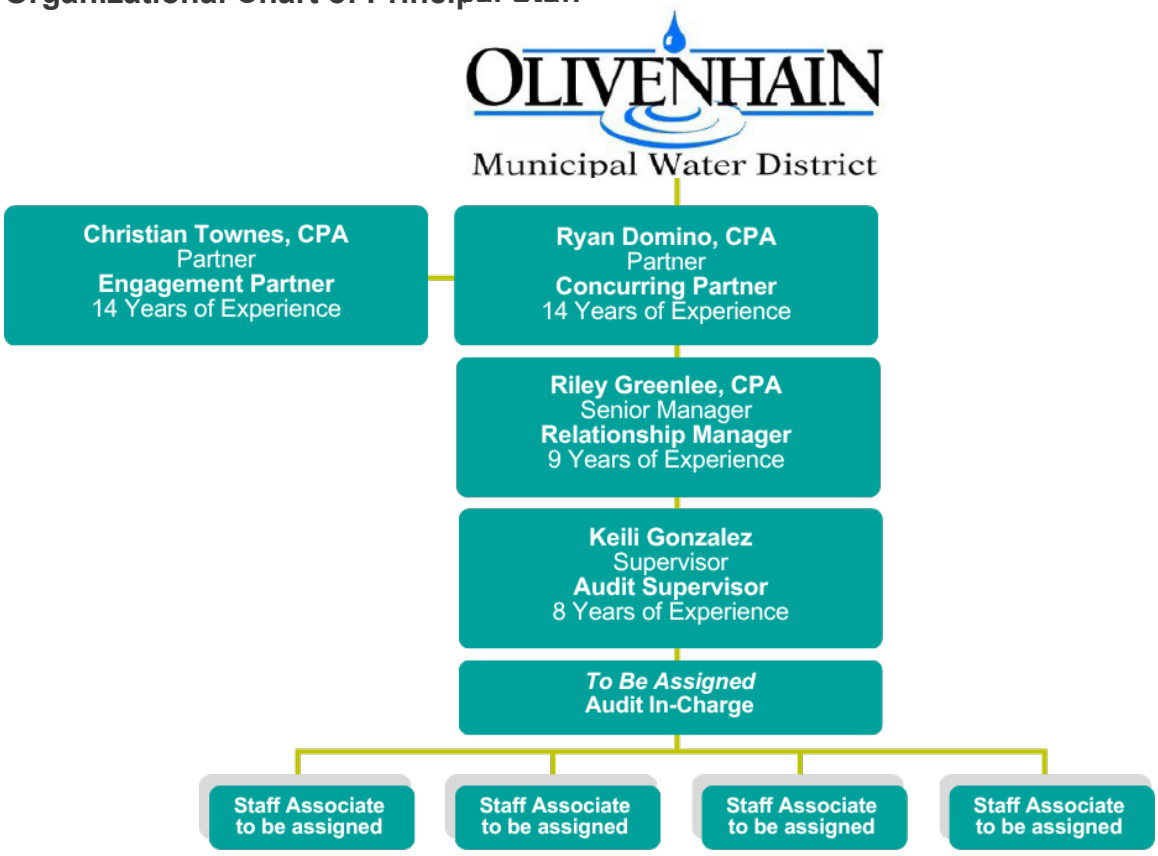
Spafford & Landry, Inc.

February 20, 2026

1849 W. Redlands Blvd., #102, Redlands, CA 92373 · P.O. Box 8847 Redlands, CA 92375 · Tel 909-792-1852 · Fax 909-792-2015

PARTNER/SUPERVISORY/STAFF QUALIFICATIONS AND EXPERIENCE

Organizational Chart of Principal Staff





Ryan Domino, CPA
Engagement Partner

Ryan has a strong technical focus and specializes in governmental accounting and auditing. He currently serves as a technical reviewer for the Government Finance Officers Association (GFOA) and regularly presents at our firm's annual GASB Update and at CSMFO's chapter meetings where he presents and trains on the latest GASB pronouncements. Ryan is an expert on Single Audit planning and execution and holds advanced certification from the AICPA. Ryan provides our clients with a competitive advantage as a member of GFOA's Special Review Committee for the Award for Excellence in Financial Reporting and able to provide valuable insights and recommendations to help organizations achieve excellence in financial reporting.



Christian Townes, CPA
Concurring Partner

Christian has dedicated over 13 years to public accounting, with a focus on governmental services and auditing, including federal grant compliance. She has a strong background in navigating the complexities of GASB regulations, ensuring compliance and accuracy in financial processes. Additionally, Christian specializes in Single Audit planning and execution, along with a strategic approach to audit processes. She excels in evaluating and performing Single Audit-specific requirements, including major program determination, audit sampling, and reporting on the compliance of internal controls. As a Partner in LSL's Government Services, Christian takes the initiative to work closely with her clients, troubleshooting their difficulties and developing the best processes that fit their needs.

Engagement Team Resumes

The assigned engagement partner, concurring partner, and relationship manager are California CPAs. Team resumes are available in **APPENDIX A – ENGAGEMENT TEAM RESUMES**, which details the position of each team member in the firm, their educational background, and their years and types of experience. The resumes also provide information on relevant continuing education completed by the team members during the past three years. Proposed team members will be available for ninety (90) days from the proposal due date. LSL will promptly notify the District of any changes in key personnel prior to award.

Staff Continuity

To ensure the quality of our staffing, we have established firm policies that prioritize the continuity of engagement teams, except in cases where an employee has left the firm or has been promoted. In the event of any changes in staffing at the Manager position and above, LSL will first seek written permission from the District.

Quality of Staff Assurance

LSL is committed to providing the District with a stable and experienced team that is dedicated to delivering a high-quality audit and exceptional service. We understand the importance of maintaining a strong and reliable team throughout the engagement, and we will work closely with the District to ensure that any staffing changes are handled with minimal disruption to the continuity of the engagement.

Continuing Education

At LSL, we strongly emphasize professional development and continuing education to ensure that our team members are up to date on the latest developments in governmental accounting and auditing. As a firm policy, all LSL government staff are required to complete a minimum of 40 hours of continuing education every year, with at least 24 hours in governmental accounting and auditing in a two-year period.

Additional Resources

The LSL team is comprised of top talent within the industry with comprehensive experience beyond governmental audit, accounting, and advisory services. When you partner with LSL, you gain access to the experience, knowledge, and resources of our entire team, including our consulting and technology teams. We are committed to helping finance departments thrive by providing the guidance, tools, and services that foster lifelong success for your finance team. We encourage our clients to tap into our full professional team of industry and product experts for your full-service consulting and staffing.



Financial &
Compliance Audits



Consulting, Staffing &
Training



ERP &
Other Technologies



Kelly Telford, CPA
Consulting Partner

Kelly is a respected leader in public finance and is known for being a change agent and thought leader in organizational strategy. She has developed her expertise in public and local government accounting and auditing, financial forecasting, budget development, public utilities, investment management, grant management, human resources, and information technology. She has taught classes for GFOA and CSMFO and has presented at annual conferences for GFOA, CSMFO and GFOAA. She has previously served as Finance Director for the cities of Costa Mesa and Seal Beach and the Los Angeles Community Development Agency. Kelly has a proven track record of helping agencies identify operating inefficiencies assisted in departmental reorganizations, identify internal control challenges, completing year-end close procedures, and serving as an outsourced Finance Director.

SIMILAR ENGAGEMENTS WITH OTHER GOVERNMENT ENTITIES

A current list of municipal clients can be found in **APPENDIX B – CURRENT LIST OF MUNICIPAL CLIENTS**, which includes LSL's most significant engagements conducted within the last five (5) years that are similar to the engagement described in this request for proposal. The following references highlight our experience in providing professional auditing services to other governmental organizations with similar size and scope as the Olivenhain Municipal Water District. We invite you to contact them to gain insight into our working relationships and quality of service.

Coachella Valley Water District (CVWD)	
Contact	Karla Romero, Director of Finance
Email	kromero@cvwd.org
Telephone	760-398-2651
Dates of Service	2013 – 2019; 2024 – Present
Scope of Work	Audit of the District's ACFR which receives the GFOA award, Single Audit
Total Hours	685
Engagement Partner	Brandon Young

Mesa Water District	
Contact	Anthony Phou, Controller
Email	anthonyp@mesawater.org
Telephone	949-574-1022
Dates of Service	2022 - Present
Scope of Work	Financial Statement Audit, which receives the GFOA, Ratio Analysis AUP, Single Audit
Total Hours	425
Engagement Partner	Ryan Domino

San Bernardino Municipal Water Department	
Contact	Cynthia Mouser, Director of Finance
Email	cindy.mouser@sbmwd.org
Telephone	909-453-6010
Dates of Service	Fiscal Year 2019 – Present
Scope of Work	Audit of the District's ACFR, which receives the GFOA award as well as Single audit.
Total Hours	380
Engagement Partner	Ryan Domino

Three Valleys Municipal Water District	
Contact	Brittany Aguilar, Finance Manager
Email	baguilar@tvmwd.com
Telephone	909-626-5568
Dates of Service	2011 - Present
Scope of Work	Audit of District's ACFR, which receives the GFOA award
Total Hours	400
Engagement Partner	Ryan Domino

Yorba Linda Water District	
Contact	Christine McIlrevey, Finance Manager
Email	cmcilrevey@ylwd.com
Telephone	714-701-3042
Dates of Service	2022 – Present
Scope of Work	YLWD Financial Audit, which receives the GFOA, and Financing Authority Audit
Total Hours	645
Engagement Partner	Ryan Domino

GFOA Award Program

LSL understands the significance of obtaining and maintaining the Certificate of Excellence in Financial Reporting from the GFOA. We have prepared financial statements and footnote disclosures for many of our local government clients who have received this award. Our governmental partners, managers, and seniors are closely involved in the preparation of these reports. Clients currently receiving the GFOA award are also noted in **APPENDIX B – CURRENT LIST OF MUNICIPAL CLIENTS**.

Single Audit Experience

Our firm has extensive experience in performing Single Audits for local government agencies under the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, Audit Requirements of Federal Awards (Uniform Guidance), and the United States Office of Management and Budget (OMB). **APPENDIX B – CURRENT LIST OF MUNICIPAL CLIENTS** also includes a list of government audit clients for which a Single Audit has been performed in the last fiscal year. Additionally, the table on the following page highlights recent examples of federal programs audited by LSL.

Federal Granting Agency	AL #	Name of Program
U.S. Department of Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infant, and Children
U.S. Department of Housing & Urban Development	14.195	Section 8 Housing Assistance Payment Program
U.S. Department of Housing & Urban Development	14.218	Community Development Block Grants/Entitlement Grants
U.S. Department of Housing & Urban Development	14.228	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii
U.S. Department of Housing & Urban Development	14.239	HOME Investment Partnerships Program
U.S. Department of Housing & Urban Development	14.856	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation
U.S. Department of Housing & Urban Development	14.871	Section 8 Housing Choice Vouchers
U.S. Department of Transportation	20.106	Airport Improvement Program
U.S. Department of Transportation	20.205	Highway Planning and Construction
U.S. Department of Transportation	20.507	Federal Transit Formula Grants
U.S. Department of Treasury	21.019	Coronavirus Relief Fund (CRF)
U.S. Department of Treasury	21.027	Coronavirus State and Local Fiscal Recovery Funds (SLFRF)
U.S. Environmental Protection Agency	66.458	Capitalization Grants for Clean Water State Revolving Funds
U.S. Department of Health and Human Services	93.563	Child Support Enforcement
U.S. Department of Health and Human Services	93.667	Social Services Block Grant
U.S. Department of Health and Human Services	93.676	Unaccompanied Alien Children Program
U.S. Department of Health and Human Services	93.778	Medical Assistant Program - Medicaid Cluster
U.S. Department of Homeland Security	97.036	Disaster Grants- Public Assistance (Presidentially Declared Disasters)
U.S. Department of Homeland Security	97.067	Homeland Security Grant Program

SPECIFIC AUDIT APPROACH

Government Auditing Standards

LSL understands its responsibilities to perform audits and issue opinions on the District's financial statements as well as its fair presentation. Our financial audits are performed in accordance with the Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States, and our Single Audits are performed in accordance with the requirements of the Uniform Guidance. We will also evaluate the District's internal control system and provide recommendations for growth and improvement.

Project Management Methodology

The LSL team holds itself to a high standard for timely delivery and effective communication of key milestones. We understand the importance of being responsive and communicative with our clients, and we are committed to being available on a day-to-day basis to address any questions or concerns that may arise throughout the engagement. Areas of concern and potential findings will be communicated to the District as soon as they are discovered to mitigate any surprises throughout the audit.

At the beginning of the engagement, we will hold a planning meeting with you to determine the timeline, expectations, and desired outcome of the agreement on the issuance of financial statements. Throughout the process, we will have periodic meetings with you to provide updates and discuss progress. Upon award of contract and per the District's requested timeline, LSL will work closely with the District to develop an audit plan and timeline to ensure compliance and timely deliverables.

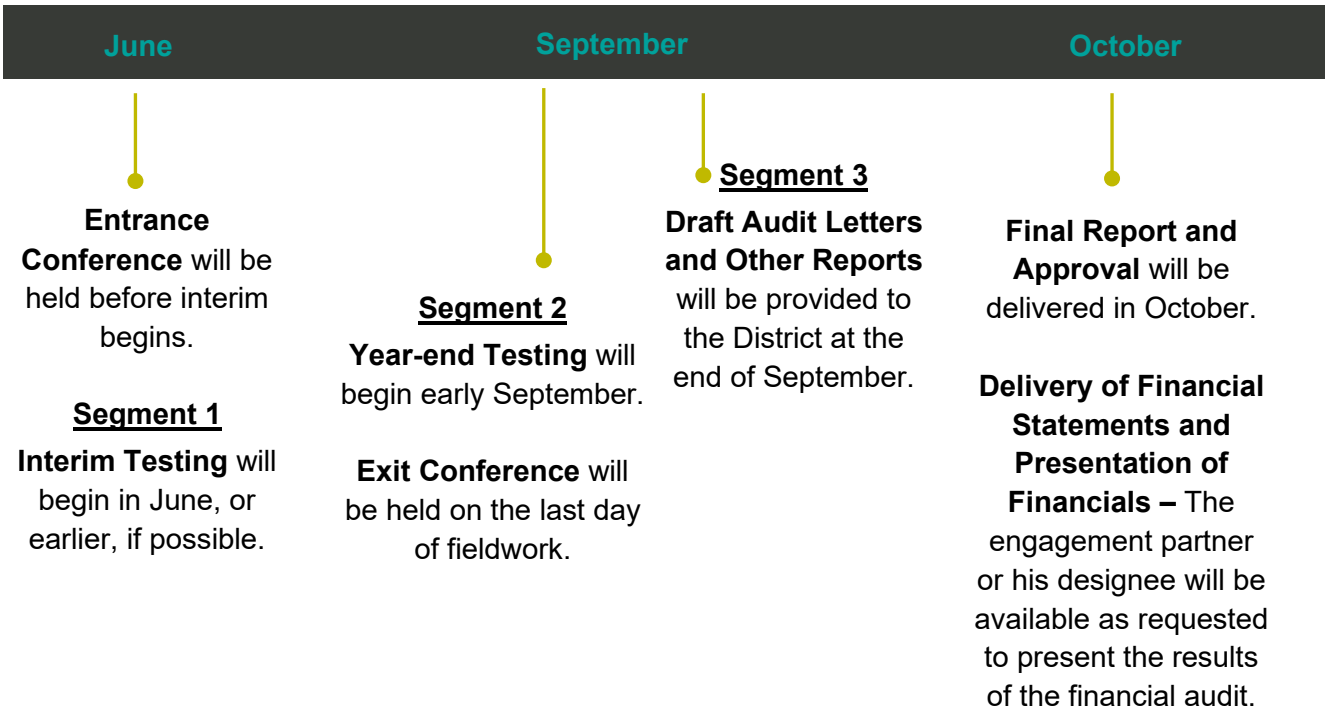
As part of the Scope of Work and time requirements, we assume that the District will provide all necessary information needed to complete the financial statement audit. We will proactively identify and communicate any pending information from the District that could hinder our ability to complete the objectives of the engagement in a timely manner.

Quality Management System

LSL's Quality Management System fully complies with the AICPA's Statement of Quality Management Standards No. 1 and showcases our unwavering commitment to excellence in audit and assurance services. Designed to meet and exceed industry standards, our framework integrates robust risk management, ethical compliance, and continuous improvement across every engagement. With clear policies for governance, client relationships, resource allocation, and performance monitoring, our system empowers every team member to deliver reliable, high-quality results. By fostering a culture of transparency, accountability, and innovation, LSL ensures clients receive exceptional service and peace of mind, backed by proven processes and a dedication to quality at every level.

Project Schedule

LSL assumes under the time requirements that the District will have closed its books and will present the LSL team with general ledger balances that are auditable prior to the start of fieldwork. A sample timeline is provided below displaying the key stages of the audit and the deliverables.



Proposed Work Plan

At LSL, we use a governmental audit program that will be tailored to the District's operations to accommodate its specific circumstances and organizational structure. LSL's audit programs are organized by financial statement category, which we believe is the most effective and efficient approach to substantially reduce the risk of omitting important procedures. Our approach is designed to increase audit efficiency by linking financial statement assertions, audit objectives, and procedures that are basic to most governmental audit engagements.

Proposed Segmentation

Our audit services will be divided into the three succeeding segments:

- Segment 1 – Planning and Obtaining an Understanding
- Segment 2 – Financial Audit Testing
- Segment 3 – Conclusion

Segment 1 – Planning and Obtaining an Understanding

LSL will provide an annual audit communication letter, engagement letter, and Government Audit Quality Center Information letter. The audit communication letter is to be provided to the District Council and/or Board of Directors and can be communicated orally to those charged with governance, if requested, where we will discuss planning stages, responsibilities of the District Council and/or Board of Directors, Auditors, and Management, and provide an opportunity to communicate with us as the auditors.

An entrance conference will be scheduled prior to the agreed-upon week of interim testing to ensure that the transition to new auditors is as seamless as possible. Discussions in this meeting include, but are not limited to, an understanding of reports and key milestones for deliverables, prior audit reportable conditions and issues, and "Prepared by Client" (PBC) schedules.

A trial balance is requested for our planning meeting to assist the LSL team in obtaining knowledge of economic conditions, industry elements, and new standards that may affect the District. We will compile a list of PBC items based on our review of the prior year's financial statements and the gathered information that will be provided to the District one month prior to testing or earlier if requested. We operate on a paperless software system and provide a secured cloud-based portal for all clients. The District will have a separate folder that can be customized to organize, and upload requested schedules, support documents, etc.

After interim testing, we will hold an exit meeting to discuss potential weaknesses, if any, and provide feedback for improvements or valuable information gathered from any outside clientele that would benefit the District.

Segment 2 – Financial Audit Testing

Based on the information gathered thus far, we will utilize a customized audit program based on the risk assessment developed during our assessment of the District's internal controls and *Government Auditing Standards*. The primary benefit of a tailored program is a focused set of procedures to address relevant areas. We believe that this approach is both effective and efficient and is critical to compliance with other material laws and regulations.

We will annually compile another customized PBC list for the year-end testing provided at least one month prior or earlier if requested. We will request trial balances from the District for our analytical review to be provided one week before testing is scheduled to commence. Year-end testing will include testing of the balance sheet, revenue and expenditures accounts, confirmation of selected balances, analytical procedures, evaluation of the internal controls, and preparation of reports and letters.

Segment 3 – Conclusion

Based on our year-end exit meeting we will discuss a plan to finalize the financial statements according to the timetable of the District. We will schedule dates for the initial and final drafts including time for LSL's and the District's review and approval of the financial statements. This period will also account for review by the engagement partner and quality assurance partner. After the review and receipt of the signed Representation Letter from the District, LSL will provide a final report in October each year or on another mutually agreed-upon date.

Level of Staff Assigned and Number of Hours to be Assigned

	TOTAL PROPOSED HOURS					
Segment/Task	Partners/ Sr. Manager	Supervisor	Experienced Staff	Staff	Clerical	Total
District's Financial Audit						
Interim test work	0	0	20	30	5	55
Year-End test work	0	0	40	80	5	125
Report/Review/Supervision	15	30	0	0	0	45
Subtotal	**15**	**30**	**60**	**110**	**10**	**225**
Single Audit*						
Test work	0	0	10	20	0	30
Report/Review/Supervision	2	6	0	0	2	10
Subtotal	**2**	**6**	**10**	**20**	**2**	**40**
TOTAL PROPOSED HOURS:	**17**	**36**	**70**	**130**	**12**	**265**

* Hours proposed are for one (1) major program.

Audit Sampling

For tests of controls, we use audit sampling. Tests of controls are procedures directed towards determining the effectiveness of the design or operation of an internal structure policy or procedures. Audit sampling is typically used for tests of controls and compliance that involve the inspection of documents and reports indicating the performance of the applicable policy or procedures and compliance with the applicable laws and regulations. Sample sizes vary based on the population and risk-based calculations.

Type And Extent of Analytical Procedures

For the audits of the financial statements, we will use analytical procedures as an overall review of the financial information in the preliminary and final stages of the audits. These procedures are designed to assist us in planning our audits and in assessing the propriety of the conclusions reached and evaluating the overall financial statement presentation.

The procedures to be utilized consist of determining expectations for changes to significant revenue, expenditure, and balance sheet accounts, reading the financial statements and related notes, reviewing the budget and related material, and focusing on overall relationships within the financial statements.

Once determined, these are reviewed to evaluate if the changes appear reasonable or require further analysis. For all significant differences, explanations are obtained as to why the situation occurred and additional substantive procedures may be applied, and related evidence is gathered to resolve concerns and questions.

Electronic Data Processing Software & AI Technology

LSL is always at the forefront of technology and finding ways to increase efficiency in our audits. Our goal is to effectively streamline the audit process to make the burden of an audit easier on our clients and ease any technical disagreements.

Fieldguide

At LSL, we partner with and utilize **Fieldguide** to perform our audits and retain electronic workpapers and supporting documentation in a fully cloud-based platform. During our preparation, all financial statements and schedules are linked to Fieldguide and audit documentation, ensuring accuracy and consistency with District records and eliminating the risk of manual errors.

File Sharing

Our web-based portal system provides clients with the ability to securely share information in a user-friendly platform. Integrated directly into Fieldguide, this state-of-the-art tool enhances collaboration in accounting and auditing. It enables direct communication with clients throughout the audit process for feedback exchange and tracks activities such as audit requests, client uploads, and progress. Access to the secure hub can be restricted to relevant individuals. This tool eliminates the necessity of sending sensitive documents via email, enhancing efficiency. Client dashboards are customizable to meet specific needs. Use of this tool is necessary as it directly links to Fieldguide and organizes the data for the audit teams.

Data Extraction & Audit Analytics

We believe software is only as effective as those who know how to use it. That's why we train all our staff and incorporate the use of **Fieldguide's integrated AI agents**. These powerful AI agents facilitate a risk-based transaction analysis tool. We utilize it to scan transaction sets, identify exceptions warranting further investigation, and provide greater assurances to our clients. This tool offer users a high-level summary and reduce time spent in transaction analysis by automatically performing multiple tests on the entire transaction set. They assist in identifying duplicate payments, high-risk journal entries, and developing expectations for analytical procedures used during the audit.

Determining Laws and Regulations Subject to Audit Test Work

The Laws and Regulations that will be subject to audit test work are determined by the applicable laws, regulations, contracts, and grant agreements which we identify through the understanding we obtain of the District and our extensive experience with other governmental entities.

Drawing Audit Samples for Compliance

The sampling procedures test the operating effectiveness of an internal control structure policy or procedure by determining how the policy or procedure was applied, the consistency with which it was applied during the audit period, and by whom it was applied. We will draw samples for disbursements, receipts, and payroll when applicable. Each document selected will be tested for various attributes that are designed to verify compliance with different aspects of internal controls and applicable laws and regulations. Additionally, each sample item will be tested for coding to the proper accounts and posting to the general ledger.

LSL's Approach to Understanding the District's Internal Control Structure

LSL will perform procedures as required by SAS 122-125 to obtain an understanding of the District and its environment along with assessing the risks of material misstatements in order to gain insight into the internal control structure over the financial statements. Our review will encompass various areas such as financial reporting, cash, revenues and receivables, utility billing, expenses, accounts payable, payroll, capital assets, long-term debt, and grant reporting. We will issue a management letter (SAS 115 Letter) that identifies any significant deficiencies and/or material weaknesses found as required by the Government Auditing Standards.

Our process is to obtain and review the District's annual budget book, organizational charts, standard operations procedures, manuals, policies, or other written documentation to identify processes and controls for critical transaction cycles. As much as is possible, we attempt to gather the data from the District's publicly available documents prior to beginning the audit to reduce the workload of the District's audit staff. Additionally, during Segment 1 of the audit, LSL will conduct interviews with the management of finance and responsible parties of each audit section to understand the processes and controls through observation and discussions. We will also perform sampling transactions as part of a "walk-through" process to verify that the system of control is functioning as per the policies and procedures.

IDENTIFICATION OF ANTICIPATED POTENTIAL AUDIT PROBLEMS

Outside of the complexities that arise with the implementation of GASB pronouncements, LSL does not anticipate any audit problems or conflicts in the performance of the services requested in this RFP. Our approach is to partner with our clients to provide information, training, and the resources necessary to successfully implement any new changes in accounting principles.

As mentioned previously, LSL assumes that the District will provide all necessary information to complete the financial statement and single audits. The LSL team assigned to this engagement will help identify and communicate any pending information needed from the District that may hinder the engagement's objectives and timely completion. Additionally, LSL assumes that the District will have closed its books and present auditable general ledger balances.

3. Bidding Proposal

ALL-INCLUSIVE MAXIMUM PRICE

All-Inclusive Maximum Price by Report					
Report	**2026-27**	**2027-28**	**2028-29**	*Optional* **2029-30**	*Optional* **2030-31**
District's Financial Audit	$35,150	$35,150	$36,910	$36,910	$38,760
Single Audit*	$6,170	$6,170	$6,480	$6,480	$6,800
Out-of-Pocket Expenses	*Included*	*Included*	*Included*	*Included*	*Included*
Total for Fiscal Year (Not-to-Exceed)	**$41,320**	**$41,320**	**$43,390**	**$43,390**	**$45,560**

* Price includes one (1) major program. Each additional program is $3,500.

LSL'S STANDARD HOURLY BILLING RATES

Auditor's Standard Billing Rates	2026-27	2027-28	2028-29	*Optional* 2029-30	*Optional* 2030-31
Partner	$413	$413	$434	$434	$456
Director	$326	$326	$343	$343	$361
Senior Manager	$287	$287	$302	$302	$318
Manager	$245	$245	$258	$258	$271
Supervisor	$221	$221	$233	$233	$245
Senior Accountant	$175	$175	$184	$184	$194
Experienced Staff	$147	$147	$155	$155	$163
Staff Accountant	$133	$133	$140	$140	$147
Clerical	$77	$77	$81	$81	$86

The quoted fees above include a standard 5% increase every two years

SCHEDULE OF RATES X HOURS

Fee Schedule FY2026-27				
Financial Statement Audit				
Staff Level	Rate	Hours	Cost	
Partners/Sr. Manager	$ 287	15	$	4,305
Supervisor	$ 221	30	$	6,630
Experienced Staff	$ 147	60	$	8,820
Staff	$ 133	110	$	14,630
Clerical	$ 77	10	$	770
Total		225	$	35,155

Fee Schedule FY2026-27				
Single Audit				
Staff Level	Rate	Hours	Cost	
Partners/Sr. Manager	$ 287	2	$	574
Supervisor	$ 221	6	$	1,326
Experienced Staff	$ 147	10	$	1,470
Staff	$ 133	20	$	2,660
Clerical	$ 77	2	$	154
Total		40	$	6,184

Fee Schedule FY2027-28

Financial Statement Audit

Staff Level	Rate	Hours	Cost
Partners/Sr. Manager	$ 287	15	$ 4,305
Supervisor	$ 221	30	$ 6,630
Experienced Staff	$ 147	60	$ 8,820
Staff	$ 133	110	$ 14,630
Clerical	$ 77	10	$ 770
Total		225	$ 35,155

Fee Schedule FY2027-28

Single Audit

Staff Level	Rate	Hours	Cost
Partners/Sr. Manager	$ 287	2	$ 574
Supervisor	$ 221	6	$ 1,326
Experienced Staff	$ 147	10	$ 1,470
Staff	$ 133	20	$ 2,660
Clerical	$ 77	2	$ 154
Total		40	$ 6,184

Fee Schedule FY2028-29

Financial Statement Audit

Staff Level	Rate	Hours	Cost
Partners/Sr. Manager	$ 302	15	$ 4,530
Supervisor	$ 233	30	$ 6,990
Experienced Staff	$ 155	60	$ 9,300
Staff	$ 140	110	$ 15,400
Clerical	$ 81	10	$ 810
Total		225	$ 37,030

Fee Schedule FY2028-29

Single Audit

Staff Level	Rate	Hours	Cost
Partners/Sr. Manager	$ 302	2	$ 604
Supervisor	$ 233	6	$ 1,398
Experienced Staff	$ 155	10	$ 1,550
Staff	$ 140	20	$ 2,800
Clerical	$ 81	2	$ 162
Total		40	$ 6,514

Fee Schedule FY2029-30

Financial Statement Audit

Staff Level	Rate	Hours	Cost
Partners/Sr. Manager	$ 302	15	$ 4,530
Supervisor	$ 233	30	$ 6,990
Experienced Staff	$ 155	60	$ 9,300
Staff	$ 140	110	$ 15,400
Clerical	$ 81	10	$ 810
Total		225	$ 37,030

Fee Schedule FY2029-30

Single Audit

Staff Level	Rate	Hours	Cost
Partners/Sr. Manager	$ 302	2	$ 604
Supervisor	$ 233	6	$ 1,398
Experienced Staff	$ 155	10	$ 1,550
Staff	$ 140	20	$ 2,800
Clerical	$ 81	2	$ 162
Total		40	$ 6,514

Fee Schedule FY2030-31

Financial Statement Audit

Staff Level	Rate	Hours	Cost
Partners/Sr. Manager	$ 318	15	$ 4,770
Supervisor	$ 245	30	$ 7,350
Experienced Staff	$ 163	60	$ 9,780
Staff	$ 147	110	$ 16,170
Clerical	$ 86	10	$ 860
Total		225	$ 38,930

Fee Schedule FY2030-31

Single Audit

Staff Level	Rate	Hours	Cost
Partners/Sr. Manager	$ 318	2	$ 636
Supervisor	$ 245	6	$ 1,470
Experienced Staff	$ 163	10	$ 1,630
Staff	$ 147	20	$ 2,940
Clerical	$ 86	2	$ 172
Total		40	$ 6,848

MANNER OF PAYMENT

LSL offers two manners of payment to our government audit clients. The first manner of payment is an upfront payment for the services to be rendered, less a 10% retention. This payment is due upon execution of the professional services agreement or the engagement letter. We apply an additional 5% discount to the overall audit fee for up-front payments. The second method of payment is that 90% of the total fees are invoiced in installment payments as work progresses. Under both methods, the final 10% retention is due and payable upon completion of the scope of work.

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.

With exceptions noted on the following page

Firm LSL, LLP

Ryan Domino, CPA, Partner / October 16, 2026

Authorized Representative/Date

Attachment: OMWD Standard Professional Service Agreement

Exceptions to the Standard Professional Services Agreement

As provided in the Selection Process section of the RFP, LSL notes the following specific exceptions to the District's Standard Professional Services Agreement. These modifications are needed to keep LSL's audit independent and compliant with generally accepted auditing standards, Government Auditing Standards (Yellow Book), and the AICPA Code of Professional Conduct. LSL will agree to the Agreement as modified below and will provide its annual engagement letter, which covers the remaining terms of the engagement.

#	Agreement Section	Basis for Exception	Proposed Alternative Language
1	**§1 and §2 District Approval; Defective Work**	District approval of all work, with "defective" determined in the District's sole discretion, would let the client direct or approve the auditor's opinion and findings (GAGAS Ch. 3; AICPA Code ET 1.100.001, 1.200.001).	The District's review is limited to confirming completeness and conformity with the scope in Exhibit A. District approval is not a condition to issuing LSL's reports. LSL's opinions, findings, conclusions, and recommendations reflect its independent professional judgment and are not subject to District approval or direction. LSL will correct, at no added charge, any failure to perform the services in accordance with GAAS and Government Auditing Standards that the District identifies in writing, but is not required to change any opinion, finding, or conclusion supported by sufficient appropriate audit evidence.
2	**§4, §10, §14.4 Payment, Withholding, and Termination**	Payment contingent on District approval and discretionary withholding creates a self-interest threat and unpaid-fee exposure (AICPA Code ET 1.230.010).	Undisputed invoices are due within 30 days of receipt. The District may withhold only amounts disputed in good faith, by written notice within 10 days stating the reasons. Disagreement with an audit opinion, finding, or conclusion is not grounds for withholding. On termination for any reason, LSL will be paid for all services rendered and expenses incurred through the termination date.
3	**§6 Standard of Care**	"Highest degree of skill" exceeds the professional standard of due care (AICPA Code ET 1.300.001); an audit provides reasonable, not absolute, assurance.	LSL will perform the services in accordance with GAAS, Government Auditing Standards, and the AICPA Code of Professional Conduct, using the skill and care ordinarily exercised by CPA firms performing comparable governmental audits in California. An audit provides reasonable, not absolute, assurance, and LSL does not warrant that all misstatements, fraud, or noncompliance will be detected.
4	**§9, §13, §18.13 Completion Date, Material Breach, Time of the Essence**	Fixed deadlines treated as material breach create pressure to issue reports before sufficient appropriate evidence is obtained.	Completion dates in Exhibit A are targets that depend on the District's timely delivery of the adjusted trial balance, PBC items, management representation letter, and access to personnel and records. LSL will not issue its reports until it has obtained sufficient appropriate audit evidence and required representations. Delays caused by the District or by circumstances beyond LSL's control extend the dates and are not a breach.

LSL welcomes the opportunity to discuss these items with the District and will work with District staff and counsel to reach mutually acceptable language.

LSL Highlights: Awards & Values

LSL is a multi-location firm with formidable resources that provides a personal feel and hands-on client experience.

Ranked #21 on the Orange County Business Journal's CPA Firm Book of Lists

Established in 1929

15 Partners
4 Principals

180 Employees (and growing!)

Accounting Today Regional Leader

LSL has again been recognized as an Accounting Today Regional Leader in 2026. The list ranks the top CPA firms that have shown exceptional growth, embraced technology, and who 'think outside the box' when providing solutions.

INSIDE Public Accounting Award

LSL is honored to be recognized among the Top 300 accounting firms in the nation by INSIDE Public Accounting! Each year, IPA ranks CPA firms based on net revenue, and LSL proudly advanced from #201 in 2025 to #188 in 2026. Our fantastic team and the trust of our valued clients are the driving force behind this upward momentum and continued growth.

Best of Accounting Award

LSL has consistently secured the ClearlyRated *Best of Accounting* award since 2019. This exclusive program awards accounting firms who demonstrate high-level service of excellence within the accounting industry and solely leverages statistically validated survey responses from our clients.

4.7 based on 646 ratings

Our Core Values

Our values weren't decided on by management and handed down. Every member of the LSL team worked together to share what values matter most to us. From there, we came up with the following five core values that embody how we approach each other, our work, and our clients.

PURSUE EXCELLENCE

LOVE WHAT YOU DO

LEAD WITH INTEGRITY

ACCOMPLISH MORE TOGETHER

FORWARD THINKING

Training Services & LSL Seminars

LSL offers a comprehensive suite of training options including written materials, in-person, online and webinars covering both current topics and foundational concepts. These programs are tailored towards finance department teams to ensure that both clients and staff are informed and prepared in governmental accounting and auditing with continued support throughout. We regularly lead instructional sessions and learning opportunities in financial reporting, internal control risk assessments, and the latest GASB updates delivering the most current information and ideas that impact your industry. These opportunities are made available through our firm to the District for professional development or continuing professional education credits. Some of the topics include:

Uniform Guidance (UG) Updates	GASB Updates	Addressing Staffing Challenges	ERP Implementation Panel	LSL Back to Basics Series

Back to Basics topics include:

- GASB 101: Compensated Absences
- Capital Assets
- Bank Reconciliations
- Pension & OPEB
- Accounts Receivable
- A/P, Accrued Liabilities, and Long-Term Debt
- Leases & SBITAS

For upcoming webinars, please visit https://lslcpas.com/webinars/.

Appendix A – Engagement Team Resumes



LICENSES & CERTIFICATIONS

Certified Public Accountant
California #130928
Texas #126795

CURRENT CLIENTS

Cities and Towns:

- Antioch, California
- Bakersfield, California
- Barstow, California
- Brea, California
- Burbank, California
- Carlsbad, California
- Cathedral City, California
- Culver City, California
- Dana Point, California
- Downey, California
- Kress, Texas
- La Quinta, California
- Laguna Beach, California
- Malibu, California
- Monrovia, California
- Needles, California
- Oceanside, California
- Orange, California
- Pasadena, California
- Rosemead, California
- San Clemente, California
- San Dimas, California
- Santa Monica, California
- Truckee, California
- West Sacramento, California

Counties, Special Districts, and Others:

- Chino Basin Desalter Authority
- Coachella Valley Water District
- Monterey Peninsula Airport District
- Yolo County, California
- Yorba Linda Water District

Ryan Domino, CPA, Partner

ENGAGEMENT PARTNER

ACHIEVEMENTS

Ryan is a partner in LSL's Assurance & Advisory Department and currently serves as the Government Division Audit Practice Leader and Quality Leader. He is also a technical reviewer for the Government Finance Officers Association (GFOA) and has been a presenter for various organizations' annual conference and local chapter meetings. He also serves as ad hoc faculty for the California Society of Municipal Finance Officers and provides education for their members each year.

CONTINUING EDUCATION

As a firm policy, all LSL government staff are required to complete a minimum of 40 hours of continuing education every year, with at least 24 hours in governmental accounting and auditing in a two-year period. Ryan meets the requirements for *Government Auditing Standards* in governmental CPE.

EXPERIENCE

Ryan has over 14 years of experience in governmental auditing including financial statement audits, Single Audits, compliance audits, and agreed-upon procedures and advisory engagements. His client experience includes:

- Cities and Towns
- Counties
- Special Districts and Utilities Agencies
- Joint Powers Authorities
- Not-for-profits

He is a regular presenter at the firm's annual GASB Update where he has presented training to our clients on the latest GASB pronouncements and has been a presenter for CSMFO's chapter meetings and the annual CSMFO Conference.

Some of his presentations have covered:

- General auditing in accordance with GAGAS
- Accounting for capital assets
- Various GASB pronouncements
- Accounting for pensions and OPEB
- Introduction to Governmental Accounting
- Fraud risks and internal controls

MEMBERSHIPS

AICPA, CalCPA, CSMFO, GFOA, TXCPA, and GFOAT

EDUCATION

Bachelor of Arts Degree in Business Administration, with an emphasis in Accounting – California State University, Fullerton

Ryan Domino CPE Records

Program	Sponsor	Completed
2026 Government Year-End Workshop Series	LSL CPAs	09/29/2026
2026 Government Year-End Workshop Series	LSL CPAs	09/22/2026
2026 Government Year-End Workshop Series	LSL CPAs	09/15/2026
Retro GASB 7 and GASB 23 - Debt Refundings and the Evolution of Reporting Guidanc	LSL CPAs	09/02/2026
2026 Government Year-End Workshop Series	LSL CPAs	09/01/2026
2026 Government Year-End Workshop Series	LSL CPAs	08/25/2026
AI for Accountants and Auditors: Deep Prompting Techniques	Becker Professional Education	08/21/2026
2026 Government Year-End Workshop Series	LSL CPAs	08/18/2026
2026 Government Year-End Workshop Series	LSL CPAs	08/11/2026
2026 Government Year-End Workshop Series	LSL CPAs	07/23/2026
FIELDGUIDE PLATFORM INTRODUCTION & OVERVIEW	CPAacademy	06/03/2026
LSL's GASB Update 2026	LSL CPAs	05/07/2026
2026 Annual Required GAQC Webcast	Aicpa	05/04/2026
2026 Government Year-End Workshop Series	LSL CPAs	04/14/2026
Common audit deficiencies: Governmental audits	Becker Professional Education	04/13/2026
2026 Government Year-End Workshop Series	LSL CPAs	04/07/2026
Ethics, integrity, and AICPA Code of Professional Conduct (expanded version)	Becker Professional Education	04/06/2026
LSL Strategic Workshop	Boomer Consulting	01/23/2026
Yellow Book Update 2026	Becker Professional Education	01/07/2026
2025 Government Workshop Series	LSL CPAs	11/04/2025
2025 Government Workshop Series	LSL CPAs	10/21/2025
2025 Government Workshop Series	LSL CPAs	10/07/2025
2025 Government Workshop Series	LSL CPAs	09/23/2025
2025 Government Workshop Series	LSL CPAs	09/16/2025
Back to Basics | Uniform Guidance Update Encore Presentation	LSL, LLP	09/10/2025
2025 Government Workshop Series	LSL CPAs	09/09/2025
2025 Government Workshop Series	LSL CPAs	09/02/2025
2025 GAGAS Training Day 2	LSL, LLP	08/28/2025
2025 Government Workshop Series	LSL CPAs	08/26/2025
2025 GAGAS Training Day 1	LSL, LLP	08/27/2025
2025 Government Workshop Series	LSL CPAs	08/05/2025
Developing as a Rainmaker	Convergence Coaching	06/23/2025
Back to Basics | GASB 101: Compensated absences	LSL, LLP	06/05/2025
The New Psychology of Fraud 2024-2025	Calcpa	05/14/2025
New Quality Management Standards: Bringing It All Together - Exploring All Components of a Quality Management System	Aicpa	04/24/2025
New Quality Management Standards: What's New for Firms' Monitoring and Remediation Processes	Aicpa	04/17/2025
Single Audit Training - 01/24/2025	LSL CPAs	01/24/2025
Back to Basics - Capital Assets Crash Course	LSL CPAs	09/10/2024
Back to Basics | Put the Pieces Together: A Guide to Bank Reconciliations	LSL CPAs	08/27/2024
A CPA's Guidebook to Ethical Behavior: A CPE Ethics Course for Texas CPAs	Becker Professional Education	08/23/2024
Government Year-End Training 8/8/24 (Webinar)	LSL CPAs	08/09/2024
LSL Government Audit, Accounting & Technology (GAAT) Update	LSL CPAs	05/01/2024
2024 Govt. Interim Training - Audit Roadmap	LSL CPAs	04/05/2024
2024 Govt. Interim Training: Internal Control Documentation in Orb	LSL CPAs	04/04/2024
Audit Nightmares: Expenses	Lumiq	02/13/2024
LSL CPAs Strategic Planning	Boomer Consulting	01/18/2024
Designing a Training Program: Setting Goals, Objectives, and Mediums		01/03/2024
Key Recipient Roles and Responsibilities in Single Audits	Aicpa	12/15/2023
Audit & Assurance Discussion Webinar	Primeglobal	10/19/2023



LICENSES & CERTIFICATIONS

Certified Public Accountant
California #159100
New York #116533

CURRENT CLIENTS

Cities and Towns:

- Bell Gardens, California
- Citrus Heights, California
- Diamond Bar, California
- Inglewood, California
- Livingston, California
- Lodi, California
- Lompoc, California
- Nevada City, California
- Newark, California
- Rancho Cucamonga, California
- Vacaville, California
- Vallejo, California
- Woodland, California

Counties:

- Butte County, California
- El Dorado County, California
- Nevada County, California
- Placer County, California
- Sutter County, California
- Tehama County, California
- Trinity County, California

Special Districts and Others:

- Durham Mosquito Abatement District
- San Joaquin Council of Governments
- Stanislaus Council of Governments

Christian Townes, CPA, Partner

CONCURRING PARTNER

ACHIEVEMENTS

With over 14 years of experience in public accounting, Christian brings a strong focus on governmental services and auditing, including federal grant compliance. She has a strong background in navigating the complexities of GASB regulations, ensuring compliance and accuracy in financial processes. Additionally, she specializes in Single Audit planning and execution and excels in evaluating requirements, including major program determination, audit sampling, and internal control compliance.

CONTINUING EDUCATION

As a firm policy, all LSL government staff are required to complete a minimum of 40 hours of continuing education every year, with at least 24 hours in governmental accounting and auditing in a two-year period. Christian meets the requirements for Government Auditing Standards in governmental CPE.

EXPERIENCE

She has performed all phases of our government audits, including special districts, ACFR audits, and Single Audits.

Her work has entailed:

- Assisting in the preparation of the Annual Comprehensive Financial Report
- Performing analytical and substantive audit procedures on account balances
- Planning the nature, timing, and extent of procedures involved in the audit process audits in accordance with the provisions of Government Auditing Standards and the provisions of the Single Audit Act and the Uniform Guidance
- Assisting clients with the preparation and review of GASB related journal entries, including implementation of GASB 87 and 96.

MEMBERSHIPS

AICPA, GFOA, CSMFO

EDUCATION

Bachelor of Science in Accounting with a minor in Economics –
The College at Brockport, State University of New York

A.S. in Business Administration – Genesee Community College

Christian Townes CPE Records

Program	Sponsor	Completed
Retro GASB 7 and GASB 23 - Debt Refundings and the Evolution of Reporting Guidance	LSL CPAs	09/02/2026
AICPA Town Hall Series	Aicpa	08/20/2026
2026 Government Year-End Workshop Series	LSL CPAs	08/18/2026
Regulatory Review for California CPAs	Becker Professional Education	07/29/2026
2026 Government Year-End Workshop Series	LSL CPAs	07/23/2026
2026 Government Year-End Workshop Series	LSL CPAs	07/22/2026
AICPA Town Hall Series	Aicpa	07/09/2026
Introduction to Governmental Accounting July 7 & 8, 2026	CSMFO	07/07/2026
2026 Government Year-End Workshop Series	LSL CPAs	06/23/2026
AB 339 and SB 827: Compliance Clarity for California Agencies	CSMFO	06/18/2026
Ethical Intelligence: Global Case Studies & Standards 26-27	Calcpa	06/16/2026
Using AI in Your FLS Practice	Aicpa	06/12/2026
ACIPA & A&A Focus	Aicpa	06/03/2026
AICPA & A&A Focus	Aicpa	06/03/2026
2026 Government Year-End Workshop Series	LSL CPAs	05/12/2026
LSL's GASB Update 2026	LSL CPAs	05/07/2026
Excel: Fraud Detection	Becker Professional Education	05/01/2026
Power of Positivity	Becker Professional Education	05/01/2026
2026 Government Year-End Workshop Series	LSL CPAs	04/21/2026
State Retirement System Update	NYGFOA	04/16/2026
NYS Cyber Security Update from DHSES	NYGFOA	04/16/2026
2026 Government Year-End Workshop Series	LSL CPAs	04/14/2026
Minority Shareholder Showdowns: Valuations That Hold Up in Court	Aicpa	04/14/2026
2026 Government Year-End Workshop Series	LSL CPAs	04/02/2026
2026 Government Year-End Workshop Series	LSL CPAs	04/01/2026
Economic Damages: Key Considerations and Trends You Should Know	Aicpa	03/24/2026
AICPA Town Hall Series (3/5/2026)	Aicpa	03/05/2026
New York Ethics 2024-2026	Becker Professional Education	01/15/2026
AICPA Town Hall Series (1/8/2026)	Aicpa	01/08/2026
AICPA Town Hall Series (1/8/2026)	Aicpa	01/08/2026
GASB'S New Financial Reporting Model	Becker Professional Education	12/24/2025
Annual Governmental GAAP Update Encore		11/21/2025
2025 Government Workshop Series	LSL CPAs	11/04/2025
2025 Government Workshop Series	LSL CPAs	10/28/2025
2025 Government Workshop Series	LSL CPAs	10/14/2025
2025 Government Workshop Series	LSL CPAs	10/07/2025
2025 Government Workshop Series	LSL CPAs	09/23/2025
AICPA GAS-Single Audit Guide: An Overview of Big Changes Coming		09/18/2025
2025 Government Workshop Series	LSL CPAs	09/16/2025
2025 Government Workshop Series	LSL CPAs	09/09/2025
2025 Government Workshop Series	LSL CPAs	09/09/2025
2025 Government Workshop Series	LSL CPAs	09/02/2025
2025 Government Workshop Series	LSL CPAs	09/02/2025
2025 Government Workshop Series	LSL CPAs	08/12/2025
2025 Government Workshop Series	LSL CPAs	08/12/2025
Quality Management Standards	Becker Professional Education	05/13/2025
Quality Management Standards	Becker Professional Education	05/13/2025
Quality Management Standards	Becker Professional Education	05/13/2025
Single Audit Training - 01/24/2025	LSL CPAs	01/24/2025
Back to Basics | Grants from A-Z	LSL CPAs	09/24/2024
Government Year-End Training 8/8/24 (Webinar)	LSL CPAs	08/09/2024
Back to Basics: Mastering AR Reconciliations for Year-End	LSL CPAs	07/16/2024
Back to Basics | Pension & OPEB for Beginners	LSL CPAs	07/10/2024
Back to Basics | Leases & SBITA Accounting: Year Two & Beyond	LSL CPAs	06/18/2024
2023 Yellow Book Update	Becker Professional Education	08/22/2023
Yellow Book and Single Audit Update - 2023	Becker Professional Education	08/16/2023
2023 Fraud Update	Becker Professional Education	08/11/2023
Annual GASB Update - 2023	Becker Professional Education	08/10/2023
Professional Judgment in Audit	Becker Professional Education	08/09/2023
2023 Uniform Guidance Update	Becker Professional Education	08/03/2023



LICENSES & CERTIFICATIONS

Certified Public Accountant
California #141837

CURRENT CLIENTS

Cities and Towns:

- Brea, California
- Burbank, California
- Canyon Lake, California
- Culver City, California
- Dana Point, California
- Duarte, California
- Laguna Beach, California
- Monrovia, California
- San Clemente California

Special Districts and Others:

- Coachella Valley Water District
- El Toro Water District
- Mesa Water District
- Sacramento Transportation Authority
- San Bernardino Municipal Water Dept.
- Three Valleys Municipal Water District
- United Water Conservation District
- Yorba Linda Water District

Riley Greenlee, CPA, Senior Manager

RELATIONSHIP MANAGER

ACHIEVEMENTS

Riley helps our clients prepare and implement their Annual Comprehensive Financial Report (ACFR) for the Government Finance Officers Association (GFOA) award. His background is in government and specializes in leveraging technology in accounting and cybercrime. Riley is certified by the AICPA in cybersecurity advisory services. Riley also serves as a technical reviewer for the Government Finance Officers Association (GFOA).

CONTINUING EDUCATION

As a firm policy, all LSL government staff are required to complete a minimum of 40 hours of continuing education every year, with at least 24 hours in governmental accounting and auditing in a two-year period. Riley meets the requirements for Government Auditing Standards in governmental CPE.

EXPERIENCE

Riley has over 11 years of experience in governmental auditing including financial statement audits, preparation of Annual Comprehensive Financial Reports, Housing Successor compliance audits, TDA compliance audits, Single Audits, and various consulting and agreed-upon procedures projects.

Riley is a regular presenter for the firm's webinars. Some of his presentations have covered accounting and auditing for: cash and investments, pensions, OPEB and treasury controls.

His work has entailed:

- Assisting in the preparation of the Annual Comprehensive Financial Report
- Assisting clients with obtaining the GFOA award of excellence for the first time.
- Presentation of audit results to Aduit Committees or other charged with governance.
- Planning the nature, timing, and extent of procedures involved in the audit process audits in accordance with the provisions of Government Auditing Standards and the provisions of the Single Audit Act and the Uniform Guidance
- Risk assessment and evaluation of internal controls with COSO and Federal Green Book.
- Assisting clients with the implementation of new GASB pronouncements including GASB 68, 75, 84, 87, 96 and 100.

MEMBERSHIPS

CalCPA, GFOA

EDUCATION

Bachelor of Arts Degree in Economics and Accounting –
University of California, Santa Barbara

Riley Greenlee CPE Records

Program	Sponsor	Completed
2026 Government Year-End Workshop Series	LSL CPAs	09/29/2026
2026 Government Year-End Workshop Series	LSL CPAs	09/22/2026
Unlock capacity with AI agents for financial audits	Arizent	09/17/2026
2026 Government Year-End Workshop Series	LSL CPAs	09/01/2026
2026 Government Year-End Workshop Series	LSL CPAs	08/25/2026
2026 Government Year-End Workshop Series	LSL CPAs	08/18/2026
2026 Government Year-End Workshop Series	LSL CPAs	08/11/2026
2026 Government Year-End Workshop Series	LSL CPAs	07/23/2026
2026 Government Year-End Workshop Series	LSL CPAs	07/22/2026
LSL's GASB Update 2026	LSL CPAs	05/07/2026
2026 Government Year-End Workshop Series	LSL CPAs	05/05/2026
2026 Government Year-End Workshop Series	LSL CPAs	04/28/2026
2026 Government Year-End Workshop Series	LSL CPAs	04/21/2026
2026 Government Year-End Workshop Series	LSL CPAs	04/14/2026
2026 Government Year-End Workshop Series	LSL CPAs	04/07/2026
2026 Government Year-End Workshop Series	LSL CPAs	04/02/2026
2026 Government Year-End Workshop Series	LSL CPAs	04/01/2026
2026 Government Year-End Workshop Series	LSL CPAs	03/12/2026
2025 Government Workshop Series	LSL CPAs	11/04/25
2025 Government Workshop Series	LSL CPAs	10/28/25
2025 Government Workshop Series	LSL CPAs	10/07/25
2025 Government Workshop Series	LSL CPAs	09/30/25
2025 Government Workshop Series	LSL CPAs	09/16/25
Back to Basics | Uniform Guidance Update Encore Presentation	LSL, LLP	09/10/25
2025 Government Workshop Series	LSL CPAs	09/09/25
2025 Government Workshop Series	LSL CPAs	08/26/25
2025 Government Workshop Series	LSL CPAs	08/19/25
The Taxing Truth: Updates and Insights on Property & Sales Taxes	CSMFO	08/13/25
Data analytics using IDEA: Audit analytics	Becker Professional Education	08/13/25
2025 Government Workshop Series	LSL CPAs	08/12/25
2025 Government Workshop Series	LSL CPAs	08/05/25
2025 Government Year-End Training	LSL CPAs	07/24/25
2025 Assurance Department Training	LSL CPAs	07/23/25
2025 Assurance Department Training	LSL CPAs	07/22/25
Governmental and Not-for-Profit Annual Update	Aicpa	07/15/25
Asset Misappropriation Schemes	Becker Professional Education	05/05/25
AICPA's Ethics Codification Project	Becker Professional Education	05/02/25
Anti-Retaliation: What You Need to Know	Becker Professional Education	05/01/25
California Regulatory Review	Becker Professional Education	05/01/25
Bold Moves: Thriving in a Time of Transformation	Aicpa	04/30/25
Quality Management Standards	Becker Professional Education	04/17/25
Excel: Cool Tricks	Becker Professional Education	04/03/25
Single Audit Training - 01/24/2025	LSL CPAs	01/24/25
Back to Basics - Capital Assets Crash Course	LSL CPAs	09/10/24
Lunch & Learn - Government Audit File Updates	LSL CPAs	09/06/24
Back to Basics | Put the Pieces Together: A Guide to Bank Reconciliations	LSL CPAs	08/27/24
2024 Government Year-End Training (In-Person)	LSL CPAs	08/09/24
Back to Basics | Pension & OPEB for Beginners	LSL CPAs	07/10/24
Inventory Count Training (Government)	LSL CPAs	06/06/24
Orange County Chapter Meeting	California Society Of Municipal Finance Officers	05/22/24
LSL Government Audit, Accounting & Technology (GAAT) Update	LSL CPAs	05/01/24
GAO Green Book - Government Internal Control Standards	Becker Professional Education	04/12/24
Audit Risk Assessment: The Do's and Don'ts, Part 2	Becker Professional Education	04/11/24
Audit Risk Assessment: The Do's and Don'ts, Part 1	Becker Professional Education	04/10/24
Ethical and Independence Considerations in Yellow Book Engagements	Becker Professional Education	04/06/24
2024 Govt. Interim Training - Audit Roadmap	LSL CPAs	04/05/24
Internal Control Considerationsâ€"Focus on Non-profits and Governmental Entities	Becker Professional Education	04/05/24
2024 Govt. Interim Training: Expectations	LSL CPAs	04/05/24
2024 Govt. Interim Training: Internal Control Documentation in Orb	LSL CPAs	04/04/24
Evaluating Design and Implementation of Internal Controls on Audits	Becker Professional Education	04/02/24
Let It Go... Let It Go... How to Let Go of Unclaimed Property (T-Technical)	Csmfo	02/29/24
How WIFIA Financing Works Magic for California's Water Utilities	Csmfo	02/29/24
Advanced Tools for Managing Pension Costs and UAL	Csmfo	02/29/24
Featured Speaker - Mariana Atencio	Csmfo	02/29/24
Yellow Book and Single Audit Update 2024	Becker Professional Education	01/24/24
Yellow Book Update 2024	Becker Professional Education	01/22/24
Accounting and Auditing for Going Concern	Becker Professional Education	01/04/24



LICENSES & CERTIFICATIONS

Certified Public Accountant
California (in progress)

AUDIT ENGAGEMENTS

Cities and Towns:

- Canyon Lake, California
- Rolling Hills, California
- Needles, California
- Pasadena, California
- Santa Monica, California
- Vallejo, California
- Bell Gardens, California

Special Districts and Others:

- Great Redwood Trails Agency
- Santa Margarita River Watershed Watermaster
- Eastern Municipal Water District

Keili Gonzalez, Supervisor

AUDIT SUPERVISOR

ACHIEVEMENTS

Keili has earned the AICPA Intermediate Single Audit certificate and holds an extensive background in demonstrating her ability to perform single audits in accordance with the requirements of the Uniform Guidance. She brings with her extensive experience, knowledge, and application of GAAP, Auditing Standards (GAS & GAAS), and the principles of internal accounting `controls as it relates to client-specific matters.

CONTINUING EDUCATION

As a firm policy, all LSL government staff are required to complete a minimum of 40 hours of continuing education every year, with at least 24 hours in governmental accounting and auditing in a two-year period. Keili meets the requirements for Government Auditing Standards in governmental CPE.

EXPERIENCE

During her time with the firm, Keili has performed and supervised all phases of our government audits, including ACFR audits, successor agency audits, and Single Audits.

Her work has entailed:

- Assisting in the preparation of the Annual Comprehensive Financial Report (ACFR)
- Performing analytical and substantive audit procedures on account balances
- Planning the nature, timing and extent of procedures involved in the audit process
- Assisting clients with the preparation and review of GASB 68 and 75 journal entries
- Review of capital asset, debt service, federal and state award schedules

EDUCATION

Bachelor of Science in Business Administration, Accounting – California State Fullerton

Keili Gonzalez CPE Records

Program	Sponsor	Completed
2026 Government Year-End Workshop Series	LSL CPAs	09/29/2026
2026 Government Year-End Workshop Series	LSL CPAs	09/22/2026
2026 Government Year-End Workshop Series	LSL CPAs	09/15/2026
Retro GASB 7 and GASB 23 - Debt Refundings and the Evolution of Reporting Guidance	LSL CPAs	09/02/2026
2026 Government Year-End Workshop Series	LSL CPAs	09/01/2026
2026 Government Year-End Workshop Series	LSL CPAs	08/25/2026
AI for Accountants and Auditors: Deep Prompting Techniques	Becker Professional Education	08/21/2026
2026 Government Year-End Workshop Series	LSL CPAs	08/18/2026
2026 Government Year-End Workshop Series	LSL CPAs	08/11/2026
2026 Government Year-End Workshop Series	LSL CPAs	07/23/2026
2026 Government Year-End Workshop Series	LSL CPAs	07/22/2026
GASB 103 Deep Dive: Navigating the New Financial Reporting Model	LSL CPAs	06/25/2026
2026 Government Year-End Workshop Series	LSL CPAs	06/23/2026
2026 Government Year-End Workshop Series	LSL CPAs	05/12/2026
LSL's GASB Update 2026	LSL CPAs	05/07/2026
2026 Government Year-End Workshop Series	LSL CPAs	05/05/2026
2026 Government Year-End Workshop Series	LSL CPAs	04/28/2026
2026 Government Year-End Workshop Series	LSL CPAs	04/21/2026
2026 Government Year-End Workshop Series	LSL CPAs	04/14/2026
2026 Government Year-End Workshop Series	LSL CPAs	04/07/2026
2026 Government Year-End Workshop Series	LSL CPAs	04/02/2026
2026 Government Year-End Workshop Series	LSL CPAs	04/01/2026
2026 Government Year-End Workshop Series	LSL CPAs	03/12/2026
2025 Government Workshop Series	LSL CPAs	11/04/2025
2025 Government Workshop Series	LSL CPAs	10/28/2025
2025 Government Workshop Series	LSL CPAs	10/21/2025
2025 Government Workshop Series	LSL CPAs	10/14/2025
2025 Government Workshop Series	LSL CPAs	10/07/2025
2025 Government Workshop Series	LSL CPAs	09/30/2025
2025 Government Workshop Series	LSL CPAs	09/23/2025
2025 Government Workshop Series	LSL CPAs	09/16/2025
Back to Basics | Uniform Guidance Update Encore Presentation	LSL, LLP	09/10/2025
2025 Government Workshop Series	LSL CPAs	09/09/2025
2025 Government Workshop Series	LSL CPAs	09/02/2025
2025 Government Workshop Series	LSL CPAs	08/26/2025
2025 Government Workshop Series	LSL CPAs	08/19/2025
2025 Government Workshop Series	LSL CPAs	08/12/2025
2025 Government Workshop Series	LSL CPAs	08/05/2025
2025 Government Year-End Training	LSL CPAs	07/24/2025
2025 Assurance Department Training	LSL CPAs	07/23/2025
2025 Assurance Department Training	LSL CPAs	07/22/2025
Back to Basics | GASB 101: Compensated absences	LSL, LLP	06/05/2025
2025 Government Interim Training	LSL CPAs	04/07/2025
2025 Government Interim Training	LSL CPAs	04/07/2025
Single Audit Training - 01/24/2025	LSL CPAs	01/24/2025
Back to Basics | Put the Pieces Together: A Guide to Bank Reconciliations	LSL CPAs	08/27/2024
Back to Basics: Mastering AR Reconciliations for Year-End	LSL CPAs	07/16/2024
Back to Basics | Pension & OPEB for Beginners	LSL CPAs	07/10/2024
Back to Basics | Leases & SBITA Accounting: Year Two & Beyond	LSL CPAs	06/18/2024
Inventory Count Training (Government)	LSL CPAs	06/06/2024
Ethical and Independence Considerations in Yellow Book Engagements	Becker Professional Education	04/05/2024
Identifying and Communicating Internal Control Matters on An Audit	Becker Professional Education	04/05/2024
2024 Govt. Interim Training - Audit Roadmap	LSL CPAs	04/05/2024
Audit Risk Assessment: The Do's and Don'ts, Part 2	Becker Professional Education	04/04/2024
2024 Govt. Interim Training: Internal Control Documentation in Orb	LSL CPAs	04/04/2024
Evaluating internal controls post-pandemic	Becker Professional Education	04/03/2024
Audit Risk Assessment: The Do's and Don'ts, Part 1	Becker Professional Education	04/03/2024
GAO Green Book - Government Internal Control Standards	Becker Professional Education	04/02/2024
Internal Control Considerations—Focus on Non-profits and Governmental Entities	Becker Professional Education	04/02/2024
Evaluating Design and Implementation of Internal Controls on Audits	Becker Professional Education	04/01/2024
Motivating remote workers	Becker Professional Education	04/01/2024
Fraud and Abuse in Nonprofit and Government Environments	Becker Professional Education	02/16/2024
Yellow Book and Single Audit Update 2024	Becker Professional Education	01/24/2024
Yellow Book Update 2024	Becker Professional Education	01/09/2024
Accounting and Auditing for Going Concern	Becker Professional Education	01/04/2024

Appendix B – Current List of Municipal Clients

Current List of Municipal Clients						
	Client Name	Client Clas	Contact Person	Services	Years	Phone
*	Bakersfield	M	Randy McKeegan	A1, A2	1	661-326-3030
*	Barstow	M	Sydnie Harris	A1, A2	11	760-255-5115
	Big Bear Fire Authority	S	Kristin Mandolini	A1	9	909-866-5831
*	Big Bear Lake	M	Kelly Ent	A1, A2	27	909-866-5831
*	Brea	M	Monica Lo	A1, A2	13	714-990-7600
*	Burbank	M	Heidi Okimoto	A1, A2	15	818-238-5500
*	Butte County	C	Graciela Gutierrez	A1, A2	1	530-552-3600
	Canyon Lake	M	Aaron Brown	A1, A2	30	951-244-2955
*	Carlsbad	M	Kim Riboni	A1, A2	3	760-602-2430
*	Cathedral City	M	Kevin Biersack	A1, A2	15	760-770-0378
*	Citrus Heights	M	Dena Jenkins	A1, A2	6	916-727-4719
*	Citrus Heights Water District	S	Annie Liu	A1	4	916-735-7703
*	Coachella Valley Water District	S	Karla Romero	A1, A2	12	760-398-2651
*	Culver City	M	Michael Towler	A1, A2	1	310-253-6016
*	Dana Point	M	Sea Shelton	A1	2	949-248-3516
*	Diamond Bar	M	Jason Jacobsen	A1, A2	15	909-839-7051
*	Downey	M	Francesca Navarro	A1, A2	11	562-904-7265
	Duarte	M	Angela Chiaromonte	A1	1	626-357-7931
*	Eastern Municipal Water District	S	Wilma Garriz	A1, A2	4	951-928-3777
	El Dorado County	C	Alison Winter	A1, A2	2	530-621-6729
*	El Toro Water District	S	Vishav Sharma	A1	2	949-599-2504
*	Fullerton	M	Toni Smart	A1, A2	4	714-738-6522
	Grand Terrace	M	Christine Clayton	A1, A2	11	909-824-6621
	Inglewood	M	Sharon Koike	A1, A2	10	310-412-5257
*	Irwindale	M	Kambiz Borhani	A1	30	626-430-2200
	Kress	T	Johnny Taylor	A1	1	806-994-5051
*	La Quinta	M	Claudia Martinez	A1, A2	1	760-777-7055
*	Laguna Beach	M	Shannon Espinoza	A1	1	949-497-0319
	Livingston	M	Happy Bains	A1	4	209-394-8041
*	Lodi	M	Chia Lor	A1, A2	2	209-269-4638
*	Lompoc	M	Robert Cross	A1, A2	4	805-875-8283
*	Malibu	M	Renee Neerman	A1	21	310-456-2489
*	Manhattan Beach	M	Julie Bondarchuk	A1	15	310-802-5564
*	Mesa Water District	S	Anthony Phou	A1	3	949-574-1022
*	Monrovia	M	Buffy Bullis	A1, A2	24	626-932-5513
	Monterey Peninsula Airport District	S	Mark Wilson	A1, A2	6	831-648-7000
*	Napa	M	Rajneil (Raj) Prasad	A1, A2	1	707-257-9698
	Nevada City	M	Stephen Erlandson	A1	1	530-265-2496
*	Nevada County	C	Gina Will	A1	1	530-265-1580
*	Newark	M	Krysten Lee	A1, A2	6	510-578-4288
*	Oceanside	M	Jill Moya	A1, A2	16	760-435-3887
	Orange	M	Trang Nguyen	A1, A2	2	714-744-2251
	Orchard Dale Water District	S	Ron Richard	A1	6	562-941-0114

*	Palm Desert	M	Veronica Chavez	A1, A2	8	760-346-0611
*	Pasadena	M	Armine Trashian	A1, A2	12	626-744-4000
*	Placer County	C	Debbie Chan	A1, A2	1	530-889-4180
*	Rainbow Municipal Water District	S	Rick Aragon	A1	5	760-728-1178
*	Rancho Cucamonga	M	Caroline Cruz-Contreras	A1, A2	47	909-774-2434
	Rolling Hills	M	Robert Samario	A1, A2	16	310-377-1521
*	Rosemead	M	Maria Teresita Anson	A1, A2	7	626-569-2146
*	San Bernardino Municipal Water Departr	S	Cynthia Mouser	A1, A2	6	909-453-6010
*	San Clemente	M	Jacob Rahn	A1, A2	7	949-361-8360
*	San Joaquin Council of Governments	S	Lynette Castle	A1, A2	6	209-235-0454
*	San Marino	M	Hillary Guirola-Leon	A1, A2	32	626-300-0708
*	Santa Monica	M	Steve Gomez	A1, A2	9	310-458-8272
*	Shasta County	C	Nolda Short	A1	1	530-245-6657
	Stanislaus Council of Governments	S	Jean Foletta	A1	1	209-525-4891
	Sutter County	C	Nathan Black	A1, A2	6	530-822-7127
*	Three Valleys Municipal Water District	S	Brittany Aguilar	A1	17	909-626-5568
*	United Water Conservation District	S	Brian Zahn	A1	2	805-695-3870
*	Vacaville	M	Ken Matsumiya	A1, A2	5	707-449-5180
*	Vallejo	M	Rekha Nayar	A1, A2	6	707-648-5433
*	West Sacramento	M	Becky Robertson	A1, A2	2	916-617-4584
	Woodland	M	Kimberly McKinney	A1, A2	5	530-661-5849
	Yolo County	C	Tom Haynes	A1, A2	6	530-666-8162
*	Yorba Linda Water District	S	Christine McIlrevey	A1	3	714-701-3042

Client Codes:

C - California County
M - California Municipality (City)
S - California Special District or Other Government
T - Texas Municipality (City)

Service Codes:

A1 - Audit Under *Government Auditing Standards*
A2 - Single Audit Act Engagement
* Participated in the GFOA Award Programs and has received or anticipates receiving outstanding awards

TECHNICAL PROPOSAL
FOR
PROFESSIONAL AUDITING SERVICES

Olivenhain Municipal Water District

For the Fiscal Years Ending
June 30, 2027-2029
(With the Option for Fiscal Years 2030 to 2032)

Respectfully Submitted on October 19, 2026 by:
Paul J. Kaymark, CPA
Nigro & Nigro, PC
pkaymark@nncpas.com
Federal Tax ID: 30-0636241
Nncpas.com
Murrieta Office: 25220 Hancock Ave. #400, Murrieta, CA 92562 • P: (951) 698-8783 • F: (951) 699-1064
Walnut Creek: 2121 N. California Blvd. #290, Walnut Creek, CA 94596 • P: (844) 557-3111 • F: (844) 557-3444

Let's Work Together!



By applying our financial expertise, we partner with our clients to build valuable relationships that inspire success.

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Additional Documents

- Peer Review Letter
- Certificate of Insurance

NIGRO & NIGRO PC

A Professional Accountancy Corporation

October 19, 2026

Mr. Leo Mendez, Finance Manager
Olivenhain Municipal Water District
1966 Olivenhain Rd
Encinitas, CA 92024

Dear Leo:

Thank you for the opportunity to submit this proposal to provide audit services for the Olivenhain Municipal Water District (District). Our understanding of the work to be done is: the annual audit of the District's financial statements and ACFR for the fiscal years ending June 30, 2027-2029 with a three-year option. Based on our history with water agencies, we believe our firm would be a great fit, and we would develop a great working relationship. Our staff works hard to help ensure our audits are completed with the highest level of service and meet all deadlines.

Although many people think that all water agencies function in the same manner, we know that's not the case. The audit leadership team we've assigned to your District, including myself, will take the time to learn the intricacies of your organization. We find that by delving deep into our client's structure and operations we are able to make recommendations that are not only useful, but also practical to implement.

At Nigro & Nigro, PC, our greatest strengths correspond to your most critical needs; we possess the full spectrum of resources needed to most effectively help the District's management team and Board members meet their goals – all at a very competitive rate. We believe we are your best choice.

- **Credibility, Reputation, and Resources of a Large Firm** without sacrificing the small-firm touch. Our CPAs and consultants can help you analyze and address financial, operational, and regulatory issues so you can focus attention on serving your citizens. We were originally formed in 1999, and now perform annual audits for approximately 100+ public agencies annually.

- **State-Wide Reach with Local Presence.** At Nigro & Nigro, we have the benefit of having the resources of a state-wide firm while serving you from our Murrieta (Headquarters) and Walnut Creek offices.

- **Dedicated IT Auditor.** Having a dedicated IT Auditor on the audit team provides critical value by ensuring that the agency's information systems and technology controls are thoroughly assessed by a specialist with focused expertise. This dedicated role enhances the depth and accuracy of the audit by identifying potential vulnerabilities, inefficiencies, or compliance issues that might otherwise go undetected. It also allows for more effective evaluation of cybersecurity, data integrity, access controls, and IT governance, ultimately strengthening the overall internal control environment and reducing risk. Furthermore, a dedicated IT Auditor can offer targeted recommendations tailored to the agency's technology landscape, supporting more informed decision-making and long-term operational resilience. **A Value-Added Service from our Firm.**

- **An Efficient and Effective Work Plan.** We currently serve over 100+ governmental entities state-wide, which enables our staff to understand the scope of the audit. We also understand the District's complexities, not just from a compliance standpoint but also from an operational point of view. We have developed an effective work plan that takes into consideration your needs for high quality audit services, as well as timely deliverables. As a result of our efficient work plan, we commit to meeting your deadlines to complete our auditing services within the time-period you have specified.

- **Efficiency.** Our use of portal software allows you to upload audit documentation at any time, which will minimize disruption to your staff and enable timely completion of all deliverables.

- **Thought Leadership.** Members of our firm have been actively involved as presenters in numerous industry conferences and programs, including the GFOA, CSDA, and CSMFO. We have incorporated our experience with these committees into our audit framework.

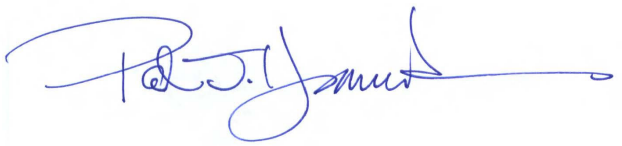
- **Engagement Team.** We know that quality people drive quality results, which is why our commitment to you starts with the engagement team members who are selected based on their experience, focus on serving local government agencies, and who are the best fit for you. Each of the District's engagement team members have completed and exceeded the mandatory requirement for continuing professional education hours as requested in the RFP. Paul Kaymark, Partner, will be the main contact for the District regarding this project and as you can see from the Audit Teams resumes, in the following pages, they have many years of experience to make the audit a smooth process.

- **A Focus on Providing Consistent, Dependable Service to Government Entities.** Nigro & Nigro is organized by industry, affording our clients with industry-specific expertise supplemented by valuable local service and insight. Therefore, the District will enjoy the service of members of our Governmental Audit Services Team who have experience with similar governmental entities and understand the issues and environment critical to you. You will not have to train our auditors.

You may have many options in selecting a professional audit firm. By choosing Nigro & Nigro, you will gain value-added accounting and operational insights. We are the right fit for the District, as we have the expertise and depth of resources within our firm to offer you exceptional service while maintaining a sincere and honest relationship. We understand the work, we are committed to meeting your deadlines, and we would like the opportunity to continue to be your auditors. We also commit to meeting or exceeding your expectations.

Thank you once again for the opportunity to present our qualifications. If you have any questions about our offerings, please do not hesitate to contact me.

Sincerely,



Paul J. Kaymark, CPA
Managing Partner
Special District's Audit Services Partner

AICPA Governmental Audit Quality Center

LICENSE TO PRACTICE IN CALIFORNIA

The Firm and its entire CPA staff hold licenses to practice in the State of California. The Firm's CPA's are all members in good standing with the California Society of CPA's and the AICPA. We will assign a California licensed CPA as the auditor in charge of the audit.

PROFILE OF THE FIRM

Statement of Independence

Our standards require that we be without bias with respect to your operations. The Firm is independent of all entities listed in the RFP, as defined by auditing standards generally accepted in the United States of America and the U.S. General Accounting Office's "Governmental Auditing Standards". In addition, the Firm shall give the District written notice of any relevant professional relationships entered into during the period of this agreement.

Experience

Nigro & Nigro team members are highly trained in governmental accounting and auditing, which sets us apart as being able to add value beyond the basic attest engagement. We are comfortable working with clients of various sizes. Within the past five years, we have worked with numerous governmental clients with revenues ranging from $200,000 to over $300 million.

Prior to any audit engagement, our engagement team leader will meet with the Board, Audit Committee and Management to gain a full understanding of the philosophy, objectives and policies for operating the organization, as well as to discuss significant business, regulatory and accounting matters that will affect the audit. At the conclusion of the audit, we will communicate the results of the audit with the Board, Audit Committee and Management.

Areas of specialization include:

- Audit and Review Services
- Government Auditing Standards & Single Audits
- Annual Report of Financial Transactions
- Agreed Upon Procedures Engagements
- Annual Comprehensive Financial Report (ACFR) development

PROFILE OF THE FIRM (CONTINUED)

Size of Our Firm

Firm-wide, we have the following staffing for our governmental audit services:

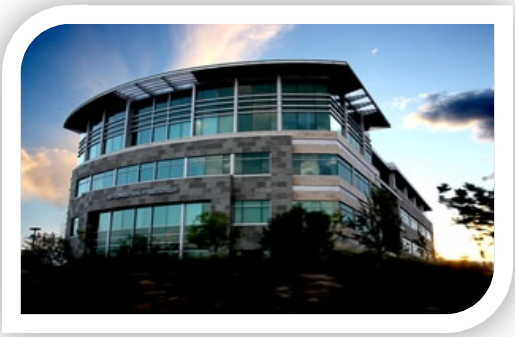
Position	Number of Employees	Number of Licensed CPA's
Partner*	9	9
Senior Manager	1	1
Manager	5	5
Supervisor	5	-
Senior	8	
Associates	12	-
Support Staff	3	-
Total	**43**	**15**

**Although the term "partner" is used throughout this proposal to avoid confusion, the firm is organized as a Professional Corporation, and the firm's owners are "shareholders."*

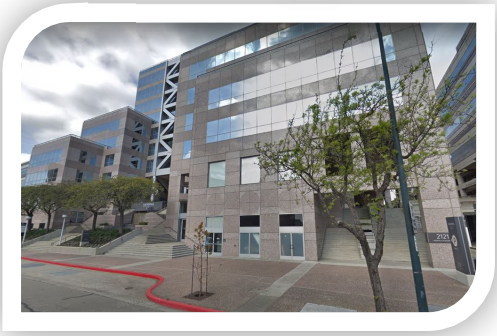
Size and Location of Offices

The firm was originally established in 1999. In 2013, we opened our second office in Northern California in order to better serve our growing client base of agencies in the San Francisco Bay Area. The Firm now has five partners and a professional staff of 18 accountants and expects to add more in the coming years as we continue to grow. We are a full service firm, providing audit and review, tax, consulting, and accounting services to local government, non-profit organizations, charter schools, commercial businesses and homeowners' associations. The office serves clients of all sizes and industries, however, we focus on government agencies, just like yours.

We are prepared to do what it takes to provide the extra level of service required to maintain a long-term business relationship.



MURRIETA OFFICE



WALNUT CREEK OFFICE

Range of Activities Performed

- Consulting and other services for numerous other agencies and not-for-profits
- Tax services for individuals, corporations, and non-profit organizations

PROFILE OF THE FIRM (CONTINUED)

Peer Review

Our firm's most recently issued peer review report can be found under the "Additional Documents" section of the proposal. A firm can receive a "Fail", "Pass with Deficiencies", or a "Pass" rating. The firm's most recent peer review report rating was a Pass. This rating indicates that the firm's system of quality control has been suitably designed and complied with to provide the audit organization with reasonable assurance of performing and reporting in conformity with professional standards and applicable legal and regulatory requirements in all material respects. As required by our membership in the Government Audit Quality Center (GAQC), the peer review included a selection of a sample of governmental audit engagements.

Meet Your Audit Leadership Team

Listed on the following pages are the resumes of the management team that will be assigned to your audit. As mentioned previously, our staff members have considerable governmental audit experience. This gives us a pool to draw on in addition to the group listed.

Name	Role	Years of Experience in Audits
Paul J. Kaymark, CPA	Lead/Review Partner	32
Jared Solmonsen, CPA	Engagement Audit Partner	8
Stacy Macias, CPA	Senior Audit Manager – Federal Compliance	9
Anabel Cruz, CPA	Audit Manager	8
Tyler Cook	Audit Supervisor	5
Angelina Paunkov	Audit Senior	4
Valeria Castaneda	Audit Staff	3
Alejandra Melero	Audit Staff	2
Janet Perez	Audit Staff	1

Paul J. Kaymark, CPA

Lead/Technical Review Audit Partner



Paul joined the firm in 2019 and has more than 32 years of public accounting and auditing governmental entities experience. Paul is our choice for new governmental audit clients, having extensive experience in the areas of governmental entities. His main responsibilities include assistance in the preliminary planning of audit work, review of assistants' work, and performing audit procedures in more complex audit areas.

Audit Services:

Mr. Kaymark has been working on audit engagements of governmental agencies, not-for-profit organizations, as well as for-profit corporations and companies. His previous experience includes audit and consulting work for large and small businesses with a focus on client service. Paul strives to build strong relationships with his clients by assisting them with any emerging issues and being available as a resource.

Consulting Services:

Mr. Kaymark has experience in a variety of governmental issues, garnered from his auditing experience over the years. He regularly consults with clients in areas of:

Special District Accounting:

- Internal controls
- Financial reporting
- Annual report of financial transactions

Financial Reporting:

- Year-end closing procedures
- Cash flows
- Budget development and projections
- Multi-Year projections
- Pension and OPEB accounting

Some Agencies Served:

- Metropolitan Water District of So Cal
- Palmdale Water District
- Oxnard Harbor District
- Western Municipal Water District
- El Toro Water District
- East Orange County Water District
- Trabuco Canyon Water District

California Special Districts Association
Districts Stronger Together

CSDA Workshop Speaker

AICPA Governmental Audit Quality Center

Education:

Bachelor of Science, Business Administration, Accountancy
California State University, Long Beach
1994

Licenses and Certifications:

- Certified Public Accountant, California
- GFOA Certificate for Excellence in Financial Reporting - Reviewer

Professional Affiliations:

- Government Finance Officers Association (GFOA)
- California Society of Municipal Finance Officers (CSMFO)
- California Special District Association (CSDA)

Continuing Education:

Various municipal accounting courses offered by the AICPA, CalCPA Education Foundation including:

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

CalCPA

Water and Wastewater Clients Audited and/or Consulted With Over My Career

Water and Wastewater	Water and Wastewater, continued
Metropolitan Water District of Southern California	Phelan Pinon Hills Community Services District
Los Angeles County Sanitation District	Pomona Valley Protective Agency
Long Beach Water Department	Purissima Hills Water District
Glendale Water and Power	Rincon del Diablo Water District
Colton Public Utilities	Rosamond Community Services District
Baldy Mesa Water District	Rossmoor Los Alamitos Area Sewer District
Bear Valley Community Services District	Sacramento Suburban Water District
Beaumont-Cherry Valley Water District	San Bernardino Valley Water Conservation District
Big Bear City Community Services District	San Gabriel Valley Municipal Water District
Cabazon Water District	San Lorenzo Valley Water District
California Domestic Water Company	Santa Ana Watershed Project Authority
Casitas Municipal Water District	Santa Margarita Water District
Castaic Lake Water Agency	Saticoy Sanitary District
Chino Basin Water Conservation District	Solano County Water Agency
Chino Basin Watermaster	Soquel Creek Water District
Coachella Valley Water District	Stallion Springs Community Services District
Diablo Water District	Summerland Sanitary District
East Orange County Water District	Trabuco Canyon Water District
El Toro Water District	Tres Pinos Water District
Farm Mutual Water Company	Triunfo Sanitation District
Golden Hills Community Services District	Twentynine Palms Water District
Goleta Water District	Vallecitos Water District
Hi-Desert Water District	Valley County Water District
Inverness Public Utilities District	Ventura Regional Sanitation District
Irvine Ranch Water District	Victor Valley Water District
Joshua Basin Water District	Victor Valley Wastewater Reclamation Authority
Jurupa Community Services District	Victorville Water District
Leucadia Wastewater District	Water Facilities Authority - Joint Power Agency
Mesa Consolidated Water District	Water Replenishment District
Mojave Water Agency	West County Agency
Monte Vista Water District	West County Wastewater District
Montecito Water District	West Valley Water District
North Coast County Water District	Westborough Water District
North Marin Water District	Western Municipal Water District
Novato Sanitary District	Western Riverside County Regional Wastewater
Palmdale Water District	Yorba Linda Water District

Jared Solmonsen, CPA



Engagement Audit Partner

After completing his degree, Jared went to work for a midsize construction company where he worked as an estimator and project manager before transitioning into more of an accounting and finance role. It was working in this role that led him to the decision to pursue the goal of becoming a Certified Public Accountant. He continues to hone his skills and expand his knowledge as he branches out into different areas of accounting services and working with various governmental agencies and not-for-profit organizations. Jared will be the audit engagement partner and oversee staff as they work together through different audit areas.

Audit Services:

Jared began his career with Nigro & Nigro in 2019 focusing on special districts and not-for-profit organizations. He has a customer-oriented approach to auditing, striving to build strong relationships by working with clients to help them navigate the ever-changing world of accounting rules and standards.

Consulting Services:

Jared has experience with a variety of governmental and not-for-profit accounting issues, as well as other tax and audit concerns, derived from his audit and consulting experience at the firm.

Special District Accounting:

- Internal control policies, procedures, and best practices
- Year-end closing procedures
- Capital asset and depreciation schedule

Financial Reporting:

- Federal and state compliance
- Single audits
- Revenue and expense tracking by program/grant
- Statement of functional expense
- Compiling financial statements
- Disclosure requirements
- GASB 68 Pensions
- GASB 75 OPEB
- GASB 87 Leases
- GASB 96 SBIAs

Other Agencies Served:

- Calleguas Municipal Water District
- Costa Mesa Sanitary District
- East Orange County Water District
- Hi-Desert Water District
- Oxnard Harbor District
- Montecito Water District
- North Coast County Water District
- Palmdale Water District
- San Gorgonio Pass Water Agency

Education:

Bachelor of Science, Business Administration, Finance
California State University,
San Marcos, 2013

Licenses and Certifications:

- Certified Public Accountant, California

Continuing Education:

- Government Accounting & Auditing Conference
- Not-For-Profit Organizations Conference
- In-house training for audit staff
- Spidell Tax Seminar
- Western CPE Tax update webinars
- In-house training for audit staff (presenter)

Additional Areas:

- Tax preparation
- QuickBooks knowledge

Stacy Macias, CPA

Senior Audit Manager – Federal Compliance



Stacy joined the firm in 2018 as a staff accountant after completing her degree at California State University, Chico and has worked her way up to Audit Manager. Stacy continues to expand her knowledge as she branches out into different areas of accounting services and working with varying governmental and not-for profit clients. Stacy will work under the general direction of the audit partner and oversee staff as they work together through different audit areas.

Audit Services:

Stacy began her auditing career on audit engagements of governmental agencies, and non-for-profit organizations. Stacy enjoys auditing governmental agencies and non-for-profit due to their varying structures and sizes. Stacy truly values customer service and building client relationships. Her friendly demeanor makes clients comfortable in reaching out to her during the audit process or throughout the year.

Consulting Services:

Stacy has experience in a variety of governmental and not-for-profit accounting, tax, and audit concerns, derived from her audit and consulting experience with those industries.

Financial Reporting:

- Year-end closing procedures
- Internal control policies and procedures and best practices
- Compiling Financial Statements
- Revenue and Expense tracking by program/grant
- Statement of Functional Expenses
- Capital assets and depreciation schedules
- Disclosure requirements
- Federal and State compliance
- GASB 68 Pensions
- GASB 75 OPEB
- GASB 87 Leases
- GASB 96 SBIAs

Additional Areas:

- Tax preparation
- QuickBooks knowledge

Other Agencies Served:

- Calleguas Municipal Water District
- Costa Mesa Sanitary District
- East Orange County Water District
- Hi-Desert Water District
- Oxnard Harbor District
- Montecito Water District
- North Coast County Water District
- Palmdale Water District
- San Gorgonio Pass Water Agency

Education:

Bachelor of Science, Business Administration, Accounting
California State University, Chico, 2018

Licenses and Certifications:

- Certified Public Accountant, California

Continuing Education:

- Government Accounting & Auditing Conference
- Not-For-Profit Organizations Conference
- In-house training for audit staff
- Spidell Tax Seminar
- Western CPE Tax update webinars
- In-house training for audit staff (presenter)

Anabel Cruz, CPA

Audit Manager



Anabel began her career in public accounting in 2019 with Nigro & Nigro, PC. Previous to joining the firm, she worked as an Accountant at private sector companies. Her audit experience includes audits of governmental and not-for-profit organizations, Anabel values building quality relationships with clients while providing timely and reliable services. Anabel will work under the general direction of the audit partner and oversee staff as they work together through different audit areas.

Audit Services:

Anabel enjoys auditing governmental agencies and non-for-profits due to their varying structures and sizes.

Consulting Services:

Anabel has experience in a variety of governmental and not-for-profit accounting and audit concerns, derived from her audit and consulting experience with those industries.

Financial Reporting:

- Year-end closing procedures
- Agreed upon procedures
- Internal control policies and procedures and best practices
- Capital assets and depreciation schedules
- GASB 68 Pensions
- GASB 75 OPEB
- GASB 87 Leases
- GASB 96 SBIAs

Other Agencies Served:

- Calleguas Municipal Water District
- Costa Mesa Sanitary District
- East Orange County Water District
- Hi-Desert Water District
- Oxnard Harbor District
- Montecito Water District
- North Coast County Water District
- Palmdale Water District
- San Gorgonio Pass Water Agency

Education:

Bachelor of Science, Finance and Accountancy
California State University, Northridge, 2014

Licenses and Certifications:

- Certified Public Accountant, California

Continuing Education:

- Government Accounting & Auditing Conference
- Not-For-Profit Organizations Conference
- In-house training for audit staff
- Spidell Tax Seminar
- Western CPE Tax update webinars
- In-house training for audit staff (presenter)

Tyler Cook

Audit Supervisor/IT Auditor



Tyler began his career in public accounting in 2022 with Nigro & Nigro, PC. Tyler's audit experience includes audits of governmental and not-for-profit organizations such as cemeteries, resource conservation districts, water districts, fire protection districts and community service districts. Tyler values building quality relationships with clients while providing timely and reliable services. Tyler is working under the general direction of the Audit Manager.

Audit Services:

Tyler enjoys auditing governmental agencies and non-for-profits due to their varying structures and sizes.

Consulting Services:

Tyler has experience in a variety of governmental and not-for-profit accounting and audit concerns, derived from his audit and consulting experience with those industries.

Financial Reporting:

- Year-end closing procedures
- Agreed upon procedures
- Internal control policies and procedures and best practices
- Capital assets and depreciation schedules
- GASB 68 Pensions
- GASB 75 OPEB
- GASB 87 Leases
- GASB 96 SBIAs

Other Agencies Served:

- Calleguas Municipal Water District
- Costa Mesa Sanitary District
- East Orange County Water District
- Hi-Desert Water District
- Oxnard Harbor District
- Montecito Water District
- North Coast County Water District
- Palmdale Water District
- San Gorgonio Pass Water Agency

Education:

Bachelor of Science, Accountancy
BYU Hawaii – 2022
Master's in Accountancy and IT
San Diego State University – 2023

Licenses and Certifications:

- CPA License Candidate

Continuing Education:

- Government Accounting & Auditing Conference
- Not-For-Profit Organizations Conference
- In-house training for audit staff

Angelina Paunkov

Audit Senior



Angelina began her career in public accounting in 2023 with Nigro & Nigro, PC. Angelina's audit experience includes audits of governmental and not-for-profit organizations such as cemeteries, resource conservation districts, water districts, fire protection districts and community service districts. Angelina values building quality relationships with clients while providing timely and reliable services. Angelina is working under the general direction of the Audit Supervisor.

Audit Services:

Angelina enjoys auditing governmental agencies and non-for-profits due to their varying structures and sizes.

Consulting Services:

Angelina has experience in a variety of governmental and not-for-profit accounting and audit concerns, derived from her audit and consulting experience with those industries.

Financial Reporting:

- Year-end closing procedures
- Agreed upon procedures
- Internal control policies and procedures and best practices
- Capital assets and depreciation schedules
- GASB 68 Pensions
- GASB 75 OPEB
- GASB 87 Leases
- GASB 96 SBIAs

Other Agencies Served:

- Calleguas Municipal Water District
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- East Orange County Water District
- Hi-Desert Water District
- Oxnard Harbor District
- Montecito Water District
- North Coast County Water District
- Palmdale Water District
- San Gorgonio Pass Water Agency

Education:

Bachelor of Science, Accountancy
California State University, San Marcos, 2023

Licenses and Certifications:

- CPA License Candidate

Continuing Education:

- Government Accounting & Auditing Conference
- Not-For-Profit Organizations Conference
- In-house training for audit staff

Valeria Castaneda

Audit Staff



Valeria began her career in public accounting in 2024 with Nigro & Nigro, PC. Valeria's audit experience includes audits of governmental and not-for-profit organizations such as cemeteries, resource conservation districts, water districts, fire protection districts and community service districts. Valeria values building quality relationships with clients while providing timely and reliable services. Valeria is working under the general direction of the Audit Senior.

Audit Services:

Valeria enjoys auditing governmental agencies and non-for-profits due to their varying structures and sizes.

Consulting Services:

Valeria has experience in a variety of governmental and not-for-profit accounting and audit concerns, derived from her audit and consulting experience with those industries.

Financial Reporting:

- Year-end closing procedures
- Agreed upon procedures
- Internal control policies and procedures and best practices
- Capital assets and depreciation schedules
- GASB 68 Pensions
- GASB 75 OPEB
- GASB 87 Leases
- GASB 96 SBIAs

Other Agencies Served:

- Calleguas Municipal Water District
- Costa Mesa Sanitary District
- East Orange County Water District
- Hi-Desert Water District
- Oxnard Harbor District
- Montecito Water District
- North Coast County Water District
- Palmdale Water District
- San Gorgonio Pass Water Agency

Education:

Bachelor of Science, Accountancy
California Baptist University, Riverside, 2024

Licenses and Certifications:

- CPA License Candidate

Continuing Education:

- Government Accounting & Auditing Conference
- Not-For-Profit Organizations Conference
- In-house training for audit staff

Alejandra Melero



Audit Staff

Alejandra began her career in public accounting in 2025 with Nigro & Nigro, PC. Alejandra's audit experience includes audits of governmental and not-for-profit organizations such as cemeteries, resource conservation districts, water districts, fire protection districts and community service districts. Alejandra values building quality relationships with clients while providing timely and reliable services. Alejandra is working under the general direction of the Audit Senior.

Audit Services:

Alejandra enjoys auditing governmental agencies and non-for-profits due to their varying structures and sizes.

Consulting Services:

Alejandra has experience in a variety of governmental and not-for-profit accounting and audit concerns, derived from her audit and consulting experience with those industries.

Financial Reporting:

- Year-end closing procedures
- Agreed upon procedures
- Internal control policies and procedures and best practices
- Capital assets and depreciation schedules
- GASB 68 Pensions
- GASB 75 OPEB
- GASB 87 Leases
- GASB 96 SBIAs

Other Agencies Served:

- Calleguas Municipal Water District
- Costa Mesa Sanitary District
- East Orange County Water District
- Hi-Desert Water District
- Oxnard Harbor District
- Montecito Water District
- North Coast County Water District
- Palmdale Water District
- San Gorgonio Pass Water Agency

Education:

Bachelor of Science, Accountancy
University of California, Riverside, 2025

Licenses and Certifications:

- CPA License Candidate

Continuing Education:

- Government Accounting & Auditing Conference
- Not-For-Profit Organizations Conference
- In-house training for audit staff

Janet Perez

Audit Staff



Janet began her career in public accounting in 2026 with Nigro & Nigro, PC. Janet's audit experience includes audits of governmental and not-for-profit organizations such as cemeteries, resource conservation districts, water districts, fire protection districts and community service districts. Janet values building quality relationships with clients while providing timely and reliable services. Janet is working under the general direction of the Audit Senior.

Audit Services:

Janet enjoys auditing governmental agencies and non-for-profits due to their varying structures and sizes.

Consulting Services:

Janet has experience in a variety of governmental and not-for-profit accounting and audit concerns, derived from her audit and consulting experience with those industries.

Financial Reporting:

- Year-end closing procedures
- Agreed upon procedures
- Internal control policies and procedures and best practices
- Capital assets and depreciation schedules
- GASB 68 Pensions
- GASB 75 OPEB
- GASB 87 Leases
- GASB 96 SBIAs

Other Agencies Served:

- Calleguas Municipal Water District
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- Hi-Desert Water District
- Oxnard Harbor District
- Montecito Water District
- North Coast County Water District
- Palmdale Water District
- San Gorgonio Pass Water Agency

Education:

Bachelor of Science, Accountancy
California Baptist University, Riverside, 2024

Licenses and Certifications:

- CPA License Candidate

Continuing Education:

- Government Accounting & Auditing Conference
- Not-For-Profit Organizations Conference
- In-house training for audit staff

Training & Resources

The Firm is committed to a continuing professional education program, which emphasizes the areas of expertise of each member of our professional staff. The Firm is required to comply with the *Government Auditing Standards* for each professional practicing in the area of governmental accounting and auditing. We are committed to follow those standards, which result in quality audit services, including continuing education for all staff of 60-80 hours each year, specifically in school districts and governmental auditing. As required by *Government Auditing Standards*, all governmental audit staff receives the required continuing education in the area of governmental auditing and accounting. These policies are monitored internally, reviewed annually and certified periodically by independent peer review.

Library facilities are maintained which include current professional literature and specific information for the industries that we serve. The Firm library is also reviewed as part of the external quality review program. The Firm has in-house training programs specific to our school district clients. We also perform auditing and accounting updates for our clients that are organized by our staff. These practices ensure the quality of our staff over the term of the engagement.

Our staff participates in activities relating to government accounting and reporting issues through our membership and involvement with the following organizations:

a. American Institute of CPA's Governmental Audit Quality Center
b. California Society of CPAs
c. Government Finance Officers Association (GFOA)
d. California Special Districts Association (CSDA)
e. Government Accounting Standards Board (GASB)
f. Association of Certified Fraud Examiners (ACFE)

We recognize that our most important product is prompt and effective service.

Through our participation in these organizations and continuing education provided by them, the Firm continues to stay abreast of all current governmental accounting and reporting issues. Some of the professional education our audit team members have either presented at or attended in the last two years include:

- SSC Annual Finance and Management Conference
- SSC Governor's Budget Workshop
- CSDA Annual Conference
- CSMFO Conference
- GFOA Annual Conference
- Various other governmental workshops

We recognize that our most important product is prompt and effective service. We believe the District should work with its CPA firm throughout the entire year. We are available at any time throughout the year to provide any assistance you may need.

PROFILE OF THE FIRM (CONTINUED)

Similar Engagements with Other Water/ Wastewater Special Districts

We currently conduct over 100+ government audits each year and have well rounded experience with local governmental agencies. We are excited for the opportunity to devote our attention to you and your specific needs. Below is a partial list of some similar governmental clients we are currently auditing.

Please contact our clients for a Reference of our services!

Let's start with a New Audit Client in 2025 Experience:

Mammoth Community Water District – Jeffrey Beatty, FM (760) 934-2596 x 239

Midway City Sanitary District – Gordon Copley, DF (714) 893-3553

Our State Water Contractor clients:

Palmdale Water District – Virdiana Iguaran, CFO (661) 456-1075

Littlerock Creek Irrigation District – Gina Burroughs, OM (661) 944-2015

San Gorgonio Pass Water Agency – Thomas Todd, CFO (951) 845-2577

Water & Wastewater Districts in San Diego County – New Clients for June 30, 2026

Lakeside Water District - New Client for June 30, 2026

San Elijo JPA - New Client for June 30, 2026

Vista Irrigation District - New Client for June 30, 2026

Yuima Municipal Water District – Amy Reeh , GM 760-742-3704

ACFR Preparation Clients:

Costa Mesa Sanitary District – Kaitlin Tran, FM (949) 645-8400

Hi-Desert Water District – Tanya Gruwell, CFO (760) 228-6271

Las Gallinas Valley Sanitary District – Dale McDonald, ASM (415) 526-1519

Scotts Valley Water District – John Dillon, FM (831) 600-1906

Trabuco Canyon Water District – Michael Perea, AGM (949) 858-0277

Other Water District Clients:

Calleguas Municipal Water District – Dan Smith, MAS – (805) 579-7132

Montecito Water District – Emma Godinez, BM (805) 880-8630

Rowland Water District – Myra Malner, DF (562) 697-1726

SAUSALITO-MARIN CITY SANITARY DISTRICT

1 EAST ROAD • SAUSALITO, CALIFORNIA 94965
OFFICE 415.332.0244 • PLANT 415.332.0240 • FAX 415.332.0453

General Manager
Jeffrey Kingston

Office Manager/Board Secretary
Catherine A. Bondanza

Directors
Dan Rheiner, President
William Ring, Vice President
Don Beers
Barbara Rycerski
Shirley Thornton

March 31, 2025

To Whom it May Concern:

Re: Reference Letter for Nigro & Nigro, PC

It is with great enthusiasm and confidence that I write this letter to express our sincere appreciation for the exceptional audit services provided by **Nigro & Nigro, PC**. As a new client, we approached the audit process with a mix of anticipation and natural apprehension. However, from the very beginning, the Nigro & Nigro team distinguished themselves through their professionalism, expertise, and genuine commitment to client service.

From our initial engagement, the team at Nigro & Nigro demonstrated a deep understanding of the unique requirements of our organization. Their approach was thorough, thoughtful, and highly **collaborative** ensuring we felt supported and informed at every stage. They took the time to understand our operations, internal controls, and specific risk areas, providing valuable insights that extended well beyond the standard audit checklist.

What truly set Nigro & Nigro apart was the approachable and responsive nature of their staff. **Communication** was timely and clear, and their willingness to educate and advise throughout the process made an immediate and lasting impact on our team. The auditors displayed not only technical expertise but also a remarkable ability to translate complex concepts into understandable, actionable feedback.

Our transition to Nigro & Nigro, PC as our audit partner has been a resounding success. Their audit process was efficient, insightful, and executed with integrity. We feel confident in the quality of their work and greatly value the relationship we are building with their team.

We look forward to continuing our partnership with Nigro & Nigro, PC for years to come and would recommend them without hesitation to any organization seeking a professional, knowledgeable, and client-focused audit firm.

Sincerely,

Catherine A. Bondanza
Office Manager/Board Secretary
Sausalito-Marin City Sanitary District

OUR FOUR PILLARS OF AN AUDIT ENGAGEMENT

WHAT MAKES US DIFFERENT FROM OTHER AUDITORS!!!

We believe that a Better Audit is based on deploying the following four principals:

1. **Communication**
2. **Collaboration**
3. **Continuity**
4. **How Do We Make You Better!!!**

We Call these "The Better Audit 3Cs!!!"

COMMUNICATION

Clarifies Expectations and Scope:

Clear communication ensures that both the auditor and the client understand the objectives, scope, and timeline of the audit, reducing the risk of misunderstandings.

Enhances Efficiency:

Timely and open communication helps in identifying and resolving issues early, streamlining the audit process and minimizing delays.

Builds Trust and Professional Relationships:

Regular, transparent interactions foster trust between auditors and clients, which is crucial for cooperation and access to necessary information.

Supports Accurate and Reliable Reporting:

Effective communication allows for better documentation, informed judgments, and ensures that significant findings and risks are appropriately discussed and addressed.

COLLABORATION

Improves Efficiency and Accuracy:

Effective collaboration between auditors and client personnel helps streamline data collection, resolve issues quickly, and reduce misunderstandings—leading to a more efficient and accurate audit process.

Enhances Risk Assessment:

Joint discussions and shared insights allow auditors to better understand the client's operations and environment, enabling a more precise identification and assessment of risks.

Facilitates Timely Issue Resolution:

Open communication and teamwork help identify and address discrepancies or concerns early in the audit, minimizing delays and last-minute surprises.

Promotes Transparency and Trust:

Collaborative interactions build a foundation of trust and openness, encouraging full disclosure and cooperative problem-solving throughout the engagement**.**

CONTINUITY

Improved Audit Efficiency:

Familiarity with the client's operations, systems, and prior audit issues allows returning staff to work more efficiently and effectively, reducing the learning curve and audit time.

Enhanced Audit Quality:

Continuity supports a deeper understanding of client-specific risks and controls, contributing to more accurate risk assessments and better professional judgment.

Stronger Client Relationships:

Consistent staffing fosters trust and communication between the audit team and the client, leading to smoother information exchange and better cooperation.

Reduced Risk of Errors or Omissions:

Continuity helps preserve institutional knowledge from previous audits, minimizing the risk of overlooking significant findings or repeating past mistakes.

HOW DO WE MAKE YOU BETTER!!!

Client-Centric Mindset:

This phrase shifts the audit from a compliance-driven task to a value-adding partnership, emphasizing the auditor's role in helping the client improve processes, controls, and overall performance.

Encourages Open Dialogue:

It fosters a more collaborative and constructive tone, encouraging clients to share concerns and areas they feel need support, which can lead to more targeted and effective audit outcomes.

Enhances Trust and Relationships:

By signaling genuine interest in the client's success, auditors build stronger relationships and trust, which can lead to better cooperation and smoother audit execution.

Drives Continuous Improvement:

It helps identify opportunities for operational, financial, and risk management improvements, reinforcing the audit's role in long-term organizational development rather than just short-term assurance.

Our clients consistently express appreciation for our commitment to the principles of **communication, collaboration, continuity**, and a **client-centric mindset** throughout the audit engagement. They value the clarity and transparency our communication brings, which sets clear expectations and fosters trust. The collaborative approach enhances efficiency and issue resolution, making the process smoother and more accurate. Clients also recognize the benefits of continuity in staffing, which ensures deep institutional knowledge and strengthens relationships year over year. Most importantly, our "How Do We Make You Better" philosophy transforms the audit from a compliance exercise into a meaningful partnership, helping clients identify opportunities for improvement and long-term success. We hope you also see the value of these four pillars in your decision-making process.

SCOPE OF THE AUDIT

We will audit the basic financial statements of the District for the fiscal year ended June 30th in accordance with the following standards:

- Auditing Standards Generally Accepted in the United States of America
- *Government Auditing Standards*, issued by the Comptroller General of the United States
- Minimum Audit Requirements and Reporting Guidelines for Special Districts

Our audit will be for the purpose of expressing an opinion on the basic financial statements, and will include such auditing procedures as considered necessary to accomplish this purpose. We will also provide an "in-relation-to" opinion on any other supplemental information and statistical schedules. We anticipate issuing the following reports:

- Independent Auditors' Report on the basic financial statements.
- Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards.*

In addition, we will provide the District with a management letter that will give written appraisals of its accounting and related systems. This letter will identify any control deficiencies, significant control deficiencies or material weaknesses that are identified during the audit. We will work with management before audit fieldwork and during the course of the audit to assess internal controls and review mitigating controls in place in an effort to reduce the control deficiencies, significant control deficiencies and material weaknesses that need to be reported to management in writing, assuming there are mitigating controls in place. The letter will also offer recommendations for the elimination of weaknesses that we identify, and we will suggest any methods we discover to help improve efficiency and effectiveness.

We will schedule an appearance with the Board and the Audit Committee that allows an opportunity for us to present the audit and management letter. This is an excellent time for the District to resolve any questions it has regarding our audit or management letter. As mentioned earlier, the value in hiring our Firm comes from not only the audit, but from our experience and the education, we can provide. We hope that as questions or concerns arise throughout the year, the District staff will contact us and draw on our knowledge and experience.

Non-significant deficiencies discovered during the audit process shall be reported in a separate letter to management, the Board and the Audit Committee, which shall be referred to in the report(s) on internal controls. This separate letter also informs the Board and the Audit Committee of the following:

1) The auditor's responsibility under auditing standards generally accepted in the United States of America.
2) Significant accounting policies.
3) Management judgments and accounting estimates.
4) Significant audit adjustments.
5) Other information in documents containing audited financial statements.
6) Disagreements with management.
7) Management consultation with other accountants.
8) Major issues discussed with management prior to retention.
9) Difficulties encountered in performing the audit.

All working papers and reports will be retained at the Firm's expense for a minimum of seven (7) years, unless the Firm is notified in writing by the District of the need to extend the retention period.

SCOPE OF THE AUDIT(CONTINUED)

Segmentation of Engagement

STEP 1: Planning
Our goal in preliminary fieldwork is to gain a thorough understanding of your internal controls, processes and procedures. Our goal is to accomplish as much interim fieldwork as possible so that our stay during final fieldwork is kept to a minimum. Our preliminary work focuses on planning and internal control documentation.

STEP 2: Interim Field Work

Internal Control Documentation
Our internal control documentation usually occurs during interim fieldwork. Our documentation process will be as follows:

1) Gather or update documentation for significant processes defined in our preliminary fieldwork.
2) Perform a "walk-through" of these significant processes.
3) Ask "what can go wrong" questions.
4) Identify controls in place. This will include both preventative and detective controls.
5) Evaluate the design of internal controls.
6) Decide whether to test and rely on controls.
7) Summarize preliminary fieldwork and submit management letter of all areas of concern.

STEP 3: Final Fieldwork
We assess risks, design procedures and obtain evidence to support financial statement amounts and disclosures during final fieldwork. Our Firm utilizes a methodology designed specifically for special districts. Our process emphasizes continuous communication with our staff.

Assess Risks and Design Procedures
As outlined in the risk based statements of audit standards (SAS 104 to 111), our Firm uses a risk-based approach to the audit. Our procedures to assess risks and design procedures are as follows:

1) Assess risk of material misstatement from errors or fraud based on internal controls combined with inherent risk of significant accounts.
2) Design procedures to test controls if considered necessary.
3) Design procedures to test details of account balances and classes of transactions based on risk.

Interim and Year End Testing
1) Perform tests of controls if considered necessary.
2) Perform tests of details of account balances and classes of transactions.
3) Evaluate quality and sufficiency of audit evidence.
4) Evaluate misstatements.
5) Perform IT evaluation of policies and controls

STEP 4: Audit Completion

Preparation of Audit Report and Management Letter
After reviewing the financial statements, notes and required supplementary schedules, we will agree the data to our working papers and provide a thorough review of all information by using written Firm standards and checklists. We will also review and incorporate any statistical data. This will verify appropriate presentation and disclosure. We will also at this time prepare our management letter that identifies financial trends and recommendations for improvement, reports required communications to the governing board, and discusses change in the environment in which the District operates.

SCOPE OF THE AUDIT (CONTINUED)

Proposed Schedule/Level of Staff & Number of Hours Assigned to Each Segment

We will provide a detailed audit plan and prepare a list of schedules upon proposal acceptance. The following table summarizes our proposed segmentation of the engagement by date, segment, and level of staff as we have estimated based on the RFP timeline:

	Total Hours			
Date/Segment	**Partner/Manager**	**Supervisor**	**Staff/Admin**	**Total**
Apr/Jun				
Preliminary planning and fieldwork	2	2	6	10
Apr/Jun				
Interim fieldwork	14	28	34	76
Sept/Nov				
Final fieldwork, report preparation, review, finalization, and presentation	34	30	60	124
Total hours	**50**	**60**	**100**	**210**
Preliminary planning and fieldwork	2	2	6	10
Control	14	28	34	76
Substantive	14	30	60	104
Reporting & Client Meetings	20	0	0	20
	50	60	100	210

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

We perform sampling techniques and determine sample size after assessing the risk associated with specific transaction classes. No single "cookie-cutter" approach will be followed in regards to sampling techniques, but the District can be assured that an appropriate sampling methodology will be utilized. We use the following methods of sampling during our audits: statistical, haphazard, and judgmental. For statistical sampling we use guidance provided by the AICPA and by federal guidelines in accordance with industry standards, which typically recommends sample sizes between 40 to 60 items.

Type and Extent of Analytical Procedures to be Used

We will perform analytical procedures throughout the course of our audit. Professional standards require that analytical procedures be performed in the planning and wrap-up stages of the audit. Analytical review will be used during our expenditure, revenue, budget information as well as many other areas.

These procedures typically entail a review of interim reports, budgets, and comparisons to prior year data. We also use financial statement amounts to calculate certain ratios to determine whether any unusual or unexpected relationships exist in the financial data.

These procedures are then followed by inquiry of key District personnel to corroborate the auditors' expectations based on the data.

SPECIFIC AUDIT APPROACH (CONTINUED)

Approach to be Taken to Gain and Document an Understanding of Internal Control Structure(s)

Our audit approach will entail interviews with key personnel in the District involved in the design and implementation of internal controls. In conjunction with the interviews, we will perform tests and observations of how well the controls function. Key areas of internal control generally include: cash receipting, accounts payable/purchasing, payroll/personnel, technology, facilities, and maintenance and operations.

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

We are required to obtain an understanding of the possible financial statement effect of laws and regulations that have a direct and material effect on the determination of financial statement amounts. The determination of laws and regulations is addressed in the planning stage through reading available grant documentation, inquiry of the client, a preliminary review of finance system accounts and search of the Board minutes. We also have working knowledge of the types of laws and regulations under which California special districts operate. We also obtain further information about federal laws and regulations through the Catalog of Federal Domestic Assistance (CFDA) and the Uniform Guidance.

Approach to be Taken in Drawing Audit Samples

Since each program or grant agreement is different, we use many different approaches to sampling in our tests of compliance. The size of the sample considers many factors; size and risk of the program, program maturity, complexity, level of oversight and prior audit findings. AICPA Guidelines generally recommend sample sizes of 25, 40, or 60 items when the population is greater than 250. Ultimately, our professional judgment determines that a representative number of transactions have been selected. You can be confident in our judgment because our peer reviews and an outside review by the U.S. Department of Education have all accepted our audit sampling techniques and procedures.

Use of Technology/Remote Proficiency

In order to facilitate the exchange of data between us and our clients in a secured manner throughout the course of the audit, we employ the use of an online secured portal. Our clients have appreciated this unique and forward-thinking platform which helps minimize duplicate requests and unnecessary email and phone exchanges to request and receive audit documentation. The software is very user-friendly and easy to understand. This also allows us to perform much of the audit remotely without being onsite to reduce our carbon footprint.

Proposing Firm Warranties

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 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.



Paul J. Kaymark, CPA
Audit Services Partner

COST PROPOSAL
FOR
PROFESSIONAL AUDITING SERVICES

Olivenhain Municipal Water District

For the Fiscal Years Ending
June 30, 2027-2029
(With the Option of Fiscal Years 2030 to 2032)

Respectfully Submitted on October 19, 2026 by:
Paul J. Kaymark, CPA
Nigro & Nigro, PC
pkaymark@nncpas.com
Federal Tax ID: 30-0636241
Nncpas.com
Murrieta Office: 25220 Hancock Ave. #400, Murrieta, CA 92562 • P: (951) 698-8783 • F: (951) 699-1064
Walnut Creek: 2121 N. California Blvd. #290, Walnut Creek, CA 94596 • P: (844) 557-3111 • F: (844) 557-3444

Proposed Pricing Per Professional Staff Member

Professional	Hours	Rates Standard	Rates Quoted	Total
Partner	20.00	$ 250.00	$ 225.00	$ 4,500.00
Managers	30.00	225.00	200.00	6,000.00
Seniors	60.00	200.00	175.00	10,500.00
Staff Members	100.00	175.00	150.00	15,000.00
Admin	-	100.00	75.00	-
Subtotal	210.00			36,000.00
Out-of-Pocket - Included in Rates (We Are Local)				-
Total Max				$ 36,000.00

Fiscal Year	FY 2027	FY 2028	FY 2029	Total
District Financials ACFR	$ 30,000	$ 30,000	$ 30,000	$ 90,000
Federal Single-Audit, as needed	5,000	5,000	5,000	15,000
SCR Preparation, as requested	1,000	1,000	1,000	3,000
Total	$ 36,000	$ 36,000	$ 36,000	$ 108,000

Same Price for FY 2030 to FY 2032

No Charge for ACFR Set-Up and Constant Communication Throughout the Year.

ADDITIONAL INFORMATION

Testimonial

"Few people have the opportunity to work with someone who was a coach and a mentor-but I did when I worked with Paul. I had the pleasure working directly under Paul's supervision and I was particularly impressed by his ability to handle even the toughest clients – and effortlessly. That skill often takes years to develop, but it seemed to come perfectly natural to him. Paul was one of those rare partners who also naturally serve as an inspiring mentor for the whole staff and I was grateful to learn a lot from him."

Deana Miller
Accounting Manager
PolyCera, Inc.

Fraud Hotline



Throughout the audit process, we will make available our fraud hotline reporting service at no additional charge over the period of the contract to ensure the District has an effective anti-fraud program.

ADDITIONAL DOCUMENTS

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 Nigro & Nigro



Paul J Kaymark, CPA, Managing Partner - October 19, 2026

Authorized Representative/Date

Attachment: OMWD Standard Professional Service Agreement

SPAFFORD AND LANDRY CPAs
HERE TO MAKE THE COMPLEX SIMPLE.

Patrick D. Spafford, CPA
Todd C. Landry, CPA
Licensed by the California Board of Accountancy
Member: American Institute of Certified Public Accountants

Report on the Firm's System of Quality Control

To Nigro & Nigro, PC
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 Nigro & Nigro, PC, (the firm) in effect for the year ended August 31, 2023. 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 the 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 Selection and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act.

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, in determining the nature and extent of our procedures.

1849 W. Redlands Blvd., #102, Redlands, CA 92373 • P.O. Box 8847 Redlands, CA 92375 • Tel 909-792-1852 • Fax 909-792-2015

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Nigro & Nigro, PC in effect for the year ended August 31, 2023, 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*. Nigro & Nigro, PC has received a peer review rating of *pass*.

Stafford & Landry, Inc.

May 1, 2024

ACORD

CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY): 09/08/2026

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
Tower Insurance Associates, Inc.
4244 Overland Avenue
Culver City, CA 90230
License #: 0229561

CONTACT NAME: Anna Soto-Long
PHONE (A/C, No, Ext): (310)837-6101 FAX (A/C, No): (310)837-7559
E-MAIL ADDRESS: Anna@insurewithtower.com

INSURER(S) AFFORDING COVERAGE		NAIC #
INSURER A :	Hartford Underwriters Insurance Company	30104
INSURER B :	Hartford Accident And Indemnity Company	22357
INSURER C :	Rate by Multiple Companies	00914
INSURER D :	Fusion	
INSURER E :		
INSURER F :		

INSURED
Nigro & Nigro PC
25220 Hancock Ave Ste 400
Murrieta, CA 92562-0903

COVERAGES **CERTIFICATE NUMBER:** 00013566-250107150915 **REVISION NUMBER:** 20

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. LIMITS SHOWN ARE INCLUSIVE OF AMOUNTS REQUESTED BY THE CERTIFICATE HOLDER AND MAY NOT REFLECT POLICY LIMIT AMOUNTS IN EXCESS OF THOSE REQUESTED. ***Not Applicable in WY**

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS		
A	X COMMERCIAL GENERAL LIABILITY CLAIMS-MADE X OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: X POLICY PRO-JECT LOC OTHER:	Y		72SBACB0EJV	04/10/2026	04/10/2027	EACH OCCURRENCE DAMAGE TO RENTED PREMISES (Ea occurrence) MED EXP (Any one person) PERSONAL & ADV INJURY GENERAL AGGREGATE PRODUCTS - COMP/OP AGG	$ $ $ $ $ $	2,000,000 1,000,000 10,000 2,000,000 4,000,000 4,000,000
B	AUTOMOBILE LIABILITY ANY AUTO OWNED AUTOS ONLY X SCHEDULED AUTOS X HIRED AUTOS ONLY X NON-OWNED AUTOS ONLY			72UECCM7622	04/10/2026	04/10/2027	COMBINED SINGLE LIMIT (Ea accident) BODILY INJURY (Per person) BODILY INJURY (Per accident) PROPERTY DAMAGE (Per accident)	$ $ $ $	1,000,000
A	X UMBRELLA LIAB OCCUR EXCESS LIAB CLAIMS-MADE DED RETENTION $			72SBACB0EJV	04/10/2026	04/10/2027	EACH OCCURRENCE AGGREGATE	$ $	3,000,000 3,000,000
C	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? Y / N **(Mandatory in NH)** If yes, describe under DESCRIPTION OF OPERATIONS below	N / A		72WECBU9M2N	08/15/2026	08/15/2027	X PER STATUTE OTH-ER E.L. EACH ACCIDENT E.L. DISEASE - EA EMPLOYEE E.L. DISEASE - POLICY LIMIT	$ $ $	1,000,000 1,000,000 1,000,000
D	Cyber Liabiity			POL-360-40870330-00	10/30/2025	10/30/2026			1,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

CERTIFICATE HOLDER

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



378 (ASL)

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CAMICO MUTUAL INSURANCE COMPANY
DECLARATIONS
ACCOUNTANTS PROFESSIONAL LIABILITY INSURANCE POLICY

Policy Number: CAL108511-15

Effective Date:	8/12/2026	at 12:01 A.M. Standard time at the address shown below
Expiration Date:	8/12/2027	at 12:01 A.M. Standard time at the address shown below
Retroactive Date:	8/12/2010	

Item 1 - *Named Insured*: Nigro & Nigro, PC

Item 2 - Business Address: 25220 Hancock Avenue, Suite 400
Murrieta, CA 92562

Item 3 - Limits of Liability:	$1,000,000	Per *Claim*
	$3,000,000	Policy Aggregate
Item 4 - Deductibles:	$25,000	Per *Claim* Deductible

Item 6 - The policy consists of this Declarations page, and the following policy forms and endorsements:

PL-1000-A	07/14	Accountants Professional Liability Insurance Policy
PL-2001-A (CA)	11/21	State Endorsement - California
PL-1007-A	07/14	Exclusion - Claims Following Insured's Suit for Fees
PL-1032-A	07/14	Additional Insured Endorsement
PL-1049-A	07/14	Privacy and Client Network Damage Endorsement
PL-1056-A	06/16	Multiple Claims and Related Acts, Errors and Omissions Amendment
PL-1060-A	11/21	Sanctions Limitation and Exclusion

PLEASE READ THESE DECLARATIONS, THE POLICY AND ENDORSEMENTS CAREFULLY.

CAMICO Mutual Insurance Company



Authorized Representative



Title Page

October 19, 2026

Proposal to:

Olivenhain Municipal Water District

Subject	REQUEST FOR PROPOSAL FOR PROFESSIONAL AUDITING SERVICES
Name of firm	CLA (CliftonLarsonAllen LLP)
Address	2875 Michelle Drive, Suite 300 Irvine, CA 92606
Name, title, telephone, and email of persons authorized: • to contractually obligate the firm • negotiate on behalf of the firm • to be contacted for clarification regarding the proposal	**Daphnie Munoz, CPA, Principal** daphnie.munoz@CLAconnect.com Direct 714-795-5474

CLAconnect.com

CPAS | CONSULTANTS | WEALTH ADVISORS

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

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CliftonLarsonAllen LLP
CLAconnect.com

October 19, 2026

Leo Mendez, Finance Manager
Olivenhain Municipal Water District
1966 Olivenhain Road
Encinitas, CA 92024

Via electronic submission only

Dear Mr. Mendez:

Thank you for inviting us to propose. We look forward to the opportunity to provide services to Olivenhain Municipal Water District (the District).

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

- **Industry-specialized insight and resources** – As one of the nation's leading professional services firms, and one of the largest firms who specialize in regulated industries, CLA has the experience and resources to assist the District with their audit needs. In addition to your experienced local engagement team, the District will have access to one of the country's largest and most knowledgeable pools of regulated industry resources.
- **OMB *Uniform Guidance (UG)* experience** – CLA performs single audits for hundreds of organizations annually, ranking top in the nation for the number of single audits performed by any CPA firm. The single audit requires a specific set of skills to properly perform the procedures. As such, we have developed a group of professionals who specialize in providing single audit services.
- **Strong methodology and responsive timeline** – In forming our overall audit approach, we have carefully reviewed the RFP and other information made available and considered our experience and work with similar clients. Our local government clients are included amongst the more than 3,700 governmental organizations we serve nationally. Our staff understands your complexities not just from a compliance standpoint, but also from an operational point of view. The work plan also reduces disruption of your staff and operations and provides a blueprint for timely delivery of your required reports.
- **Communication and proactive leadership** – The District will benefit from a high level of hands-on service from our team's senior professionals. We can provide this level of service because, unlike other national firms, our principal-to-staff ratio is similar to smaller firms – allowing our senior level professionals to be involved and immediately available throughout the entire engagement process. Our approach helps members of the engagement team stay abreast of key issues at the District and take an active role in addressing them.
- **A focus on providing consistent, dependable service** – We differ from other national firms in that our corporate practice focuses on the needs of non-SEC clients, thus allowing us to avoid the workload compression typically experienced by firms that must meet public companies' SEC filing deadlines. CLA is organized into industry teams, offering our clients with specialized industry-specific knowledge supplemented by valuable local service and insight. Therefore, the District will enjoy the service of members of our state and local government services team who understand the issues and environment critical to governmental entities.

- **Fresh perspective** – By engaging CLA, the District will benefit from a fresh look at its business operations, information systems, and financial risk management policies and procedures. You will be served by an engagement team with enthusiasm and a desire to meet and exceed expectations. We are confident that our industry experience will bring to the District new ideas, creative approaches, and fresh opportunities to meet the financial management and accountability challenges before the District.
- **Offshoring** – Independence shapes how we work at CLA. We're a U.S.—built, privately held partnership that does not offshore any of our work. Keeping jobs local supports our culture and our clients. To help grow the talent pipeline, we launched the CLA Academy in 2024 to train people new to accounting, tax, audit, and financial systems.
- **A legacy of independence** – For more than 70 years, CLA has remained privately held and partnership-led. We **fund our own growth, technology, and succession,** keeping our focus on integrity, transparency, and impeccable client service for the next generation.

We want to serve you and we have the qualifications to deliver quality, timely work. Through this proposal, we take you on a journey outlining how we'll work together and the value you can come to appreciate when we exceed expectations. This proposal constitutes a firm and irrevocable offer until April 30, 2027.

We acknowledge and agree with all terms and conditions stated in the RFP.

We have reviewed the District's standard professional service agreement, which was provided as an Attachment in the request for proposal. We reserve the right to discuss the modification of certain wording with our quality and risk management team to check that we will not be in violation of firm policy, our insurance providers' requirements or generally accepted auditing standards.

CLA is not aware of any existing or potential conflict of interest matters that would impair our independence for the performance of this engagement.

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

Sincerely,

CliftonLarsonAllen LLP



Daphnie Munoz, CPA
Principal
714-795-5474
daphnie.munoz@CLAconnect.com

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Qualifications

Brief summary of the firm history and capabilities

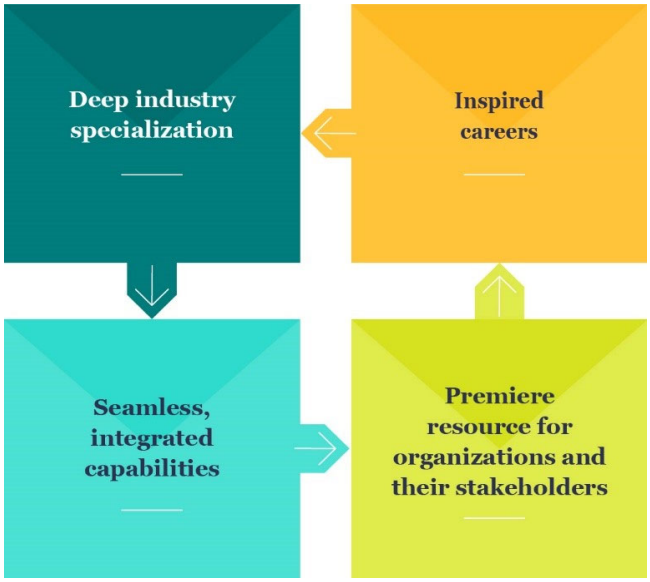
Right there with you.

At CLA, we work alongside you through the decisions that shape your work and your life. Big or small, personal or professional, we're here to support what matters now and what's ahead.



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

Opportunities for you



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

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

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

Opportunities for our people

At CLA, people find meaningful work in a fun, compelling, and energizing culture. Our people design their own customized careers through our inspired careers strategic advantage. In 2025 our total headcount was relatively the same as in 2024, and we continue to witness a remarkable retention rate of 88%. Inspired by their careers, our family members develop client relationships that bring deeper knowledge and help you shine. We're one family, working together to create opportunities.

What's more, CLA is building a culture of connection and belonging that welcomes different beliefs and perspectives. We want to represent the communities we serve and foster an environment of inclusion and belonging, resulting in enhanced value for our clients, our communities, and each other.

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

Opportunities for our community

CLA's community impact team unifies the work of connection, belonging and the CLA Foundation with a laser focus on advancing education, employment, and entrepreneurship within CLA and throughout our society.

Since 2015, our CLA Foundation has granted more than $16.5 million from nominations made by and funds raised from CLA family members. Each grant recipient's work aligns with the foundation's mission to create career opportunities through education, employment, and entrepreneurship by connecting networks inclusive of all genders and races, veterans, and the disability community.

Read more in CLA's annual Promise Report.

State and local government experience

You can benefit from a close personal connection with a team of professionals devoted to governments. Our goal is to become familiar with all aspects of your operations — not just the information needed for the year-end audit — so that we can offer proactive approaches in the areas that matter most to you:

- Finding new ways to operate more effectively and efficiently
- Responding to regulatory pressures and complexities
- Maintaining quality services in the face of changing budgetary priorities
- Providing transparent, accurate, and meaningful financial information to stakeholders, decision-makers, and your constituents

We understand the legislative changes, funding challenges, compliance responsibilities, and risk management duties that impact you. Our experienced government services team can help you navigate the challenges of today, all while seamlessly strategizing for the future.



Size of firm's governmental audit staff

With more than 700 professionals dedicated to our state and local government practice, CLA has one of the largest governmental audit and consulting practices in the country and brings extensive experience providing a variety of such services to state and local government entities. Our state and local government team serves more than 3,700 governments nationwide, including numerous cities, counties, municipalities, states and state agencies, and school boards. In addition, we perform single audits for hundreds of organizations annually (1,701 according to the most recent Federal Audit Clearinghouse data), ranking top in the nation for the number of single audits performed by any CPA firm.

Deep industry connections

CLA actively supports industry education as a thought leader and industry speaker. We focus on supporting the educational needs of the industry through nationally sponsored trade events. Our team of professionals is sought after, both as educators and as experienced speakers who are invited to speak and teach at major professional events by leading trade associations, including those shown here.



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

- American Institute of Certified Public Accountants (AICPA)
- AICPA's State and Local Government Expert Panel
- AICPA's Government Audit Quality Center (GAQC)
- Government Finance Officers Association (GFOA)
- Special Review Committee for the GFOA's Certificate of Achievement for Excellence in Financial Reporting (Certificate) Program
- Association of Government Accountants
- California State Society of CPAs
- Government Accounting and Auditing Committee
- California State GFOA
- Accounting, Auditing and Financial Reporting Committee

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

Insight to strengthen your organization

When you're ready to go beyond the numbers to find value-added strategies, we offer resources to help you respond to challenges and opportunities including:

- National webinars — Access complimentary professional development opportunities for your team.
- Articles and white papers — Stay current on industry information as issues arise.

Curious: *We care, we listen, we get to know you.*

Support at every turn

With dedicated services specific to state and local governments, you have access to guidance on all aspects of your operations.



- Audit, review, and compilation of financial statements
- Compliance audits (HUD, OMB Single Audits)
- Cybersecurity
- Enterprise risk management
- Forensic accounting, auditing, and fraud investigation
- Fraud risk management
- Grant compliance
- Implementation assistance for complex Governmental Accounting Standards Board (GASB) statements
- Internal audit
- Outsourced business operations
- Performance auditing
- Purchase card (p-card) monitoring and analytics
- Risk assessments
- Strategic, financial, and operational consulting
- Telecom management services
- Business opportunity assessments
- System optimization and selection

Office location assigned to manage the engagement

Our firm matches the necessary skill set to an engagement before considering the geographic location of the staff. Assigning team members who specialize in working with similar clients can provide the District higher quality services and allows us to complete the engagement in a more efficient and effective manner with little interruption to your staff.

The District will be served by an industry-specialized engagement team located in our Irvine, California office. The Irvine office, formerly White Nelson Diehl Evans (WNDE), has 15 professionals solely focused on providing high quality accounting, auditing, and consulting services to California municipalities, special districts, school districts, community colleges, and other government entities.

CLA Irvine
2875 Michelle Drive, Suite 300
Irvine, CA 92606
P: 714-978-1300 | F: 714-978-7893

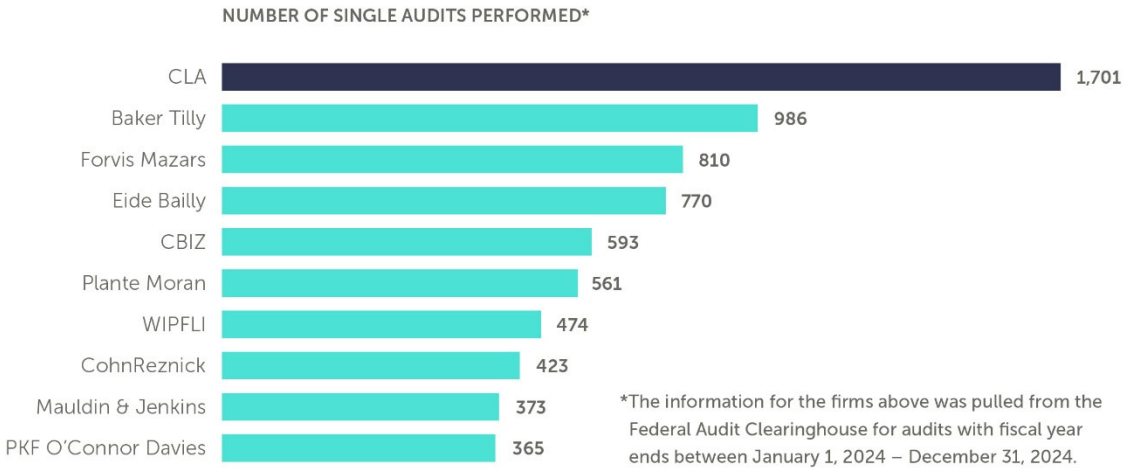
California government experience

CLA is a leading provider of government audit and consulting services in California. We serve more than 130 California municipalities, special purpose governments, and school districts, including more than 20 California counties. As such, we understand the complexities within California governments, grant funding, and the specific federal and state compliance requirements of that funding. Inherently, with the size of CLA's government practice, we are continually consulting other governments and professionals to stay current on constant changes and local issues that may affect the District.

Single audit experience

CLA performs the largest number of single audits in the United States

We audited $249 billion dollars in federal funds expended in 2024. The chart below illustrates CLA's experience in serving organizations that receive federal funds and demonstrates our firm's dedication to serving the government and nonprofit industry.



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

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

Certificate of achievement assistance

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

CLA provides audit services to many entities that received the GFOA Certificate of Excellence in Financial Report. All of the procedures noted in our audit approach and our technical review of the ACFR are done to help the District prepare and publish the top product possible. Our managers and principals who review the ACFR have a strong understanding of the GFOA requirement for the certificate. We understand that this is a prestigious award for the District and a great accomplishment for the Finance and Accounting departments.

We will review the GFOA comment letter for each ACFR and provide the District advice regarding the response to the GFOA reviewer's comments. Our procedures with respect to the ACFR will be the review of the comments from GFOA on the prior year submission to determine they were adequately addressed, completion of the ACFR checklist, and review of the transmittal letter and statistical data to determine that information presented is reasonable and agrees with the information in the financial statements and management's discussion and analysis (MD&A), where applicable.

We understand the interrelationships of the many and varied components of a governmental entity's financial statements, allowing us to quickly determine errors or problems with the financial statements. Our depth of knowledge and experience also allows us to assist the District with the preparation of the ACFR and improvement of the District's financial statements.

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

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

Name	Title	Location	Years Served
Robert J. Callanan, CPA	Principal	Irvine, CA	15+
Daphnie Munoz, CPA	**Principal**	**Irvine, CA**	**13+**
Jacob S. Lenell, CPA	Principal	Milwaukee, WI	12+
Remi Omisore, CPA	Principal	Baltimore, MD	11+
Julie S. Fowler, CPA	Signing Director	Sebring, FL	10+

Name	Title	Location	Years Served
Richard Gonzalez, CPA	Principal	Roseville, CA	10+
Christopher G. Knopik, CPA, CFE	Principal	Minneapolis, MN	10+
Jeffrey Peek, CPA	Principal	Nashville, TN	8+
Shannon D. Small, CPA, MPA	Signing Director	Wauwatosa, WI	7+
Christopher Kessler, CPA	Principal	Fort Myers, FL	4+
Lance Schmidt, CPA, CFE, CIA	Principal	Lakeland, FL	2+
Alexandra Mitchell, CPA, MAcc	Manager	Naples, FL	1+

Turnover rates

CLA's voluntary turnover rates for the past three years are as follows:

2023	2024	2025
12.1%	10.6%	11.7%

Key Personnel

Composition of the proposed project team

The true value in working with our team is developing a personal and professional relationship with leaders who understand your industry, challenges, and opportunities — with the full support of an entire CLA family behind them.

Meet your service team below.

Engagement Team Member	Role	Years' Experience
Daphnie Munoz, CPA	***Engagement principal*** – Daphnie will have overall engagement responsibility including planning the engagement, developing the audit approach, supervising staff, and maintaining client contact throughout the engagement and throughout the year. Daphnie Munoz is responsible for total client satisfaction through the deployment of all required resources and continuous communication with management and the engagement team.	27+
Joe Ludin, CPA	***Technical resource principal*** – Joe will be the technical resource for the audit team as well as the District personnel. Joe's many years of serving governmental entities will be an invaluable resource.	14+
Rebecca Hoang, CPA	***Engagement manager*** – Rebecca will act as the lead manager on the engagement. In this role, Rebecca will assist the engagement principal with planning the engagement and performing complex audit areas. She will perform a technical review of all work performed and is responsible for the review of the annual comprehensive financial report and all related reports.	12+
Rosalia Alvarez-Tadeo	***Senior*** – Rosalia will be responsible for the day-to-day activities for this engagement, including the supervision of all staff assigned.	3+
Additional staff – We will assign additional staff to your engagement based on your needs and their experience providing services to similar clients.		

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

Resumes

Detailed resumes can be found in the *Appendix*.

Right to approve or reject replacements

Engagement principals, managers, other supervisory staff, and professionals may be changed if those personnel leave the firm, are promoted, or are assigned to another office. These personnel may also be changed for other reasons with the express prior written permission of the District. In all instances, the District would retain the right to approve or reject replacements.

Consultants and firm specialists mentioned in the response to this request for proposal may be changed with express prior written permission of the District, which retains the right to approve or reject replacements.

Any other audit personnel may be changed at the discretion of the proposer, provided that replacements have substantially the same or better qualifications or experience.

Continuity of service

We are committed to providing continuity throughout this engagement. It is our policy to maintain the same staff throughout an engagement, providing maximum efficiency and keeping the learning curve low. With a solid, steady engagement team, each year brings the additional benefits of trust and familiarity. We are also flexible in exploring alternative strategies to non-mandatory rotation policies.

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

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

Professional References

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

Glendale Water and Power, California	
Client Contact	Shun-Jun Li, Director of Finance
Partner	Daphnie Munoz
Phone Number | Email	818-551-3048 | sli@glendaleca.gov
Services Provided	Audit of City's Annual Comprehensive Financial Report; Single audit; Electric and Water Utility Fund Financial Statement audits; Successor agency audit; GANN appropriations limit AUP; REAC AUP; NTD AUP
Dates of Services	2020-2025

Western Municipal Water District	
Client Contact	Lien-Chi Cantuba, Accounting Supervisor
Partner	Daphnie Munoz
Phone Number | Email	951-571-7172 | sro@santa-ana.org
Services Provided	Audit of District's Annual Comprehensive Financial Report, single audit, VEBA Trust Audit
Dates of Services	2017-present

Casitas Municipal Water District	
Client Contact	Janyne Brown, Chief Financial Officer
Partner	Daphnie Munoz
Phone Number | Email	805-649-2251 | jbrown@casitaswater.org
Services Provided	Audit of District's Annual Comprehensive Financial Report, single audit, SCO
Dates of Services	2016-present

South Coast Water District	
Client Contact	Jenny Pan, Accounting Manager
Partner	Daphnie Munoz
Phone Number | Email	949-342-2348 | jpan@scwd.org
Services Provided	Audit of District's Annual Comprehensive Financial Report, single audit, SCO
Dates of Services	2018-2025

Fallbrook Public Utility District	
Client Contact	Veronica Tamzil, Supervising Accountant
Partner	Daphnie Munoz/Joe Ludin
Phone Number | Email	760-999-2707 | vtamzil@fpud.com
Services Provided	Audit of District's Annual Comprehensive Financial Report, single audit, SCO
Dates of Services	2017-2025

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

Knowledge Transfer / Retention

Staff retention

At CLA, our mission is to know and help our clients, our community, and our people. That means your success is at the center of everything we do. We've built a culture where our professionals thrive — because when they're supported, you're supported. We offer multiple career paths and robust training, so your engagement team brings deep experience and fresh perspectives to every interaction. We also prioritize balance for our people, monitoring workloads to keep hours within healthy limits. Why does that matter to you? Because it leads to energized, focused professionals who deliver exceptional quality without burnout. The result: **a consistent, high-performing team that exceeds expectations and stays with you for the long term.**

Continuity of service

We are committed to providing continuity throughout this engagement. It is our policy to maintain the same staff throughout an engagement, providing maximum efficiency and keeping the learning curve low. With a solid, steady engagement team, each year brings the additional benefits of trust and familiarity. We are also flexible in exploring alternative strategies to non-mandatory rotation policies.

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Scope of Work

Understanding of the work to be performed

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

To meet the requirements of the RFP, the audit will be performed in accordance with auditing standards generally accepted in the United States of America, as set forth by the American Institute of Certified Public Accountants; the standards set forth for financial audits in Government Auditing Standards issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance); and any other applicable federal, state, and local laws or regulations.

Easing the transition

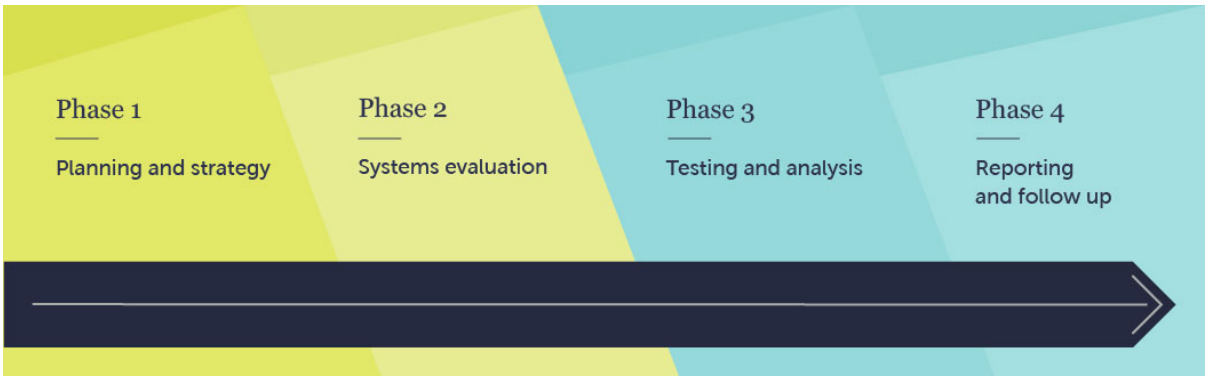
We recognize that a move to a new firm presents an opportunity as well as a challenge. Over our 70-year history, we have transitioned many clients and have a collegial and professional relationship with many firms.

The CLA Seamless Assurance Advantage (SAA)

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



Financial statement audit approach



Phase 1: Planning and strategy

The main objective of the planning phase is to identify significant areas and design efficient audit procedures.

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

We will document our planning through:

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

- **Account risk analysis** — This document will contain the audit plan for the financial statements, including risk assessment and the extent and nature of testing by assertion.
- **Prepared by client listing** — This document will contain a listing of schedules and reports to be prepared by the District personnel with due dates for each item.
- **HQ Exchange** — HQ Exchange is where your engagement lives. It creates clarity and accountability by making every step of the process visible to you, from initial planning through final delivery. By using HQ Exchange across all CLA service lines, we bring a consistent way of working — reducing the need for duplicate conversations and helping prevent things from getting lost between teams. For you, this means fewer surprises, faster answers, and confidence that your entire CLA team is aligned and working toward the same goals. Even with many professionals involved, HQ Exchange makes the experience feel seamless, collaborative, and transparent.

The audit engagement will be planned under the direction of the engagement leader and in-charge. We will clearly communicate any issues in a timely manner and will be in constant contact as to what we are finding and where we expect it will lead.

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

Phase 2: Systems evaluation

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

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

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

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

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

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

During the internal control phase, we will also perform a review of general and application information services/information technology (IS/IT) controls for applications significant to financial statements to conclude whether IS general controls are properly designed and operating effectively.

Based on our preliminary review, we will perform an initial risk assessment of each critical element in each general control category, as well as an overall assessment of each control category. We will then assess the significant computer-related controls.

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

Phase 3: Testing and analysis

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

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

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

Phase 4: Reporting and follow up

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

- Independent Auditors' Report
- Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
- Independent Auditors' Report on Compliance for Each Major Federal Program, Report on Internal Control Over Compliance, and Report on the Schedule of Expenditures of Federal Awards Required by the *Uniform Guidance*
- Management Letter
- Written Communication to Those Charged with Governance, which includes the following areas:
    - Our responsibility under auditing standards generally accepted in the United States of America
    - Changes in significant accounting policies or their application
    - Unusual transactions
    - Management judgments and accounting estimates
    - Significant audit adjustments
    - Other information in documents containing the audited financial statements
    - Disagreements with the District
    - The District’s consultations with other accountants
    - Major issues discussed with management prior to retention

- Difficulties encountered in performing the audit
- Fraud or illegal acts

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

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

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

Elevating with artificial intelligence (AI)

CLA is committed to harnessing cutting-edge technology to enhance client service. We may use AI to enhance your audit engagements. This can include:

- **Research and document drafting**: CLA professionals may use Microsoft Copilot to ask questions and make requests of generative AI with secure access to CLA-specific resources.
- **Document summarization**: We may use CLA Family Assistant to help extract and summarize information relevant to our audits, including minutes review, leases, debt agreements, and other document types.
- **Invoice extraction**: CLA may use AI tools to extract relevant fields from invoices and other documents.

When AI is used, the work is supervised by CLA professionals who verify results before making final decisions. Client information remains confidential when working with these tools.

Single audit approach

OMB's *Uniform Guidance* (2 CFR Part 200) affects how federal grants are managed and audited and impacts every organization that receives federal assistance. Grant compliance can be a confusing topic and many of our clients rely on their federal funding as a major revenue source, so it is important that they understand what these changes mean to their organization. As a leader in the industry, CLA professionals are available to provide guidance and tools tailored to the District's needs, and to assist in compliance with these rules.

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

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



Phase 1: Risk assessment and planning

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

We will accomplish this by following the methodology below:

- Determine the threshold to distinguish between Type A and B programs, including the effect of any loans and loan programs
- Utilizing the preliminary Schedule of Expenditure of Federal Awards, we will identify the Type A and significant Type B programs (25% of Type A threshold) in accordance with the *Uniform Guidance*
- Identify the programs tested and the findings reported for the past two fiscal years. Determine and document the program risk based on the past two single audits
- Prepare and distribute Type B program questionnaires to determine risk associated with Type B programs
- Determine the major programs to be tested for the current fiscal year based on the previous steps
- Based on our determination of the major programs, we will obtain the current year compliance supplement to aid in the determination of direct and material compliance requirements, and customize the audit program accordingly
- Determine the preferred methods of communication during the audit

Phase 2: Major program testing

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

To accomplish this, we will perform the following:

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

Phase 3: Final assessment and reporting

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

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

- Identify Type A and significant Type B programs which were not previously identified
- Re-assess the risk and determine if we are required to audit additional programs
- Perform compliance testing at the entity wide level related to procurement and cash management requirements
- Perform testing to validate the status of prior year findings for those programs not selected for audit
- Prepare the Schedule of Findings and Questioned Costs

- Conduct exit conference with the District's management to review drafts of required reports:
    - Independent Auditors' Report on Internal Control over financial reporting and on compliance and other matters based on an audit of Financial Statements Performed in accordance with *Government Auditing Standards*
    - Independent Auditor's Report on Compliance for Each Major Federal Program, Report on Internal Control Over Compliance, and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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

Communication process

Effective communication is critical to a successful engagement. This includes weekly status meetings where observations, potential exceptions, and leading practices are discussed. To avoid surprises at the end of the engagement, we discuss and document our observations, clarify fact patterns, and confirm management's understanding and agreement with our findings.

CLA adheres to all auditing standards related to reporting observations, recommendations, and findings. All significant deficiencies and material weaknesses will be reported to the audit committee/governance in writing. Best practices, observations, and other matters will be reported to management in a management letter that can be used as a tool to track the implementation of our recommendations.

Report to those charged with governance — In addition to observations and recommendations, we will inform the audit committee of:

- Significant accounting policies
- Management judgments and accounting estimates
- Significant audit adjustments and passed adjustments, if any
- Disagreements with management, if any
- Management consultation with other accountants, if any
- Major issues discussed with management prior to retention
- Difficulties encountered in performing the audit, if any

We are sensitive and understanding of the fact that we report to those charged with governance, and our audit professionals maintain objectivity and independence in issuing audit opinions. If we identify significant fraud, illegal acts, or significant delays during the audit process, we will alert the audit committee timely.

Information related to overall fiscal health or other concerns of your organization observed during audit testing will be presented in the exit presentation and as part of the management letter. We will also help you create opportunities for improvement through recommendations and suggestions for strengthening your policies, accounting procedures, and processes.

Data analytics



In addition to standard auditing methodology, a distinguishing aspect of CLA's audit services incorporates the power of data analytics to multiply the value of the analyses and the results we produce for clients. CLA's data methodology is a six-phase, systematic approach to examining an organization's known risks and identifying unknown risks. Successful data analysis is a dynamic process that continuously evolves throughout the duration of an engagement and requires collaboration of the engagement team.

Data analytics are utilized throughout our audit process, our **R**isk Assessment, **D**ata **A**nalytics and **R**eview ("RADAR") is a specific application of general ledger data analytics that has been implemented on all audit engagements. RADAR is an innovative approach created and used only by CLA that aims to improve and replace traditional preliminary analytics that were being performed.

The phases in our data analytics process are as follows:

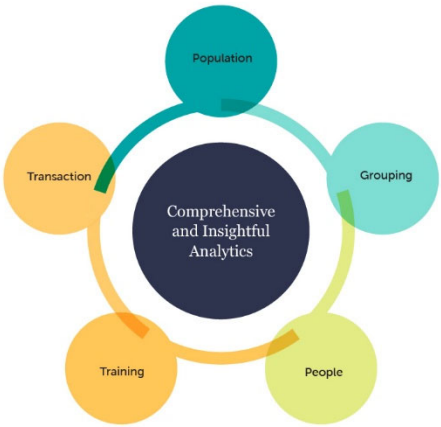
1. Planning

In the planning stage of the engagement, the use of data analysis is considered and discussed to determine that analytics are directed and focused on accomplishing objectives within the risk assessment. Areas of focus, such as journal entries, cash disbursements, inventory, and accounts receivable are common.

2. Expectations

We consider the risks facing our client and design analytics to address these risks. Through preliminary discussions with management and governance, we develop and document expectations of financial transactions and results for the year. These expectations will assist in identifying anomalies and significant audit areas in order to assess risk.

3. Data acquisition



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

4. Technical data analysis

Technical analysis of the data requires the skillful blend of knowledge and technical capability. Meaningful technical analysis provides the engagement team with a better understanding of the organization. The additional clarity assists the engagement team to better assess what is "normal" and, in turn, be better suited to spot anomalies, red flags, and other indications of risk. Analytics generally fall into five categories, each looking into the data set in a different way and deployed with a different purpose.

5. Interpret results and subsequent risk assessment

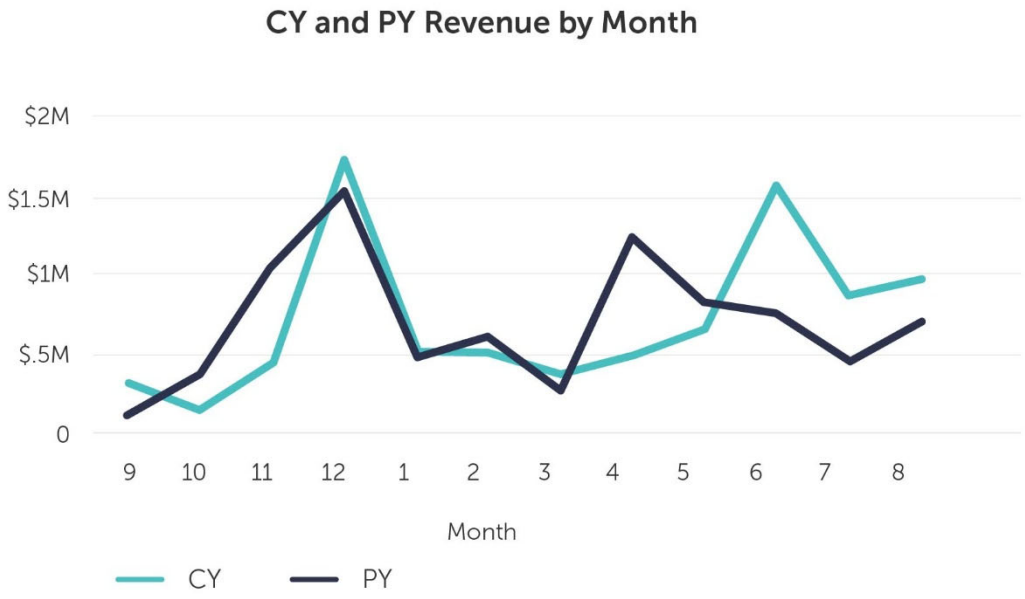
Trends and anomalies will be identified through the performance of the above referenced analytics. Comments regarding the interpretation of those trends and anomalies will be captured. When trends are identified, they are reconciled against expectations. For anomalies identified, the approach to further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

6. Response and document

The last process is to capture responses and determine that our procedures are properly documented. Abstracts, charts, or summaries of both trends and anomalies are retained in audit documentation to support our identification of risks. Our analysis can be tailored and customized to help analyze an array of information, including client-specific and proprietary data. Key benefits of data analytics include:

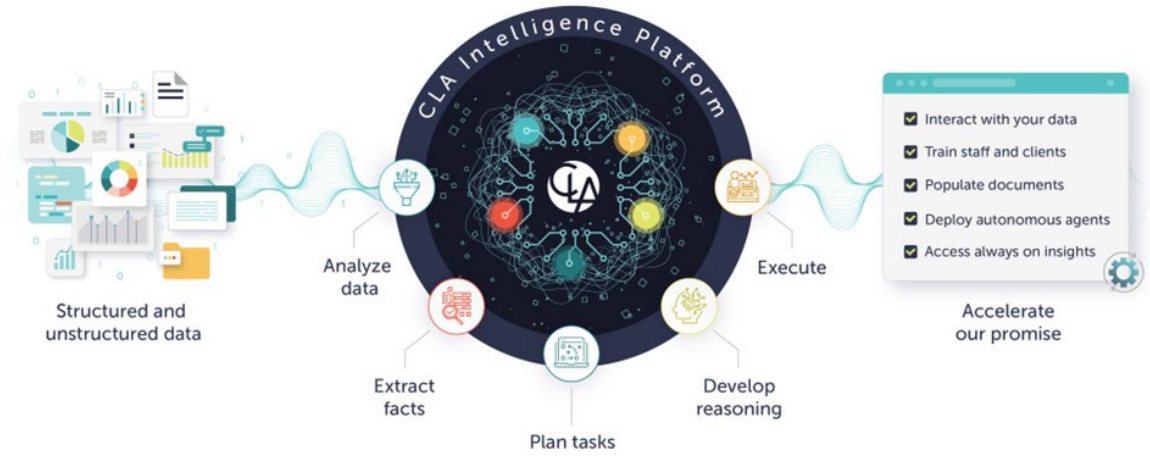
- Built-in audit functionality including powerful, audit specific commands and a self-documenting audit trail
- 100% data coverage, which means that certain audit procedures can be performed on entire populations, and not just samples
- Unlimited data access allows us to access and analyze data from virtually any computing environment
- Eliminates the need to extrapolate information from errors (a common effort when manually auditing data) and allows for more precise conclusions

The below figure illustrates typical data analytics scenarios.



CLA Intelligence Platform: Digital services and generative AI

Let us help you harness cutting-edge technology to transform the way your teams work and uncover deeper business and financial insights.



Digital transformation is no longer optional, it's a necessity. With CLA, you'll find a comprehensive suite of capabilities spanning automation and integration, data analytics, software, and cybersecurity — offering you new opportunities to navigate and thrive in the digital age.

By leveraging digital product solutions and services, you can improve your business operations and achieve big goals, whether that's streamlining processes, enhancing customer experiences, embracing generative artificial intelligence (AI), or driving innovation. We help you put digital solutions in place to:

Drive growth and profitability	Drive more value from software	Gain efficiencies and quality
Improve employee experience and retention	Make data-driven decisions	Make your data work for you
Manage security more effectively	Put the power of AI in your hands	Reduce cyber and other threats

Proposed work plan

Count on clear communication and regular updates.

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

Date Completed By	Task
April May	Initial planning meeting
June 30	Interim audit work
September 15	Field audit work
September30	Management review and exit conference
See below	Draft and final reports
Ongoing	Planning and update meetings

Reports to be issued

Report	Draft Due Date	Final Due Date
Independent Auditor's Report on Annual Comprehensive Financial Report	September 30	October 20
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*	September 30	October 20
Communication to Those In Charge of Governance	September 30	October 20
Independent Auditors' Report on Compliance for Each Major Federal Program, Report on Internal Control Over Compliance, and Report on the Schedule of Expenditures of Federal Awards Required by the *Uniform Guidance*	September 30	October 20

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

Cost Proposal

Point by point costing of each fiscal year

Having upfront conversations builds relationships.

The value we can provide your organization goes beyond meeting your compliance needs. We can help you discover opportunities to enhance your performance and achieve your strategic goals. Our insights and strategies are tailored to your specific situation and represent a return on your investment.

Based on our understanding of your requirements, we propose the following fees:

Professional Services	2026-27	2027-28	2028-29	2029-30	2030-31
Audit	$36,500	$37,595	$38,725	$39,880	$41,080
Single Audit	$6,820	$7,025	$7,235	$7,455	$7,680
Total	**$43,320**	**$44,620**	**$45,960**	**$47,335**	**$48,760**

Our fee quote is designed with an understanding that:

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

The fee quote includes a 7% technology and client support fee. The 7% technology and client support fee supports our continuous investment in technology and innovation to enhance your experience and protect your data.

Breakdown of hours

Level of staff and number of hours to be assigned

Our project management methodology results in a client service plan that provides for regular, formal communication with the entire management team and allows us to be responsive to your needs. The schedule allows for input from your personnel to make certain the services are completed based on your requirements. The plan may also be amended during the year based on input from the internal auditor.

Please see the below chart for segmentation of hours by staff

Segmentation of Hours by Level of Staff						
Engagement Segment	Principal/ Signing Director/Technical Director	Manager / Director	Senior	Associate	Admin Support	Total
District Audit	8	24	80	90	8	210
Single Audit	2	4	10	22	2	40
Total	**10**	**28**	**90**	**112**	**10**	**250**

Segmentation of Hours by Level of Staff and Phase of Audit						
Engagement Segment	Principal/ Signing Director/Technical Director	Manager/ Director	Senior	Associate	Admin Support	Total
Planning	2	2	12	4	-	20
Interim Fieldwork	1	4	24	32	-	61
Final Fieldwork, Review and reporting	7	22	54	76	10	169
Total	**10**	**28**	**90**	**112**	**10**	**250**

Rates for each staff classification

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

Staff Level	2026-27	2027-28	2028-29	2029-30	2030-31
Principal/Signing Directors	$330	$340	$350	$360	$370
Managers/Directors	220	225	235	240	250
Supervisory Staff	165	170	175	180	185
Staff	135	140	145	150	155
Clerical	105	110	110	115	120

Schedule of reimbursable expenses

Out-of-pocket expenses

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

No surprises

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

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

Our last word on fees: we're committed to serving you and creating a long-standing relationship. If fees are a deciding factor in your selection of a professional services firm, give us a call and let's discuss.

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

Independence

Firm independence

CLA is not aware of any current or potential relationships that may threaten our independence of the District under the American Institute of Certified Public Accountant's Code of Professional Conduct and its interpretations and the U.S. Government Accountability Office's Government Auditing Standards. Our firm-wide quality control policies and procedures foster strict compliance with these professional standards. In addition, the individuals assigned to your engagement are independent of the District.

Professional relationships

CLA has no known previous relationships involving the District.

Quality management procedures

CLA maintains a robust system of quality management designed to consistently meet professional standards and regulatory requirements. Our approach aligns with the AICPA's current quality management standards, emphasizing a risk-based framework, continuous monitoring, and a culture of quality across the firm.

Key components of our system include:

- Defined quality objectives and risk-based responses tailored to our assurance practice
- Annual internal inspections and engagement-level second reviews
- Ongoing training and development to enhance staff competence and independence
- Required reviews for all single audits to maintain compliance with *Uniform Guidance*
- Strict adherence to AICPA ethical standards, including confidentiality and objectivity

License to Practice in California

License to practice

CLA is licensed to practice public accounting in the state of California. All assigned key professional staff are licensed certified public accountants. A majority of states, including California, have adopted mobility legislation – which is a practice privilege that generally permits a licensed CPA in good standing from a substantially equivalent state to practice outside of their principal place of business without obtaining another license.

All assigned professional staff have complied with governmental qualification standards, including governmental continuing education requirements.

Disciplinary Action/Desk Reviews

Federal or state desk or field reviews

From time to time, CLA will be subject to federal and state desk reviews by oversight agencies. In addition, our government audits are subject to review by each agency's Office of Inspector General, as well as the U.S. Government Accountability Office. In all cases, we cooperate in providing the information required for the reviews and will timely resolve all findings identified in those reviews.

Insurance

CLA carries commercially reasonable amounts of professional liability insurance. A copy will be provided within seven days of notification of selection.

Appendix

A. Your service team biographies

Daphnie Muñoz, CPA

CLA (CliftonLarsonAllen LLP)



Principal
Irvine, California

714-795-5474
daphnie.munoz@CLAconnect.com

Profile

Daphnie is an assurance principal at our CLA's Irvine office. She has 27 years of experience with a focus on state and local government audit and assurance services. She earned her CPA designation in 2001 and became an audit and assurance principal in 2011.

As a key figure in the firm's government audit practice, Daphnie works closely with government entities to provide thorough attestation services, including single audits. She has extensive experience with a wide range of local government related audit engagements including cities, successor and redevelopment agencies, federal grants, special districts, compliance audits, and agreed-upon procedures engagements.

Technical experience

- Government entities, including nonprofits and special districts

Education and professional involvement

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

Key relevant clients

California cities

- Alhambra
- Banning
- Burbank
- Colton
- Costa Mesa
- Fillmore
- Glendale
- Hesperia
- Lake Forest
- Lancaster
- Monterey
- Murrieta
- Palos Verdes Estates
- Palm Desert
- Palm Springs
- Santa Ana
- Santa Barbara
- Stanton
- Torrance

California special districts

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

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CPAS | CONSULTANTS | WEALTH ADVISORS

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

Joseph Ludin, CPA

CLA (CliftonLarsonAllen LLP)



Principal
Irvine, California

714-795-5483
joe.ludin@CLAconnect.com

Profile

Joe is an assurance principal at CLA's Irvine office. He has been a valued member to the team since 2009. He has performed all phases of local governmental audits including cities, successor agencies and redevelopment agencies, single audits of federal grants, special districts, retirement systems and agreed-upon procedures engagements. Joe is involved with planning the audit, performing fieldwork for all aspects of the audit, supervising staff accountants, and preparation of financial statements. Joe's knowledge lies in performing audit, assurance, and consulting for governmental agencies as well as private companies. He works with clients in a variety of private industries, including construction, electronics manufacturing, and staffing.

Technical experience

- Local government
- Nonprofits
- Special districts
- Employee benefit plans
- Private companies
- Construction
- Manufacturing and distribution

Education and professional involvement

- Bachelor of business administration and management, California Polytechnic University, San Luis Obispo, California
- Certified Public Accountant in the state of California
- California Society of Municipal Finance Officers (CSMFO)

Key relevant clients

California Cities:

Chino	Irvine	Newport Beach	Cerritos
Covina	Pasadena	Orange	Industry
Del Mar	Lancaster	Santa Barbara	

Other California Governmental Agencies:

City of Irvine Pension Plans
La Habra Heights County Water District
Sunset Beach Sanitary District
El Toro Water District
Surfside Colony Community Services District
Surfside Colony Storm Water Protection District
Yorba Linda Water District

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

Rebecca Hoang, CPA

CLA (CliftonLarsonAllen LLP)



Director
Irvine, California

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

Profile

Rebecca is a director at our CLA Irvine office with more than 12 years of experience and has been an integral part of the team. She specializes in state and local governmental agencies. Her experience lies in evaluating compliance with government regulations, supporting financial integrity, and enhancing operational efficiency within governmental agencies.

Technical experience

- Local government audits, including cities and special districts
- Audits of federal award expenditures

Education and professional involvement

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

California government experience

- City of Escondido
- City of Rancho Palos Verdes
- City of Colton
- City of Pico Rivera
- City of Santa Ana
- City of Lancaster
- Laguna Beach County Water District
- Midway Sanitary District

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CPAS | CONSULTANTS | WEALTH ADVISORS

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



Rosalia Alvarez-Tadeo

CLA (CliftonLarsonAllen LLP)

Senior
Irvine, California

949-565-1468
rosalia.alvarez-tadeo@CLAconnect.com

Profile

Rosalia is an assurance senior with over three years of experience specializing in audits of state and local government entities. She continues to expand and apply her knowledge of accounting principles and auditing standards with each engagement. Rosalia is known for delivering high-quality work while fostering strong collaboration and communication with both client personnel and the engagement team.

Technical experience

- Local government audits, including cities and special districts
- Single audits of federal grants

Education and professional involvement

- Bachelor of science in accounting & business management from California State University, Fullerton
- Associate of arts in business administration from Orange Coast College

Local government experience

- City of Glendale
- City of Porterville
- City of Santa Barbara
- City of Rancho Palos Verdes
- City of South Pasadena
- City of Santa Maria
- Laguna Niguel

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CPAS | CONSULTANTS | WEALTH ADVISORS

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

B. Peer review

We're proud to have received a "pass" rating — the most positive possible — in our most recent peer review, **which included government engagements**. A copy of the report is below.

Cherry Bekaert LLP
Your Guide Forward

Report on the Firm's System of Quality Control

To the Principals of CliftonLarsonAllen LLP
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of CliftonLarsonAllen LLP (the "Firm") applicable to engagements not subject to Public Company Accounting Oversight Board ("PCAOB") permanent inspection in effect for the year ended May 31, 2025. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants ("Standards").

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a system review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported on in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility
The Firm is responsible for designing and complying with a system of quality control to provide the Firm with reasonable assurance of performing and reporting in conformity with the requirements of applicable professional standards in all material respects. The Firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported on in conformity with the requirements of applicable professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility
Our responsibility is to express an opinion on the design of and compliance with the Firm's system of quality control based on our review.

Required Selections and Considerations
Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act; audits of employee benefit plans; audits performed under FDICIA; and examinations of service organizations (SOC 1® and SOC 2® engagements).

As a part of our peer review, we considered reviews by regulatory entities as communicated by the Firm, if applicable, in determining the nature and extent of our procedures.

Opinion
In our opinion, the system of quality control for the accounting and auditing practice of CliftonLarsonAllen LLP applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended May 31, 2025, has been suitably designed and complied with to provide the Firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass, pass with deficiency(ies)*, or *fail.* CliftonLarsonAllen LLP has received a peer review rating of *pass*.

Cherry Bekaert LLP

Atlanta, Georgia
November 6, 2025

cbh.com

1

Olivenhain Municipal Water District

Proposal to Provide Professional Auditing Services
for the Fiscal Years Ending June 30, 2027, through June 30, 2029,
with an Option to Extend for Two (2) Additional Fiscal Years

Submitted by:

11405 W. Bernardo Court, Suite A,
San Diego, CA 92127
Phone: (858) 939-0017

October 13, 2026

Contact Person

Managing Partner: Sanwar Harshwal, CPA
Cell Phone: (858) 784-1622
Federal Employer ID Number: 27-0741376
Email: sanwar@harshwal.com | Website: www.harshwal.com

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TRANSMITTAL LETTER

October 13, 2026

Olivenhain Municipal Water District
ATTN: Leo Mendez, Finance Manager
1966 Olivenhain Road,
Encinitas, CA 92024

Dear Leo Mendez and Evaluation Committee Members,

The partners and staff at Harshwal & Company, LLP are pleased to present our proposal to provide professional auditing services. Our firm has experienced continuous growth and success as we meet and exceed client expectations. Our overall goal is to provide responsive, innovative services of the highest quality to our clients.

We understand that the Olivenhain Municipal Water District (referred to later in this proposal as the "District") requires us to conduct a timely audit service. We are committed to meeting all terms, conditions, and requirements addressed in this request for proposal (RFP). With our experience and knowledge, we fully understand the requirements and your expectations for the services to be provided.

We believe our firm is the best qualified to perform this engagement because our audit services effectively utilize the most current specialized resources with our unparalleled technical proficiency. Our expertise in providing auditing and financial accounting services to governmental entities and NPOs is unmatched. Our highly trained team will maintain a knowledgeable, non-intrusive, and respectful approach to the audit. The result will be an audit of exceptional quality and value that will minimize disruptions of the District's on-going operations.

Understanding of the Work to be Done:

We understand that you require us to conduct an audit of the financial statements of the District for the fiscal years ending June 30, 2027, through June 30, 2029, with an option to extend for two (2) additional fiscal years, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). A detailed scope is given in the "Scope of Work" section.

Ability to Perform the Work Within Provided Time Frame:

Harshwal & Company, LLP is benchmarked for providing the work within the time frame requested. Our team is committed to completing the audit on time, as they are fully equipped with contemporary technology, which will add value to the successful and timely delivery of the audit. We are responsive and solution oriented, providing quick responses on matters that require immediate attention, hence enhancing the quality of our audit. We focus on staff continuity, which enables us to develop and maintain an in-depth understanding of your operations, management style, and operating practices, which ultimately allows us to offer you experienced resources, value-added services, specialization, and overall better personal service, which again unequivocally results in a timely submission of the audit report.

Why Harshwal & Company, LLP:

- Extensive partner involvement on each engagement
- Presence of a manager and/or CPA always on-site during fieldwork
- Consistent and experienced staff
- Timeliness of communications
- Proactive approach in addressing complex issues early in the engagement
- Availability to clients as a specialized resource
- Professionalism with understanding

Client Confidentiality and Security:

- At Harshwal & Company, LLP, we are committed to safeguarding client information. Maintaining trust is one of the core values of our firm. Since your privacy is a priority to us, we will not share non-public information about you with third parties without your consent.
- In order to facilitate a highly secure method for exchanging electronic files between our firm and our clients, we have implemented a secure, trackable method for sharing large files via a hosted website called ***Suralink***.
- All laptops of our audit and tax professionals are encrypted to protect our clients' information.

➢ **Our proposal is a firm and irrevocable offer until April 30, 2027.**

Our managing partner, Mr. Sanwar Harshwal, is authorized to represent the firm and he is the authorized person to contractually obligate the firm, to negotiate the contract on behalf of the firm and to be contacted for clarifications. He can be reached at 11405 W. Bernardo Court, Suite A, San Diego, CA 92127; Phone No. (858) 784-1622, or via an email at sanwar@harshwal.com.

Harshwal & Company, LLP is a GSA vendor and a 100% minority owned CPA firm.

We thank you for your consideration and hope that you will provide us with the opportunity to serve your esteemed organization with our services.

Sincerely,

Harshwal & Company, LLP
Certified Public Accountants

Sanwar Harshwal, ***CPA, CIA, CISA, CFE***
Managing Partner

clearlyrated 4.7 92 client ratings
BEST of Accounting CLIENT SATISFACTION 2024

DETAILED PROPOSAL

INDEPENDENCE

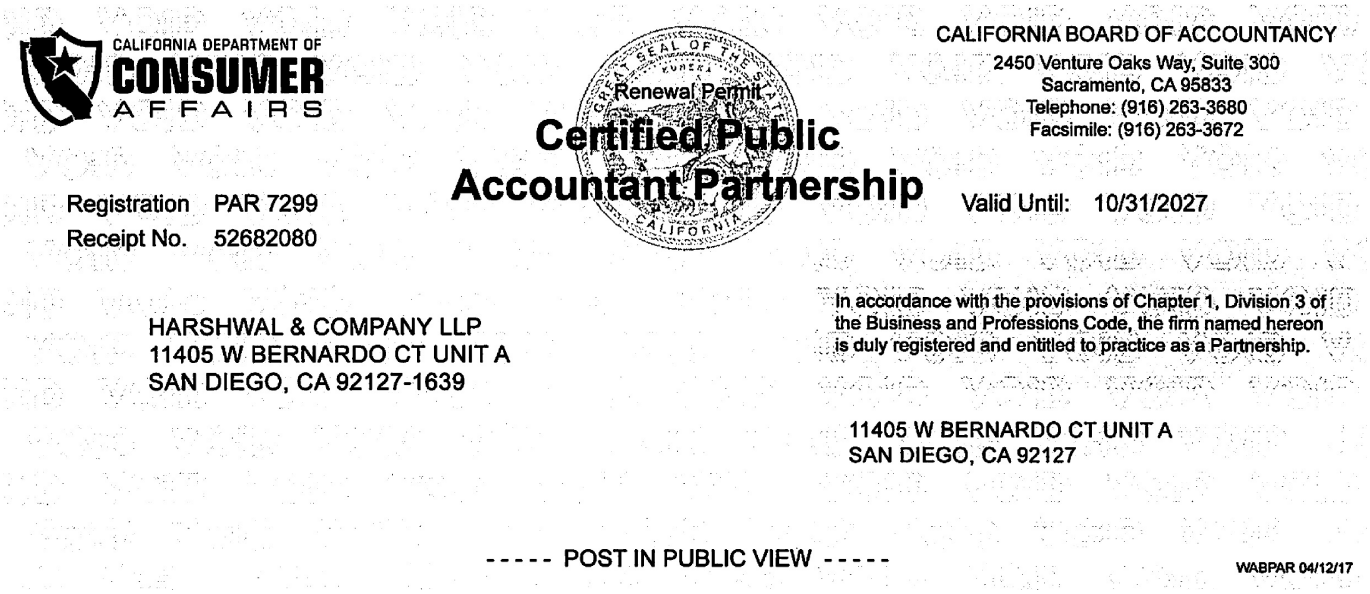
We are independent of the Olivenhain Municipal Water District as defined by generally accepted auditing standards issued by the U.S. General Accounting Office's *Government Auditing Standards*. Before accepting any new engagement, we conduct a thorough check to ensure that there are no conflicts of interest or independence issues. This procedure is in compliance with the independence requirements of all regulatory agencies and, specifically, in compliance with the Standard for Audit of Governmental Organizations, Programs, and Activity Functions, as published by the U.S. General Accounting Office (GAO). If selected as your audit firm, we will maintain and monitor our independence as well as reassess our independence with respect to your organization on an annual basis. We will continue to evaluate our independence as your external auditors and will give the District written notice of any professional relationships involving the District, if entered into, during the period of the audit contract.

Conflict of Interest Statement

Harshwal & Company, LLP does not have any past or current business or other relationship with the District and its component units. We also hereby agree that no member, officer, or employee of the District, no member of the local governing body of the locality in which the District is located and no other public official who exercises any function or responsibilities with respect to the District, during his tenure or for one year thereafter, shall have any interest, direct or indirect, in this contract or the proceeds thereof.

LICENSE TO PRACTICE IN CALIFORNIA

The firm and all key professional staff are licensed to practice as Certified Public Accountants and meet the Continuing Professional Education requirements under U.S. GAO's *Government Auditing Standards* to perform the proposed audits.


CALIFORNIA DEPARTMENT OF CONSUMER AFFAIRS

Registration PAR 7299
Receipt No. 52682080

Renewal Permit

Certified Public Accountant Partnership

CALIFORNIA BOARD OF ACCOUNTANCY
2450 Venture Oaks Way, Suite 300
Sacramento, CA 95833
Telephone: (916) 263-3680
Facsimile: (916) 263-3672

Valid Until: 10/31/2027

HARSHWAL & COMPANY LLP
11405 W BERNARDO CT UNIT A
SAN DIEGO, CA 92127-1639

In accordance with the provisions of Chapter 1, Division 3 of the Business and Professions Code, the firm named hereon is duly registered and entitled to practice as a Partnership.

11405 W BERNARDO CT UNIT A
SAN DIEGO, CA 92127

----- POST IN PUBLIC VIEW -----

WABPAR 04/12/17

FIRM QUALIFICATIONS AND EXPERIENCE

Harshwal & Company, LLP was founded seventeen (17) years ago and is a locally established firm of CPAs, offering auditing, accounting, management consulting, IT services, and other specialized services to various clients, which consist of special districts, state and local governments, not-for-profit organizations, school districts, educational entities, tribes and tribal governments, and housing authorities throughout the United States. Our commitment to our clients has enabled the firm continued growth and success in developing and maintaining strong professional relationships. Our engagement team also has extensive experience in auditing and reviewing financial statements receiving GFOA and CSMFO awards.

The members of the firm have accumulated over four (4) decades of experience in public auditing and accounting, primarily with international certified public accounting firms while employed in high-level supervisory positions. Individually, the partners and management staff are recognized in their respective areas for leadership roles, which they take part in promoting the high ideals of the auditing profession and for producing the highest quality services. We will provide you the expertise and resources needed to continuously guide your organization.

Location of the Office

Harshwal & Company, LLP provides services to clients from three (3) locations. San Diego, CA is the location of our head office, and Albuquerque, NM and Oakland, CA, are the locations of our branches. Our nearest office to the District, **San Diego, CA** office will provide audit services to the Olivenhain Municipal Water District. The address and phone numbers for each of our three offices are listed below:

San Diego, CA Office	11405 W. Bernardo Court, Suite A, San Diego, CA 92127	Phone: (858) 939-0017 Email: info@harshwal.com
Albuquerque, NM Office	6565 Americas Pkwy NE, Suite 800, Albuquerque, NM 87110	Phone: (505) 814-1201
Oakland, CA Office	333 Hegenberger Road, Suite 328 Oakland, CA 94621	Phone: (510) 452-5051

Staff Size & Organizational Structure

Audit Team	Manpower
Managing Partner	01
Additional Partners	05
Senior Manager	02
CPAs and Senior Staff	06
Additional Staff	12
Total	**26**

- We are supported by an extended team of over 80 qualified Chartered Accountants (CAs) in India (equivalent to US CPAs).

Services Provided by the Firm

Harshwal & Company, LLP is a full-service professional firm providing comprehensive services commonly associated with larger firms. The firm is divided into the following departments and provides the following services:

- **Audit Department:** Provides audit services to commercial, governmental and non-profit organizations with a special emphasis on compliance audits in the education, health, and housing industries.
- **Accounting Department:** Provides consulting services in setting up businesses and establishing accounting systems, books, and records; assistance in maintaining business records; and preparing financial statements.
- **Tax Department:** Provides a wide range of tax preparation, tax planning, and consulting for corporations, partnership, and individuals.
- **Management Advisory Services:** Our technical knowledge, training, and business experience enable us to provide a broad range of management advisory services, which includes the following:
  - Designing and assisting in the installation of accounting systems to fit the requirements of a particular business.
  - Analyze existing accounting systems and recommend ways to improve controls and efficiency.
  - Assessment, installation, and modification of computer hardware and software systems.
  - Consulting in management information systems.
  - Providing consultation about the use of management information systems for planning and control and the application of accounting and other controls.

Equal Opportunity Employer

Harshwal & Company, LLP is an equal employment opportunity employer and is in compliance with the Civil Rights Act of 1964, the State Fair Employment Practice Act, and all applicable federal and state laws and regulations relating to equality. We prohibit discrimination of qualified persons based on race, religion, color, sex, age, national origin, disability, sexual orientation, military status, or any other characteristic protected by applicable federal, state, or local law.

Firm's Most Recent External Quality Control Review

Harshwal & Company, LLP is a member of the Governmental Audit Quality Center (GAQC) and Employee Benefit Plan Audit Quality Center (EBPAQC) of the American Institute of Certified Public Accountants (the AICPA) and the Center for Audit Quality, an affiliate of the AICPA. One of the requirements of membership in these groups is to have our systems of quality control reviewed by another CPA firm once every three years. Our most recent peer review was completed in 2023, and we received a passing peer review rating.

Our external quality control review (Peer Review) included a review of specific government engagements.

- **A copy of our most recent Peer Review report is attached below.**

Cal CPA Peer Review Program

(650) 522-3094
peerreview@calcpa.org

June 06, 2024

Sanwar Harshwal
Harshwal & Company LLP
11405 W Bernardo Ct Ste A
San Diego, CA 92127

Dear Sanwar Harshwal:

It is my pleasure to notify you that on June 06, 2024, the California Peer Review Committee accepted the report on the most recent System Review of your firm. The due date for your next review is November 30, 2026. This is the date by which all review documents should be completed and submitted to the administering entity.

As you know, the report had a peer review rating of pass. The Committee asked me to convey its congratulations to the firm.

Thank you for your cooperation.

Sincerely,

Peer Review Committee

Peer Review Program
The Peer Review Program Team
peerreview@calcpa.org
650-522-3094

cc: Justin Williams

Firm Number: 900005526362 Review Number: 603500

M·U·N

Report on the Firm's System of Quality Control

February 29, 2024

To Harshwal & Company LLP and the Peer Review
Committee of the CalCPA Peer Review Program

We have reviewed the system of quality control for the accounting and auditing practice of Harshwal & Company LLP (the firm) in effect for the year ended May 31, 2023. 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 aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported 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 audits of employee benefit plans.

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Harshwal & Company LLP in effect for the year ended May 31, 2023, 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*. Harshwal & Company LLP has received a peer review rating of *pass*.

MUN CPAs, LLP

MUN CPAs, LLP

Disciplinary Action or Pending Litigation

Harshwal & Company, LLP's emphasis on quality has rewarded the firm with an excellent track record regarding claims related to professional services. Harshwal & Company, LLP has an impressive history, free of litigation, penalties and debt, and we have no sanctions or restrictions imposed by professional organizations, regulatory authorities or other government institutions. Harshwal & Company, LLP has never been debarred, suspended or otherwise excluded from or ineligible for participation in federal assistance programs or from receiving federal contracts, subcontracts or financial assistance or benefits, under Executive Order 12549, "Debarment and Suspension" (24 CRT 85.35) or other federal laws, statutes, codes, ordinances, regulations or rules, at any time during the term of the agreement.

Desk & Field Reviews

From time to time, selected Harshwal & Company, LLP's audit engagements are subject to a desk review by federal or other regulators. In all such reviews during the past three years, the reviews have shown our work to be satisfactory, and no disciplinary or other administrative proceedings have resulted from those reviews. There has been no disciplinary action taken against Harshwal & Company, LLP's offices by the AICPA, or any State Board or Society in the last three years. There are also no such actions currently pending.

Terminations

Harshwal & Company, LLP has never terminated, held in default, or failed to complete any work. We have always been a hallmark for the quality of our audit work. We are committed to providing high-quality service without compromising the timely submission of your audit reports.

Hold Harmless and Indemnification

Harshwal & Company, LLP have errors and omissions insurance, property and liability and workers' compensation insurance and will indemnify and hold harmless the District from and against all losses and claims in the execution of our work or the consequences of any negligence or carelessness on our part.

Insurance Requirements

We will maintain such insurance coverage during the period of engagement. Harshwal & Company, LLP maintains the following insurance:

1. Professional liability for $2,000,000 per claim and $4,000,000 aggregate. The carrier is Travelers Casualty and Surety Company.
2. Commercial general liability and property damage for $2,000,000 per occurrence and $4,000,000 aggregate. The carrier is Hartford Underwriters Insurance Company.
3. Automobile liability for $2,000,000. The carrier is Hartford Underwriters Insurance Company.
4. Workers' compensation (statutory amounts and limits) insurance carrier is Hartford Fire and Its P&C Affiliates. The limit of the liability is $1,000,000.

- **A copy of our insurance document is attached below.**

McGOWAN Professional Liability

VERIFICATION OF INSURANCE & BINDER

ISSUED TO: Harshwal & Company LLP

We, the undersigned Insurance Brokers, hereby verify that **Travelers Casualty and Surety Company** has issued the following described insurance, and which is in force as of the date hereof:

Accountants Professional Liability

Policy Number:	**Insurer:**	**Period:**
108314457	Travelers Casualty and Surety Company	12 months commencing 12:01 a.m. 7/30/2026

LIMIT: $2,000,000.00 each claim
$4,000,000.00 annual aggregate (as provided for in the policy wording)

RETENTION: $100,000.00 each claim

PRIOR ACTS DATE: 9/30/09

ENDORSEMENTS: As quoted.

CANCELLATION: Should the above described policy be cancelled before the expiration thereof, we shall endeavor to mail 30 days written notice to the Certificate Holder, but failure to do so shall impose no obligation or liability of any kind upon the company, its agents, or representatives, subject to the terms, conditions, exclusions, and limitations of the policy.

Certificate Holder(s): Harshwal & Company LLP
11405 W Bernardo Ct
Suite A
San Diego, CA 92127

This document is furnished as a matter of information only. The issuance of this document does not make the person or organization to which it is issued an additional insured, nor does it modify in any manner the contract of insurance between the Insured and the Insurers. Any amendment, change or extension of such contract can only be effected by specific endorsement attached thereto.

McGowanPRO
Rob Ferrini
7/15/2026

ACORD

CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY): 07/24/2026

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 ADDITONAL 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	CONTACT NAME:	
CAMICO SERVICES INC/PHS 57141555 The Hartford Business Service Center 3600 Wiseman Blvd San Antonio, TX 78251	PHONE (A/C, No, Ext): (866) 467-8730	FAX (A/C, No):
	E-MAIL ADDRESS:	

INSURED	INSURER(S) AFFORDING COVERAGE	NAIC#
HARSHWAL & COMPANY, LLP. 11405 W BERNARDO CT STE A SAN DIEGO CA 92127	INSURER A : Hartford Underwriters Insurance Company	30104
	INSURER B : Hartford Fire and Its P&C Affiliates	00914
	INSURER C :	
	INSURER D :	
	INSURER E :	
	INSURER F :	

COVERAGES **CERTIFICATE NUMBER:** **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. LIMITS SHOWN ARE INCLUSIVE OF AMOUNTS REQUESTED BY THE CERTIFICATE HOLDER AND MAY NOT REFLECT POLICY LIMIT AMOUNTS IN EXCESS OF THOSE REQUESTED. ***Not Applicable in WY**

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS	
A	COMMERCIAL GENERAL LIABILITY CLAIMS-MADE [ ] OCCUR [X] [X] General Liability GEN'L AGGREGATE LIMIT APPLIES PER: [X] POLICY [ ] PRO-JECT [ ] LOC [ ] OTHER:			57 SBA BL3W3X	05/12/2026	05/12/2027	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 - COMP/OP AGG	$ $4,000,000
								$
A	AUTOMOBILE LIABILITY [ ] ANY AUTO [ ] OWNED AUTOS ONLY [ ] SCHEDULED AUTOS [X] HIRED AUTOS ONLY [X] NON-OWNED AUTOS ONLY			57 SBA BL3W3X	05/12/2026	05/12/2027	COMBINED SINGLE LIMIT (Ea accident)	$ $2,000,000
							BODILY INJURY (Per person)	$
							BODILY INJURY (Per accident)	$
							PROPERTY DAMAGE (Per accident)	$
								$
	[ ] UMBRELLA LIAB [ ] OCCUR [ ] EXCESS LIAB [ ] CLAIMS-MADE [ ] DED [ ] RETENTION $						EACH OCCURRENCE	$
							AGGREGATE	$
								$
B	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? Y / N [ ] (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	N / A		57 WEC AG8JZ9	07/21/2026	07/21/2027	[X] PER STATUTE [ ] OTH-ER	
							E.L. EACH ACCIDENT	$ $1,000,000
							E.L. DISEASE -EA EMPLOYEE	$ $1,000,000
							E.L. DISEASE - POLICY LIMIT	$ $1,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

Those usual to the Insured's Operations.

CERTIFICATE HOLDER

For Informational Purposes
11405 W BERNARDO CT STE A
SAN DIEGO CA 92127

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

Susan L. Castaneda

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FIRM'S TECHNICAL EXPERIENCE

Harshwal & Company, LLP has performed numerous audits of special districts, state and local governments, school districts, not-for-profit organizations, tribes and tribal governments, housing authorities, and educational entities etc., that are subject to financial and compliance audits. The following is a list of clients we have served.

Special District Entities			
Client Logo	**Client Name**	**Financial Audit**	**Single Audit**
	Alameda County Law Library	X	
	Ambrose Recreation & Park District	X	
	Aromas Tri-County Fire Protection District	X	
	Artesia Cemetery District	X	
	Buena Park Library District	X	
	Burbank Sanitary District	X	
	Carmel Highlands Fire Protection District	X	
	Central Basin Municipal Water District	X	
	Clear Creek Community Services District	X	
	Coastside Fire Protection District	X	
	County Sanitation District 2-3	X	
	Crescent Fire Protection District	X	
	Cupertino Sanitary District	X	
	Cypress Fire Protection District	X	

Special District Entities (continued)			
Client Logo	**Client Name**	**Financial Audit**	**Single Audit**
	Del Norte Library District	X	
	Del Norte Local Transportation Commission	X	
	Del Norte Solid Waste Management Authority	X	
	Fort Dick Fire Protection District	X	
	Fox Canyon Groundwater Management Agency	X	
	Guadalupe Coyote Resource Conservation District	X	
	Home Garden Community Service District	X	
	Hoopa Valley Public Utilities District	X	X
	Humboldt Bay Harbor, Recreation & Conservation District	X	
	Indian Valley Community Services District	X	
	Lake County Resource Conservation District	X	
	Loma Prieta Resource Conservation District	X	
	Mission Oaks Recreation & Park District	X	
	Mother Lode Job Training Agency	X	X
	North County Recreation and Park District	X	
	Ojai Basin Groundwater Management Agency	X	
	Paradise Recreation & Park District	X	

Special District Entities (continued)			
Client Logo	**Client Name**	**Financial Audit**	**Single Audit**
	Port Hueneme Water Agency	X	
	Port San Luis Harbor District	X	
	Redwood Region Economic Development Commission	X	X
	Rodeo-Hercules Fire District	X	
	San Benito Resource Conservation District	X	
	San Dieguito River Park Joint Powers Authority	X	
	San Luis Obispo County Integrated Waste Management Authority	X	
	Santa Clara County Vector Control District	X	
	Santa Cruz Regional 9-1-1	X	
	Saratoga Fire District	X	
	Selma Healthcare District	X	
	Smith River Fire Protection District	X	
	Sonoma County Library	X	
	Sonoma County Public Safety Consortium	X	
	South Monterey County Fire Protection District	X	
	Valley of The Moon Water District	X	
	West Contra Costa Integrated Waste Management Authority	X	
	Workforce Alliance of the North Bay	X	X

Special District Entities (continued)			
Client Logo	**Client Name**	**Financial Audit**	**Single Audit**
	Yolo Local Agency Formation Commission	X	
N/A	Bardsdale Cemetery District	X	
N/A	Big Rock Community Service District	X	
N/A	Border Coast Regional Airport Authority	X	X
N/A	El Rancho Simi Cemetery District	X	
N/A	Gasquet Community Services District	X	
N/A	Goshen Community Services District	X	
N/A	Lions Gate Community Service District	X	
N/A	Manila Community Services District	X	
N/A	Perris Valley Cemetery District	X	
N/A	Redwood Empire Dispatch Communications Authority	X	
N/A	Valley Center Cemetery District	X	

State & Local Government Entities

- Cibola County
- City of Greenfield
- City of Los Banos
- City of Oakland
- City of Rio Dell
- City of Sanger
- City of Sonora
- City of St. Helena
- City of Westmorland
- Contra Costa County
- County of Del Norte
- County of San Mateo
- County of Santa Clara
- County of Santa Cruz
- First 5 Inyo County
- First 5 Santa Cruz County
- Sierra County
- Solano County
- Town of Apple Valley
- Town of Cochiti Lake
- Town of Edgewood
- Town of Mesilla
- Town of Springer

County of Alameda

- Alameda Local Agency Formation Commission
- Alameda County Auditor-Controller's Agency
- Alameda County Dental Society Foundation
- Alameda County Fire Department
- Alameda County Health Care Services Agency
- Alameda County Housing and Community Development - Bond Audit
- Alameda County Probation Department
- Alameda County Public Works Agency
- Alameda County Social Services Agency
- Alameda County Transportation Commission
- Community Based Organization Audits
- Development and Lead Poisoning Prevention
- Oakland-Alameda County Coliseum Authority

Educational Entities

- Azusa Unified School District
- Belmont-Redwood Shores School District
- Bonny Doon Elementary School District
- Conejo Valley Unified School District
- El Segundo Unified School District
- First Mesa Elementary School
- Happy Valley Elementary School District
- La Honda-Pescadero Unified School District
- Lamont Elementary School District
- Mountain Elementary School District
- Pacific Elementary School District
- Pleasant Valley School District
- Richland School District
- Sacramento Valley Charter School
- San Gabriel Valley Regional Occupational Program

Housing Entities

- Benicia Housing Authority
- Berkeley Housing Authority
- County of Humboldt Housing Authority
- Eastern Regional Housing Authority
- Housing Authority - City of Eureka
- Housing Authority of the City of Oxnard
- Housing Authority - Sisseton Wahpeton Oyate
- Housing Authority of the City of Port Hueneme
- Housing Authority of the County of Alameda
- Housing Authority of the County of Butte
- Housing Authority of the County of San Mateo
- Housing Authority of the County of San Bernardino
- Plumas County Community Development Commission
- San Felipe Pueblo Housing Authority
- Santa Clara Pueblo Housing Authority
- White Mountain Apache Housing Authority

Private Entities

- 1200 Park Avenue, LLC
- A&I Express
- A&I Transport
- Das & Brouillette Management Co LLC
- Eureka Housing Associates, LP
- Gakhal Golf Management LLC
- GBQ Partners LLC
- Good Earth Organics, Inc.
- Hiawatha Harris M.D, Inc.
- Juana Care Facility, LLC
- Junipero Serra Properties LLC
- Kapolei Diversified Properties, LLC
- Leland House, LLC
- Nelson Trucking Partners, LLC
- NEMS PT Services, LLC
- Newport Holdings, L.P.
- Optimize Infrastructure, LLC
- Radar Creative
- San Francisco Diversified Properties LLC
- San Mateo Diversified, LLC
- Solace Supportive Living, Inc.
- TerraVerde Energy, LLC
- The Child Day Schools, LLC
- Thomas Jee & Associates, Inc.
- VVD Partners, LLC
- Xine:wh-Ding Inc.

Tribes & Tribal Entities

- Aneth Chapter
- Big Sandy Rancheria
- California Tribal T.A.N.F. Partnership
- Dennehotso Chapter
- Dilkon Chapter
- Fort Defiance Chapter
- Ganado Chapter
- Greasewood Springs Chapter
- Hoopa Valley Tribe
- Houck Chapter
- Kashia Band of Pomo Indians of Stewarts Point Rancheria
- Kayenta Chapter
- Kickapoo Head Start, Inc.
- Kickapoo Tribal Health Center
- Kickapoo Tribe of Oklahoma
- K'ima:w Medical Center
- Kin Dah Lichi Chapter
- Kiowa Tribe
- KTNN Native Broadcast Enterprise
- Kykotsmovi Village
- La Jolla Band of Luiseno Indians
- Lechee Chapter
- Leupp Chapter
- Los Coyotes Band of Cahuilla and Cupeño Indians
- Nazlini Chapter
- Omaha Tribe of Nebraska
- Pauma Band of Luiseno Mission Indians
- Pinoleville Pomo Nation
- Pinon Chapter
- Potter Valley Tribe
- Robinson Rancheria - Pomo Indians of California
- Sac and Fox Nation
- Sipaulovi Village
- Steamboat Chapter
- Teesto Chapter
- Timbisha Shoshone Tribe
- Tonalea Chapter
- Village of Shungopavi
- Village of Sichomovi
- Whippoorwill Chapter
- White Mountain Apache Tribe
- Yuwehloo Pahki Community

Pension Plan Entities (401K, 403B)

- Akshaya Inc. (401K)
- Baker's (Retirement Plan-403B)
- Burning Man Project (401K) Plan
- East Bay Agency for Children (403B) Plan
- Edaptive Computing Inc. (Savings Plan)
- Embodied Intelligence Inc. (401K) Plan
- Fulfilment Systems, Inc. (401K) Plan
- Fundbox Inc. (401K) Plan
- Hammer Prep (401K) Plan
- Hog Island Oyster Company (401K) Plan
- Kai Ming, Inc. (403B) Plan
- Kickapoo Tribe of Oklahoma (401K) Plan
- Liberty Source (401K) Plan
- Luxesphere Holdings, Inc. (401K) Plan
- Mission Neighborhood Centers (403B) Plan
- Native American Health Center, Inc. (403B)
- Oregon Tilth (401K) Plan
- Quilt Software (401K) Plan
- Skywalker Properties (401K) Plan
- Storage Pro (401K) Plan
- Sysintelli, Inc. (401K) Plan
- The Athenian School (403B) Plan
- United Indian Health Services, Inc. (403B) Plan
- ZaraZophiya Enterprises (401K) Plan

Non-Profit Organization

- A Church for US
- Access Reproductive Justice
- Alameda County Deputy Sheriffs Activities League
- Allen Temple Baptist Church
- American Federation of State, County & Municipal Employees Local 2428
- American Nonsmokers' Rights Foundation
- Alternatives in Action High School
- Alzheimer's Services of the East Bay
- Anti Police - Terror Project, Inc.
- Artequity Community
- Asian and Pacific Islander Wellness Center, Inc.
- Baker's Palace
- Bay Area Educational Institute (Dba: Bayhill High School)
- Beats Rhymes and Life Inc.
- Before After School Enrichment Inc.
- Black Hills Center for American Indian Health
- Black Men Speak, Inc.
- Brotherhood of Elders Network
- California College of Communications, Inc.
- California Consortium for Urban Indian Health
- California Hispanic Chambers of Commerce
- California Municipal Utilities Association
- California Youth Soccer Association, Inc.
- Carbon offsets to Alleviate Property
- Cedar Lodge, Inc.
- Center for Family Health and Education
- Center for Third World Organizing
- Center for Youth Development Through Law
- Centro Latino de San Francisco
- Chinese for Affirmative Action
- Circuit Rider Community Services
- Community Health Partnership, Inc.
- Consolidated Tribal Health Project
- Contra Costa Senior Legal Services
- Countywide Alcohol and Drug Services, Inc.
- Court Appointed Special Advocates
- Crowden Music Center
- Daybreak Adult Care Centers LLC
- Digital Democracy
- Dominican Sisters Vision of Hope
- Early Childhood Education Step
- East Oakland Switch Board
- Eden Area Foundation
- Eden United Church of Christ
- El Centro de Libertad the Freedom Center
- Escondido Community Child Development Center
- Faith in Action Bay Area
- Family Bridges Inc.
- Family Paths
- Family Service Agency of the Central Coast
- Food First - Institute for Food & Development
- Forward Together
- Friends & Foundation, St. Helena Public Library
- Gallup Inter-Tribal Indian Ceremonial Association
- Gluon Solutions, Inc.
- Grand Lodge of California
- Greater Farallones Association
- Health and Human Resource Education Center
- Heffernan Foundation
- HIV Education and Prevention of Alameda County
- Hopi Credit Association
- Housing Rights Committee of San Francisco
- ICON Community Development Corporation
- IIT Bombay Heritage Foundation
- IIT Kanpur
- IIT Madras Foundation
- Instituto Familiar de la Raza, Inc.
- Jewish Family Services Claims Conference
- Jewish Family Services of Silicon Valley
- Just Cities Institutes
- Kai Ming, Inc.
- Key Educational Group
- Knowledge Education for Your Success
- Loaves, Fishes, and Computers, Inc.
- Luxesphere Holdings, Inc.
- Maisha Meds, Inc.

Non-Profit Organization (continued)

- Manzanita Public Charter School
- Mary Magdalene Community Services
- Mission Language and Vocational School
- MNC 1240 Valencia Inc.
- Native American Health Center, Inc.
- Nazlini Community School, Inc.
- New Bridge Foundation
- New Mexico Cancer Care Alliance
- North County Lifeline Inc.
- Oakland Community Organizations, Inc.
- Oakland Metropolitan Chamber of Commerce
- Ocean Shores Outdoor Recreation Club
- Our Common Ground Inc.
- Pacific Center for Human Growth
- Pawnee Nation College
- Pinon Community School, Inc.
- Pit River Health Service, Inc.
- Planting Justice
- PRC
- Redwoods Rural Health Center
- RFHC Bay Pulgas Landowner, Inc.
- Rwanda School Project
- San Diego Civic Youth Ballet
- San Diego Organizing Project
- San Francisco Baykeeper
- San Francisco Community Clinic Consortium
- Santa Clara Teacher Housing Foundation
- Santa Cruz County Parents Association
- Sierra County Child Abuse Council (High Sierra Family Resource Center)
- Sikh Gurdwara San Jose
- Solano Coalition For Better Health
- South County Community Health Center, Inc.
- Spark* SF Public Schools
- Springs Public Schools Tennessee Empower Academy
- St. James Infirmary
- Sustainable Economies Law Center
- Sustainable Sciences Institute
- The Estria Foundation
- The Foundation to Advance Vascular Cures
- The Institute for Molecular Medicine
- The Mexican Museum
- The Ruckus Society
- The Saklan School
- The Source LGBT+ Center, Inc.
- Theiss Research
- Tohatchi Area of Opportunity & Services, Inc.
- Tuba City High School Board, Inc.
- UltraViolet Action and Affiliate
- UltraViolet Education Fund
- Umoja Community Education Foundation
- United Indian Health Services, Inc.
- United Way of Santa Cruz County
- V- Day
- Vascular Cures and Pacific Vascular Research Institute
- Veterans Accession House
- Women's Daytime Drop-in Center
- Youth Together, Inc.

Experience with US GAAP and GASB Accounting and Reporting

Harshwal & Company, LLP maintains a proven track record in the realm of financial reporting, underpinned by a robust expertise in both GAAP and GASB. This extensive experience underscores our commitment to the highest standards of financial integrity and precision. Adhering meticulously to GAAP, we ensure that our financial reporting aligns with universally accepted principles, offering stakeholders a solid foundation for assessing the firm's fiscal performance.

Simultaneously, our proficiency in GASB accounting equips us to navigate the intricate landscape of governmental financial reporting, guaranteeing compliance with pertinent standards and regulations. This duality of expertise positions our firm as a reliable and knowledgeable partner, dedicated to furnishing accurate and comprehensive financial information vital for informed decision-making by our clients and stakeholders.

Governmental Audit, CAFR & GASB Experience

Harshwal & Company, LLP has extensive experience conducting financial statement audit engagements under Generally Accepted Auditing Standards (GAAS) and Government Auditing Standards (GAS), and implementing GASB 34 and all subsequent pronouncements, through the performance of nearly 300 governmental audits since the effective date of GASB 34 implementation. Harshwal & Company, LLP has valuable experience handling Comprehensive Annual Financial Report (CAFR) engagements. Our Managing Partner, Mr. Sanwar Harshwal, has served on GASB committees and in other authoritative positions. At Harshwal & Company, LLP, we are committed to delivering exceptional service and leveraging our CAFR experience to ensure that our client's financial statements are accurate, transparent, and compliant with applicable standards and regulations.

Single Audit Experience

Harshwal & Company, LLP has worked with numerous organizations that receive extensive governmental funding and are subject to auditing under the Uniform Grant Guidance, formerly known as OMB Circular (Uniform Guidance) guidelines. 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 the OMB.

Our Uniform Guidance risk-based approach focuses on areas of higher risk of noncompliance. Such an approach truly reflects the federal governments' intent by concentrating on the following three steps:



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:

- Department of Housing and Urban Development
- Department of Agriculture
- Department of Health and Human Services
- 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
- U.S. Department of the Interior
- Department of Energy

PARTNER/SUPERVISORY/STAFF QUALIFICATIONS AND EXPERIENCE

The expertise and experience of Harshwal & Company, LLP's principals and personnel are at the core of the firm's excellence in performing audits of special districts. Harshwal & Company, LLP has experience providing exceptional client service and high-quality audit services through comprehensive knowledge and understanding of governmental accounting standards. We're passionate about our work and your success. We have selected professionals for your service team who are the right fit for your engagement, based on their knowledge and experience in the governmental industry. Harshwal & Company, LLP has a high retention rate, allowing us to provide stability.

Staff Continuity over the Term of the Agreement

We focus on our team members as well as our clients. Our turnover is significantly lower than other national and regional service firms. This staff continuity enables us to develop and maintain an in-depth understanding of your operations, management style and operating practices, which ultimately allows us to offer you experienced resources, value-added services, industry specialization, and overall better personal service. This commitment to people also resides at our executive level where you will find a refreshingly greater hands-on approach compared to other service providers. Our culture stresses the importance of executive presence throughout projects and engagements.

Proposed Audit Team

Name of Team Member	Role	Experience
Sanwar Harshwal, ***CPA, CIA, CISA, CFE***	**Managing Partner**	42+ Years
Garima Pathak, ***CA***	**Partner**	11+ Years
Albert Hwu, ***CPA***	**Partner**	12+ Years
Samson Reda, ***CPA***	**Senior Manager**	15+ Years
Poonam Sharma, ***CPA***	**Senior Manager**	11+ Years

Most of our assigned key personnel are licensed to practice as a Certified Public Accountant (CPA). In addition to the key personnel listed, additional staff will be assigned from our pool of highly qualified professionals.

We assure you regarding the quality of staff over the term of the engagement. We will not replace audit personnel except with prior written permission of the District. In case we replace audit personnel, we will provide replacements having similar or better qualifications and experience.

We assure the District if we are selected as your auditor, we will not delegate or subcontract our responsibility without written consent of the District.

Overall Supervision to be Exercised

The audit will be managed by the firm's partner, Garima Pathak, who has extensive experience in audits of special districts. Garima Pathak has been in charge of various large audits, governmental funded programs, and community-based organizations receiving federal and state funds.

Audit Team Responsibilities

Name/Position	Responsibility
Sanwar Harshwal, *CPA* Managing Partner	Sanwar Harshwal will be the principal in charge of administration, reviews, planning of the audit, approval of the audit scope and work, and review of work and liaison with the District. He is responsible for conducting the fieldwork, coordination of the audit plan, and ensuring that the plan formulated has been effectively followed and managed. He will coordinate with the manager and supervisor for proper field work progress. He will also manage and organize the audit team's effort and ensure the various audit components are performed efficiently. He also has the responsibility for meeting with the District's management to keep them informed regarding the progress of the audit. The responsibility also extends to ensure smooth interaction of the firm with the District. He has final authority in the conduct of the engagement and assumes full responsibility for the work performed.
Garima Pathak, *CA* Partner	Garima Pathak will provide the District staff with updates to summarize our progress against the project timeline and update the status of upcoming deliverables. She will also document discussions leading to important policy decisions and/or the choice of critical assumptions used in constructing the analysis and report.
Albert Hwu, *CPA* Partner	Mr. Hwu will serve as the on-site lead auditor and will be in the field. He will assist in directing the staff and specialize in the timely completion of the audit.
Samson Reda, *CPA* Senior Manager	Samson Reda is a senior manager and is in charge of the fieldwork. He will be responsible for preparation and maintenance of various work-papers required for audit report preparation.
Poonam Sharma, *CPA* Senior Manager	Poonam Sharma will be responsible for coordinating the efforts of our staff throughout fieldwork and managing on-site audit procedures. She will be available to answer any of your technical questions.

Continuing Professional Education (CPE)

The following table details CPE hours for each key member of the proposed audit team:

Audit Team Member	Governmental CPE	Non-Governmental CPE
Sanwar Harshwal, *CPA, CIA, CISA, CFE*	**140**	**124**
Garima Pathak, *CA*	**84**	**57**
Albert Hwu, *CPA*	**108**	**55**
Samson Reda, *CPA*	**80**	**56**
Poonam Sharma, *CPA*	**83**	**40**

Audit Team Resumes

SANWAR HARSHWAL, ***CPA, CIA, CISA, CFE***
Managing Partner

Sanwar Harshwal is the managing partner of Harshwal & Company, LLP. He is a globetrotter and a trained technical speaker on auditing and global accounting standards, IT and internal controls, on fraud prevention, and on examinations and internal audits. With over 42+ years of experience with governmental auditing engagements, Mr. Harshwal is also a leading expert on emerging accounting challenges for special districts. Mr. Harshwal has attended AICPA seminars on GASB's New Financial Reporting Model and Financial Statements of special districts.

During the last 5 years, Mr. Harshwal has provided over 400 hours of training to several professionals on GASB, GAS, Uniform Guidance**,** FASB, SAAS, GAGAS, Pension Plan audits, COSO, COBIT, internal audits, fraud prevention and examination and tribal governmental governance issues. In addition to having significant experience in audits, strategic assessments of accounting functions, and internal control structures, Mr. Harshwal has extensive experience in evaluating complex accounting and finance issues. He has proficient knowledge of using CaseWare, CaseView, CaseWare IDEA software and other automated tools.

Education:

- B.S. Business Accounting
- Bachelor of Law

Certification:

- Certified Public Accountant - State of California (CPA)
- Certified Public Accountant - State of New Mexico (CPA)
- Chartered Accountant - The Institute of Chartered Accountants of India (ICAI)
- Certified Information System Auditor (CISA)
- Certified Fraud Examiner (CFE)
- ORACLE Financial Consultant (Oracle Business Suite)
- Chartered Global Management Accountant (CGMA)
- Certified Risk Management Assurance (CRMA)
- Certified Construction Auditor (CCA)

Professional Membership:

- Member of AICPA
- Member of California CPA Society of Certified Public Accountants
- Member of Information Systems Audit and Control Association, USA
- Member of Association of Certified Fraud Examiners, USA
- Member of Institute of Certified Internal Auditors

GARIMA PATHAK, *CA*
Partner

Garima Pathak is a partner at Harshwal & Company, LLP and will serve as an audit manager in this engagement. She has 11+ years of experience in auditing and providing accounting services to special districts, state and local governments, not-for-profit organizations, educational entities, counties, school districts, tribes and tribal governments, and housing authorities. Garima has 7+ years of experience working with all types of exempt organizations including 501(c) (3), 501(c) (4), 501(c) (6), and 501(c) (7).

Garima has provided tax compliance services to clients in the retail, real estate, and not-for-profit industries. She concentrates on real estate clients, focusing on low-income housing, including both for profit and not-for-profit entities. Garima has a passion for her not-for-profit clients and the industry at large, providing them with hands-on tax compliance services including Form 990 filings. She has proficient knowledge of using CaseWare, CaseView, CaseWare IDEA Software and other automated tools.

Education:

- Bachelors in Commerce

Certification:

- Chartered Accountant - The Institute of Chartered Accountants of India (ICAI)

ALBERT HWU, *CPA*
Partner

Albert Hwu is a partner and has been employed with Harshwal & Company, LLP for 12+ years. He has been engaged with several audits and accounting engagements of special districts, state and local governments, school districts, not-for-profit organizations, educational entities, housing authorities, and tribes and tribal governments. Mr. Hwu is proficient in the operating nuances of accounting and auditing packages and demonstrates up-to-date knowledge of auditing and accounting pronouncements.

Albert has worked on financial and compliance engagements under the Single Audit Act of 1984 and OMB Circular (Uniform Guidance). He performs audit testing activities; documents processes and findings; verifies assets and liabilities in accordance with audit programs; follows documentation standards; and prepares clear, concise, and orderly working papers. He has proficient knowledge of using CaseWare, CaseView, CaseWare IDEA software and other automated tools.

Education:

- Bachelors of Science in Accounting

Certification:

- Certified Public Accountant - State of Washington (CPA)
- Certified Public Accountant - State of New Mexico (CPA)

Professional Membership:

- Member of AICPA

SAMSON REDA, *CPA*
Senior Manager

Samson Reda is a senior manager at Harshwal & Company, LLP and has 15+ years of experience in auditing and providing accounting services to special districts, state and local governments, not-for-profit organizations, school districts, housing authorities, educational entities, and tribes and tribal governments. He has proficient knowledge of using CaseWare, CaseView, CaseWare IDEA and other automated tools.

He is an expert in data analysis and reconciliation, and his experience includes auditing, the recording and analysis of account transactions; establishing accounting records; reconciliation of cash balances; implementation of accounting controls; and statistical reports. He also conducts sampling, testing and is well experienced in performing audits in accordance with attestation standards established by the AICPA. He will assist in directing the staff and specialize in the timely completion of the audit.

Education:

- BA in Accounting

Certification:

- Certified Public Accountant - State of Virginia (CPA)

POONAM SHARMA, *CPA*
Senior Manager

Poonam Sharma is a senior manager at Harshwal & Company, LLP and has 11+ years of experience in auditing and providing accounting services to special districts, state and local governments, school districts, not-for-profit organizations, educational entities, tribes and tribal governments, and housing authorities. Poonam is proficient in the operating nuances of accounting and auditing packages and demonstrates up-to-date knowledge of auditing and accounting pronouncements. She prepares and adjusts work papers from the client's trial balance, executes day-to-day activities of audit engagements for multiple clients, and interacts with client personnel.

She performs audit testing activities; documents processes and findings; verifies assets and liabilities in accordance with audit programs; follows documentation standards; and prepares clear, concise, and orderly working papers. She has proficient knowledge of using CaseWare, CaseView, CaseWare IDEA software and other automated tools.

Education:

- Master of Commerce (Accountancy and Business Statistics)

Certification:

- Certified Public Accountant - State of California (CPA)
- Chartered Accountant - The Institute of Chartered Accountants of India (ICAI)

SIMILAR ENGAGEMENTS WITH OTHER GOVERNMENT ENTITIES

The best indicator of our ability is our success in meeting the needs of our current and past clients. We encourage you to contact these references to inquire about the quality of our services, their overall satisfaction, the effectiveness of our auditing approach, the abilities of our professionals, and the timeliness and overall value of our services. We would be happy to provide additional references upon request, if you would like:

1. Valley of the Moon Water District

- **Principal Contact:** Oscar Madrigal**,** Finance Manager
- **Address:** 19039 Bay Street, Sonoma, CA 95476
- **Phone Number:** (707) 996-1037
- **E-Mail:** omadrigal@vomwd.org
- **Period:** 2019 to Present
- **Engagement Partner:** Sanwar Harshwal
- **Total Hours:** 130 Hours
- **Scope of Work:** Audit of the Financial Statements and FTR

2. Port Hueneme Water Agency

- **Principal Contact:** Ashley Chaparro**,** Finance Director
- **Address:** 250 North Ventura Road, Port Hueneme, CA 93041
- **Phone Number:** (805) 986-6508
- **E-Mail:** AChaparro@cityofporthueneme.org
- **Period:** 2025 to Present
- **Engagement Partner:** Sanwar Harshwal
- **Total Hours:** 140 Hours
- **Scope of Work:** Audit of the Financial Statements and FTR

3. Hoopa Valley Public Utilities District

- **Principal Contact:** Linnea Jackson**,** General Manager
- **Address:** 296 Loop Rd Hoopa, CA 95546
- **Phone Number:** (530) 625-4543
- **E-Mail:** linnea@hoopavalleypud.com
- **Period:** 2022 to Present
- **Engagement Partner:** Sanwar Harshwal
- **Total Hours:** 345 Hours
- **Scope of Work:** Audit of the Financial Statements and FTR

4. Humboldt Bay Harbor Recreation and Conservation District

- **Principal Contact:** Mindy Hiley**,** Director of Administrative Services
- **Address:** 601 Startare Drive, Eureka, CA 95501-0765
- **Phone Number:** (707) 443-0801 Ext.111
- **E-Mail:** mhiley@humboldtbay.org
- **Period:** 2018 to Present
- **Engagement Partner:** Sanwar Harshwal
- **Total Hours:** 226 Hours
- **Scope of Work:** Audit of the Financial Statements and FTR

5. Cupertino Sanitary District

- **Principal Contact:** Benjamin T. Porter, District Manager
- **Address:** 20863 Stevens Creek Boulevard, Suite 100, Cupertino, CA 95014
- **Phone Number:** (408) 253-7071
- **E-Mail:** bporter@cupertinosanitarydistrict.org
- **Period:** 2018 to Present
- **Engagement Partner:** Sanwar Harshwal
- **Total Hours:** 170 Hours
- **Scope of Work:** Audit of the Financial Statements and FTR

VALLEY OF THE MOON WATER DISTRICT
A Public Agency Established in 1962
19039 Bay Street · P.O. Box 280
El Verano, CA 95433-0280
Phone: (707) 996-1037
Fax: (707) 996-7615

May 19, 2022

Harshwal & Company, LLP
7677 Oakport Street, Suite 460
Oakland, CA 94621
Phone: 510.452.5051

Re: Professional Reference Harshwal & Company, LLP (HCLLP)

To Whom It May Concern:

It is with great pleasure that I am writing this letter to recommend the excellent services provided by Harshwal & Company (HCLLP) to current and future clients.

As Finance Manager of Valley of the Moon Water District, I have been engaged and involved with HCLLP to perform audit services. Throughout my tenure, I have found the HCLLP team to be very professional and helpful. Their auditors have extensive knowledge and expertise with abundant experience. They are responsive, solution-oriented, and easy to work with.

Their knowledge and insight have provided us with helpful recommendations, which have allowed us to improve our ongoing operations. I believe that HCLLP is especially cost competitive with their peers, due to the efficiencies generated by their investment in computerized and electronic work papers.

I highly recommend HCLLP for its excellent staff, integrity, and performance. Please feel free to contact me directly at 707-996-1037 with any questions you may have.

Sincerely,

Oscar Madrigal

Oscar Madrigal
Finance Manager
Valley of the Moon Water District
Email: omadrigal@vomwd.org

DIRECTORS: Gary Bryant – Jon Foreman – Brooke Harland – Steve Rogers – Colleen Yudin-Cowan
OFFICERS: Matt Fullner, General Manager – Burke, Williams & Sorensen, LLP, District Counsel

SPECIFIC AUDIT APPROACH

Scope of Work

At Harshwal & Company, LLP, our professionals have extensive experience performing audit of special districts and our team has a broad understanding of the work environment that is necessary to conduct an audit of Olivenhain Municipal Water District. We understand that you require us to conduct an audit of the financial statements of the District for the fiscal years ending June 30, 2027, through June 30, 2029, with an option to extend for two (2) additional fiscal years, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

We will adhere to the requirements of the RFP and will be performing the following tasks (including, but not limited to):

- We will conduct an audit of the financial statements of the District in accordance with GAAS, GAAP, GASB guidelines, and all other applicable guidelines.
- We will evaluate the adequacy of the internal control system and make appropriate recommendations for improvement where weaknesses are identified.
- We will submit a management letter if material weaknesses are noted or if otherwise deemed appropriate.
- We will make an immediate written report of all irregularities, fraud and illegal acts of which we become aware to the Board President and General Manager.
- Our audit will cover the general-purpose financial statements, footnote disclosures to the audited financial statements, and schedules to support the audited financial statements.
- We will conduct a single audit (if applicable for the fiscal year) and issue a report as required by the federal government.
- Our partner in charge of the audit will be available to attend at least one Finance Committee meeting and one Board meeting to review and present audit results and reports.
- We will assist with the preparation of the District's ACFR in accordance with the requirements of the Government Finance Officers Association (GFOA) and the Government Accounting Standards Board (GASB).
- We will provide up to 20 hours of consultation annually at no charge, either verbally or in writing as requested, by answering questions regarding, but not limited to, payroll, taxes, internal controls, auditing, financial reporting, and accounting procedures and issues. We will also provide financial advice and counsel on significant matters occurring throughout the year.

Understanding of the Project to be Performed

The two most critical components of the audit are (1) to have continuity and consistency among the auditors involved and (2) to have the entire audit team, from partners to staff, understand and be aware of the technical requirements for the engagement. Therefore, careful audit planning is emphasized along with written instructions, and a comprehensive workshop is carried out for the staff engaged. We have ascertained that this effort not only serves to state the line of organization and responsibility from the commencement but also serves to discuss the areas of concern and applicable audit techniques to be adopted in the examinations proposed to be conducted.

Our plan will involve a comprehensive entrance meeting with the District's audit committee and management. During this phase, we hope to establish the timetable for the examination and identify dates for future meetings to report on our progress in the examination. Shortly thereafter, the partners and an audit manager will meet with the District Manager or Finance Director to be able to obtain a more detailed outline of the District's financial systems and processes. This will help us to determine the extent and concentration of our audit effort, obtain knowledge and an understanding of the legal and reporting requirements by obtaining pertinent statues, regulations, charter provisions, bond coverage and other requirements. The meeting will serve as a guideline to prepare and outline our audit-planning memorandum and the audit plan.

Upon completion of the audit plan, we will meet with the District Officials to go over our plan. During the meeting, we hope to share our understanding of the audit approach and fine-tune the dates of commencement, the assistance available to us, and the assistance the District may need from us, and the introduction of the audit team seniors to the District Officials. In the next step, a conference will be initiated by the audit team to be assigned. The conference will serve as a platform to share our audit plan and programs, discuss areas of concern, identify audit teams and dates, and address any and all pertinent questions from our staff.

Methodology and Work Plan

Our audit process begins with the assignment of staff to the engagement. Our engagement team has the expertise to provide the level of service desired and deserved by your organization. Our engagements are supervised by the engagement partner and an audit manager. As high-level involvement is vital to a quality audit, the partner and manager's time will account for approximately 30% of the total hours spent on the engagement. Our team's approach is to be efficient, yet non-intrusive. We believe on-going communication throughout the entire audit will ensure that all aspects of the audit are thoroughly addressed. We encourage regular communications throughout the year, not just during fieldwork. As such, we do not anticipate any potential audit problems to arise during our engagement.

Audit Planning — Interim Phase

Our audit planning process includes a risk assessment of the District and a review of the control environment. We begin with a pre-planning meeting to ensure that management's expectations and our expectations are communicated prior to commencing the audit. We will confirm our understanding of the engagement deadlines and ensure these are met in a timely manner. In addition, we will provide a list and samples of schedules specifically tailored to Olivenhain Municipal Water District to aid the District's staff in preparing schedules and providing audit documentation.

Risk Assessment — Interim Phase

As part of our extensive planning phase, the engagement team will discuss with management issues surrounding the applicable industry, the District's internal and external environment, significant events, as well as economic, political, and social factors to determine and document areas of risk. Once areas of risk have been identified, the next process will be to review the control testing.

Control Testing — Interim Phase

We will document and test the following control processes to evaluate their effectiveness in preparing reliable financial statements:

- Disbursements
- Receipts
- Payroll
- Financial reporting
- Journal entry process
- Federal and state programs
- IT and general computer controls

Based on our understanding of the District's risks and control environment, we will design our substantive procedures and communicate our audit approach to management. As part of our review and documentation of the control environment, we may have recommendations for enhancing controls and/or efficiencies. These recommendations will be discussed with management prior to any comments included in a formal management letter.

Drawing Audit Samples

Auditor judgment will be used in selecting our audit samples for tests of compliance work. The majority of the testing of compliance will be centered around the single audit testing of the direct and material elements for the major programs.

Substantive Procedures — Year End Phase

Substantive audit procedures are designed based on our risk assessment process. Complex and high-risk accounts will be identified early in the audit process and these accounts will be assigned to the manager and/or partner for actual testing. Our substantive audit procedures will include the following:

- Tests of account details — Detail transaction testing to source documentation
- Analytical procedures — Ratio analysis, variance analysis, and trend analysis
- Use of data analysis software — Review of large volumes of data to detect anomalies
- Unpredictability tests — Varying timing and extent of tests
- Review of management's estimates —To determine the reasonableness
- Review of subsequent events and contingencies — For proper adjustment and footnote disclosure

Preparation of Audit Report and Review — Year-end Phase and Wrap-up Phase

Audit work papers are reviewed throughout the audit by an audit manager and engagement partner. Before we leave your offices, the file will be substantially reviewed and any issues will be discussed and resolved. The financial statements are prepared by the audit manager. All reports are reviewed by the engagement partner and concurring partner. Upon approval, we will issue drafts of all reports based on the District's predetermined schedule as indicated in the Request for Proposal. This will allow adequate time for the review and distribution of reports.

Audit Sizes and Statistical Sampling Techniques

Audit sampling provides the auditor with an appropriate basis on which to conclude on an audit area by examining evidence from a sample of population. We utilize both statistical and non-statistical-sampling techniques as described in the AICPA's Audit Sampling Guide, depending on the type of testing being performed. Internal control, substantive, and compliance testing samples are generally selected using non-statistical techniques. Sample sizes are determined by risk assessment and nature of the population. We may use statistical sampling to assist with forensic testing in areas, which have a higher risk of misstatement due to fraud.

Rules and Regulations

Harshwal & Company, LLP will meet all specific requirements imposed by state or local law or rules and regulations. We will review the laws and regulations covering the District's grants and major programs as part of any Single Audit testing if applicable. Based upon our inquiries with the District staff and review of any District's municipal code, etc., we will determine the relevant laws and regulations that will be subject to additional test work.

Working Paper Retention and Access to Working Papers

We will retain audit working papers and reports for a minimum of seven (7) years unless we are notified in writing by the District of the need to change the retention period. In addition, we will respond to reasonable inquiries of the District and successor auditors and allow the District and successor auditors to review working papers relating to matters of continuing accounting significance. We will make audit work papers available upon your request.



Management Letter

Communication with management is crucial since it is essential to hear your concerns and comprehend the financial records to have a complete and thorough understanding of business operations. Management confirmation is required on all information contained within the financial statements to ensure that they are true and accurate and that all information has been properly disclosed. We will review all significant audit findings with the District as the work proceeds and once on completion of our audit procedures.

It is standard practice for our firm to produce a management letter in conjunction with each engagement. The audit process provides an opportunity to assess performance and trends, to identify opportunities to improve internal controls and/or accounting efficiency, and spot emerging needs or opportunities. By reporting these conditions and opening them up for discussion, the management letter can play an important role in maintaining the future financial health of the organization.

If we become aware of any irregularities, illegal acts, or indications of illegal acts, we will make an immediate verbal and written report of such findings to the District's Board President and General Manager. The report will be discussed with the members responsible for the financial statements before submitting it to the Board Members. At the completion of the interim work, we will provide a management letter to the Superintendent (or designee) detailing all findings and recommendations noted as of the date of the completion of the interim work. We may substitute a copy of all written findings for the management letter.

Proposed Audit Schedule

Harshwal & Company, LLP is prepared to meet the deadlines required.

Milestones	Tentative Timeline for FY 2027
Planning, risk assessment and system evaluation	Just after contract awarded
Interim field work	June 2027
Final audit field work to be completed	2nd week of September 2027 or before
Draft audit reports and management letter for review	Last week of September 2027 or before
Final audit reports and management letter	2nd week of October 2027 or before

- ***The timeline is reasonable given the totality of work involved and our managers being highly qualified and trained. We will follow the same system to get work done throughout the engagement period.***
- ***This timeline is dependent on the availability of your personnel and is subject to the anticipated closing your accounting records.***

Proposed Segmentation of the Engagement

Provided a work plan including time estimated for each significant segment of the work and staff level to be assigned to the audit.

Audit Work Planning	Staff Level	Hours
Planning, Supervision/Review ▪ Planning ▪ Audit Programs ▪ Supervision and Quality Control Review ▪ Contingencies/Subsequent Events & Related Parties ▪ Fraud Risk Assessment ▪ Oversight Committee Minutes Review ▪ Correspondence (including Confirmations)	Managing Partner & Audit Manager	38
Meeting and Presentations ▪ Entrance/Exit Conference ▪ Other Meetings ▪ Meetings with Oversight Committee ▪ Board Presentation	Managing Partner & Audit Manager	10
Internal Control Review ▪ Internal Control Interviews and Documentation ▪ Risk Assessment ▪ Journal Entries	Audit Manager, Senior Auditors & Staff Auditors	23
Single Audit Testing ▪ Major Program Determination. ▪ Compliance testing of Major Program	Audit Manager, Senior Auditors & Staff Auditors	35
Data Processing Review ▪ Data Processing Interviews and Documentation **Performance Audit Steps** ▪ Compliance ▪ Test of Contracts and Change Orders ▪ Expenditure Tests of Allowability ▪ Site Walk	Managing Partner, Audit Manager, Senior Auditors & Staff Auditors	24
Organization ▪ Review organizational documents ▪ Review board minutes ▪ Review grants contracts ▪ Review significant contracts	Audit Manager & Senior Auditors	10

Substantive Testing Areas ▪ Accounts Payable and Other Liabilities ▪ Accounts Receivable and Other Receivables (including Taxes) ▪ Grant Receivable ▪ Analytical Review Procedures ▪ Cash and Investments ▪ Payroll and Other Expenditures ▪ Fund Balance ▪ Interfund Activity ▪ Capital Assets ▪ Leases ▪ Long Term Debt ▪ Unrestricted / Restricted Revenues and Proceeds ▪ OPEB and Pension Liabilities ▪ Deferred inflows and outflows	Audit Manager, Senior Auditors & Staff Auditors	108
Exit Conference ▪ Meet with Vice Chancellor, Finance and Administration, the Director of Accounting to discuss results of audit ▪ Review draft audit reports	Managing Partner & Audit Manager	7
Report Preparation and Review ▪ Audit Reports Preparation, Supplemental Schedules and Disclosure ▪ Presentation to the Finance Committee ▪ Reports & Communications Delivery	Managing Partner, Audit Manager, Senior Auditors & Staff Auditors	51
Total Audit Hours		**306**

Technological Advantages

We utilize the latest technology, including virtual servers, smart devices, and online libraries, to provide us with the most up-to-date information to better serve our clients. Our online client portal, ***Suralink*** gives us the capability of sending and receiving information to and from our clients faster and more securely. As portals are encrypted and use password protection to ensure that data can only be viewed by the appropriate client, we are dedicated to protecting the District's confidential information. Furthermore, we streamline our audit process and organize support documents through the use of the paperless audit program; CaseWare Working Papers.

By effectively reviewing large volumes of data through these programs, we are able to develop a better understanding and gain a broader view of Olivenhain Municipal Water District These technologies enable us to increase both the scope of our engagement and the reliability of our audit opinion more efficiently, as a larger amount of information can be processed, analyzed, and interpreted in a shorter time frame. We are pleased to discuss our efficient use of audit technology as follows:

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 only by our engagement team working on your audit and the District's employees who are granted access. You, as a client, no longer have to manually maintain a spreadsheet amongst several people only to repeat the process in a day or two. This not only makes the operation more cost-efficient; it 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 the document-request fulfilment. With this innovative tool, clients can manage workflow through a centralized individual who can assign and delegate requests to other employees; track project activity by assigned individual, due date, and status with a user friendly, easy-to-use, dashboard interface; quickly view and monitor project progress with an at-a-glance report feature; and access how-to videos and training materials through the enhanced learning center.

IDEA: We will utilize IDEA data extraction software to assist us in completing our analytical procedures. We will obtain a detail general ledger of all transactions that occurred during the year and download that information into IDEA. We will analyze the data for unusual transactions and create reports for our audit procedures. Additional functionality of this program allows us to receive files in many formats used by the District which alleviates the stresses and pressures of converting data into a usable format.

CaseWare: CaseWare is a highly flexible engagement software that facilitates real-time adjustments to your trial balance, resulting in simultaneous updates to your financial statements. It enables us to drill down from supporting audit schedules and documents to the underlying detailed accounts. We plan, perform, and review your entire engagement electronically, eliminating the use of paper.

CaseView: CaseView is a powerful reporting module that helps review of financial statements, as well as any other customized work paper reports. It utilizes an interface that combines the appropriate features of Word and Excel into a single application that engages word processing features for formatting financial information. Some advantages of CaseWare and CaseView are as follows:



- **Automatic financial reports:** This refers to the ability to generate and print financial statements immediately. The numbers in the trial balance are mapped to financial statement tables and foot notes to provide robust and accurate financial statements and reports.
- **Automatic footnotes and other information:** This is the ability to format financial statement footnotes with variables (dates, amounts, etc.) that are automatically updated based upon the trial balances and appropriate work paper information.
- **Virtualization:** This provides a more consistent approach to financial statement design and a reduced risk of errors in the financial statement reports.

Checkpoints Tools: All Checkpoint Tools come with a complete set of practice aids, including valuable industry-specific practical considerations and guidance. We make sure you have everything you need to complete engagements and tax preparation with ease. Checkpoint Tools provides accounting and audit professionals with valuable industry-specific practical considerations and guidance including SMART Practice Aids® Audit Suite, PPC's Practice Aids™, PPC's Workpapers™, PPC's Interactive Disclosure Libraries™ and more. These tools work alone or with all paperless engagement products and integrate with AdvanceFlow™ and Workpapers CS, part of the CS Professional Suite from Thomson Reuters.

Use of Artificial Intelligence and Other Emerging Technologies

As part of performing our services, we may use artificial intelligence (AI), data analytics, and emerging technologies to enhance the efficiency, accuracy, and overall outcomes of our work. These technologies sometimes provided by third-party vendors - may be used to analyze data, generate reports, or assist us in delivering quality insights. By engaging our services, you acknowledge and consent to our use of AI and related technologies when deemed appropriate. While these tools enhance our capabilities, they are designed to complement not replace our professional judgement. Any significant findings or exceptions identified through the use of these technologies will be reviewed and validated by our team.

We are fully committed to safeguarding the confidentiality, integrity, and security of your information in compliance with applicable laws, regulations, and industry standards. When deploying AI or other related technologies, we engage reputable service providers that adhere to robust data protection measures, including encryption, anonymization (where applicable), and compliance with privacy laws (e.g., GDPR, CCPA).

We do not store or transmit sensitive information through any AI platform unless it meets stringent data protection requirements. All data shared with us remains confidential and is used solely for purposes related to this engagement, in accordance with our professional obligations. Our confidentiality policies extend fully to AI systems, ensuring that no client data or sensitive information is accessed or used inconsistently with our professional responsibilities.

While AI and other technologies significantly streamline certain processes, they may have limitations, such as algorithmic biases, inaccuracies, or processing errors. We take reasonable precautions to mitigate such risks; however, we cannot guarantee that AI-generated outputs will be entirely error-free. We shall not be held liable for any inaccuracies resulting from such limitations.

IDENTIFICATION OF ANTICIPATED POTENTIAL AUDIT PROBLEMS

We understand that the adoption of new laws or accounting principles can significantly impact the audit process, and we are committed to addressing these challenges effectively. Our team of experienced auditors stays updated with the latest regulations and accounting standards to ensure compliance and accuracy in our work. We will closely monitor any changes in laws or accounting principles that may affect the audit and promptly adapt our approach to accommodate these modifications. In the event that we encounter specific complexities or require additional support, we will communicate and coordinate with the District to request any special assistance needed. We believe in fostering a collaborative relationship, and by working closely with the District, we can overcome potential hurdles and ensure a successful audit engagement. Our proposal aims to demonstrate our proactive approach to anticipating and managing audit problems, as well as our commitment to providing high-quality services while adhering to relevant laws and accounting principles.

BIDDING PROPOSAL

Our fees are generally lower than other competing firms since we keep our overhead low; we follow a scientific audit approach, and we make extensive use of emerging technologies that allow us to conduct audits efficiently. Our policy is to provide you with exceptional service that meets and exceeds professional auditing standards at a competitive cost.

Summarized below are the professional fees for the District's auditing services for the FY's ending June 30, 2027 through June 30, 2029 with optional years:

Audit Area - Description	FY 2027	FY 2028	FY 2029	FY 2030 (Optional)	FY 2031 (Optional)
Professional fees:					
Financial Statements Audit.....	$ 28,450.00	$ 29,875.00	$ 31,365.00	$ 32,935.00	$ 34,580.00
Single Audit (If Applicable).....	$ 4,500.00	$ 4,725.00	$ 4,960.00	$ 5,210.00	$ 5,470.00
Total Fees	**$ 32,950.00**	**$ 34,600.00**	**$ 36,325.00**	**$ 38,145.00**	**$ 40,050.00**

- ***Single audit fees are calculated on the basis of one (1) major program. The price for auditing each additional major program will be $3,500.***
- ***We are well-equipped to perform audits on a remote basis. We will provide our audit services on a remote basis.***
- ***Out-of-pocket expenses such as travelling cost will be charged on an actual basis, as and when incurred (if on-site visited).***

Rates by Partners, Manager and Staff

Our Estimated Hours for FY 2027:			
Description - Team Composition	**Est. Hours**	**Hourly Rates**	**Total**
Managing Partner	29	$195	$ 5,655.00
Manager	58	150	8,700.00
Senior Auditor	91	100	9,100.00
Staff Auditor	121	75	9,075.00
Clerical Staff	7	60	420.00
Total	**306**		**$ 32,950.00**

Rates for Additional Professional Services

We will perform additional work only if set forth in an addendum to the contract between the District and our firm. Our fees for the additional services, if required, will be based on the actual time spent by professional or administrative personnel at quoted hourly rates, specified above. Our standard hourly rates vary according to the degree of responsibility involved, and the experience level of the personnel assigned.

Manner of Payment

Progress billings will be sent on the basis of actual audit work completed during the course of the engagement. Interim billings do not cover a period of less than a calendar month. We view this work as being every bit as important and valuable as the work we perform for other clients, and we put our best people on it. Any consulting work you request will be performed at the same rates as our audit work.

We have provided you a fee estimate based on the following assumptions:

- The accounting records will be in balance and supported by appropriate documentation.
- The District's staff will provide the supporting schedules for all asset and liability accounts.
- The District's staff will provide general assistance, such as locating documents, typing confirmation requests, and coordinating meetings.

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 Harshwal & Company, LLP

October 13, 2026

Authorized Representative/Date

Attachment: OMWD Standard Professional Service Agreement

Benefits of Choosing Harshwal & Company, LLP

Harshwal & Company, LLP is recognized for its professionalism, integrity, and providing clients with effective resolutions for their unique 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. Harshwal & Company, LLP's main objective is always to provide the District with 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.

We trust that this proposal has given you the information you need about the firm, the engagement team members, our overall audit approach, firm's cost-saving measures, and audit fees. We are committed to exceeding your expectations, and we look forward to bringing our experience and expertise to the District and providing you with the excellent level of service that you expect and deserve.

Inherent in our service is the on-going support, education, and advice to our clients. The comprehensive service includes:

- Email updates on all new and pertinent developments.
- A careful review of the effects of these new developments (if any), on your particular circumstances. If necessary, we will advise you on any changes needed in accounting procedures.
- We will meet with the Finance Department head at the beginning of the audit to advise on matters of particular interest. We will provide "best practices" for effective daily operations that will also provide information necessary for the financial statements.
- Throughout the audit, we will advise your accounting personnel on best practices for maximum efficiency in each major operational area.

"Keeping in touch with" is the hallmark of our service. You will receive phone calls, emails, and information through the Harshwal & Company, LLP portal on a consistent and regular basis.



DavisFarr
CERTIFIED PUBLIC ACCOUNTANTS

PROPOSAL FOR

PROFESSIONAL AUDITING SERVICES

Prepared By:
Davis Farr LLP
1903 Wright Place | Suite 280
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

October 16, 2026

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APPENDIX

Resumes

Peer Review Documentation



DavisFarr
CERTIFIED PUBLIC ACCOUNTANTS

Davis Farr LLP
18201 Von Karman Avenue | Suite 1100 | Irvine, CA 92612
Main: 949.474.2020 | Fax: 949.263.5520

October 16, 2026

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, 2027 through June 30, 2029, with optional extensions through 2031.

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 utilize data mining software to detect irregularities in your accounting data, prioritizing areas where errors and potential fraud are more likely to occur.

Davis Farr warrants the following:

- The firm is willing and able to obtain 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.
- The firm will not delegate or subcontract its responsibilities under an agreement without the express prior written permission of the Olivenhain Municipal Water District.
- All information provided by the firm in connection with this proposal is true and correct.
- The firm will acknowledge and agree with all terms and conditions stated in the Request for Proposal.
- The firm will sign the attached Standard Professional Service Agreement and provide insurance certificates and all other required documentation within seven days of notification selection.

We appreciate the opportunity to demonstrate our qualifications and are eager to establish a professional working relationship. Our proposal shall remain a firm and irrevocable through April 30, 2027. Please feel free to contact me directly at (760) 298-5872.

Very truly yours,

Shannon Ayala

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.

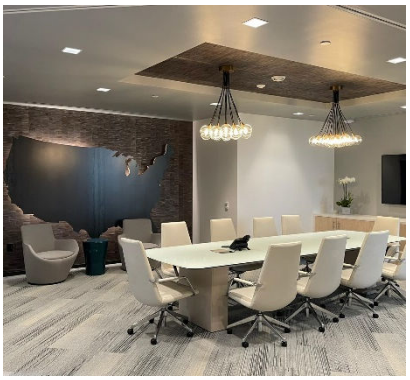
Quality Control – Our firm is committed to maintaining the highest standards of quality control. We are members of the American Institute of Certified Public Accountants (AICPA) and participate voluntarily in the AICPA Peer Review Program, with our most recent Peer Review report demonstrating our "Pass" 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 span professional and technical subjects, including Fraud, Professional Ethics and Governmental Accounting and Auditing, ensuring all of our practitioners maintain their professional expertise.

Identification of Potential Audit Problems - Based on the information provided in the RFP and our experience auditing similar water districts, we do not anticipate any significant audit problems or unusual reporting issues. Should any matters arise during planning or fieldwork, they will be communicated promptly to District management along with recommendations for resolution.



Classification	Number of Employees
Partners	7
Managers	8
Supervisors	8
Seniors	15
Staff	8
Administrative	5
Total personnel	**51**



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 a variety of accounting and auditing technical topics.

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 California and currently serves approximately 60 local, regional, state, and federal governmental entities. Our team brings a 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 special districts that the professionals of Davis Farr LLP have served recently are the following:

- Beach Cities Health District
- Big Bear Community Service District
- Borrego Springs Water District
- Coachella Valley Assoc. of Governments
- Coachella Valley Conservation Commission
- Cucamonga Valley Water District
- Desert Community Energy
- Fairfield-Suisun Sewer District
- Hass Avocado Board
- Imperial LAFCO
- Irvine Ranch Water District
- Julian Community Services District
- Laguna Beach County Water District
- Los Angeles County LAFCO
- Marin LAFCO
- Municipal Water District of Orange County
- North County Dispatch JPA
- Orange County Water District
- Orange County LAFCO
- Otay Water District
- Placer County Water Agency
- Public Cable Television Authority
- Ramona Municipal Water District
- Rancho California Water District
- Rincon Water District
- Riverside County LAFCO
- Salton Sea Authority
- San Bernardino County LAFCO
- San Diego LAFCO
- San Juan Water District
- Santa Barbara LAFCO
- Santa Fe Irrigation District
- Santa Margarita Water District
- Soquel Creek Water District
- Tahoe Regional Planning Agency
- Tahoe Transportation District
- Tahoe-Truckee Sanitation Agency
- Valley Center Municipal Water District
- Valley Sanitary District
- Ventura Regional Sanitation District
- Visit Greater Palm Springs
- Vista Irrigation District

Section C – Client References

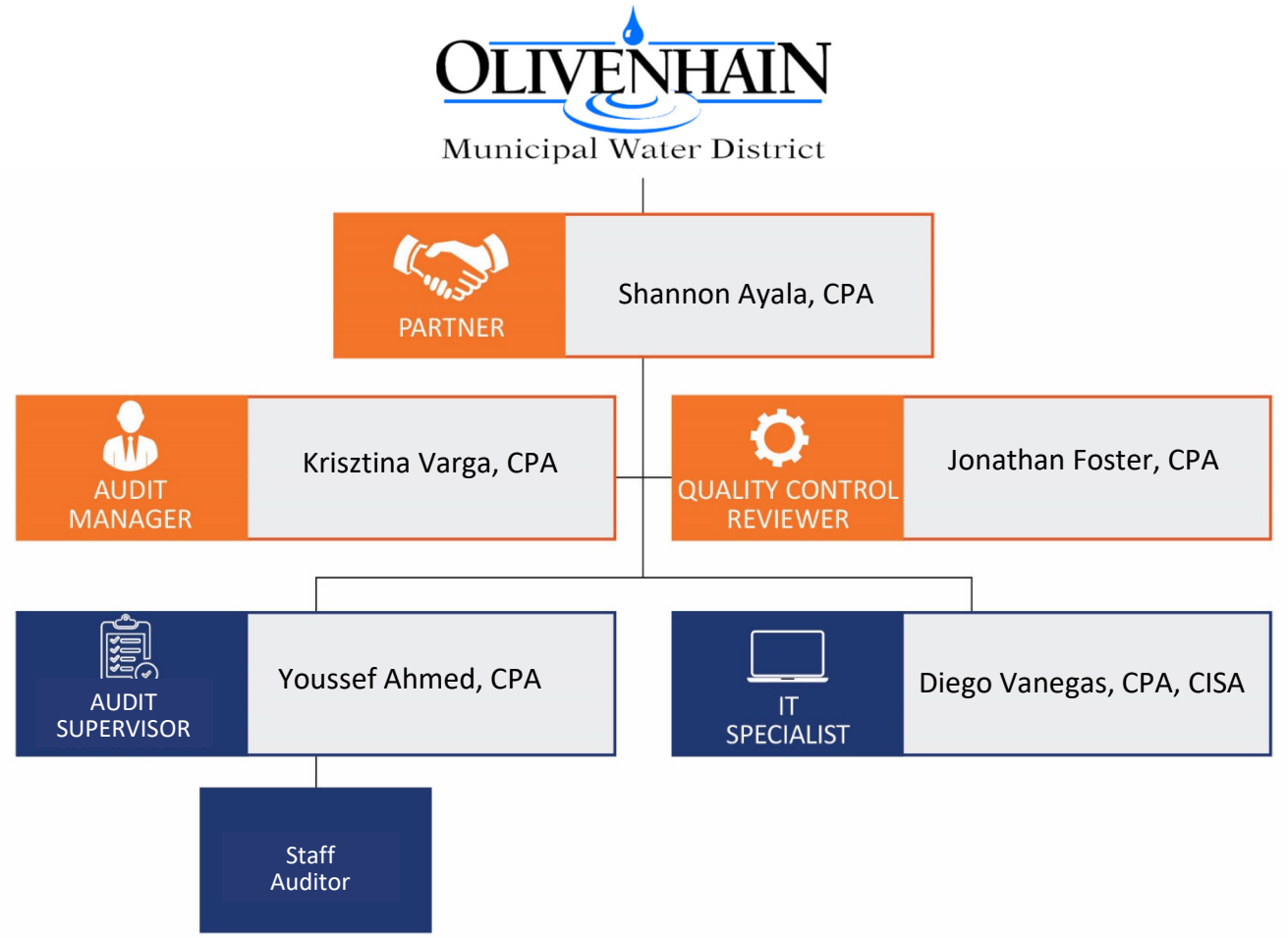
For your convenience, we have listed below references for audit work currently being performed by Davis Farr LLP personnel for several Cities throughout Southern California. For each of the references, we currently serve as independent auditors and have served these clients for a number of years.

CLIENT 1	**Valley Center Municipal Water District** 29300 Valley Center Road |Valley Center, CA **Vanessa Velasquez, Accounting Manager** 760.735.4543 *vvelasquez@vcmwd.org*	*Financial Statement Audit of the District*	**250 Hours**
CLIENT 2	**Rincon del Diablo Municipal Water District** 1920 N. Iris Lane | Escondido, CA **Mehrnoush Jamshidi, Director of Finance** 760.745.5522 ext. 500 *mjamshidi@rinconwater.org*	*Financial Statement Audit of the District*	**250 Hours**
CLIENT 3	**San Diego County Water Authority** 4677 Overland Avenue | San Diego, CA **Chris Woidzik, Controller** 858.522.6679 *cwoidzik@sdcwa.org*	*Financial Statement Audit of the Authority and Quantification Settlement Agreement*	**325 Hours**
CLIENT 4	**Ramona Municipal Water District** 125 2nd Street | Ramona, CA **Joe Spence, Assistant General Manager** 760.788.2223 *jspence@rmwd.org*	*Financial Statement Audit of the District*	**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 designed 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 request 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 are 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 spend 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 to 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
- Purchasing 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	**During the planning phase of the audit, we plan to perform the following procedures:** ✓ Meet with finance personnel to gain an understanding of significant transactions during the year. ✓ Communicate with the Board of Directors regarding matters required under professional standards and address any concerns they may have regarding the District's financial reporting. ✓ 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 offer feedback to District staff regarding best practices in financial reporting. ✓ Provide a GASB Update and templates for implementing new accounting standards.
Year-End Testing	**After the books are closed and ready for audit, we will perform our year-end procedures which include the following:** ✓ 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. ✓ Evaluating claims and judgments payable. ✓ Testing of restrictions and classifications of net position.

Audit Stage	Procedures Performed
	✓ 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. 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.
Single Audit Approach	**As part of our Single Audit approach, in any year in which the District exceeds the federal threshold requiring a Single Audit, we will perform the following procedures in accordance with Uniform Guidance:** ✓ Perform an evaluation of the major programs required to be tested. ✓ Review Uniform Guidance and the Compliance Supplement for the major program selected. ✓ Evaluating internal controls for each of the applicable compliance areas for each program audited. ✓ Using AICPA sampling guidance, we select a sample for each of the applicable 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	**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.** ✓ 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. ✓ Presenting audit results to the Finance Committee and Board of Directors.
GFOA Award Program Experience	Davis Farr LLP regularly assists clients participating in the GFOA Certificate of Achievement for Excellence in Financial Reporting Program. We will review the transmittal letter, MD&A, statistical section, and other elements of the ACFR and provide recommendations to help ensure continued compliance with GFOA requirements.

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.

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, 2027 through 2029, with optional extensions through 2031, 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 is subject to Single Audit requirements.
- 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.
- We will attend in person the Finance Committee and Board of Directors meetings at which the audit results are presented.
- We will provide up to 20 hours of consultation annually at no additional charge, consistent with the requirements outlined in the RFP.

Section H – Proposed Timeline

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

Phase	Timing	Description
Introductory Meeting	March 2027	Meet with management, discuss organizational changes, audit timeline, and information requests.
Audit Planning Meeting	April 2027	Meet with finance team, discuss significant items that happened during the year.
Interim Audit Procedures	May 3-7, 2027	Gain understanding of operations, perform walkthroughs, review prior-year information.
Final Audit Procedures	September 6-10, 2027	Perform final testing and substantive procedures.
Exit Meeting	September 13, 2027	Discuss any proposed journal entries, internal control recommendations and pending audit requests.
Draft Financial Statements	October 1, 2027	Provide draft financial statements, notes, and required communications.
Final Audit Report	Within 5 days of receiving approval	Issue final audit reports.

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 2027	FY 2028	FY 2029
Audit, Financial Statements and Related Notes	*$31,500*	*$33,200*	*$34,860*
AU-265 and AU-260 Letter	*Included*	*Included*	*Included*
Audit Committee and Board Presentation	*Included*	*Included*	*Included*
20 Hours of Accounting Consultation	*Included*	*Included*	*Included*
Single Audit, if Required	*$4,500*	*$4,725*	*$4,960*
Total Proposed Fee	*$36,000*	*$37,925*	*$39,820*

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	*$250*
Manager	*180*
Supervisor/Senior	*150*
Staff	*130*





DavisFarr
CERTIFIED PUBLIC ACCOUNTANTS



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 over 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 Avalon
- ✓ City of Carlsbad
- ✓ City of Coronado
- ✓ City of Del Mar
- ✓ City of Poway
- ✓ City of Solana Beach
- ✓ City of Vista
- ✓ Borrego Springs Water District
- ✓ Coachella Valley Assoc. of Governments
- ✓ Coachella Valley Conservation Commission
- ✓ County of San Diego
- ✓ Desert Community Energy
- ✓ IHSS of Marin County
- ✓ Julian Community Services District
- ✓ LAFCO Imperial
- ✓ LAFCO Marin
- ✓ LAFCO San Diego
- ✓ LAFCO Santa Barbara
- ✓ LAFCO Santa Cruz
- ✓ LA IMPACT
- ✓ Majestic Pines Community Services District
- ✓ North County Dispatch JPA
- ✓ Otay Water District
- ✓ Ramona Municipal Water District
- ✓ Rancho California Water
- ✓ Rincon Water District
- ✓ San Diego County Water
- ✓ Santa Fe Irrigation District
- ✓ Santa Rosa Regional Resource Authority
- ✓ The Centre for Organization Effectiveness
- ✓ Valley Center Municipal Water
- ✓ Vista Irrigation District



Jonathan Foster, CPA

Quality Control Partner

Mr. Foster will serve as the quality control partner on the engagement. He has 18 years of audit experience with government agencies. The types of audits Mr. Foster is involved in includes financial audits of cities and special districts and Single Audits in accordance with the Uniform Guidance. Mr. Foster is also a ACFR and Budget reviewer for the CSMFO award and is a regular presenter at firm wide training and external training events as requested. He has been a featured speaker CSMFO conferences where he has presented on *Capital Assets* and *Investment Accounting.*

Employment History

- Davis Farr LLP – Since 2015
- National CPA Firm – 8 years

Education

- Bachelor of Accountancy (University of San Diego)

Licenses / Registrations

- California CPA Certificate No. 117853

Professional Affiliations & Awards

- American Institute of Certified Public Accountants
- California Society of Certified Public Accountants
- Cal CPA Government Audit & Accounting Committee
- California Society of Municipal Finance Officers

AUDITS OF SPECIAL DISTRICTS AND AGENCIES

- ✓ Big Bear Area Regional Wastewater
- ✓ Big Bear Community Facilities District
- ✓ Cucamonga Valley Water District
- ✓ East Orange County Water Agency
- ✓ Irvine Ranch Water District
- ✓ Placer County Water Agency
- ✓ Trabuco Canyon Water District
- ✓ Soquel Creek Water District
- ✓ Ventura Regional Sanitation District
- ✓ San Bernardino Municipal Water Department
- ✓ San Diego Association of Governments
- ✓ Santiago Aqueduct Commission
- ✓ Saticoy Sanitary District
- ✓ West Basin Municipal Water District

ADDITIONAL RELEVANT EXPERIENCE

Irvine Ranch Water District – Proposition 218 Agreed Upon Procedures
Irvine Ranch Water District/Orange County Sanitation District – Fund Specific Audit
Metropolitan Water District of Southern California - Local Resource Program Audits
Municipal Water District of Orange County - Consulting



Diego F. Vanegas, CPA, CISA

Partner

Mr. Diego Vanegas, CPA, CISA, CITP, is a Partner with the Firm and has 20+ years of progressive governmental audit experience. He will serve as the IT Specialist on the engagement. Throughout his career Mr. Vanegas has performed a multitude of financial and compliance audits, internal control audits and assessments, operational and performance audits, agreed-upon procedures engagements, cost proposal analysis/price reviews and System and Organization Controls (SOC) examinations for various governmental agencies and commercial entities. Further, Mr. Vanegas has Information Technology (IT) expertise and has completed IT projects for various entities. These engagements have often combined both financial and compliance aspects of the audit with IT components.

Employment History

- Davis Farr LLP – Since 2015
- MHM PC 2006 – 2015
- Conrad and Associates 2005 – 2006

Education

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

Licenses / Registrations

- California CPA Certificate No.113040
- Certified Information System Auditor Certificate No. 15121835

Professional Affiliations & Awards

- American Institute of Certified Public Accountants
- ISACA

IT SPECIALIST ON AUDITS OF GOVERNMENTAL AGENCIES

- ✓ City of Carlsbad
- ✓ City of Coronado
- ✓ City of Del Mar
- ✓ City of Encinitas
- ✓ City of Huntington Beach
- ✓ City of Indian Wells
- ✓ City of Newport Beach
- ✓ City of Rancho Santa Margarita
- ✓ City of Tustin
- ✓ City of Vista
- ✓ Placer County Water Agency
- ✓ Orange County Water District
- ✓ Otay Water District
- ✓ Ramona Water District
- ✓ Rancho California Water District
- ✓ San Diego County Water Authority
- ✓ San Diego Association of Governments
- ✓ Santa Fe Irrigation District
- ✓ Valley Center Municipal Water District
- ✓ Yucaipa Water District



Krisztina Varga, CPA

Senior 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 9 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 Uniform Guidance.

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

- ✓ Area Housing Authority of the County of Ventura
- ✓ Beach Cities Health District
- ✓ Borrego Springs Water District
- ✓ County of Riverside Housing Authority
- ✓ Community Colleges of Spokane
- ✓ Cascadia College
- ✓ Julian Community Service District
- ✓ Imperial County LAFCO
- ✓ Otay Water District
- ✓ Placer County LAFCO
- ✓ Peninsula College
- ✓ Rancho California Water District
- ✓ Ramona Municipal Water District
- ✓ Rincon Del Diablo Municipal Water District
- ✓ San Diego Association of Governments
- ✓ San Diego County LAFCO
- ✓ San Diego County Water Authority
- ✓ San Diego County of Emergency Services
- ✓ San Diego Geographic Information Source
- ✓ Santa Barbara LAFCO
- ✓ Santa Cruz LAFCO
- ✓ Santa Margarita Water District
- ✓ Santa Rosa Regional Recourses Authority
- ✓ Santa Fe Irrigation District
- ✓ Yucaipa Valley Water District
- ✓ Valley Center Municipal Water District

AUDITS OF NON-PROFITS

- ✓ Family YMCA of the Desert
- ✓ Just Keep Livin Foundation
- ✓ San Diego Children's Discovery Museum
- ✓ San Diego Futures Foundation

AUDITS OF LOCAL GOVERNMENTS

- ✓ City of Encinitas
- ✓ City of Indian Wells
- ✓ City of Laguna Niguel
- ✓ City of Poway
- ✓ City of Santee
- ✓ City of Solana Beach
- ✓ City of Vista
- ✓ City of Del Mar



Youssef Ahmed, CPA

Audit Supervisor

Mr. Ahmed will serve as the in-charge on this engagement. He will be responsible for performing the work and supervising staff. Mr. Ahmed is in his fourth year of local government auditing. Since starting with Davis Farr, he has focused on audits for local and federal government engagements, including financial 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 Federal compliance audits.

Employment History

- Davis Farr LLP – Since March 2022

Education

- Bachelor of Science in Mathematics & Economics (University of California, Los Angeles)

Licenses

- California CPA Certificate No. 160725

AUDITS OF LOCAL GOVERNMENTS

- ✓ City of Avalon
- ✓ City of Commerce
- ✓ City of Fontana
- ✓ City of Huntington Beach
- ✓ City of Laguna Niguel
- ✓ City of Newport Beach

AUDITS OF SPECIAL DISTRICTS AND COLLEGES

- ✓ Big Bear City Community Services District
- ✓ Community Colleges of Spokane
- ✓ Cucamonga Valley Water District
- ✓ Housing Authority of the County of Riverside
- ✓ Irvine Ranch Water District
- ✓ Oxnard Housing Authority
- ✓ Palm Springs Convention and Visitors Bureau
- ✓ Placer County Water Agency
- ✓ Shasta Regional Transportation Authority
- ✓ Soquel Creek Water District
- ✓ Santa Cruz Mid-County Groundwater Agency
- ✓ Santa Margarita Water District
- ✓ San Diego Association of Governments
- ✓ Ventura Area Housing Authority

AUDITS OF FEDERAL GOVERNMENTS

- ✓ Centers for Medicare and Medicaid Services
- ✓ CGS Administrators, LLC – SOC 1 Type 2 Examination

Report on the Firm's System of Quality Control

To the Partners of
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, 2025. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a system review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported on in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing and complying with a system of quality control to provide the firm with reasonable assurance of performing and reporting in conformity with the requirements of applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported on in conformity with the requirements of applicable professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of and compliance with the firm's system of quality control based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards,* including compliance audits under the Single Audit Act 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.

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, 2025, 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
September 19, 2025

October 19, 2026

Olivenhain Municipal Water District

Proposal for Professional Auditing Services
For the fiscal years ending June 30, 2027 through 2029
(with the option for the two subsequent years)

Contact Persons:
Scott Manno, CPA, CGMA
smanno@ramscpa.net

Gardenya Duran, CPA, CGMA
gduran@ramscpa.net

909.889.0871

Prepared By
Rogers Anderson Malody & Scott, LLP
735 E Carnegie Drive, Suite 100
San Bernardino, CA 92408

License #2596
FEIN 95-2662063

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RAMS
CERTIFIED PUBLIC ACCOUNTANTS

October 19, 2026

Olivenhain Municipal Water District
Encinitas, CA 92024

We are pleased to respond, on behalf of Rogers, Anderson, Malody & Scott, LLP (RAMS), to your request for a proposal regarding professional auditing services. As a recognized industry leader and innovator for the past 78 years, our goal has been to provide honest, high-quality, and objective results to all our clients, including governmental organizations such as yours. This dedication has fueled our firm's tremendous organic growth while ensuring personalized, client-focused services, with some governmental clients being with us for over 25 years.

At RAMS, we are committed to achieving the highest quality audit in the most effective manner possible. We understand the complexities of performing governmental audits, which is why we have a dedicated team of auditors with specialized knowledge and experience to ensure our audits are planned and executed efficiently and effectively, providing you with the highest quality services.

Although we are a smaller, local firm, we bring the depth of experience, structure, and resources expected from a much larger organization. Our clients benefit from direct partner involvement, responsive service, and continuity of staff, while still receiving a disciplined audit approach, strong quality control standards, and the technical expertise necessary to perform complex governmental audits. This allows us to provide the personal attention of a small firm with professionalism, capability, and audit quality typically associated with a larger firm.

We understand that the District will review other proposals during this process, but we believe that RAMS is the exceptional choice for your audit for the following reasons:

Reputation: We have an established reputation in the governmental and not-for-profit accounting and auditing community for providing excellent, timely service with high-quality reporting.

Advanced Tools: We utilize Teammate Analytics, a suite of over 200 Computer Aided Audit Tools (CAATs), empowering our audit teams to perform powerful data analysis that enhances our substantive audit procedures and helps identify transactions or amounts indicative of potential fraud.

Risk-Based Approach: Our intelligent, risk-based audit (using CAAT) allows us to focus on key audit areas, increasing efficiency and resulting in a higher quality audit at a reasonable fee.

Experience: We currently provide auditing services to over 70 governmental agencies and not-for-profit organizations, including over 30 cities with enterprise activities and over 35 special districts.

Remote Capabilities: We have developed a comprehensive remote working environment for our audits. All our staff are equipped to work remotely effectively and efficiently, ensuring a quality audit.

Commitment to Deadlines: We are committed to meeting all reporting/auditing deadlines, resolving any issues encountered during your audit, and providing you with quality audit services.

Minimizing Stress: We understand the audit process can be stressful for you and your staff. We strive to make the audit process as trouble-free as possible by comprehensively planning and utilizing our staff and audit technologies efficiently and effectively while minimizing disruptions and miscommunications.

Personable Team: Our audit team members are personable and easy to work with, yet focused on the audit. Through open and responsive communication, we aim to minimize operational distractions for your staff while maximizing quality service.

Tel. 909-889-0871 | www.ramscpa.net | 735 E. Carnegie Dr. Suite 100, San Bernardino, CA 92408

Quality Control: We have an extensive internal quality control review process to ensure your financial reports meet the highest standards. Each report is prepared by the engagement team, reviewed by the engagement manager, and thoroughly examined by two partners and at least one professional proofreader.

Award-Winning Assistance: We have assisted many clients with the preparation of their Annual Comprehensive Financial Reports. All our clients who submitted reports for the GFOA award have received them. Our participation as a GFOA reviewer also indirectly benefits our clients in the quality review process.

Value for Investment: Our fee estimate provides a fair and reasonable investment, commensurate with the level of service provided and the experience of the audit team members. While we may not be the lowest bidder, our focus is on delivering the best value and high-quality services, pricing our engagements accordingly.

Our proposal is presented clearly, concisely, and in full accordance with the request for proposal. Rather than relying on excessive graphics or unnecessary content, we have focused on the information most relevant to your evaluation, including our firm's qualifications, the strength of our staff, our dynamic risk-based audit approach and procedures, and our reputation as a leader in governmental auditing.

Rogers, Anderson, Malody & Scott, LLP is properly licensed to practice in California, including all the professional staff assigned to this engagement. Mr. Manno, Partner and Mrs. Gardenya Duran, Partner, are authorized to represent the firm, submit the bid, and sign a contract with the District. They can be reached at 735 E Carnegie Drive, Suite 100, San Bernardino, CA 92408 or 909.889.0871. We understand the work to be done as listed in the section of this proposal titled "Services to be Provided," and we are committed to meeting any agreed-upon time frames. Our offer is a firm and irrevocable offer until April 30, 2027.

Thank you for the opportunity to present our proposal to the District. We are committed to exceeding your expectations of an auditor and believe this proposal provides you with comprehensive information about our firm, service team members, and our customized audit approach. We look forward to establishing a long and mutually beneficial relationship with the District. Please feel free to contact us if you have any questions regarding this proposal.

Respectfully yours,

ROGERS, ANDERSON, MALODY & SCOTT, LLP



Scott Manno, CPA, CGMA
Partner

Independence

Rogers, Anderson, Malody & Scott, LLP is independent of the District and any component units, as defined by general standard number two of the generally accepted auditing standards, and by the second general standard for government auditing in the U.S. Government Accountability Office's *Government Auditing Standards*.

Our firm has had no professional relationship with the District for the past five years.

License to practice in California

Rogers, Anderson, Malody & Scott, LLP is licensed to practice in the State of California. Our key professional staff, which includes the partners, managers, and supervisors, are all certified public accountants licensed to practice in the State of California and follow all applicable Board of Accountancy standards.

Firm Qualifications and Experience

About the firm

We were established in 1948, located at 735 E. Carnegie Drive, Suite 100, San Bernardino, California. As a comprehensive accounting firm, we offer a full spectrum of services. With over 78 years of public practice experience, we are one of the oldest, most trusted, and respected CPA firms in Southern California, specializing in auditing, accounting, and management advisory services for governmental agencies and not-for-profit organizations. Annually, we dedicate over seventeen thousand hours to our audit practice, encompassing cities, redevelopment successor agencies, water districts, other special districts, not-for-profit corporations, and joint power authorities. Our focus on government accounting and auditing is a primary commitment, ensuring we deliver top-quality services to local governments.

We recognize the importance of engaging auditors with a deep understanding of the complex and ever-evolving accounting and compliance issues that governments face today. Our firm boasts a rich history in governmental accounting and auditing, equipping us with invaluable experience, in-depth knowledge, and the technical expertise necessary to conduct high-quality governmental audits. This expertise enables us to provide exceptional service and effective solutions at competitive fees, reflecting our value to clients. Furthermore, our active participation in various industry associations ensures we stay updated on the latest issues in governmental accounting, auditing, and operations. We promptly share any valuable insights with our clients to enhance their benefit.

Our firm has a total of 57 people, which includes sixteen certified public accountants. The staff consists of six partners, nine managers, twelve supervisors/senior accountants, twenty-five staff accountants, and five support staff. The audit staff consists of thirty-seven members who devote over 80% of their time to municipal engagements. The engagement team assigned to the District's engagement will consist of the following full-time staff: one audit partner, one audit manager, one audit supervisor/senior, and two to three staff auditors.

Firm Qualifications and Experience (continued)

Equal Opportunity Employer

Our firm is an equal opportunity employer committed to providing employment opportunities to all qualified individuals, regardless of race, color, sex, religion, national origin, or disability. Our diverse staff represents a wide range of cultures and ethnic backgrounds. We offer advancement opportunities based on ability, skill, and desire to progress within the firm.

Governmental Audit Quality Center

As a member of the American Institute of CPAs *Governmental Audit Quality Center* (GAQC), we at RAMS are dedicated to maintaining the highest quality standards. Our commitment to the GAQC membership requirements includes designating a partner responsible for the quality of our governmental audit practice, establishing rigorous quality control programs, conducting annual internal inspections, and publicly sharing our peer review report findings. Our goal is to continually enhance our quality initiatives to provide the highest quality audit services possible.

Being a part of GAQC also grants us access to comprehensive resources that further improve the quality of your audit. Our membership ensures we receive timely information on technical, legislative, and regulatory matters, which we apply to your audit to ensure compliance with current standards and regulatory changes, benefiting our clients.

Engagement quality control

Our internal quality control review process ensures your audit meets the highest standards. Financial reports prepared by a senior member of the engagement team undergo multiple levels of review: first by the engagement manager/supervisor, followed by the engagement partner, and finally a technical review by the engagement Quality Control partner. Additionally, all reports are proofread by at least one professional staff member. All audit workpapers are reviewed by the in-charge auditor and the partner in charge of the engagement.

Single audit experience

Many of our municipal clients, as well as other governmental and not-for-profit clients, require audits in accordance with Uniform Guidance. Recently, we have conducted single audits for numerous entities.

Our specialized Single Audits Team is led by Partners and Managers who hold Intermediate and Advanced Single Audit Certifications from the AICPA, ensuring a successful and thorough engagement.

Disciplinary action

Our firm has a spotless record with no disciplinary actions taken or pending against it by state regulatory bodies or professional organizations. Additionally, there has never been any pending or settled litigation, nor any civil or criminal investigations. We are also not aware of any federal or state desk reviews or field reviews of our audits in the last three years.

Our firm has no record of substandard work.

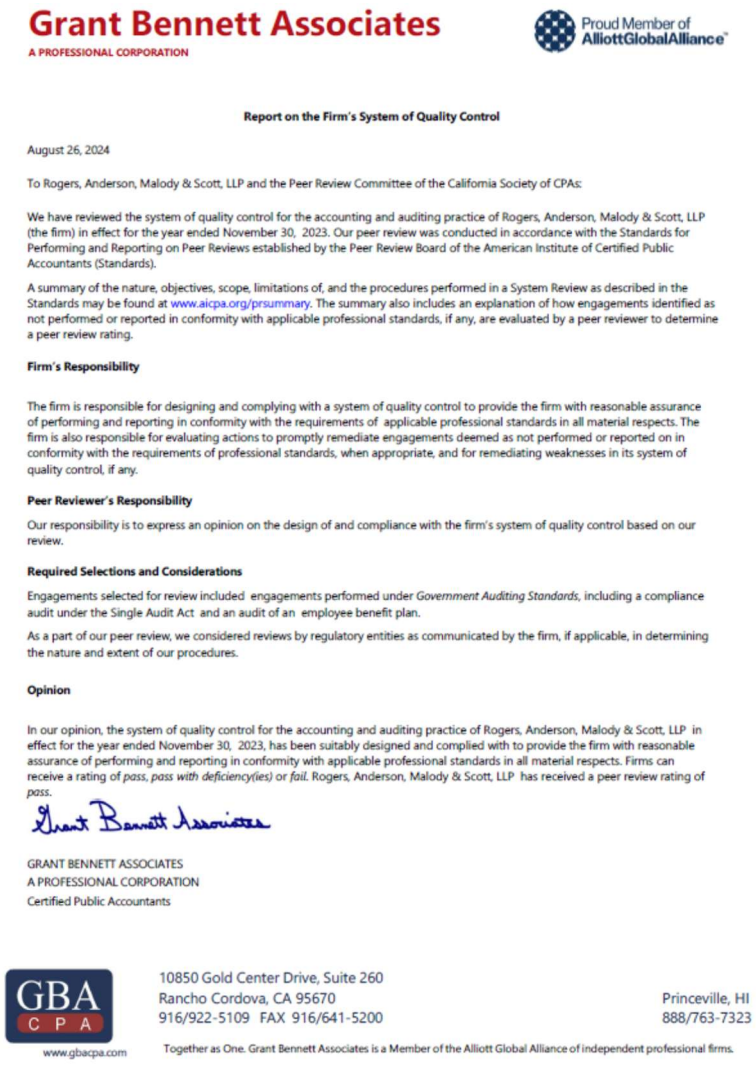
In addition to external quality control reviews, our firm conducts annual in-house monitoring procedures that mirror the external peer review processes, ensuring ongoing compliance and quality in our audit and attest engagements.

Firm Qualifications and Experience (continued)

External quality control review

As a member of the AICPA Private Companies Practice Section, our firm has actively participated in the "Peer Review" program since 1993. Every three years, an independent firm of certified public accountants conducts an external review of our firm. This participation ensures that our engagements, firm policies, and audit procedures consistently meet the standards set by the AICPA, the Yellow Book, and the California State Board of Accountancy. Notably, throughout our participation in this program, our firm has consistently received pass ratings from the peer reviewers.

During each peer review, an independent firm assesses our policies and procedures and inspects a representative sample of engagement workpapers and reports, including those related to governmental entities and engagements subject to the Uniform Guidance. For the year ended November 30, 2023, our firm received a pass rating. This rating indicates that our auditing practices are suitably designed and complied with, providing reasonable assurance of performing and reporting in accordance with applicable standards. The results affirm that our custom audit approach and procedures are technically sound and compliant with all relevant standards.



Grant Bennett Associates
A PROFESSIONAL CORPORATION

Proud Member of AlliottGlobalAlliance

Report on the Firm's System of Quality Control

August 26, 2024

To Rogers, Anderson, Malody & Scott, 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 Rogers, Anderson, Malody & Scott, LLP (the firm) in effect for the year ended November 30, 2023. 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 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 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 an audit of an employee benefit plan.

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Rogers, Anderson, Malody & Scott, LLP in effect for the year ended November 30, 2023, 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*. Rogers, Anderson, Malody & Scott, LLP has received a peer review rating of *pass*.

Grant Bennett Associates

GRANT BENNETT ASSOCIATES
A PROFESSIONAL CORPORATION
Certified Public Accountants

GBA CPA
www.gbacpa.com

10850 Gold Center Drive, Suite 260
Rancho Cordova, CA 95670
916/922-5109 FAX 916/641-5200

Princeville, HI
888/763-7323

Together as One. Grant Bennett Associates is a Member of the Alliott Global Alliance of independent professional firms.

ACFR preparation

We have extensive experience in preparing Annual Comprehensive Financial Reports (ACFR). For the fiscal years ending June 30, 2023, and 2024, our team prepared over 20 ACFRs, with each entity receiving the Certificate of Achievement for Excellence in Financial Reporting from the GFOA. For the fiscal year ending June 30, 2025, we prepared over 25 ACFRs for our clients for submission to the GFOA. Additionally, we have assisted many cities and special districts in developing their first-year reports for submission. Four of our audit partners and five of our managers/supervisory staff serve as technical reviewers for the GFOA award program. We ensure all ACFRs comply with the GFOA certificate program checklist and address any prior year comments to guarantee thorough and compliant reports.

Partner, Supervisory, and Staff Qualifications and Experience

The quality of service you receive hinges on the capabilities of the individuals assigned to your engagement and how effectively these personnel resources are organized. Our professionals are highly trained, knowledgeable, and have a deep understanding of the environment in which governmental and not-for-profit entities operate. This expertise is crucial for providing the District with an effective and efficient audit.

Our engagement team brings significant experience and a practical understanding of governmental accounting and auditing, combined with a broad business perspective. Each member has access to a wide range of technical resources and knowledge bases, enabling them to offer practical observations and effective solutions to the District.

Partner and supervisory staff involvement

Our partners and supervisory staff are actively and continuously involved in all aspects of their engagements. We believe that their involvement is a key aspect of the overall audit process. This includes being on-site for interim and year-end fieldwork, ensuring a proper, efficient, and effective audit with minimal disruption to your staff. The time spent on-site by partners and supervisory staff allows them to understand the District's accounting processes and procedures thoroughly. This understanding helps in evaluating and developing opportunities for efficiency and offering practical advice to improve your accounting processes and procedures.

All professionals on this engagement have extensive experience with audits similar to the District's, eliminating the need for the District to train our team.

Staff continuity

Maintaining continuity of audit staff is a principal concern for our firm. To retain our staff, we offer competitive wages, advancement opportunities, generous medical packages, a retirement plan, bonus opportunities, and educational benefits. While we strive for continuity, we acknowledge that staff changes may occur. We plan to provide consistent staff year to year, which is in the best interest of both the District and our firm. Continuity ensures an orderly, efficient, and less disruptive audit experience. In case of staff changes, principal supervisory and management staff, including engagement partners, managers, other supervisory staff, and specialists, may be replaced if they leave the firm or are promoted. However, the District reserves the right to accept or reject replacements.

Due to the significant involvement of our partners in all engagements, any staff transition would have a minimal impact on audit efficiency and effectiveness in subsequent years. Other audit personnel may be changed at the discretion of the District provided that the replacements have substantially the same or better qualifications/experience.

Continuing professional education

Our auditor specialists stay current in this technical practice area by adhering to, and typically exceeding, the continuing professional education requirements of *Government Auditing Standards* and the State Board of Accountancy guidelines. All professionals at our firm participate in continuing professional education (CPE) programs sponsored by various organizations, including the Government Finance Officers Association, the American Institute of Certified Public Accountants, the California State Society of Certified Public Accountants, the California Society of Municipal Finance Officers, and the Association of Government Accountants. These programs ensure our clients are serviced by the best-trained and most proficient government auditors and accountants available. We also provide in-house training conducted by our partners and senior staff using published resources. All staff are required to attend fraud and ethics training. Our goal is to provide professional staff with continuing education that exceeds the minimum standard of 80 hours over two years.

Partner, Supervisory, and Staff Qualifications and Experience (continued)

According to our firm's Quality Control document and *Government Auditing Standards* (GAS), all staff working on audits subject to GAS must complete CPE in line with GAS standards, requiring 24 hours directly related to governmental accounting and auditing.

To further increase our technical knowledge, we utilize resources such as the Governmental Audit Quality Center Annual Webcast Update, other relevant seminars, and monthly publications from the AICPA, the GFOA, and other sources. We also attend conferences and seminars sponsored by the GFOA, California Society of Municipal Finance Officers, California State Society of Certified Public Accountants, and the California Special Districts Association.

Assigned personnel

Our goal is to provide you with capable, competent, and personable individuals who possess an extensive background in governmental accounting and auditing and general business practices. This allows us to offer practical solutions and technical support, keeping you at the forefront of governmental accounting and helping you navigate complex issues.

Our engagement team has the managerial and supervisory experience to provide the District with a comprehensive audit of the highest quality while focusing on personal service. The resumes of the key engagement personnel assigned to the audit are presented below. These individuals will be assigned to the engagement for the entire contract period.

Scott W. Manno, CPA, CGMA – Partner, Engagement Partner

Scott will be the Engagement Partner for the engagement. He is licensed to practice as a certified public accountant in the State of California and brings over 29 years of public accounting experience, specializing in serving local governments. As the engagement partner, Scott will be responsible for the overall quality of the engagement, ensuring it is performed efficiently and effectively. He will directly oversee all engagement staff, assist in planning and performing the engagement, and review all workpapers and required reports prepared during the engagement. Scott, like all our partners, is a working partner and will be actively involved in all aspects of the engagement, ensuring a high standard of service and attention to detail throughout the process.

Gardenya Duran, CPA, CGMA – Partner, Concurring Partner

Gardenya will be the Concurring Partner. She is licensed to practice as a certified public accountant in the State of California and has over 15 years of practical, governmental accounting and auditing experience. As the concurring partner Gardenya will work directly with Scott in planning and performing the engagement. In addition, she will provide technical consultation for the engagement team.

Brianna Schultz, CPA, CGMA – Partner, Quality Control Reviewer

Brianna will be the Quality Control Reviewer. She is licensed to practice as a certified public accountant in the State of California. She has over 15 years of practical, governmental accounting and auditing experience. Brianna will be responsible for the final quality control review of all released opinions and related reports.

Partner, Supervisory, and Staff Qualifications and Experience (continued)

Veronica Hernandez, CPA – Audit Manager

Veronica is an Audit Manager with the firm. She is licensed to practice as a certified public accountant in the State of California. Veronica has over 10 years' experience in providing accounting and auditing services for municipalities, special districts and various not-for-profit organizations. As an audit manager, she will work directly with the audit in-charge and partner, while supervising the engagement team during all phases of the engagement. In conjunction with the audit in-charge, she will also oversee the preparation of any required reports.

Devin Feldhut – Audit Senior

Devin is an Audit Senior with our firm, bringing four years of experience in providing accounting and auditing services to municipalities, special districts, and various not-for-profit organizations.

As an Audit Senior, Devin will work closely with the engagement partner and manager. He will be responsible for planning the audit, supervising the staff assigned to the engagement, and reviewing all workpapers prepared for the engagement. Additionally, he will oversee the preparation of any required reports, ensuring thoroughness and compliance with all standards.

Mr. Terry Shea, CPA – Consultant

Terry is a retired municipal audit partner with the firm providing consulting services. He is licensed to practice as a certified public accountant in the State of California. Terry has over 40 years of public accounting experience and has provided accounting, auditing, and consulting services for municipalities, special districts, water agencies, and various not-for-profit organizations. Terry will assist on an as needed basis with the engagement. In addition, he will provide technical consultation for the engagement team.

Staff level accountants

All our staff accountants working on governmental audits are highly qualified to perform these audits. Prior to the audit season, our staff undergoes rigorous training that covers all aspects of our audit process and programs, ensuring they have a solid foundation before starting fieldwork. Each staff member is encouraged to take on increased responsibilities in engagements they have previously worked on, enabling them to grow and continually enhance their skills and knowledge.

In summary, we emphasize the credentials of the professionals who will be directly responsible for the quality of service you will receive. Additionally, our audit team possesses an important, albeit intangible, attribute: the professionals assigned to your audits have previously worked together as a multi-disciplined team. This ensures a smooth, efficient, and effective audit process. We are committed to allocating the necessary resources to ensure continuity of personnel throughout our relationship with the District.

Partner, Supervisory, and Staff Qualifications and Experience (continued)

Engagement team resumes



Scott W. Manno, CPA, CGMA
Engagement Partner

Professional experience

Mr. Manno began his career with Thomas, Bigbie and Smith in 1996 after serving in the United States Army. He spent six years with the firm primarily working on audits of municipalities, special districts and redevelopment agencies as well as various not-for-profit organizations. He joined Rogers, Anderson, Malody & Scott, LLP in July 2001. Currently, Mr. Manno serves as a technical reviewer for the GFOA ACFR Award program and he is also on the GFOA Special Review Executive Committee. In addition, he is part of the California State Society of Certified Public Accountants Governmental Accounting which meets periodically to discuss current events, pronouncements, etc.

Education/licenses

Bachelor of Science, Business Administration – California State University, San Bernardino
Certified Public Accountant – State of California
Chartered Global Management Accountant – American Institute of Certified Public Accountants

Related professional experience

Partial listing of relevant governmental agencies served:

Elsinore Valley Municipal Water District	Big Bear Area Regional Wastewater Agency	Beaumont-Cherry Valley Water District	Chino Basin Desalter Authority
Rubidoux Community Services District	Upper San Gabriel Municipal Water District	Running Springs Water District	Crestline Village Water District
Leucadia Wastewater District	Las Virgenes Municipal Water District	Foresthill Public Utility District	East Valley Water District
Saticoy Sanitary District	Pine Cove Water District	Idyllwild Water District	Valley Water Company

Mr. Manno has completed over 258 hours of continuing professional education courses over the past three years of which the following select courses are relevant to this engagement:

- State and Local Government Audit Planning Considerations
- Audits of State and Local Governments
- 2025 Government Accounting and Auditing Update
- Auditing Internal Controls for Governments

Professional affiliations

Mr. Manno is a member of the following organizations:

- American Institute of Certified Public Accountants (AICPA)
- California Society of Certified Public Accountants (CalCPA)
- Association of Government Accountants (AGA)
- Association of Certified Fraud Examiners (ACFE)
- Government Finance Officers Association (GFOA)
- California Special Districts Association (CSDA)
- California Society of Municipal Finance Officers (CSMFO)

Partner, Supervisory, and Staff Qualifications and Experience (continued)



Gardenya Duran, CPA, CGMA
Concurring Partner

Professional experience

Mrs. Duran joined Rogers, Anderson, Malody & Scott, LLP in 2010. She works primarily on audits of governmental agencies, small to mid-sized businesses, and nonprofit organizations. Mrs. Duran has served as a technical reviewer for the GFOA ACFR Award program. Mrs. Duran specializes in advisory services gearing towards helping local governments restore their finance departments and compliance after staffing disruptions for governments, municipalities and various non-profit organizations. Prior to joining our firm, she was an Information Systems Technician in the U.S. Navy for nine years.

Education/licenses

Bachelor of Science, Business Administration – California State University, San Bernardino
Certified Public Accountant – State of California
Chartered Global Management Accountant – American Institute of Certified Public Accountants

Related professional experience

Partial listing of relevant governmental agencies served:

Mission Springs Water District	San Bernardino County Special Districts	Beaumont-Cherry Valley Water District	Chino Basin Desalter Authority
Upper San Gabriel Muni. Water District	Ventura Regional Sanitary District	Leucadia Wastewater District	Eastern Municipal Water District
San Bernardino Valley Municipal Water District	West Basin Municipal Water District	Triunfo Sanitation District	Valley Water Company

Continuing professional education

Mrs. Duran has completed over 145 hours of continuing professional education courses in the past three years of which the following select courses are relevant to this engagement:

- GASB Update - Recently issued Pronouncements
- Fundamentals of Preparing an Annual Comprehensive Financial Report
- Single Audit Update
- Audits of State and Local Governments

Professional affiliations

Mrs. Duran is a member of the following professional organizations:

- American Institute of Certified Public Accountants (AICPA)
- California Society of Certified Public Accountants (CalCPA)
- Government Finance Officers Association (GFOA)
- California Society of Municipal Finance Officers (CSMFO)

Partner, Supervisory, and Staff Qualifications and Experience (continued)



Brianna Schultz, CPA, CGMA
Quality Control Partner

Professional experience

Mrs. Schultz began her career with Rogers, Anderson, Malody & Scott, LLP in 2014, and had over three years' experience with another public accounting firm serving the same industry. Currently, Mrs. Schultz serves as a technical reviewer for the GFOA ACFR Award program. During her time with the firm, she has worked primarily on audits of municipalities, special districts and redevelopment agencies, as well as various non-profit organizations.

Education

Bachelor of Science, Business Administration – California State University, San Bernardino
Certified Public Accountant – State of California
Chartered Global Management Accountant – American Institute of Certified Public Accountants

Related professional experience

Partial listing of relevant governmental agencies served:

Elsinore Valley Municipal Water District	Beaumont-Cherry Valley Water District	San Bernardino Valley Municipal Water District	San Luis Rey Municipal Water District
Amador Water Agency	Eastern Municipal Water District	East Valley Water District	Upper San Gabriel Valley Municipal Water District
Las Virgenes Municipal Water District	Leucadia Wastewater District	Nipomo Community Services District	Rubidoux Community Services District
Pine Cove Water District	Mojave Water Agency	Valley Water Company	Triunfo Sanitation District

Mrs. Schultz obtained the AICPA's *Advanced Single Audit Certificate* in 2019 and the *Intermediate Single Audit Certificate* in 2017. She served as the contract Interim Accounting Manager for the City of Glendora in 2016 and the Senior Accountant for the City of Rancho Cucamonga in 2015. Additionally, she is a reviewer for the GFOA ACFR Program.

Continuing professional education

Mrs. Schultz has completed over 160 hours of continuing professional education courses over the past three years of which the following select courses are relevant to this engagement:

- Governmental Accounting and Auditing Conference
- Single Audit Update
- How to Implement GASBS 87 and Maintain Compliance

Professional Affiliations

Mrs. Schultz is a member of the following organizations:

- American Institute of Certified Public Accountants (AICPA)
- California Society of Certified Public Accountants (CalCPA)
- Government Finance Officers Association (GFOA)
- California Society of Municipal Finance Officers (CSMFO)

Partner, Supervisory, and Staff Qualifications and Experience (continued)

Veronica Hernandez, CPA
Audit Manager



Professional experience

Ms. Hernandez is an audit manager with the firm. She has over 9 years' experience in providing accounting and auditing services for municipalities, special districts and various nonprofit organizations. As an audit manager, she will work closely with the engagement partner and manager and be responsible for planning the audit, supervising the staff assigned to the engagement, and performing reviews of all workpapers prepared for the engagement. In addition, she will also be responsible for the preparation of any required reports. Currently, Ms. Hernandez serves as a technical reviewer for the GFOA ACFR Award Program

Education

Bachelor of Science, Business Administration – California State University, San Bernardino
Certified Public Accountant – State of California

Related professional experience

Partial listing of relevant governmental agencies served:

Big Bear Area Regional Wastewater Agency	Beaumont-Cherry Valley Water District	East Valley Water District	Triunfo Sanitation District
Elsinore Valley Municipal Water District	United Water Conservation District	Las Virgenes Municipal Water District	West Basin Municipal Water District
Sativa Los Angeles County Water District	Valley Water Company	Rubidoux Community Services District	San Bernardino Valley Municipal Water District

Continuing professional education

Ms. Hernandez has completed over 140 hours of continuing professional education courses over the past two years of which the following select courses are relevant to this engagement:

- Governmental Accounting and Auditing Update: GASB 87 Leases
- Governmental Auditing Update: Yellow Book and Uniform Guidance
- Governmental Accounting & Auditing Conference
- Critical Concepts of Accounting for Capital Assets
- Discover GFOA Best Practices

Professional affiliations

Ms. Hernandez is a member of the following professional organizations:

- American Institute of Certified Public Accountants (AICPA)
- California Society of Certified Public Accountants (CalCPA)
- California Society of Municipal Finance Officers (CSMFO)

Partner, Supervisory, and Staff Qualifications and Experience (continued)



Devin Feldhut
Audit Senior

Professional experience

Mr. Feldhut joined Rogers, Anderson, Malody & Scott, LLP in 2022, primarily providing accounting and auditing services for municipalities, special districts, and various nonprofit organizations. As an audit senior, he will work closely with the engagement partner and manager and be responsible for planning the audit, supervising the staff assigned to the engagement, and performing reviews of all workpapers prepared for the engagement. In addition, he will also be responsible for the preparation of any required reports.

Education

Bachelor of Arts, Business Administration – California State University, San Bernardino

Related professional experience

Partial listing of relevant governmental agencies served:

Elsinore Valley Municipal Water District	East Valley Water District	Rubidoux Community Services District	Nipomo Community Services District
Las Virgenes Municipal Water District	Leucadia Wastewater District	Rosamond Community Services District	Mission Springs Water District
Beaumont-Cherry Valley Water District	Crestline Village Water District	San Luis Rey Municipal Water District	San Bernardino Valley Municipal Water District
Valley Water Company	Mojave Water Agency	Amador Water Agency	Triunfo Sanitation District

Continuing professional education

Mr. Feldhut has completed over 92 hours of continuing professional education courses over the past two years of which the following select courses are relevant to this engagement:

- Ongoing Lease and Subscription Compliance
- Fundamentals of Preparing an ACFR
- Single Audit Update
- Internal Controls for Smaller Not-for-Profits and Governmental Entities

Professional affiliations

Mr. Feldhut is a member of the following professional organizations:

- American Institute of Certified Public Accountants (AICPA)
- California Society of Certified Public Accountants (CalCPA)
- California Society of Municipal Finance Officers (CSMFO)
- Government Finance Officers Association (GFOA)

Similar Engagements with Other Government Entities and References

Entity:	***Elsinore Valley Municipal Water District***
Scope of work:	Financial Audit/ACFR*
Date:	June 30, 2015 - present
Engagement partner:	Mr. Brad Welebr/Mr. Scott Manno/Mrs. Brianna Schultz
Total hours:	350
Contact person:	Mr. Scott Thompson, Directo of Finance, (951) 674-3146

Entity:	***Crestline-Lake Arrowhead Water Agency***
Scope of work:	Financial Audit
Date:	Years ending June 30, 1996 - present
Engagement partner:	Mr. Brad Welebir
Total hours:	350
Contact person:	Mrs. Jennifer A. Spindler, General Manager, (909) 338-1779

Entity:	***Las Virgenes Municipal Water District***
Scope of work:	Financial Audit/ACFR*
Date:	Years ending June 30, 2022 - present
Engagement partner:	Mr. Scott Manno
Total hours:	350
Contact person:	Mr. Brian Richie, CPA, Director of Finance and Technology, (818) 251-2100

Entity:	***Rosamond Community Services District***
Scope of work:	Financial Audit
Date:	Years ending June 30, 2015 - present
Engagement partner:	Mrs. Brianna Schultz/Mr. Scott Manno
Total hours:	240
Contact person:	Dr. Brad Rockabrand, Finance Director (661) 256-5812, brockabrand@rosamondcsd.com

Entity:	***Beaumont Cherry Valley Water District***
Scope of work:	Financial Audit/ACFR*
Date:	Years ending December 31, 2018 - present
Engagement partner:	Mrs. Brianna Schultz/Mr. Scott Manno
Total hours:	250
Contact person:	Mr. William Clayton, Senior Finance and Administrative Analyst (951) 845-9581, william.clayton@bcvwd.org

** = received GFOA ACFR award*

Specific audit approach

Services to be provided

The District desires the auditor to express an opinion on the fair presentation of the financial statements for the following: the Olivenhain Municipal Water District in accordance with generally accepted accounting principles.

In addition, we shall:

- Apply certain limited procedures related to Management's Discussion and Analysis and Required Supplementary Information and provide an "in-relation-to" report on the combining and individual fund financial statements and supporting schedules, if applicable.
- Assist in the preparation of the financial statements for the District.
- Preparation and filing of the Annual Financial Transactions Report of Special Districts to the State Controller's Office for the District and the Facilities Corporation.
- Review compliances with relevant laws, regulations and District policies that may have a material effect on the financial statements.
- If the District exceeds the single audit threshold, we will perform a single audit over major programs compliance under the OMB Uniform Guidance.

Our audit(s) will be in accordance with:

- Generally Accepted Auditing Standards as promulgated by the American Institute of Certified Public Accountants, including requirements found in the most recent AICPA audit guide *Audits of State and Local Governments*.
- Government Auditing Standards issued by the Comptroller of the United States of America.
- Minimum Audit Requirements and Reporting Guidelines for California Special Districts, as required by the California State Controller's Office.
- Single Audit Act of 1984, as amended in 1996, if the single audit threshold is met.
- Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (OMB Uniform Guidance), if the single audit threshold is met.
- Any other applicable standards for other items outlined in the Scope of Work to be performed and/or reports to be issued.

Reports to be issued:

- A report on the fair presentation of the financial statements in conformity with GAAP for all entities.
- A report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards* (material weaknesses or significant deficiencies).
- Prepare Management Letter that includes significant and less significant (i.e., reportable and non-reportable) recommendations for improvements to internal control.
- A report in compliance with requirements applicable to each major federal program and internal control over compliance in accordance with the *Uniform Guidance*, if the single audit threshold is met.
- We will issue reports to those charged with governance (SAS 114 letters) as required by auditing standards.

RAMS will also perform the following:

- Make an immediate, written notification of all irregularities and illegal acts or indication of illegal acts of which we become aware to the following: Board President and General Manager.

Specific audit approach (continued)

Engagement approach

Our engagement approach for your audit is meticulously designed to ensure measurable progress and successful outcomes. This involves setting clear goals and maintaining frequent communication between the engagement partner, lead auditor, and the team. Our approach leverages our extensive knowledge and expertise in governmental accounting and auditing to identify and address key audit and accounting risks specific to the government sector. Each year's audit includes a complete reassessment of the control environment, enabling us to respond to any changes in risk assessment effectively.

Key components of our engagement approach

Knowledge and Experience: With over 78 years of auditing governmental entities of all sizes, we possess in-depth knowledge of the governmental environment. This enables us to perform efficient and effective audits, conduct detailed risk assessments, and identify significant audit risk areas within the District's control environment.

Intelligent Design: Utilizing advanced audit software and data analytic tools (Engagement and Teammate Analytics), we can analyze large volumes of data quickly, enhancing both the efficiency and effectiveness of our audits.

Professional Oversight: Our partners, managers, and supervisors have extensive experience in governmental audits, allowing us to design and execute audit strategies that are both effective and efficient.

Timeliness: Meeting deadlines is a professional commitment for us. We ensure that all required and agreed-upon deadlines are met.

Open Communication: Maintaining open lines of communication with all parties involved, including District management and staff, helps eliminate surprises and ensures a smooth audit process.

Availability: Our engagement team members are available year-round for any questions or additional consultation. District staff will have direct access to the partner, manager, and supervisory staff during and after the engagement.

Cost-Effectiveness: Our customized audit approach and experienced auditors help reduce overall audit costs while delivering effective audits and high-quality reports.

Risk-Based Approach: We perform detailed risk assessment procedures to understand the District and its environment, including internal controls. This forms the basis for our assessment of risks of material misstatement at the financial statement and relevant assertion levels. We may perform further audit procedures concurrently with risk assessment, as necessary.

Specific audit approach (continued)

As stated in our proposal, our primary objective is to conduct an audit of the financial statements in accordance with required auditing standards and to express an opinion on those statements. Our engagement approach also offers several value-added benefits at no additional cost:

Efficiency and Minimal Disruption: Our audits are designed to be efficient and effective, minimizing disruption to office operations.

Practical Observations and Recommendations: We provide practical observations and recommendations on internal control issues, accounting standards implementation, and related policies and procedures.

Operating Efficiency Opportunities: We identify opportunities for operating efficiencies that can help reduce the District's operating costs.

By employing this comprehensive engagement approach, we ensure that the District's audit is conducted with the highest standards of quality and professionalism.

Audit approach and proposed audit segmentation

The following is a summary of the audit team's approach for your engagement. The audit will be divided into the following segments:

Segment 1 - Interim Testing: Planning, Pre-Audit Administration, and Internal Control Testing

Objectives: During this phase, our principal objectives will be to gather information about the District and its environment, including its internal controls over financial reporting.

Approach:

- **Initial Meetings:**
  - Meet with the District's staff to determine convenient dates to begin our audit and to discuss the assistance to be provided by the District's staff.
- **Engagement Team Brainstorming:**
  - Hold brainstorming sessions with engagement team members to discuss the susceptibility of the District's financial statements to material misstatement and fraud.
- **Review and Evaluation:**
  - Review and evaluate the District's accounting and reporting processes by examining the prior year's audit workpapers, District-prepared documents such as budgets, in-house financial reports, previously issued financial statements, organizational charts, manuals, programs, policies and procedures manuals, and minutes of governance meetings.
  - Perform analytical procedures to enhance our understanding of the District and identify areas that may need further assessment and additional testing.
- **Regulatory Review:**
  - Review and retain copies of any pertinent local, state, and federal statutes, regulations, or charters that apply to the District.
  - Obtain a full population of potential compliance areas to perform testing and select a random or stratified sample, utilizing our data analytic software, to ensure a true representation of the appropriate compliance requirements are being selected.

Specific audit approach (continued)

- **Internal Control Evaluation:**
  - Obtain a thorough understanding of the District's internal controls over financial reporting and compliance by documenting key internal control components, utilizing questionnaires, walkthroughs, inquiries, and observation.
  - Evaluate the design of controls relevant to the audit and test controls, if control risk is to be assessed below maximum, by selecting a sample of transactions and reviewing supporting documentation.

- **Management Communication:**
  - Document and review any findings noted during the testing of internal controls with management.
  - Provide a preliminary management letter with recommendations for improving any weaknesses in operations and suggestions for enhancing the efficiency of the District's operations.

- **Audit Data Analytics:**
  - Utilize powerful audit data analytic software to analyze large amounts of data quickly and focus on areas/transactions that are red flagged.

IT General Controls:

- **Security Access Controls:**
  - Evaluate general system security settings, password parameters, processes for adding, deleting, and changing security access, access capabilities of various user types, access controls to networks and financial applications, data file access controls, and physical access to networks and servers.

- **Computer Operations:**
  - Evaluate backup and recovery processes and review procedures for identifying and handling operational problems.

- **System Development and Changes:**
  - Evaluate processes related to system development and system changes, if applicable.

- **Application Testing:**
  - Determine the necessity of testing application controls based on professional judgment during the planning stages of the engagement.

Audit Team: This phase will be performed by the audit senior and two to three staff accountants, under the direct supervision of the audit manager and partner.

This comprehensive approach ensures a thorough understanding of the District's financial environment and internal controls, setting a solid foundation for the audit.

Segment 2 - Year-End Testing: Substantive Testing

Objectives: During this phase, our primary objectives will be to assess the risk of material misstatement at the financial statement level and specific assertions, design overall responses to assessed risks and further audit procedures, perform substantive tests, and complete the audit while evaluating audit findings, if applicable.

Specific audit approach (continued)

Approach:

- **Risk Assessment and Audit Plan Development:**
  - Identify significant risks and develop a detailed audit plan using the results from Segment 1.

- **Design and Perform Substantive Tests:**
  - Design substantive tests of account balances tailored to the District's operations and assessed level of risk. Substantive procedures will include testing material balance sheet accounts, material revenue and expenditure/expense accounts, along with various analytical procedures, as necessary.
  - Confirm various accounts with outside parties (e.g., cash, investments).

- **Risk Evaluation:**
  - Determine whether our testing supports the initially assessed level of risk at both the financial statement level and the assertion level.

- **Audit Adjustments:**
  - If any proposed audit adjustments are noted, we will discuss and explain them in detail with the appropriate level of management before posting.

Audit Team: This phase will be performed by the senior accountant and two to three staff accountants, under the direct supervision of the audit manager and partner.

Segment 3 - Reporting: Report Preparation and Audit Conclusion (Workpaper Review)

Objectives: During this phase, our principal objectives will be to evaluate whether the financial statements, as a whole, are free from material misstatement, form an opinion(s), and issue our report.

Approach:

- **Material Misstatement Evaluation:**
  - Determine, based on our substantive testing and other procedures, whether the financial statements, as a whole, are free of material misstatement. This will provide the basis for our opinion(s).

- **Workpaper Review:**
  - Review all audit workpapers to ensure the audit was performed in accordance with required standards (GAAS, GAGAS, etc.) and prepare drafts of all required reports by the agreed-upon dates.

- **Quality Control Review:**
  - Conduct an independent review of the financial statement draft by the engagement's quality control partner and issue all reports by the agreed-upon dates.

Audit Team: This phase will be performed by the audit senior and one staff accountant, under the direct supervision of the audit manager and partner. Additionally, the engagement's quality control partner will perform a detailed quality control review of the financial statements.

Customization and Communication: The procedures listed above are general. After our initial review of the District and our detailed risk assessment, we will customize the engagement to address the specifics of the District and the audit itself. We will determine which procedures to perform based on our risk assessment. All our audits are customized to each entity, ensuring a complete, effective, and efficient audit. Our approach is founded on open communication, a strong knowledge of the District's operations, and detailed planning at the initial stages of the audit.

Specific audit approach (continued)

Timeliness and Resource Allocation: Our firm is dedicated to performing a timely audit engagement. Prior to the start of the audit, we will meet with District staff to agree on adequate timeframes for the performance of the audit and the release of the financial statements. We will allocate the necessary resources to meet these agreed-upon timeframes.

Level of staff and approximate number of estimated hours assigned to each segment

Segment	Partner	Manager	Senior	Staff	Total
Segment 1	3	6	13	46	68
Segment 2	5	10	20	60	95
Segment 3	7	9	17	14	47
Totals*	15	25	50	120	210

** = excludes Single Audit hours*

Sample sizes (including compliance testing)

Our sample sizes will be determined in accordance with the AICPA's *Audit and Accounting Guide, Audit Sampling*, and will be selected using professional judgment or our TeamMate Analytics software, depending upon circumstance, as permitted by Statement on Auditing Standards. Our methods are designed to provide the most audit coverage without expending excess time. Our sample sizes will depend upon our preliminary assessment of control risk, our planned substantive testing and analytical procedures as well as our professional judgement.

We utilize our Computer Aided Audit Tools (CAAT) software, Teammate Analytics, to draw our audit samples. The software allows us to generate random samples, systematic samples, stratified samples, attributes samples as well as monetary unit samples (also called probability-proportional-to-size or dollar unit sampling).

Intelligent audit technology

Our audits leverage advanced technology through powerful software tools such as Engagement and Teammate Analytics. Additionally, all audit team members are connected wirelessly, enabling real-time information sharing. The benefits of our audit technologies include:

- **Teammate Analytics:** This suite of over 200 dynamic Computer Aided Audit Tools (CAATs) allows us to analyze large amounts of data in seconds. Using data directly from the District, we can search for duplicate checks, detect transactions during unusual hours or on holidays/weekends, perform Benford's Law analysis, and identify instances where a vendor has issued multiple invoices with sequential references, among many other tests. This empowers our audit teams to perform powerful and meaningful data analysis, enhancing our value-added services.
- **Customized Analytical Schedules:** We create our own analytical schedules to easily compare current balances to prior year balances and current vs. budget balances, significantly reducing the time required from District staff.
- **Real-Time Financial Statement Analysis:** Once your trial balances and financial statements are entered into our software, we can review your financial statements in the field, allowing us to notice and address any variances immediately.

Specific audit approach (continued)

- **Linked Financial Statement Schedules:** We link financial statement schedules directly to our audit software trial balances, enabling us to provide the District with fund financial statements almost immediately after importing the trial balances.
- **Audited Trial Balances:** We provide the District with audited trial balances that show the coding of the financial statement schedules, making it easier for District staff to review. These reports include each account coded to a specific financial statement line item/function and journal entries posted during the audit.

Analytical Procedures

To effectively utilize analytical procedures, industry background and knowledge are essential. With our firm's extensive experience and qualified staff, we possess the necessary knowledge to apply analytical procedures efficiently throughout our audit of the District.

- **Interim Phase:**
  - Compare current and prior year unadjusted balances to identify areas requiring additional analysis.
  - Compare current year actual amounts to the District's annual budget (both original and adopted).

- **Final Phase:**
  - Perform procedures similar to those in the interim phase.
  - Compare certain financial ratios for current and prior years.
  - Conduct reasonableness tests.
  - Investigate any significant variances further through inquiry and additional substantive testing until resolved to our satisfaction.

- **Post-Fieldwork:**
  - Compare current and prior year audited balances, considering expected relationships based on our knowledge of the District, similar entities, and the general economic environment.
  - Utilize additional analytical techniques such as trend analysis as needed.

Unlike other audit firms, we use analytical procedures to supplement, not supplant, our substantive testing, ensuring a thorough and comprehensive audit.

Identification of potential audit problems

One potential problem could be the implementation of any future GASBS. With our deep understanding of governmental accounting and auditing, constant training, and broad resources, we do not anticipate any issues during a GASB implementation. Our approach to any GASB statement implementation would be as follows: gain a thorough understanding of the pronouncement; determine applicability to the District; if applicable, discuss the statement and how it will affect the District with District staff; and provide guidance to District staff on the accounting and financial reporting implications.

Auditing in a remote environment

The evolution of technology has revolutionized the accounting and auditing profession, enabling us to provide high-quality services remotely with efficiency, precision, and timeliness. During the COVID-19 pandemic, our firm adapted quickly to a fully remote audit environment and developed processes that have since become integral to our standard approach. These advancements not only enhanced the quality of our audits but also resulted in significant efficiencies for both our team and our clients.

Specific audit approach (continued)

Remote Audit Approach

- **Technology Utilization:**
  - We use secure cloud-based platforms for document sharing and management, such as Engagement Organizer, ensuring client data remains safe and accessible.
  - Video conferencing tools (e.g., Zoom, Microsoft Teams) facilitate real-time communication with District staff, enabling collaborative discussions and efficient issue resolution.

- **Workflow and Communication:**
  - Regular Communication: We maintain routine contact with clients throughout all phases of the audit via email, phone calls, and video meetings.
  - Responsiveness: Our team prides itself on quick turnaround times for questions or issues, making remote collaboration as seamless as on-site interactions.

- **Flexibility for On-Site Presence:**
  - While we anticipate performing the majority of our work remotely, we understand that some aspects of the audit may benefit from an on-site presence. If desired, we will work with the District to determine an acceptable staffing level for in-person activities, balancing health, safety, and operational needs.

Benefits of Remote Auditing

- **Efficiency Gains:**
  - Remote auditing reduces the need for travel time, allowing both auditor and auditee to focus on the tasks at hand, resulting in faster turnaround on requests and issue resolution.
  - Immediate access to digital documents and records eliminates delays associated with physical transfers of information.

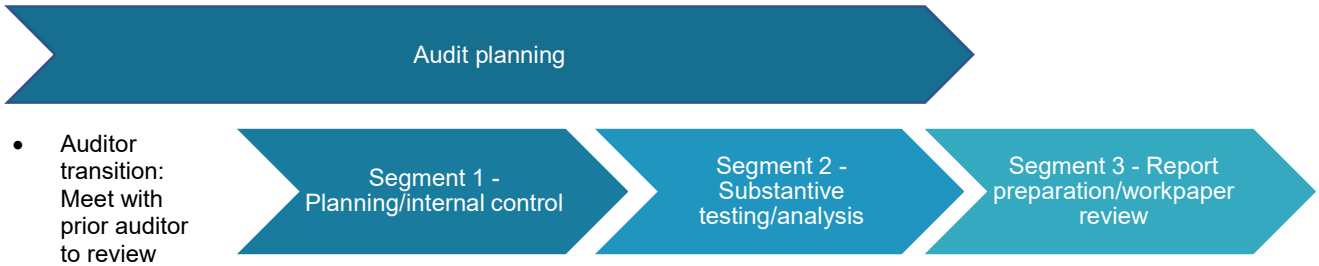
- **Enhanced Quality of Life:**
  - By minimizing travel, our staff can dedicate more time to client work and professional development, improving overall morale and productivity.

- **Environmental Impact:**
  - Reducing unnecessary travel decreases traffic congestion, lowers fuel consumption, and contributes to improved air quality in Southern California.

- **Year-Round Availability:**
  - Our remote-first approach fosters an ongoing partnership, encouraging clients to reach out throughout the year for guidance on matters that could impact the audit or their financial reporting.

Specific audit approach (continued)

Proposed audit timing



- Auditor transition: Meet with prior auditor to review workpapers.
- Entrance conference to meet with management for pre-audit planning.
- Preliminary risk assessment procedures.

Anticipated timing of each segment		
June	**September**	**October/November**
• Obtain an understanding of systems, internal controls, and current-year issues. • Assess and evaluate design and implementation of key internal controls (including IT related). • Perform tests of internal controls as needed. • Identify control deficiencies • Perform detailed risk assessment procedures. • Draft internal control comment letter. • Develop detailed audit plan – provide management with a detailed listing of items needed to perform the audit, including the timing of when items are needed.	• Perform substantive audit fieldwork, including substantive analytical procedures. • Consider whether audit evidence is sufficient to form an opinion. • Conduct exit conference with management to discuss proposed entries, internal control issues, etc.	• Determine whether, based on our substantive testing and other procedures, the financial statements, taken as a whole, are free of material misstatement. • Review all workpapers. • Evaluate financial statements and note disclosures. • Perform final analytical procedures. • Draft required reports. • Issue final required reports by or before agreed upon date of December 15th of each year, provided that all previous milestones have been achieved. • Present to governing body as needed.

Identification of Anticipated Potential Audit Problems

Governmental Accounting Standards Board Statements (GASBS) implementation

One potential problem could be the implementation of any future GASBS. With our deep understanding of governmental accounting and auditing, constant training, and broad resources, we do not anticipate any issues during any GASB implementation. Our approach to any GASB statement implementation would be as follows: gain a thorough understanding of the pronouncement; determine applicability to the District; if applicable, discuss the statement and how it will affect the District with District staff; and provide guidance to District staff on the accounting and financial reporting implications.

October 19, 2026

Olivenhain Municipal Water District

Cost Proposal for Professional Auditing Services
For the Fiscal Year Ending June 30, 2027 through June 30, 2029
(with the option for the two subsequent years)

Contact Persons:
Scott Manno, CPA, CGMA
smanno@ramscpa.net

Gardenya Duran, CPA, CGMA
gduran@ramscpa.net

909.889.0871

Prepared By
Rogers Anderson Malody & Scott, LLP
735 E Carnegie Drive, Suite 100
San Bernardino, CA 92408

License #2596
FEIN 95-2662063

Olivenhain Municipal Water District
Proposal for Professional Auditing Services
Cost Proposal

Cost summary

As highlighted in our technical proposal, we believe our fee estimate represents a fair and reasonable investment, aligned with the high level of service and expertise provided by our audit team members. While our bid may not be the lowest, our focus is on delivering the best value, and our pricing reflects this commitment.

We understand the importance of cost considerations and do not want fees to be a barrier in the District's selection of an auditor. We are open to discussing and negotiating fee-related matters to ensure they meet the District's needs and expectations.

In accordance with the Request for Proposal for Audit Services issued by the District, Rogers, Anderson, Malody & Scott, LLP hereby submits the following all-inclusive maximum cost proposal:

	Fiscal year ended June 30,				
				Option years	
Service	**2027**	**2028**	**2029**	**2030**	**2031**
Financial audit of the District	**$ 33,950**	**$ 33,950**	**$ 35,075**	**$ 36,125**	**$ 37,350**
Single Audit	$ 6,435	$ 6,435	$ 6,650	$ 6,850	$ 7,070

** Single Audit fees based on one major program, each additional major program is $4,500.*

All fees are all-inclusive, not-to-exceed amounts

	Fiscal year ended June 30,				
				Option years	
Position	**2027**	**2028**	**2029**	**2030**	**2031**
Partner	$ 285	$ 285	$ 295	$ 300	$ 300
Audit Manager	185	185	190	195	200
Senior Accountant	165	165	170	175	185
Staff Accountant	140	140	145	150	155
Clerical	65	65	70	75	80
Other	-	-	-	-	-

Certification

I, the undersigned, certify I am duly authorized to represent Rogers, Anderson, Malody & Scott, LLP and am empowered to submit this bid. In addition, I am authorized to sign a contract with the Olivenhain Municipal Water District on behalf of the Firm.



10/19/2026

Scott W. Manno, CPA, CGMA
Partner

Date

Cost summary (continued)

Condition of records

Our proposed fee assumes the following: the District will be adequately prepared for the audit and the District's financial operations and working trial balance will be consistent from year to year. If, after we receive the working trial balances, we notice there are excessive new accounts over the prior year; or if there are excessive subsequent journal entries; prepared by client workpapers do not agree to the working trial balances, there are new funds/functions within the District, etc., or other changes that necessitate a significant amount of time to address, we will need to come to an agreed upon change order to address any possible additional costs incurred by the firm. If the need for additional work comes to our attention, we will immediately notify District staff. If you choose to have us perform the additional work, then such work will be performed at the same hourly rates applicable to the audit and set forth in an addendum to the contract between the District and our firm.

Management is also responsible for the implementation of new standards issued by the Governmental Accounting Standards Board. We will provide reasonable assistance in the preparation of the items, but any significant time needed to complete the financial statements will be billed separately.

Our proposed fee is also dependent on all items requested being completed in the format requested or in a mutually agreed upon format and uploaded to the Engagement Organizer hosted by our firm in a timely manner in accordance with the agree-upon audit timeline.

Software conversion/change

We understand that the District may occasionally implement software changes or conversions as part of its ongoing efforts to improve operational efficiency and financial management. Our firm is well-equipped to support clients through these transitions and ensure that the audit process remains seamless.

If the District initiates a software change or conversion, our firm will work closely with District staff to update account numbers, names, coding, and other financial data elements in alignment with the new system. However, due to the additional time and resources required to accommodate these changes, there will be a minimum charge of $5,000 associated with this work.

This fee covers:

- **Data Mapping and Reconciliation:**
  - Updating account structures and mapping old accounts to the new system.
  - Verifying accuracy and consistency in account names, numbers, and coding.
- **System Testing and Validation:**
  - Testing reports and financial statements generated from the new system to ensure they align with audit requirements.
  - Addressing discrepancies or issues resulting from the conversion.
- **Process Adjustments:**
  - Modifying audit procedures to align with the new system's capabilities and reporting outputs.
  - Providing guidance on system-generated reports required for audit purposes.

We are committed to working efficiently and collaboratively with the District to minimize disruption and ensure a smooth transition. This additional charge reflects the specialized expertise and resources necessary to maintain the integrity and quality of the audit during periods of significant system change.

Detail schedule of professional fees

Schedule of professional fees by staffing level

Fiscal year ended June 30, 2027	Hours	Rate	Total
Partner	15	$ 285	$ 4,275
Manager	25	185	4,625
Supervisory/Senior	50	165	8,250
Staff accountant	120	140	16,800
Total fiscal year 2027	210		$ 33,950

Fiscal year ended June 30, 2028	Hours	Rate	Total
Partner	15	$ 285	$ 4,275
Manager	25	185	4,625
Supervisory/Senior	50	165	8,250
Staff accountant	120	140	16,800
Total fiscal year 2028	210		$ 33,950

Fiscal year ended June 30, 2029	Hours	Rate	Total
Partner	15	$ 295	$ 4,425
Manager	25	190	4,750
Supervisory/Senior	50	170	8,500
Staff accountant	120	145	17,400
Total fiscal year 2029	210		$ 35,075

Detail schedule of professional fees (continued)

Schedule of professional fees by staffing level

Fiscal year ended June 30, 2030

	Hours	Rate	Total
Partner	15	$ 300	$ 4,500
Manager	25	195	4,875
Supervisory/Senior	50	175	8,750
Staff accountant	120	150	18,000
Total fiscal year 2030	210		$ 36,125

Fiscal year ended June 30, 2031

	Hours	Rate	Total
Partner	15	$ 300	$ 4,500
Manager	25	200	5,000
Supervisory/Senior	50	185	9,250
Staff accountant	120	155	18,600
Total fiscal year 2031	210		$ 37,350

Warranties

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.

Rogers Anderson Malody & Scott, LLP



Authorized Representative/Date

Proposal for Professional Auditing Services

Olivenhain Municipal Water District

Submitted by

Roger A. Martinez, CPA
Partner, Audit Practice Leader
Vasquez & Company LLP
655 N. Central Avenue, Suite 1550
Glendale, CA 91203
Tel: (213) 873-1703
Fax: (213) 873-1777
Email: ram@vasquezcpa.com

October 19, 2026

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Transmittal Letter

October 19, 2026

Leo Mendez
Finance Manager
Olivenhain Municipal Water District
1966 Olivenhain Road
Encinitas, California 92024

RE: Vasquez & Company LLP Proposal for Professional Auditing Services to Olivenhain Municipal Water District

Vasquez & Company LLP ("Vasquez," "we," "us," or "our") is pleased to submit our proposal to provide professional auditing services to Olivenhain Municipal Water District (the "District," "you," "your") for the three fiscal years ending June 30, 2027, 2028, and 2029, with an option to extend the contract for two (2) additional years ending June 30, 2030 and 2031.

Firm's Understanding of Scope of Services and Deliverables

Our understanding of the project objectives, scope of work, and anticipated deliverables is as follows:

- Perform an audit and render an auditor's report on the basic financial statements of the District in accordance with auditing standards generally accepted in the United States of America and, when applicable, *Government Auditing Standards*, issued by the Comptroller General of the United States.
    - As part of our audit, we will issue an opinion on the District's financial statements and apply the procedures required by professional standards to MD&A and RSI.
    - We will render our auditor's reports on the District's internal control over financial reporting and on compliance with relevant laws and regulations and other matters based on our audit of the basic financial statements.
    - Assist the District with the preparation of its ACFR, including providing editable Word and Excel files for the audited financial statements, notes, required supplementary information, and supporting schedules. We will also review and comment on the District-prepared transmittal letter, MD&A, and statistical section.
- Perform a Single Audit of federal awards under the Uniform Guidance.
    - We will issue our report on the District's Schedule of Expenditures of Federal Awards
    - We will render an opinion on the District's compliance with requirements applicable to each major program
    - We will render our report on the District's internal controls over the administration of federal awards.
- Issue a Management Letter that includes recommendations for improvements in internal control, accounting procedures, and other significant observations that are considered to be non-reportable conditions.

- Provide assistance in meeting the requirements of the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting Program.
- Provide guidance on the implementation of new GASB and OMB requirements and specifics of Federal and State of California regulations as they pertain to local government accounting.

The engagement partner will attend in person at least one Finance Committee meeting and one Board meeting annually to present the audit results and required reports.

Management can be assured our audits will be performed in accordance with:

- Generally accepted auditing standards as set forth by the American Institute of Certified Public Accountants;
- The standards for financial audits set forth in the U. S. Government Accountability Office's Government Auditing Standards;
- The provisions of the Single Audit Act, as amended, and the Office of Management and Budget's (OMB) Guidance for Federal Financial Assistance codified at 2 CFR Part 200, Subpart F, Audit Requirements, as applicable.
- Twenty (20) hours of consultation at no charge.

Why Vasquez?

Experienced Firm:

- We have a proven track record of delivering high-quality audit services to water and wastewater agencies and similar governmental entities.
- We are a member of the AICPA Governmental Audit Quality Center, demonstrating our commitment to excellence in governmental auditing.
- We have the resources, experience, and reputation necessary to maintain our excellent working relationship, deliver all requested services, and keep the District informed of emerging regulatory and accounting developments in its best interests.
- We believe our extensive California water utility experience, dedicated project team, risk-focused audit methodology, competitive pricing structure, and long-standing client relationships uniquely position the firm to provide high-quality audit services to the District.

Experienced Leaders:

Our leadership team is uniquely qualified to deliver the requested services. The team brings extensive expertise in providing audit services to water and wastewater agencies. Each member of our proposed engagement team specializes in key areas, including compliance and financial reporting. This experience will support thorough and accurate assessments. Our proposed leadership team consists of:

- Roger A. Martinez, CPA, Partner and Audit Practice Leader at Vasquez, formerly with KPMG's Department of Professional Practice, where he advised on complex audit, accounting, and risk management matters at a national level, with over twenty-five (25) years of public accounting experience, will serve as the engagement relationship partner.

  Roger's experience includes the Metropolitan Water District of Southern California, the Los Angeles Department of Water and Power, the United Water Conservation District, the Upper San Gabriel Valley Municipal Water District, and the Water Replenishment District of Southern California.
- Jay Toledo, CPA, Director at Vasquez, formerly with PwC, with over fifteen (15) years of public accounting experience, will lead our delivery of services to the District and direct and supervise the auditors performing the engagement, review the audit results, and provide technical expertise as appropriate.

  Jay's experience includes the Moulton Niguel Water District, the Monterey One Water, the Santa Clara Valley Water District, the Water Replenishment District of Southern California, the Victor Valley Wastewater Reclamation Authority, and the Encina Wastewater Authority.

- Cristy A. Canieda, CPA, CGMA, Partner and Government Practice Leader at Vasquez, formerly with PwC, with over thirty (30) years of public accounting experience, will be the engagement quality control reviewer and will provide an objective evaluation of the engagement team's significant judgments and conclusions in formulating the auditor's report.

  Cristy's experience includes the Encina Wastewater Authority, the Municipal Water District of Orange County, the Central Basin Municipal Water District, and the Hidden Valley Municipal Water District.

Information Technology Expertise:

Our audit approach includes a review of the District's Information Technology (IT) general controls by IT professionals with more than 20 years of experience to assess whether security, integrity, availability, and control processes support reliable financial reporting.

Our Internal Control-Based Audit Approach:

Our professionals, with extensive experience in performing financial and compliance audits of local water agencies in California, will bring an unbiased, fresh perspective to the District's systems,

- operations, and practices. Our experience will enable us to assess your risk and compare your existing policies and practices with those of other efficient, reputable agencies. We will focus on the critical areas of your operations.
- Our audit approach is unique in that we evaluate and test key internal accounting controls rather than merely performing substantive tests. This approach provides critically important information to the District's management about the effectiveness of its internal controls.

Communication with the District:

- We will hold regularly scheduled status meetings to keep you abreast of our progress.
- We will provide you with meaningful status reports.
- We will take a proactive approach to develop practical solutions to identified challenges.
- Team members, including the engagement partner and quality control partner, will be available year-round.

Addressing Critical Accounting Matters:

Recognizing that your interests are best served by highly qualified, knowledgeable, and trained accountants and auditors, we offer our staff and our clients:

- Frequent training in current technical matters and subjects of importance to the finance, accounting, and auditing aspects of local governments, such as new GASB requirements.
- Specifics of Federal and State of California regulations pertaining to local government accounting, reporting, and compliance.

Timeliness:

- We understand and appreciate the importance of adhering to agreed-upon timelines and meeting deadlines.
- We structure our audit approach to recognize issues early, plan for the orderly completion of our work, and avoid end-of-audit surprises.
- We commit to meeting all agreed-upon deadlines.

New GASB Pronouncement Experience:

- Our team has assisted our clients in adopting applicable Governmental Accounting Standards Board (GASB) statements.
- Our firm assists clients in assessing their readiness to implement the new standards and guiding them through the actual implementation.

Providing an Effective and Efficient Audit:

- Our risk-based approach, our high-caliber management team, and our experienced staff ensure that critical issues are not overlooked but instead are promptly identified, communicated to you, and resolved to the District's satisfaction.

Affirmations:

- Vasquez affirms that this proposal is a firm and irrevocable offer until April 30, 2027.
- Upon the District's written consent, we will make relevant working papers available to successor auditors and respond to reasonable inquiries. We will retain engagement documentation for at least five years, or longer if required by applicable professional standards or law.

Vasquez is committed to providing the District with the highest level of client service. We trust you will find Vasquez well-qualified to serve the District. If you have any questions, please contact me using the information provided below. As the authorized signer of this proposal and a partner at Vasquez, I am fully empowered to represent the firm, submit this bid, and execute a contract with the District.

VASQUEZ & COMPANY LLP



Roger A. Martinez, CPA
Partner, Audit Practice Leader
655 N. Central Avenue, Suite 1550
Glendale, CA 91203
Tel: 213-873-1703
Email: ram@vasquezcpa.com

Detailed Proposal

Independence

Vasquez is independent of the District as defined by auditing standards generally accepted in the United States of America and the Government Accountability Office's Government Auditing Standards, including the independence requirements in sections 3.18 through 3.107 of the 2024 revision. Vasquez has no professional relationships with the District, its Board members, or its management, and has provided no services to the District in the past five years.

Independence Policies and Monitoring Programs

Our conflict identification process found no interests or relationships that would be deemed adverse to the District. We will continue to monitor our independence throughout the engagement and promptly notify the District in writing of any professional relationships or circumstances that could affect, or be perceived to affect, our independence.

AICPA Governmental Audit Quality Center:

Vasquez is a member of the American Institute of Certified Public Accountants (AICPA) Governmental Audit Quality Center (GAQC). Membership in the GAQC demonstrates our commitment to quality in the performance of governmental audits. Leveraging the Center's benefits enables us to access resources designed to enhance audit quality and apply audit best practices.

Quality Control:

Vasquez has an extensive quality control program to monitor compliance with the audit and accounting professional standards and firm policies. Our client service approach requires the active involvement of experienced partners and managers in consulting and audit engagements to ensure critical issues are promptly identified and resolved.

Performance Monitoring and Assessment:

The objective of the engagement performance element of our quality control is to provide reasonable assurance that:

- Engagements are consistently performed in accordance with applicable professional standards and regulatory and legal requirements.
- Our firm or engagement partner issues reports that are appropriate in the circumstances.

Policies and procedures for engagement performance address all phases of engagement design and execution, including performance, supervision, and review responsibilities. Policies and procedures require that consultation take place when appropriate. Also, our firm has established criteria by which all engagements are evaluated to determine whether a quality control review should be performed.

We satisfy the above objectives by establishing and maintaining the following policies and procedures:

- Planning for engagements meets professional, regulatory, and firm requirements.
- Qualified engagement team members review work performed by other team members on a timely basis.
- Vasquez establishes procedures addressing the nature, timing, extent, and documentation of the engagement quality control review.
- Vasquez establishes criteria for the eligibility of engagement quality control reviewers.
- Vasquez requires that consultation take place when appropriate, that sufficient and appropriate resources are available to enable appropriate consultation to take place; that all the relevant facts known to the engagement team are provided to those consulted; that the nature, scope, and conclusions of such consultations are documented; and that conclusions resulting from such consultations are implemented.

We implement an internal management follow-up procedure called "Voice of the Client" to set the tone for "how we did" and "where we can improve."

License to Practice

Vasquez is licensed to conduct public accounting in California. All "key" engagement team members are properly licensed Certified Public Accountants in California. Vasquez certifies that it will inform the District of any suspension, termination, lapse, non-renewals, or restrictions of its licenses, certificates, or other required documents upon notification. The following link contains a copy of the firm's license: DCA - Search Details

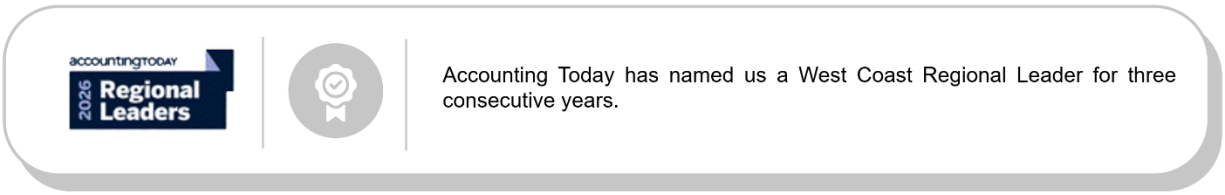


Firm Qualifications and Experience

Vasquez and Company LLP is a Limited Liability Partnership established in 1969, registered with the State of California Department of Consumer Affairs, with over 55 years of experience in performing financial, compliance, and performance audits, internal control reviews, fraud investigations, and risk assessments of water and wastewater agencies, transportation agencies, cities, counties, and other governmental entities.

The AICPA ranks us among the nation's top 1% of accounting firms (G400). In addition:





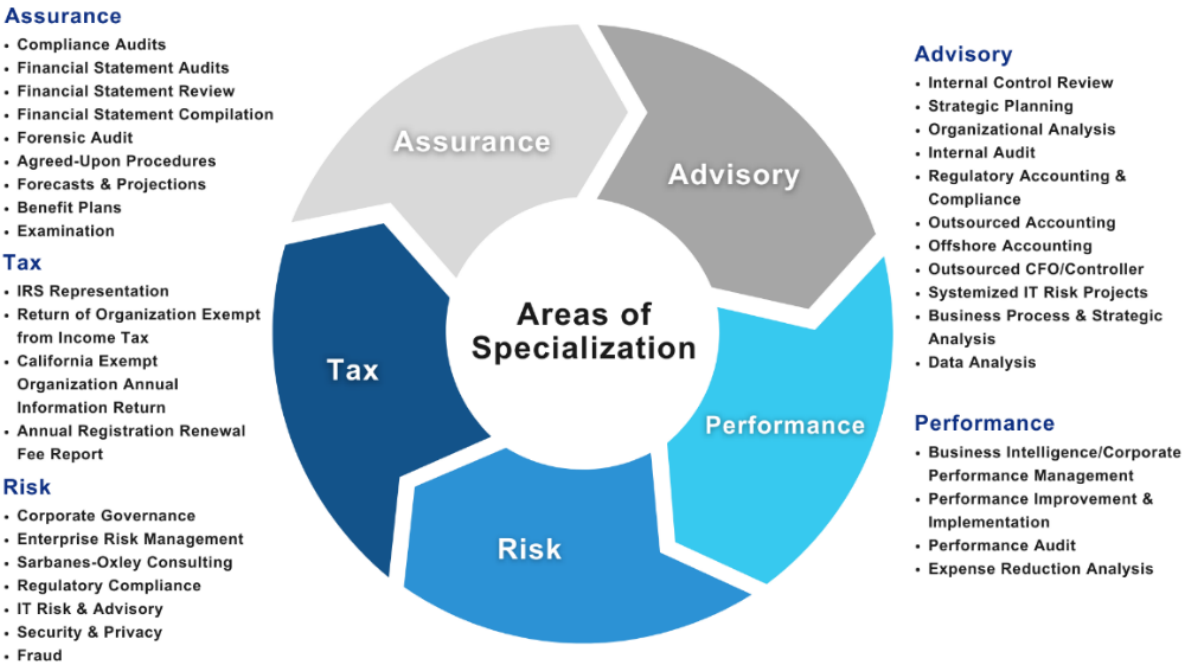
Value Added Services

As a regional firm with former partners and managers from international accounting firms, we offer superior service characterized by timely, personalized attention. Our professionals deliver innovative yet practical solutions that provide clients with a competitive advantage. The following represents a partial list of benefits that would be available to the District as a client of the firm:



Range of Services

Vasquez is a full-service firm dedicated to serving governmental entities and tax-exempt organizations. Our areas of specialization include audit, tax, risk assessments, advisory services, and performance reviews.



Firm Size and Governmental Audit Resources

Our Government Practice Group comprises professionals trained and experienced in conducting audits of governmental entities. These entities include utilities, municipal water and wastewater agencies, California cities, transportation agencies, education agencies, and other special districts.

This group includes professionals with international accounting firm experience who specialize in their chosen industries. Our firm promotes a progressive, agile, and client-focused environment that gives professionals greater autonomy. Our leadership team includes sixteen (16) partners and directors, each with prior experience at one or more global accounting firms. The table below reflects the firm's personnel resources that the District would have access to.



Location of the Office from which this Engagement is to be Performed

We will serve the District from our headquarters in Glendale, California, supported by government personnel from our other offices, including our Manila office, to ensure a 24/7 team to meet the District's needs. The core team will include one relationship partner, one lead audit director, one quality control partner, one senior audit manager, one IT audit senior manager, one audit supervisor, one IT audit supervisor, and senior and staff auditors assigned based on the engagement schedule and risk assessment. Firm personnel from other offices may assist with specifically assigned audit procedures under the direct supervision and review of the engagement leadership team, subject to the District's contractual requirements and applicable confidentiality and data-security protocols. Vasquez will not delegate or subcontract its responsibilities under the agreement without the District's express prior written permission.



Headquarters
655 N. Central Avenue, Suite 1550
Glendale, CA 91203
t) 213-873-1700 f) 213-873-1777

Manila
12/F KMC Armstrong Corporate Center,
H.V. Dela Costa, Salcedo
Village, Makati City, 1227

Fresno
8050 N. Palm Ave. Suite 300
Fresno, CA 93711
t) 559-389-5124

Phoenix
Two North Central Avenue, Suite 1800
Phoenix, AZ 85004
t) 602-759-7319

Irvine
2020 Main St., Suite 1200
Irvine, CA 92614
t) 949-623-8798

Sacramento
500 Capitol Mall, Ste 2350
Sacramento, CA 95814
t) 916-503-3269

Las Vegas
3753 Howard Hughes Parkway Paradise
Suite 200, Las Vegas, NV 89169
t) 702-784-7644

San Diego
402 West Broadway Suite 400
San Diego, CA 92101
t) 619-595-3100

Peer Review

Vasquez is enrolled in the AICPA Peer Review Program, administered by CalCPA, and received a peer review rating of "Pass," the highest rating available. The California Peer Review Committee accepted the firm's peer review report on September 8, 2026. This peer review covered several government engagements similar in size and complexity to the District. A copy of the report follows.



Cal CPA
Peer Review Program

(650) 522-3094
peerreview@calcpa.org

September 14, 2026

Gilbert Vasquez
Vasquez & Company, LLP
801 S Grand Ave Ste 400
Los Angeles, CA 90017-4646

Dear Gilbert Vasquez:

It is my pleasure to notify you that on September 08, 2026, the California Peer Review Committee accepted the report on the most recent System Review of your firm. The due date for your next review is December 31, 2028. This is the date by which all review documents should be completed and submitted to the administering entity.

As you know, the report had a peer review rating of pass. The Committee asked me to convey its congratulations to the firm.

Thank you for your cooperation.

Sincerely,

Peer Review Committee

Peer Review Program
The Peer Review Program Team
peerreview@calcpa.org
650-522-3094

cc: James Dougherty, Roger Martinez

Firm Number: 900010138115 Review Number: 617022

AICPA Peer Review Program
Administered by the California Society of CPAs for CA, AK and AZ

JLK Rosenberger
Certified Public Accountants

Liberty Plaza II
5057 Keller Springs Road, Suite 350
Addison, Texas 75001
Tel: 972-931-6803
jlkrosenberger.com

Report on the Firm's System of Quality Control

December 30, 2025

To the Partners of Vasquez & Company, 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 Vasquez & Company, LLP (the firm) in effect for the year ended June 30, 2025. 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).

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 in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

The Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with 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 in conformity with 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 the system of quality control and the firm's compliance therewith based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the *Single Audit Act*, and audits of employee benefit plans.

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Vasquez & Company, LLP in effect for the year ended June 30, 2025, 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*. Vasquez & Company, LLP has received a peer review rating of *pass*.

JLK Rosenberger, LLP

JLK Rosenberger LLP

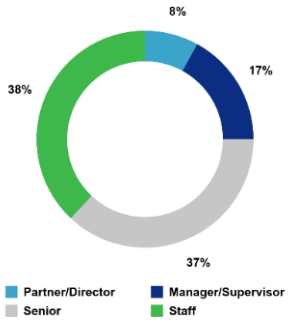
Federal or State Desk or Field Reviews/Disciplinary Actions

As a mid-size firm with hundreds of clients, Vasquez works with regulatory agencies on a regular basis. Vasquez has not had any disciplinary action taken against the firm by state regulatory bodies or professional organizations in the past three (3) years, nor any pending or settled litigation in the past three (3) years.

Partner/Supervisory/Staff Qualifications and Experience

Our team structure, staffing, service approach, communication, and coordination are refined to fit the District's unique needs. We staff our engagements with individuals focused on a dedicated industry.

We will maintain continuity of the core engagement team from planning through report issuance and, to the extent practicable, from year to year. Any newly assigned team member will receive appropriate engagement-specific training and supervision before performing fieldwork.



Vasquez has built its reputation on close partner involvement and strong client relationships. We understand that the ultimate success of our client relationships is mainly attributable to one key component – our people. As a result, we maintain a lower staff-to-partner ratio than most firms, so the District receives direct, hands-on involvement from partners and directors throughout the engagement—not just at sign-off.

Beyond partner leadership and support, an audit is only as good as the people who do most of the daily work. Therefore, we are committed to providing a staff resource pool that embodies the attributes you expect of your auditor, including technical expertise in GASB, knowledge of government and water and wastewater industries, and soft skills such as respect, empathy, and timely response to questions.

Continuing Professional Education Program

To ensure that our professional staff remains current on the latest audit and accounting developments and meets the requirements for maintaining active licensure in good standing, we ensure that our staff receives the required number of CPE hours within the established timeframe. Vasquez also conducts in-house seminars for the professional staff. We offer the following CPE Programs for our staff:

- Continuing Education courses provided by the American Institute of Certified Public Accountants (AICPA), which the firm sponsors live and in-house for its staff and clients, are conducted by highly qualified professionals from the AICPA and the California CPA Education Foundation.
- Attendance at conferences and seminars related to government accounting sponsored by:
  - Government Finance Officers Association
  - Association of Local Government Auditors, and the
  - California Society of Municipal Finance Officers

Engagement Team

A synopsis of the team members, their respective roles, and governmental auditing reporting experiences, followed by their resumes, is as follows:

Team Member	Role
Jay Toledo, CPA Lead Audit Director	Jay Toledo, Vasquez Audit Director, formerly with PwC and with over fifteen (15) years of public accounting experience, will lead services, supervise the auditors performing the audit engagement, and provide technical assistance as needed. Jay's experience includes the Santa Clara Valley Water District, the Monterey One Water, the Moulton Niguel Water District, the Water Replenishment District of Southern California, the United Water Conservation District, the Victor Valley Wastewater Reclamation Authority, and the Encina Wastewater Authority. TOLEDO, DOMINADOR BALORO LICENSE NUMBER: 143789 LICENSE TYPE: CERTIFIED PUBLIC ACCOUNTANT LICENSE STATUS: CLEAR EXPIRATION DATE: JANUARY 31, 2028 SECONDARY STATUS: N/A CITY: COVINA STATE: CALIFORNIA COUNTY: LOS ANGELES ZIP: 91722
Cristy A. Canieda, CPA, CGMA Quality Control Partner	Cristy A. Canieda, Vasquez Government Practice Leader, formerly with PwC, with over thirty (30) years of public accounting experience, will serve as the technical reviewer for the engagement and will work closely to review and evaluate the audit fieldwork and reports. Cristy is a government specialist and serves as a Technical Reviewer for the GFOA Certificate of Achievement for Excellence in Financial Reporting Program. Cristy's experience includes the Municipal Water District of Orange County, the Central Basin Municipal Water District, the Encina Wastewater Authority, the Water Replenishment District of Southern California, and the Hidden Valley Municipal Water District. CANIEDA, CRISTY ANGULO LICENSE NUMBER: 97674 LICENSE TYPE: CERTIFIED PUBLIC ACCOUNTANT LICENSE STATUS: CLEAR EXPIRATION DATE: JANUARY 31, 2028 SECONDARY STATUS: N/A CITY: GLENDALE STATE: CALIFORNIA COUNTY: LOS ANGELES ZIP: 91203
Samuel Joy Tolentino, CPA Senior Audit Manager	Samuel Tolentino, Vasquez Senior Audit Manager, formerly with PwC, EY, and KPMG, with fifteen (15) years of public accounting experience, will manage the day-to-day activities and task accomplishments, monitor progress, and ensure schedule compliance.

Team Member	Role
	He will also ensure ongoing, timely communication among all engagement team levels, ensuring the smooth operation of our audit process. Sam's experience includes the Moulton Niguel Water District, United Water Conservation District, and the Water Replenishment District of Southern California. CBA TOLENTINO, SAMUEL JOY DAYEGO LICENSE NUMBER: 155511 LICENSE TYPE: CERTIFIED PUBLIC ACCOUNTANT LICENSE STATUS: CLEAR EXPIRATION DATE: MAY 31, 2027 SECONDARY STATUS: N/A CITY: ONTARIO STATE: CALIFORNIA COUNTY: SAN BERNARDINO ZIP: 91764
Jason Tagasa, CISA IT Audit Senior Manager	Jason Tagasa, Vasquez IT Audit Senior Manager, formerly with EY, with nearly ten (10) years of professional experience, will oversee audit procedures pertaining to the District's financial systems and information technology. His IT risk-based approach will support the financial statement audit by evaluating relevant IT general and application controls and identifying matters that may affect financial reporting. Jason's experience includes the Desert Water Agency, the Monterey One Water, the Moulton Niguel Water District, the Santa Clara Valley Water District, and the Water Replenishment District of Southern California. **ISACA Certification Verification on 07 January 2026** Name: Jason Tagasa Status: Active Certification Type: CISA Certification Number: 19153674 Date Certified: 11 January 2019 Expiration Date: 31 December 2026
Marc Bauzon Audit Supervisor	Marc Bauzon, Vasquez Audit Supervisor, formerly with RSM and EY, with nearly ten (10) years of public accounting experience, will work closely with the Senior Audit Manager to plan, coordinate, and review the fieldwork. He will also supervise the day-to-day activities and task accomplishments, monitor progress, and ensure schedule compliance. Marc's experience includes the Desert Water Agency, the Monterey One Water, and the Victor Valley Wastewater Reclamation Authority.
Eileen Usi, CISA IT Audit Supervisor	Eileen Usi, Vasquez IT Audit Supervisor, with over ten (10) years of public accounting experience, will work closely with the IT Audit Senior Manager to supervise audit procedures pertaining to the District's financial systems and information technology. Eileen's experience includes the Moulton Niguel Water District, United Water Conservation District, Santa Clara Valley Water District, and Water Replenishment District of Southern California. **ISACA Certification Verification on 28 September 2026** Name: Maria Eileen Usi Status: Active Certification Type: CISA Certification Number: 263128473 Date Certified: 17 July 2026 Expiration Date: 31 December 2026



JAY TOLEDO, CPA
Audit Director

Areas of Expertise

Jay's areas of expertise include managing all aspects of financial and compliance audits, including internal control reviews and single audits performed in accordance with Office of Management and Budget Uniform Guidance, program-specific audits, financial statement reviews, forecasts, and projections to government agencies.

Representation of Experience

- Arizona Water Company
- Big Bear Municipal Water District
- Encina Wastewater Authority
- Monterey One Water
- Moulton Niguel Water District
- Santa Clara Valley Water District
- San Gabriel Valley Water Company
- United Water Conservation District
- Victor Valley Waste Reclamation Authority
- Water Replenishment District of Southern California

Professional Background

Jay's professional background includes auditor and manager positions with PwC. Jay is a certified public accountant licensed in the state of California.

Educational Background

Jay received his Bachelor of Science degree in Accountancy from Far Eastern University. He remains current on accounting matters by attending conferences and continuing education courses on subjects applicable to governmental accounting and financial reporting, as well as federal and state regulatory matters and auditing requirements. He has maintained compliance with the continuing education requirements of the AICPA and the California Board of Accountancy.

Continuing Professional Education

Following are relevant continuing professional education courses completed by Jay Toledo in the past three (3) years:

Title	Subject Code	Date
2026 GOV+NPO: Accounting & Reporting Updates Seminar	AA	06/11/2026
2026 GOV+NPO: Accounting & Reporting Updates Seminar	GV	06/11/2026
Q3 Audit Update 2025 (45171)	AA	10/21/2025
Quarterly Accounting Update - Fall 2025 (45730)	AA	10/14/2025
2025 Government and Nonprofit Accounting Updates Seminar	GV	06/10/2025
Public Sector: Auditing Alternative Investments (62571)	GV	01/22/2025
Quarterly Accounting Update - Winter 2025	AA	01/08/2025
Q4 State Local Governments A&A Updates - 2025	GV	01/08/2025
Single Audit of Governmental and Nonprofit Entities	GV	01/08/2025
Q1 Audit Update 2024	AA	05/15/2024
Compliance- Evaluation of Risk and Performing Test of Controls	GV	05/14/2024
Affiliates in State & Local Government	GV	04/16/2024
Government and Nonprofit Updates Training	GV/AA	02/15/2024
Ethics for California CPAs	Ethics	01/23/2024
Fraud Auditing and Investigation CLFAIN	Fraud	01/18/2024
Quarterly Accounting Update - Winter 2025	AA	01/08/2024
Q4 State Local Governments A&A Updates - 2024	GV	01/08/2024
Single Audit of Governmental and Nonprofit Entities	GV	01/08/2024
GOV Orb APS: It's All in the Optimization (62503)	GV	11/30/2023
GOV Orb - Maps, Leads, and Trees - Oh My! (62501)	GV	11/03/2023
Accounting & Auditing for Lessors under ASC 842, Leases (48360)	GV	10/19/2023
Utility Finance & Accounting for Financial Professionals	AA	10/13/2023
Q3 State Local Governments A&A Updates - 2023 (64388)	GV	10/10/2023
SLG Pension and OPEB Audit Issues (62561)	GV	10/09/2023
Ramifications of the New Standard on Credit Losses to Non-Lending Clients (45407)	AA	09/05/2023-09/06/2023
SLG - Incorporating ITGCs into Financial Statement Audits (62565)	GV	08/24/2023



CRISTY A. CANIEDA, CPA, CGMA
Partner, Government Practice Leader

Areas of Expertise

Cristy's areas of expertise include overseeing all aspects of financial and compliance audits including internal control reviews and Single Audits performed in accordance with Office of Management and Budget Uniform Guidance, program specific audits, financial statement reviews, forecasts and projections to government agencies, preparation of comprehensive annual financial reports, State Controller's reports.

Prior Experience

- Big Bear Municipal Water District
- Central Basin Municipal Water District
- City of Vernon Light & Power
- Coachella Valley Association of Governments
- Encina Wastewater Authority
- Hidden Valley Municipal Water District
- Jurupa Community Special District
- La Habra Heights Water District
- La Puente Valley County Water District
- Municipal Water District of Orange County
- Needles Public Utility Authority
- Orange County Water District
- Rancho California Water District
- Water Replenishment District of Southern California
- WateReuse Finance Authority

Professional Background and Affiliations

Cristy's professional background includes Technical Standards and Continuing Education with PwC. She is a Certified Public Accountant licensed to practice in the State of California.

Educational Background

Cristy received her Bachelor of Science in Accountancy and Associate in Government Auditing from Enverga University and her Master's in Business Administration from Ateneo Graduate School of Business. She remains current on accounting matters by attending conferences and continuing education courses applicable to governmental accounting and financial reporting, as well as federal and state regulatory matters and auditing requirements. She maintains compliance with the continuing education requirements of the AICPA and the California Board of Accountancy.

Continuing Professional Education

Following are relevant continuing professional education courses completed by Cristy A. Canieda in the past three (3) years:

Course Title	Subject Code	Date
Governmental Accounting & Auditing Virtual Conference 2026	GV & AA	04/22/2026
The CPA's Guide to Ethical Leadership - 2025-26	Ethics	01/30/2026
GFOA Best Practices Forum	GV	09/15/2025- 09/19/2025
2025 Government and Nonprofit Accounting Updates Seminar	GV	06/10/2025
2025 GAQC Annual Required Webcast	AA	05/08/25
CalCPA Annual Governmental Accounting and Auditing Conference	GV	04/23/2025 04/24/2025
2025 CSMFO Conference	AA	02/18/2025- 02/21/2025
AICPA Townhall Series	AA	01/30/2025
GAQC 2025 Single Audit Lightning Round	AA	01/28/2025
Common Quality Issues in State and Local Government Financial Statement Audits	GV	10/24/2024
Public Sector: Auditing Alternative Investments	AA	06/19/2024
State and Local Government: Review of New Audit Templates	AA	04/02/2024
Audit Documentation	AA	03/01/2024
2024 Government & Nonprofit Updates	AA	02/15/2024
2024 CSMFO Conference	AA	01/30/2024- 02/01/2024
Fraud Auditing and Investigation	Fraud	01/27/2024
Ethics for California CPAs	Ethics	01/21/2024
Audit Year-End Audit Alert	AA	12/12/2023
Accounting and Auditing for Lessors under ASC 842, Leases	AA	10/19/2023
Q3 State and Local Governments A&A Updates – 2023	GV	10/10/2023
Government Audit Reviewers' Training	GV	09/14/2023



SAMUEL JOY TOLENTINO, CPA
Audit Senior Manager

Areas of Expertise

Samuel's practice is focused on managing all aspects of financial and compliance audits, including internal control reviews, Single Audits performed in accordance with Office of Management and Budget Uniform Guidance, program-specific audits, financial statement reviews, forecasts, and projections to local governments.

Representation of Experience

- City of Palos Verdes Estates
- Needles Public Utility Authority
- Monterey One Water
- Moulton Niguel Water District
- San Gabriel Valley Council of Governments
- Santa Clara Valley Water District
- United Water Conservation District
- Water Replenishment District of Southern California

Professional Background and Affiliations

Samuel's professional background includes PwC, EY, and KPMG, where his practice was focused on audit engagement planning, budgeting, preparing audit programs, drafting financial statements, and management reports. Samuel is a Certified Public Accountant licensed to practice in the State of California.

Educational Background

Samuel earned his Bachelor of Science in Accounting from the Polytechnic University of the Philippines. He remains current on accounting matters by attending seminars focused on subjects applicable to accounting and financial reporting, as well as federal and state regulatory matters and auditing requirements. He has maintained compliance with the continuing education requirements of the AICPA and the California Board of Accountancy.

Continuing Professional Education

The following are relevant continuing professional education courses completed by Samuel Tolentino in the past three (3) years:

Title	Subject Code	Date
2026 Governmental & Nonprofit Accounting Updates Seminar	AA & GV	06/11/2026
Auditing Estimates Reminders - 2025 (45096)	AA	10/24/2025
Q3 Audit Update 2025 (45171)	AA	10/21/2025
Quarterly Accounting Update - Fall 2025 (45730)	AA	10/14/2025
2025 Governmental & Nonprofit Accounting Updates Seminar	AA	06/10/2025
Teams Webinar: Making Sense of Federal Grant Freezes and Executive Orders Under the New Administration	AA	02/26/2025
Fraud 101 - Fraudulent Financial Reporting-CPFRRT	Fraud	01/31/2025
Introduction to Audit Sampling (45061)	AA	01/24/2025
Public Sector: Auditing Alternative Investments (62571)	GV	01/22/2025
Q4 State Local Governments A&A Updates - 2024 (61558)	AA	01/06/2025
Governmental Accounting for Revenue-CLGOV3	GV	12/20/2024
Introduction to Single Audit (62075)	GV	12/19/2024
2024 Government and Nonprofit Updates Training	GV	02/15/2024
GOV Orb - Just the FAQs (62504)	GV	01/05/2024
Q4 State Local Governments A&A Updates - 2023 (64389)	GV	01/04/2024
GOV Orb APS: It's All in the Optimization (62503)	AA	11/30/2023
Q3 Audit Update 2023 (45162)	AA	10/24/2023
Control Testing for Financial Statements of State and Local Governments (62564)	AA	08/08/2023



JASON TAGASA, CISA
IT Audit Senior Manager

Areas of Expertise

Jason's practice is focused on participating in internal audit, compliance, IT risk assurance and financial auditing engagements. He is skilled at audits of various mobile, network and infrastructure systems, databases, ERP applications and data management systems.

- IT Risk Assessment
- Internal Controls Assessment And Optimization
- Business Process and Operations Review
- SOC Reports
- Regulatory Guidance and Compliance (SOX)
- Project and Program Management
- Disaster Recovery and Business Continuity
- IT Security and Vulnerability Assessments
- Internal Audit Support

Professional Background and Affiliations

Jason's professional background includes IT senior auditor with EY. He is a Certified Information Systems Auditor (CISA).

Representation of Experience

- Arizona Water Company
- Desert Water Agency
- Monterey One Water
- Moulton Niguel Water District
- Needles Public Utility Authority
- Santa Clara Valley Water District
- San Gabriel Valley Water Company
- Water Replenishment District

Educational Background

Jason received his Bachelor of Science in Accounting from the University of Santo Tomas. He remains current on accounting matters by attending conferences and continuing education courses which are focused on information systems and financial reporting, as well as federal and state regulatory matters and auditing requirements.

Continuing Professional Education

Following are relevant continuing professional education courses completed by Jason Tagasa in the past three (3) years:

Title	Subject Code	Date
Common audit deficiencies: Governmental audits	AA	07/09/2026
2026 GOV + NPO Accounting & Reporting Updates Seminar	AA	06/11/2026
Reimagining GRC: The strategic role of control self-assessment in modern governance	AA	03/24/2026
The nth-party frontier: Getting ahead of hidden AI risks in your supply chain	AA	02/25/2026
Architecting proactive compliance programs with continuous control monitoring	AA	02/25/2026
Structuring AI governance for enterprise resilience	AA	02/25/2026
Making a dent in cyber risk: A practitioner's guide to quantification and prioritization	AA	02/25/2026
2025 Government & Nonprofit Accounting Updates Seminar	GV & AA	06/10/2025
2025 Mid-Year Outlook for Internal Audit: Embracing Change, Managing Risk, and Leading with Insight Webcast	AA	06/05/2025
Group Audits of State & Local Government Entities (62570)	GV	05/13/2025
PMP Certification Training	AA	04/29/2025
Emerging Trends in SOX Compliance: Navigating the Evolving Landscape Webcast	AA	03/31/2025
Refresher on Test of Controls Training	AA	03/11/2025
From Due Diligence to Resilience: Building Robust Third-Party Risk Management	AA	02/26/2025
Risk-Based IT Compliance: The Case for Business-Driven Cyber Risk Quantification	AA	02/26/2025
Demystifying AI Audits: A Practical Guide to Compliance	AA	02/26/2025
Ethics for California CPAs	AA	02/24/2025
Q1 Audit Update 2024 (45164)	AA	05/15/2024
Compliance- Evaluation of Risk and Performing Test of Controls (60816) Training	AA	05/14/2024
Q1 State Local Governments A&A Updates - 2024 (61555)	AA	05/13/2024
Compliance- Understanding/Documenting Internal Controls (60815)	AA	05/07/2024
2024 Government and Nonprofit Updates Training	AA	02/15/2024



MARC BAUZON
Audit Supervisor

Areas of Expertise

Marc's areas of expertise include conducting end-to-end procedures for financial and compliance audits, as well as internal control reviews. Additionally, Marc is experienced in non-assurance engagements, including agreed-upon procedures and compilations.

Representation of Experience

- Desert Water Agency
- Gold Coast Transit District
- Imperial County Transportation Commission
- Monterey One Water
- Victor Valley Wastewater Reclamation Authority

Professional Background and Affiliations

Marc has over 8 years of financial audit experience, having previously spent time as an external auditor with RSM and EY. His experience highlights his focus on engagement planning, budgeting, drafting financial statements, and management reports.

Educational Background

Marc earned his Bachelor of Science Degree in Accountancy from the University of Luzon. He remains current on accounting and auditing matters by attending conferences, seminars, and continuing education courses that focus heavily on subjects relevant to auditing, accounting, financial reporting, and related industry-specific topics. He maintains compliance with the continuing education requirements of the AICPA and the California Board of Accountancy.

Continuing Professional Education

Following are relevant continuing professional education courses completed by Marc Bauzon in the past three (3) years:

Title	Subject Code	Date
Two Sides of the Same Grant: Compliance Through an Auditor & City Lens (Acctg & Auditing, Government)	GV	2/24-27/2026
Mapping the Audit Journey: Tools and Insights to Guide your Path (Acctg & Auditing, Government)	GV	2/24-27/2026
Let's Avoid Common Errors seen in GFOA's Certificate of Achievement Program (Acctg & Auditing, Government)	GV	2/24-27/2026
GASB Update (Acctg & Auditing, Government)	GV	2/24-27/2026
GASB Statement Implementation White Paper - Guidance from Industry Leaders (Acctg & Auditing, Government)	GV	2/24-27/2026
Data Analysis Module 3: Advanced Data Analysis Using IDEA (42086) -Recording	GV	06/10/2025
Group Audits of State & Local Government Entities (62570)	GV	05/13/2025
Q2 Audit Update 2022 (45142)	AA	02/14/2024
Business Combination Accounting - The Basics (44905)	AA	02/05/2024
Q2 Audit Update 2023 (45161)	AA	02/05/2024
GASB Standards to be Implemented in 2023 (62505)	GV	02/05/2024
US Auditors Use of RDC India (41071)	AA	02/04/2024
ICFR Roadshow Session 6 - Application Controls (41126)	AA	02/04/2024
Risk Assessment: Identification of RMMs and Relevant Assertions (48076)	AA	02/04/2024
Compliance Testing (60818)	GV	02/04/2024
ICFR Roadshow 2023 Session 7 (41718)	AA	02/04/2024
ICFR Roadshow Session 9 - Evaluating Controls Deficiencies (41129)	AA	02/04/2024
ICFR Roadshow Session 7 - Filling out a SOC Report Abstract and SOC Report Considerations (41127)	AA	02/04/2024
ICFR Roadshow Session 2 - Evaluating the Precision of Management Review Controls (41122)	AA	02/04/2024
Debt Classification Under U.S. GAAP (41457)	AA	01/28/2024
ICFR Roadshow - IT (Scoping, ITGCs, Evidence, Cyber, etc) (41614)	AA	01/28/2024
FI Allowance: The Basics (63040)	AA	01/28/2024
RDC Industry Series-Financial Institutions – Part 2 (61015)	AA	01/28/2024
Checkpoint Accounting Tool Training –Thomson Reuters (46883)	AA	01/28/2024
ASNPO Revenue and Deferred Revenue (49108)	AA	01/31/2024
Introduction to Business Combinations (IFRS & ASPE) (43401)	AA	01/12/2024
IT Application for Single Audit (60564)	GV	01/12/2024
Data Analysis Module 4: Building Complex Equations (42087)	AA	01/12/2024
Comparison of IFRS to U.S. GAAP-2023 (48627)	AA	01/12/2024



EILEEN USI, CISA

IT Audit Supervisor

Tel: 213-873-1763
Email: eusi@vasquezcpa.com

Areas of Expertise

Eileen is a Certified Information Systems Auditor (CISA). Her experience includes serving as a Finance Analyst and SAP Security Senior Analyst at Coca-Cola, as well as a Segregation of Duties and Business Process Analyst at Holcim. Eileen's practice focuses on IT Systems Security, IT Audit and Advisory Engagements, and Corporate Finance.

Industry Experience

Eileen has provided IT audit and advisory services to clients across the insurance, healthcare, oil, retail, water, education, government, nonprofit, transportation, talent management, construction, real estate development, and manufacturing sectors. Her areas of expertise include:

Internal Audit	IT Systems Governance	Change Management, Risk, and Compliance	Business Process Improvement	IT General and Application Controls Reviews	Sarbanes-Oxley (SOX) 404 Integrated Audits

System and Application Experience

Enterprise, Financial, and ERP Systems	Human Resources and Payroll Systems	Cloud, Security, and Other Applications	Healthcare Applications
• SAP • Oracle/NetSuite • MS Dynamics GP • QuickBooks • Abila MIP • PeopleSoft SIS • Tyler Munis/Incode • Sage, • AccuFund • Naviline • Quantum • IBM AS/400	• ADP • Workday • Paychex • Paycom • Paylocity • Retail Pro	• AWS • GitHub • Internet Banking • PDI • Prism	• Epic • OCHIN Epic • AthenaOne • NextGen • eCW • Intergy • Dentrix • MediaDent • EZ-CAP • HEALTHsuite Advantage

Representation of Experience

- Arizona Water Company
- California Water Service
- Encina Wastewater Authority
- Monterey One Water
- Moulton Niguel Water District
- Orange County Sanitation District
- San Gabriel Valley Water Company
- Santa Clara Valley Water District
- United Water Conservation District
- Victor Valley Wastewater Reclamation Authority
- Water Replenishment District of Southern California

Educational Background

Eileen received both her Bachelor of Science in Accountancy and her Bachelor of Science in Business Administration, Major in Financial Management Accounting, from Holy Angel University in the Philippines. She stays current on IT and risk advisory matters by attending conferences and continuing education courses focused on IT audit, information security, and other areas relevant to a risk practitioner.

Continuing Professional Education

Following are relevant continuing professional education courses completed by Eileen Usi in the past three (3) years:

Title	Subject Code	Date
CCH Axcess Engagement Pro - Best Practices - 2 Hr Web	AA	07/29/2026
AI Insights 2026: Q2 Update	AA	06/18/2026
2026 GOV + NPO Accounting & Reporting Updates Seminar	AA	06/11/2026
AI Fundamentals: Understanding the Basics	AA	06/09/2026
Academy School of Audit CCH Axcess Knowledge Coach & The KBA Web Session	AA	03/17/2026
The Boardroom-Ready CISO	AA	03/18/2026
CCH Axcess Engagement Pro - End User Training	AA	03/09/2026
Using Data-Driven Cyber Trends to Inform Your Audit Program	AA	03/03/2026
Quality Management Policies and Procedures Rollout - Introduction	AA	11/17/2025
Q3 Audit Update 2025 (45171)	AA	10/21/2025
Accounting & Auditing for Lessees under ASC 842, Leases (45480)	AA	10/16/2025
Performing Journal Entry Testing (41141)	AA	10/16/2025
Harnessing AI and Automation for Compliance and Internal Audit Excellence	AA	10/15/2025
Quarterly Accounting Update - Fall 2025 (45730)	AA	10/14/2025
Smarter Revenue Cycles: Leveraging AI and Analytics	AA	09/25/2025
Internal Audit Cybersecurity Webinar	AA	08/14/2025
Q2 Not-for-Profit A&A Update - 2025 (61571)	AA	08/04/2025
2025 Government & Nonprofit Accounting Updates Seminar	AA	06/10/2025
Q1 Not-for-Profit A&A update - 2025 (61570)	AA	04/15/2025
Refresher on Test of Controls	AA	03/11/2025
Navigating the Digital Transformation Journey	AA	01/30/2025

Similar Engagements with Other Government Entities

Client/Contact/Address	Nature of Engagement	Engagement Team
Moulton Niguel Water District Kelsey Decasas Controller 26161 Gordon Rd, Laguna Hills, CA 92653 Tel: (949) 831-2500 Email: kdecasas@mnwd.com	Financial Statement Audit Report, Single Audit Report, and GANN Limit. Total Hours: 589 hours Client from 2024 to Present	Roger Martinez Lead Partner Cristy Canieda QC Partner Jay Toledo Lead Director Samuel Tolentino Senior Audit Manager Jason Tagasa IT Audit Senior Manager
Monterey One Water Steve Carrigan Senior Director of Administrative Services 5 Harris Court, Building D, Monterey, CA 93940 Tel: 831-601-4241 Email: steve@my1water.org	Financial Statement Audit Report, Single Audit Report, and Reclamation Report. Total Hours: 558 hours Client from 2025 to Present	Roger Martinez Lead Partner Cristy Canieda QC Partner Jay Toledo Lead Director Samuel Tolentino Senior Audit Manager Jason Tagasa IT Audit Senior Manager
Desert Water Agency Esther Saenz Finance Director 1200 Gene Autry Trail South Palm Springs, CA 92264 Tel: (760) 323-4971 Email: Esaenz@dwa.org	Annual Financial and Compliance Audit and Management Letter. Total Hours: 525 hours Client from 2022 to Present	Roger Martinez Lead Partner Cristy Canieda QC Partner Jason Tagasa IT Audit Senior Manager Marc Bauzon Audit Supervisor
Water Replenishment District of Southern California Greg Black Chief Financial Officer 4040 Paramount Blvd. Lakewood, CA 90712 Tel: (562) 275-4210 Email: gblack@wrd.org	Annual Financial and Compliance Audit, State Controller's Report, and Management Letter. **GFOA Award.** Total Hours: 484 hours Client from: 2008 to 2018 and 2020 to Present	Cristy Canieda Lead Partner Roger Martinez QC Partner Samuel Tolentino Lead Audit Manager Jason Tagasa IT Audit Senior Manager
Victor Valley Wastewater Reclamation Authority Xiwei Wang Accounting Supervisor 20111 Shay Road Victorville, CA 92394 Tel: (760) 246-8638 x 114 Email: xwang@vvwraca.gov	Annual Financial and Compliance Audit and Management Letter. **GFOA Award.** Total Hours: 410 hours Client from 2021 to Present	Roger Martinez Lead Partner Cristy Canieda QC Partner Jason Tagasa IT Audit Senior Manager Marc Bauzon Audit Supervisor

CONFIDENTIAL

Water Districts/Utility/Private Clients

Vasquez provides audit services to approximately 100 governmental and regulated entities annually, including water and wastewater agencies and other enterprise funds subject to financial and compliance audits. These engagements are performed in accordance with generally accepted auditing standards in the United States and applicable regulatory requirements. The following is a list of clients served by our key personnel that are similar in nature and scope to the services requested in the RFP.

Clients
Arizona Water Company
California American Water
City of El Monte – Sewer Fund
City of Hawthorne – Sewer and Storm Drain Fund
City of Montebello – Water Utility Fund
City of Simi Valley – Sanitation Fund; Ventura County Waterworks District No. 8
City of Norwalk – Sewer Fund and Water Fund
Big Bear Municipal Water District
Central Basin Municipal Water District
Encina Wastewater Authority
Desert Water Agency
Fox Canyon Groundwater Management Agency
Hidden Valley Municipal Water District
Imperial Irrigation District
Long Beach Water Department
Los Angeles Department of Water and Power
Metropolitan Water District of Southern California
Monterey One Water
Moulton Niguel Water District
Municipal Water District of Orange County
Needles Public Utility Authority
San Diego Gas & Electric Company
San Gabriel Basin Water Quality Authority
San Gabriel Valley Water Company
Santa Clara Valley Water District
Southern California Edison Co.
Upper San Gabriel Valley Municipal Water District
United Water Conservation District
Water Replenishment District of Southern California
Walnut Valley Water District
Valley County Water District
Vernon Light and Power
Victor Valley Wastewater Reclamation Authority

Government Clients

Vasquez has served over 100 governmental entities in the past 10 years. We perform numerous financial and compliance audits of governmental organizations. These audits include risk assessments conducted using a structured approach based on the Committee of Sponsoring Organizations (COSO) Principles.

Government Clients		
City of Agoura Hills	City of Norwalk	Imperial County Transportation Commission
City of Azusa	City of Palos Verdes Estates	Independent Cities Finance Authority
City of Baldwin Park	City of Pico Rivera	Los Angeles Community College District
City of Bell	City of Pomona	Los Angeles County Metropolitan Transportation Authority
City of Bell Gardens	City of Rosemead	
City of Beverly Hills	City of San Fernando	Los Angeles Unified School District
City of Calabasas	City of Santa Fe Springs	Monterey One Water
City of Carson	City of Santa Monica	Morongo Basin Transit Authority
City of Commerce	City of Simi Valley	Moulton Niguel Water District
City of Compton	City of South El Monte	Mountain Area Regional Transit
City of Cudahy	City of South Gate	Needles Public Utility Authority
City of Culver City	City of Torrance	Omnitrans
City of El Monte	City of Vernon	Plumas County Transportation Commission
City of Gardena	City of Walnut	Pomona Valley Transportation Authority
City of Hawthorne	City of West Hollywood	Quechan Indian Tribe
City of Hidden Hills	City of Westlake Village	Riverside County Transportation Commission
City of Huntington Park	County of Fresno	Santa Barbara Metropolitan Transit
City of Industry	County of Los Angeles	San Bernardino County Transportation Authority
City of Inglewood	County of San Bernardino	Santa Clara Valley Water District
City of Irwindale	County of Siskiyou	San Joaquin Valley Library System
City of La Puente	Antelope Valley Transit Authority	Southern California Regional Rail Authority
City of Lawndale		Southern California Edison Co
City of Lynwood	California American Water	Southern Gas Company Fleet & Real Estate
City of Malibu	California State Treasurer's Office	SunLine Transit Agency
City of Maywood	Desert Water Agency	Transportation Agency for Monterey County
City of Merced	Gold Coast Transit District	Tuolumne County Transportation Council

Government Clients		
City of Modesto	Hidden Valley Municipal Water District	Victor Valley Wastewater Reclamation Authority
City of Montebello	Hub Cities Career Center	Victor Valley Transit Authority
City of Monterey Park	Hub Cities Consortium JPA	Water Replenishment District of Southern California

GFOA Client Awardees

Vasquez professionals are acknowledged experts on GAGAS regulations and GASB reporting requirements. In addition, we have substantial experience in preparing Annual Comprehensive Financial Reports that have assisted our clients in achieving the Government Finance Officers Association (GFOA) Award for Excellence in Financial Reporting.

Cristy Canieda, Vasquez Government Practice Leader, is a reviewer for the GFOA. The following is a representative list of Vasquez government client engagements we have assisted in achieving their Certificate of Achievement for Excellence in Financial Reporting.

- City of Baldwin Park
- City of Carson
- City of Culver City
- City of El Monte
- City of Lynwood
- City of Modesto
- City of Moreno Valley
- City of Norwalk
- City of San Fernando
- City of Simi Valley
- City of South El Monte
- City of Torrance
- City of West Hollywood
- Encina Wastewater Authority
- Moulton Niguel Water District
- Omnitrans
- Santa Clara Valley Water District
- San Joaquin Regional Transit District
- United Water Conservation District
- Upper San Gabriel Valley Municipal Water District
- Victor Valley Wastewater Reclamation Authority
- Water Replenishment District of Southern California

GASB Pronouncements

Our professionals stay current with evolving Governmental Accounting Standards Board (GASB) pronouncements and provide timely guidance on new accounting and financial reporting requirements. We help clients assess the impact of new standards, plan implementation, and ensure compliance with applicable reporting requirements. This proactive approach helps agencies transition smoothly and maintain transparent, high-quality financial reporting.

Office of Management and Budget (OMB) Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

We propose an engagement team with extensive experience conducting financial and compliance audits of governmental entities, including Single Audits performed under the OMB Uniform Guidance. Our industry-focused professionals receive ongoing training in governmental accounting, auditing, and financial reporting, and federal compliance requirements, including updates to Uniform Guidance regulations. Additionally, our partners regularly develop and deliver training on federal grant compliance and Single Audit requirements for governmental and professional organizations, enabling us to provide practical insights and value-added recommendations throughout the engagement.

Performance Improvement Observations/Management Letter

As part of our internal control evaluation, we will communicate significant deficiencies, material weaknesses, and opportunities for operational improvement to management through written communications and our management letter. Separate from any significant internal control deficiencies or instances of noncompliance included in the respective auditors' reports, we will provide comments and observations designed to improve the District's operating, accounting, and business practices.

Providing meaningful, value-added recommendations is a core component of our service approach. Drawing on our experience serving governmental, water, and wastewater agencies, and the independent, objective perspective of our engagement team, we will identify opportunities to strengthen internal controls, enhance operational efficiency, improve cybersecurity and regulatory compliance, and mitigate emerging risks. Through ongoing communication with management, we will develop practical recommendations tailored to the District's operations and challenges that support continuous improvement and long-term success.

As warranted and appropriate, our management letter may include:

- Specific recommendations for improving accounting practices and procedures and strengthening internal accounting and administrative controls.
- Comments on the design, controls, and audit trails of new or redesigned automated systems, including suggestions for improving processing methods and procedures.
- Suggestions for operational improvements or cost efficiencies identified during our audit.
- Comments regarding compliance with applicable laws, rules, and regulations, including relevant U.S. Government Accountability Office guidance.
- Comments regarding the implementation of new Governmental Accounting Standards Board pronouncements.
- Other comments, recommendations, or observations regarding best practices that may be of interest to the District.

Specific Audit Approach

As part of an audit engagement, we utilize a formal project management methodology to ensure that all tasks are planned effectively and completed on time. We also document and authorize any schedule changes to maintain a clear, accurate record.

Your audit team includes experienced project managers with strong project management skills. These Vasquez team leaders will provide highly collaborative project management expertise and consultation to the District to ensure that there are no surprises during the audit. Additionally, Vasquez will continually seek ways to improve audit management and execution. We want to ensure that audit planning, scheduling, and budgeting are executed properly and in a timely manner.

At each phase of our engagement, our client service standards guide us to deliver an exceptional customer experience, one in which we become a trusted adviser and bring innovative ideas and solutions that deliver value to you.

- **We understand.** Our audit and consulting professionals follow our CCH Axcess Engagement process, which provides a thorough understanding of your business, current situation, needs, and expectations, ensuring no surprises at each phase of the engagement.
- **We communicate.** Our team is trained to communicate effectively through consistent and open dialogue at the right time with the right people.
- **We collaborate.** We bring together the right expertise to meet your needs, proactively resolve emerging issues, and deliver innovative ideas and solutions that add value.
- **We deliver.** We deliver on our commitments – on time, within budget, and with the highest quality.



At Vasquez, we strive to build strong relationships with our clients and continually seek ways to ensure that our services align with their needs. We believe it is essential to continually improve our interactions with clients and the delivery of services to them. We do this, in part, by adhering to defined client service standards and seeking feedback from our clients on our performance.

Every financial statement audit engagement presents a different set of challenges. No two organizations are the same, and therefore, we must tailor the audit to each organization based on the specific risks identified.

Our audit approach is based on a risk assessment process which is planned and executed by experienced auditors. The results as depicted below form the basis for our audit strategy and procedures, and ultimately yield practical comments for strengthening internal controls and improving practices, as well as our opinion on the basic financial statements and our auditor's reports on internal control and compliance with laws and regulations.



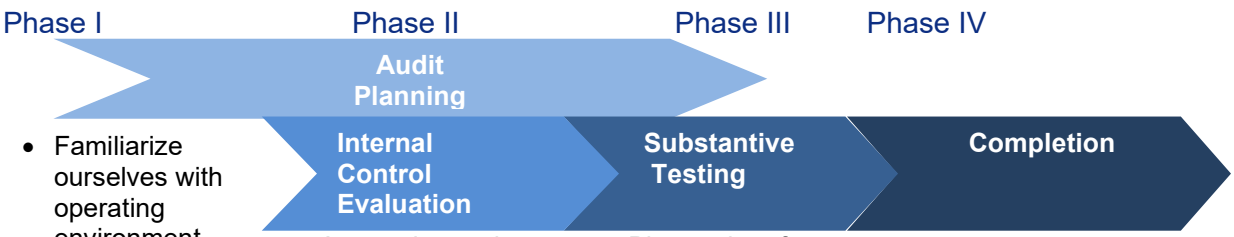
Risk Assessment

The design of an effective audit plan depends on the audit team's ability to identify and assess the risk that the financial statements contain a material misstatement, whether caused by error or fraud. The risk assessment process will include:

- Obtaining an understanding of the District and its operating environment. This includes efforts to understand the events, conditions, and organizational activities that might reasonably be expected to have a significant effect on the risks of material misstatement. An understanding of the District and the environment will often involve consideration of the regulatory environment, business objectives and strategies, and selection and application of accounting principles.
- Considering information gathered during the engagement acceptance and continuance evaluation, including prior reports, audit planning activities, previous audits, and other non-audit engagements performed for the District.
- Inquiring of the Audit Committee, management, and others within the District about the risks of material misstatement.
- Obtaining an understanding of the District's internal controls over financial reporting.
- Performing analytical procedures, such as a comparison of the District's current financial statement account balances to prior-year financial statements and budgeted amounts and/or a comparison of current relevant financial ratios to industry ratios or prior-year ratios.

Developing an Audit Strategy

In developing an audit strategy, we may decide to perform tests of the District's internal control over certain systems and processes. We assess the desirability of adopting such a strategy by considering cost-benefit analyses, transaction volume, and prior-year control testing results. If test results indicate that the District's internal controls are effective, we may decide to reduce the level of substantive tests we perform as a basis for our opinion.



- Familiarize ourselves with operating environment.
- Perform risk assessment procedures.
- Perform preliminary analytical review.
- Identify major programs for single audit testing.
- Develop audit plan.
- Discuss and agree on financial statement format.
- Reevaluate the progress of the audit and make any changes on audit approach and procedures, if necessary.
- Advise the District personnel on new accounting and auditing pronouncements, if needed.
- Provide SAS 114 Planning Communication to Audit Committee.

- Assess internal control environment.
- Perform IT controls testing and evaluation.
- Perform fraud evaluation procedures.
- Evaluate design and implementation of key controls.
- Test controls over financial reporting.
- Identify internal control strengths and weaknesses.
- Draft internal control management letter comments.
- Draft auditor's internal control report (GAGAS).

- Plan and perform substantive audit procedures, including confirmations, vouching, reconciliations, inspections, observations, inquiring and analytical procedures.
- Perform substantive compliance audit tests over federal and other programs.
- Conduct final analytical review.
- Consider Audit Evidence Sufficiency.
- Conclude on critical accounting matters.

- Perform completion procedures.
- Perform overall evaluation of the basic financial statements and disclosures.
- Update and finalize management letter.
- Perform Single Audit administrative matters (Data Collection Form/Federal Audit Clearinghouse).
- Conduct exit conference with management, including discussion of proposed audit adjustments, internal control and compliance findings and management letter.
- Issue auditors' reports and management letter.
- Presentation of the audit results to the District Board of Directors upon the District's request.

Phase I – Audit Planning

The planning phase lays the foundation for the direction of our audit efforts. It encompasses the following steps:

- Conducting entrance conferences with the appropriate District management personnel. The agenda would include, but need not be limited to, the following:
  - The application of generally accepted accounting principles
  - Concerns of District management
  - Report requirements, refinements, and deadlines
  - Initial audit approach and timing schedule
  - Assistance by the District personnel
  - Establishment of principal contacts
  - Progress reporting process
  - Consideration of Fraud in a Financial Statement Audit

  - The auditors' responsibility for fraud prevention
  - Scheduling inquiries of management and others (including non-accounting personnel) about the risk of fraud
- We believe it is important for us to assist the District in implementing new accounting, auditing, and compliance requirements. For that reason, we intend to schedule training with the District personnel involved in all phases of the audit so they have a clear understanding of the latest technical changes in their respective areas, as well as the audit requirements and timeline.

Expanding our understanding of the District and its operating environment. We will accomplish this by familiarizing ourselves and updating our knowledge of applicable background information pertinent to the District, its component units, their mission, funding sources, and structure.

Through our background knowledge of the District and our fact-finding process, we will develop an in-depth understanding of the areas of concern. We will be able to meet with District management to discuss areas that might have a significant impact on the timing and completion of the audits or that may be of particular concern to management. We will review these areas in depth to gain an early understanding and resolve any "problem" areas that may impede our progress, and to develop our overall approach so that the District will have sufficient time to develop the data necessary for the completion of the audit with minimal disruption to the day-to-day routine.

Our planning process will include a specific review of computer activities performed by the District personnel to:

- Determine the organizational and operational controls over the data being processed, including, but not limited to, system development and maintenance controls, hardware controls, and access controls.
- Evaluate the degree of "control consciousness" among personnel.
- Determine the potential impact of general control strengths and weaknesses.
- Consider the possibility of management override of controls.

Our principal sources of information for this review will be interviews with responsible personnel from accounting and computer operations, reviews of program documentation for the District's system, and direct observations made by our audit team.

- The audit team will use our analytical review techniques to identify other areas that may require attention. Until the year-end account balances are finalized, our review will focus on comparing budgets to actual and projected information. We can thus identify sensitive areas to determine whether they indeed require extra attention.

Based on our understanding of the District's operating environment, and through our analytical review and other planning procedures, we will meet with the District personnel to highlight areas to emphasize during the audit. We will concentrate our efforts on the identified audit concerns and areas we know are important to District management. Some of our preliminary audit concerns are elaborated as follows:

  - Compliance with applicable laws, regulations, and reporting requirements.
  - Receipt of all revenue to which the District is entitled.
  - Purchase authorizations within budgetary limitations.
  - Adequate safeguarding of the District's cash, investments, and inventory assets.

We will work directly with the appropriate District personnel to discuss the financial statements and footnotes in accordance with all authoritative accounting systems and interpretations. Accordingly, we will meet to discuss and agree upon the format for the individual and general-purpose financial statements and any additional requirements that may be relevant because of recent or pending professional pronouncements. (See "Phase IV - Completion" for a more in-depth discussion of our financial reporting capabilities.)

Interim Audit Testing

Our audit approach is flexible and tailored to fit the District's evolving needs. We will work with you to review the current audit schedule and determine the best approach for each phase of the financial statement audit. We provide you with the option of an interim audit effort or after year-end. There are several advantages to performing interim testing, such as:

- It shifts the timing of our testing into less busy periods of the year for your staff and our staff.
- It allows us to focus on the high-risk areas before the year-end close, providing more time to deal with issues.
- It allows us to judge the quality of the interim period, rather than solely year-end, financial statement information and cut-offs, which allows more opportunity for us to identify and for the District to implement best practices over internal controls and processes.

There are advantages to performing interim audit testing, and as we stated previously, we will work with you to determine the best approach; you will control this process.

Phase II – Control Evaluation

Understanding how key systems and processes contribute to your overall processing environment and affect the reliability of financial information is a primary element of our audit approach. Our objective is to assess whether the standards of security, integrity, continuity, and control are conducive to reliable processing, consistent with the District's technology standards, and appropriate to safeguard your information assets.

IT General Controls

IT general controls are pervasive controls within the IT environment. The following types of IT General Controls are typically addressed in our audit approach:

- **Logical security (access to programs and data)—**includes the components of management governance over Information Technology (policies and procedures, monitoring), application configuration (passwords, service accounts, super users, user identification/authentication), and security of the physical assets.
- **Change control management—**assesses program changes (upgrades, service patches, source code) moved into the production environment, and the processes applied to ensure the appropriate initiation, authorization, segregation, testing, and approval are evident.
- **Data backup and recovery—**reviews that the data backup process and ability to recover data for the financially significant applications, databases, spreadsheets, and operating systems for the given opinion period are complete, tested, and maintained, including the handling of errors.
- **Job processing—**tests for the completeness of data interfacing into financially significant applications and the change management processes for handling errors, script changes, and interface edits.
- **Security administration—**addresses the user access provisioning (new hire onboarding, position/role changes, employee separation) for the financially significant applications, databases, spreadsheets, and operating systems, along with management's review of access for completeness, segregation of responsibilities, and accuracy.

Our testing of IT application controls provides strong audit evidence and streamlines the audit process.

IT Application Controls

IT application controls apply to the business processes they support. These controls are embedded within the software applications to prevent or detect unauthorized transactions. When combined with manual controls, application controls verify the completeness, accuracy, authorization, and validity of processing transactions. Our methodology for assessing application controls is as follows:

- Define materiality by the system, such as utility billing, cashiering, purchasing and disbursements, revenues, payroll, and asset management, using business process mapping as a starting point.

- Map various transaction types to identify key controls and determine if the control is an application control or manual control.
- Utilize our proprietary questionnaires to help verify and test various automated controls.
- Through inquiry, review of written policies and procedures, and on-site testing, evaluate application security controls, which are controls to verify that minimum access to applications is allowed for individuals to perform their job.
- Through inquiry, review of written policies and procedures, and on-site testing, evaluate input controls that ensure that transactions are initially recorded, entered, and accepted by the application accurately and completely.
- By developing and testing a sample of transactions, evaluate processing controls, which ensure that transactions are processed by the application programs accurately and completely.
- Through inquiry and review of written policies and procedures, evaluate output controls, which ensure that output is complete and is delivered (standard or customized) to the appropriate parties in an appropriate manner.
- Through inquiry, review of written policies and procedures, and tests of a sample of transactions, evaluate interface controls, which ensure that transactions between multiple systems are secure, and integrity of the information transmitted is maintained, accurate and complete.

Phase III – Substantive Testing

Sampling is one of the methods we use to obtain efficiency in the audit process. In designing and implementing a sampling plan, we consider the specific audit objective to be achieved and determine that the audit procedures to be applied will achieve that objective. We will:

- Define the objective of the test.
- Define the population to be sampled, the population element to be examined (sampling unit), and what an error is.
- Determine which sampling technique is most appropriate.
- Determine the appropriate sample size and select a sample intended to represent the population.
- Examine each sample item to determine whether it represents an error or an exception.

Substantive Testing – The purpose of the substantive tests is to provide reasonable assurance of the validity of the information produced by the accounting system. These tests will include various detailed tests, such as inspection of underlying source documents, confirmations, and reconciliations. We will also perform analytical procedures, including ratio analysis, comparisons of actual-to-budget information, and other procedures. Specifically, tests that we have found to be effective and efficient for the District audits include confirmation of cash, investments, grants receivable, loan balances and debt, tests of subsequent receipts for selected receivables, and unrecorded liabilities for payables.

Consideration of Fraud – As part of our audit planning and risk assessment, we will inquire of management, those charged with governance, and other appropriate District personnel regarding actual, suspected, or alleged fraud and the District's processes for identifying, responding to, and monitoring fraud risks. Our audit team will conduct fraud-risk brainstorming sessions and evaluate unusual or unexpected relationships identified through analytical procedures. We will also test journal entries and other adjustments for indications of management override or material misstatement due to fraud. Significant fraud risks, findings, and other required matters will be communicated to those charged with governance in accordance with applicable professional standards.

We will immediately report in writing to the Board President and General Manager any irregularities, fraud, or illegal acts of which we become aware during the engagement, consistent with applicable professional standards.

Adjusting Journal Entries – Any adjusting journal entries proposed by our auditors will be discussed and explained to the Finance Manager and Accounting Supervisor and others, as appropriate. It is our practice to discuss issues and proposed audit entries with the program manager or management personnel immediately responsible for the program to ensure that we have not misunderstood that situation. This will ensure that the proposed entry, management comment, and recommendation are accepted by the immediate manager and that the recommendation is feasible and makes business sense. It is also our policy to address issues and resolve them as they arise rather than at the end of the audit. In short, there will not be any surprises.

The final element of our work plan is regular reporting to District management to apprise them of our progress. We believe communication is vital. Therefore, we have stressed the importance of maintaining close, ongoing relationships throughout this proposal and have indicated the various points at which we will meet for specific discussions and decisions.

Any and all potential exceptions or findings will be immediately discussed with knowledgeable personnel and summarized in weekly status meetings to ensure accuracy of any findings, time for management to correct noted deficiencies and the avoidance of any surprises.

Phase IV - Reporting

- Review federal, state, and other grant reporting requirements,
- Determine which internal control findings are significant deficiencies or material weaknesses,
- Prepare findings and draft the auditors' reports,
- Review draft reports with District management, and
- Evaluate management feedback and proposed corrective actions, make revisions as necessary, and finalize the report.

Ample time will be provided for management review of all reports in draft form.

Single Audit Approach

We will utilize an integrated audit approach if a single audit is required. This means we will coordinate the single audit testing of major federal programs with the testing of internal controls and systems in conjunction with the financial statement audit. Each major program requires a separate opinion on compliance with federal rules and regulations. The scope of our testing will be sufficient and specific enough to allow opinions on each of the District's major programs. In addition, we will perform risk assessment procedures, including:

- Review of prior years' reported findings and
- Consider the extent of continuing or new personnel assigned to administer each major federal program.

Our procedures for testing major federal programs will be performed as follows:

- Hold a planning meeting with the accounting managers and grant administrators.
- Make a preliminary assessment of the condition of the records and controls and determine the procedures necessary to document the systems.
- Obtain copies of the grant agreements under which federal financial assistance is provided.
- Document any program-specific compliance requirements in the agreements beyond those included in the OMB Compliance Supplement.
- Review reports completed to meet the federal financial reporting requirement.
- Document our understanding of program requirements and other laws and regulations.
- Establish detailed work plans and audit timetables in conjunction with management.
- Schedule regular status meetings to monitor the audit process.
- Review the inventory of grants and other federal and state assistance.
- Test the completeness and accuracy of the schedule of expenditures of federal awards.
- Examine external, state, and federal audit reports for control weaknesses, compliance exceptions, or questioned costs.

Our Tools

Vasquez uses CCH Axcess Engagement electronic audit workpapers to enable a more efficient and intelligent audit process. CCH Axcess Engagement is also useful for financial analysis and reporting, including financial statement preparation.

To help manage the data flow for our testing, we utilize the Vasquez Citrix ShareFile, a secure and regulatory-compliant tool, to handle the many requests more effectively and efficiently and to provide the information necessary to conduct an engagement of this size.

Office 365 provides access to Office applications, online productivity services, and business services such as web conferencing, hosted email, and online storage.

We utilize IDEA data anaytics software to perform data analysis and enhance the effectiveness and efficiency of our audit sampling process.

DataSnipper allows us to conduct automated document matching, text recognition, and document review and management.

Vasquez leverages Harvest Valuations as an independent pricing desk to validate the fair value of investments, enhancing the rigor and objectivity our audit procedures.

Sampling Techniques

Non-statistical sampling is most often employed in our internal control and compliance testing procedures for both the financial statement audit and Single Audit. The extent of testing and sampling depends on many factors, including environmental controls, the program's complexity, previous audit findings, changes in federal statutes, and the number of locations at which controls are administered. Our sampling plan will conform to the AICPA's guidance for testing compliance. The number of sample sizes will depend on the assessment of controls and the inherent risk of noncompliance in a major program.

Analytical Procedures

Analytical review techniques will be employed to identify other areas that require attention. Until the year-end account balances are finalized, our review will focus on budgets compared to actual/projected information. Thus, we can identify certain sensitive audit areas to determine whether they require extra attention. We will also focus on unusual fluctuations occurring within individual funds to identify accounts and areas that merit further investigation.

Based on our understanding of the District's operating environment and following our analytical review and other planning procedures, we will meet with the District's personnel to highlight areas of emphasis for the audit. We will concentrate our efforts on the identified areas of audit concern and areas we know are important to District officials. Some of our preliminary audit areas are as follows:

- Compliance with applicable laws, regulations, and reporting requirements.
- All matters of compliance with GASB statements and interpretations.
- Receipt of all revenue to which the District is entitled.
- Purchases are authorized and within budgetary limitations.
- Encumbrances and liabilities are recorded and charged to proper budgetary accounts.
- Proper accounting and disclosure of developer agreements and similar commitments.
- Proper accounting for capital assets, including infrastructure assets.
- Proper recording of outstanding obligations.
- Proper recording of pension, OPEB, leases and SBITAs.
- New GASB standards effective during the audit year.

Timeline and Estimated Hours for our Target Schedule

Segment of the Engagement	Target Schedule
Engagement Acceptance & General Planning	May to early June
Interim audit and internal-control evaluation	June
Year-end PBC and adjusted trial balance received	September 10
Final Fieldwork	Mid-September
Draft financial statements, notes, and RSI:	By September 30
District ACFR review and final audit completion	October
Finance Committee presentation	Early November
Board Presentation	Mid-December
Single Audit	Coordinated with the financial statement audit and completed by the applicable federal deadline

Estimated Hours for our Target Schedule

Segment of the Engagement	Partners	Director	Senior Manager	Supervisor	Senior	Total
Engagement Acceptance & General Planning	2	2	4	5	-	13
Planning & Internal Control Evaluation*	2	5	20	24	79	130
Fieldwork**	2	20	35	58	103	218
Report Preparation & Review	2	3	3	10	20	38
Wrap-up and documentation	0	2	2	4	17	25
Total Financial Audit	**8**	**32**	**64**	**101**	**219**	**424**
Single audit	2	2	5	15	36	60
Total Financial and Single Audit	**10**	**34**	**69**	**116**	**255**	**484**

*includes IT audit

**includes preparation of other reports

Identification of Anticipated Potential Audit Problems

Based on the RFP, we anticipate that the principal engagement considerations will include the compressed year-end reporting schedule, the possible requirement for a Single Audit, implementation of new GASB standards, coordination of financial information from Microsoft Dynamics GP and CIS Infinity, and timely completion of the District's ACFR.

We will address these matters through early planning, interim testing, advance delivery of the PBC list, regular status meetings, timely resolution of accounting and audit issues, and coordination of Single Audit procedures with the financial statement audit.

To meet the required reporting schedule, we will request that the District provide the adjusted trial balance by September 10, complete agreed-upon PBC schedules before final fieldwork, provide timely access to responsible personnel and supporting records, and promptly review draft reports and proposed adjustments.

Resolving Problem Escalation, Response Time, and Problem Resolution Goals

Vasquez considers it vital to keep the District apprised of progress throughout the audit. Our team will hold routine meetings with the District to discuss potential issues that may arise during our fieldwork. We will also meet with the assigned District personnel as soon as practicable upon receiving the engagement award to discuss planning for the current year's audit procedures and the schedule of progress meetings.

Throughout the engagement, proposed audit adjustments and reclassifications are accumulated, evaluated for materiality (individually and in the aggregate), and discussed in detail with finance leadership, typically the Assistant General Manager/Chief Financial Officer and the Accounting Manager. Each proposed adjustment is:

- Presented in writing and includes a clear description of the nature of the entry, the financial statement impact, the authoritative basis for the adjustment, and the underlying reason (e.g., cutoff, revenue recognition, grant compliance, cost allocation, or classification).
- We distinguish between corrected and uncorrected misstatements and obtain formal management approval prior to posting entries.
- All communications and supporting schedules are transmitted through secure, encrypted portals with role-based access controls to maintain confidentiality and data integrity.

In addition to journal entry communications,

- We provide structured reporting of internal control matters and operational observations to management and those charged with governance in accordance with required auditor communications standards. We categorize control deficiencies (material weakness, significant deficiency, or other observation) and present management letter comments using a clear framework outlining the condition, criteria, cause, effect, and recommendation, along with management's response.
- Recommendations are directed to the appropriate responsible personnel within the District's management structure—such as the General Manager/Chief Executive Officer, Assistant General Manager/Chief Financial Officer, Accounting Manager, or the Finance Committee—and include practical, risk-based guidance tailored to the regulatory environment of the District.
- We conduct entrance and exit conferences, provide required written governance communications prior to report issuance, and formally present results to the Board or Audit Committee to ensure transparency, accountability, and continuous improvement.

Vasquez has never encountered an issue that we could not resolve to our client's satisfaction. In the event that issues are encountered, our approach to resolving technical matters (a) among engagement personnel and (b) between the firm and its clients is as follows:

- Among engagement personnel: To resolve technical disagreements, the engagement team will conduct a series of discussions and, if necessary, perform in-depth research and consultation. The firm will involve a technical partner as needed and, when appropriate, escalate matters to authoritative bodies such as AICPA or GASB for audit and accounting guidance.
- Between the firm and the client: The client and the firm will engage in collaborative discussions, supported by thorough research to ensure our conclusions are well-supported. We will continue discussions with the client until the matter is resolved. In the rare event that an issue remains unresolved, it will be documented as an accounting disagreement. However, based on our experience, we have never had an unresolved accounting disagreement.

We also understand that the District's operational environment or reporting needs may change. Should the audit scope evolve due to new programs, funding sources, regulatory updates, or organizational changes, we will work collaboratively with management to reassess risks, adjust our audit plan, and ensure the scope remains aligned with professional standards and the District's objectives.

Special Assistance from District

Our audit approach assumes that representatives of District staff will fully participate in the planning, fieldwork, and completion of the audit process. Full participation means that District will provide the resources necessary to allow Vasquez to complete the audit in a timely and effective manner while meeting your deadlines. We anticipate that the management and staff of District will participate and assist in the following areas:

- Participating in audit planning sessions to provide a perspective on risk areas in the audit.
- Providing the documentation of internal controls and participation in the walkthrough process.
- Providing PBC List items and reports prior to commencing year-end fieldwork.
- Participation in fact-finding interviews with various District staff and consultants, as necessary.
- Encouraging the free exchange of information between District staff and the Vasquez staff.
- Committing to a year-round audit approach and interaction with the auditors.
- Providing open access to District management.
- Timely responses to information requests and audit resolution issues.

Bidding Proposal

Our fees for the services outlined in this proposal are based on the assumption that unexpected circumstances will not be encountered during the audit, along with the following:

1. Staff are available to answer questions and provide supporting documentation within the agreed timeframe.
2. Audit evidence is provided in an electronic format, and audit fieldwork procedures are conducted primarily remotely.
3. No instances of fraud that will require additional procedures.
4. Vasquez will provide the audited financial statements, notes, RSI, and supporting schedules in editable formats and will assist with ACFR presentation and review. District management will remain responsible for the ACFR and will designate an individual with suitable skill, knowledge, and experience to oversee any nonattest services.
5. The Single Audit fee assumes one (1) major federal program. If more than one major program is required, additional work will be performed only with the District's prior written authorization through a contract amendment at the stated hourly rates.
6. The information provided is substantially complete and correct for the year under audit.
7. Other unforeseen events, such as contractual difficulties with suppliers, third-party service providers, or clients.

			PROPOSED FEES			OPTIONAL YEARS	
CLASSIFICATION	**HOURS**	**STANDARD HOURLY RATE**	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**	**FY 2031**
PARTNERS	8	$ 375	$ 3,000	$ 3,000	$ 3,000	$ 3,000	$ 3,000
DIRECTOR	32	$ 300	9,600	9,600	9,600	9,600	9,600
SENIOR MANAGER	64	$ 250	16,000	16,000	16,000	16,000	16,000
SUPERVISOR	101	$ 200	20,200	20,200	20,200	20,200	20,200
SENIOR	219	$ 175	38,325	38,325	38,325	38,325	38,325
Subtotal	**424**		**$ 87,125**	**$ 87,125**	**$ 87,125**	**$ 87,125**	**$ 87,125**
Discount			(41,975)	(40,610)	(39,245)	(37,775)	(36,305)
Annual financial statement audit, all-inclusive maximum price			**$ 45,150**	**$ 46,515**	**$ 47,880**	**$ 49,350**	**$ 50,820**
Single Audit, all-inclusive maximum price	**60**		**$ 5,500**	**$ 5,500**	**$ 5,500**	**$ 5,500**	**$ 5,500**
Total if Single Audit is required			**$ 50,650**	**$ 52,015**	**$ 53,380**	**$ 54,850**	**$ 56,320**

Hourly Rates

Additional services will be billed at the following standard hourly rates. Any additional professional services beyond the scope of this proposal will be performed only if authorized in advance by the District, at the same rates set forth below, and any increase in the maximum contract price will require a written contract amendment.

Personnel Category	Hourly Rate
Partner	$ 375
Director	250
Senior Manager	225
Manager	200
Supervisor	180
Senior	150
Staff	120

Proposer Warranties

Vasquez & Company LLP warrants the following form provided in the RFP:

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 Vasquez & Company LLP

Roger Martinez 10/19/26
Authorized Representative/Date

Attachment: OMWD Standard Professional Service Agreement

Contract Exceptions

1. Statement and Purpose

Vasquez + Company LLP ("Vasquez" or "Consultant") has reviewed the Olivenhain Municipal Water District's ("District") Request for Proposals for Professional Auditing Services, including the Scope of the Audit, Proposal Requirements, District Obligation, Selection Process, the Proposer Warranties, and the attached Standard Professional Services Agreement ("Agreement"). Vasquez accepts these requirements, including every insurance coverage type and limit, except for the exceptions and clarifications below.

The RFP provides that submission of a proposal constitutes acceptance of its conditions "unless clearly and specifically noted in the proposal submitted and confirmed in the contract" (RFP page 10). This attachment is submitted with our proposal for that purpose.

The Agreement is a general consultant template; it contains construction-oriented terms (labor and materials, job-site safety, explosion and underground hazards, the District's Engineer/Architect) and blank placeholders. An independent audit is different from most consulting services. The auditor must be independent of the District in fact and in appearance, and the work is governed by auditing standards generally accepted in the United States of America (GAAS), Government Auditing Standards (2024 Revision), the Uniform Guidance, and California law. Most of the items below reconcile the Agreement with those requirements and with the RFP itself. None changes the scope of services, the deliverables, the District's audit timeline, the required insurance limits, or our fees.

2. Categories and Redline Legend

- **A – Professional standards:** needed for Vasquez to perform the engagement in compliance with GAAS, Government Auditing Standards, or California law.
- **B – Risk allocation and commercial terms:** requested modifications that make the terms balanced, insurable, and workable.
- **C – Clarification:** conforms the Agreement to the RFP, completes template placeholders, or confirms how a provision applies to an audit.

Redline legend: ~~red strikethrough~~ = proposed deletion | blue underline = proposed addition | black = RFP or Agreement language retained. An ellipsis (…) indicates unchanged text omitted for brevity

3. Proposed Exceptions and Redline

No.	Section / Category	Original Language	Proposed Redline Language	Reason and Technical Basis
PART A – RFP CONDITIONS THAT GOVERN ACCEPTANCE AND CARRY INTO THE AGREEMENT				
1	**RFP p. 10 (Selection Process) and p. 11 (Proposer Warranties 4 and 5)** *Acceptance of RFP terms; signing the Standard Agreement* **C – Clarification / Reservation (Essential)**	*"Submission of a proposal constitutes acceptance by the firm of the conditions contained in this Request for Proposal unless clearly and specifically noted in the proposal submitted and confirmed in the contract …" Warranty 4: "The firm will acknowledge and agree with all terms and conditions stated in this Request for Proposal." Warranty 5: "The firm will sign the attached Standard Professional Service Agreement … within seven (7) days of notification of selection."*	4. The firm will acknowledge and agree with all terms and conditions stated in this Request for Proposal, except as clearly and specifically noted in the firm's Proposed Contract Exceptions submitted with its proposal. 5. The firm will sign the attached Standard Professional Service Agreement, as modified to incorporate the exceptions accepted by the District, and will provide insurance certificates and all other required documentation within seven (7) days of notification of selection.	The RFP itself provides that exceptions are preserved only if they are "clearly and specifically noted in the proposal" and later confirmed in the contract. Without the conforming change, the signed warranty page (Warranties 4 and 5) would contradict the exceptions in this attachment and could be read as a waiver of them. Vasquez will sign the warranty page; the redline simply aligns it with the District's own exceptions process on page 10. The seven-day insurance deadline is accepted.
2	**RFP p. 10 (Selection Process)** *District's right to use ideas in proposals* **B – Commercial terms (Requested)**	*"The District reserves the right to retain all proposals submitted and use any idea in a proposal regardless of whether that proposal is selected."*	The District reserves the right to retain all proposals submitted and use any idea in a proposal regardless of whether that proposal is selected, provided that the District shall not disclose to other proposers, or use to procure services from others, any information identified by a proposer as proprietary, except as required by the California Public Records Act.	Our proposal describes the firm's proprietary audit methodology, data-analytics tools and rate structure. Retention of proposals for the District's records and Public Records Act compliance are accepted. The clarification protects only information identified as proprietary from being shared with competing firms.
3	**RFP p. 5 (Scope of the Audit) and Agreement Exhibit A** *Applicable standards; Single Audit threshold* **C – Clarification (Essential)**	*"The audits are to be performed in accordance with Generally Accepted Auditing Standards (GAAS), Generally Accepted Accounting Principles (GAAP), Governmental Accounting Standards Board (GASB) guidelines, and all other applicable guidelines." … "the District is expected to expend more than $750,000 in federal funds and would therefore be subject to single audit requirements."*	The audits are to be performed in accordance with auditing standards generally accepted in the United States of America (Generally Accepted Auditing Standards (GAAS)), Government Auditing Standards issued by the Comptroller General of the United States (2024 Revision), and, when a Single Audit is required, Title 2 U.S. Code of Federal Regulations Part 200, Subpart F (Uniform Guidance). The financial statements are the responsibility of the District and are to be prepared in accordance with Generally Accepted Accounting Principles (GAAP) as established by the Governmental Accounting Standards Board (GASB)~~guidelines, and all other applicable guidelines~~. … A Single Audit is required for any fiscal year in which the District expends $1,000,000 or more in federal awards (2 CFR 200.501, as revised effective for fiscal years beginning on or after October 1, 2024).	GAAP and GASB govern the District's financial statements, not the audit. Government Auditing Standards are required whenever a Single Audit is performed (2 CFR 200.514) and are normally applied to the financial statement audit of a recipient of federal awards; the RFP does not mention them. "All other applicable guidelines" is open-ended and cannot be priced. The 2024 Uniform Guidance revisions raised the Single Audit threshold from $750,000 to $1,000,000 for fiscal years beginning on or after October 1, 2024, which includes all audit years in this RFP. Our proposal prices the Single Audit separately, as the RFP requests,

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				and bills it only in years in which it is required.
4	**RFP p. 5 (Scope of the Audit), paragraphs 2–3** *Internal control; fraud and illegal acts reporting* **A – Professional standards (Essential)**	*"The auditors will evaluate the adequacy of the internal control system and, where weaknesses are noted, make appropriate recommendations … A management letter will be submitted … if material weaknesses are noted …" "The auditor will be required to make an immediate written report of all irregularities, fraud and illegal acts, of which they become aware, to the Board President and General Manager."*	The auditors will ~~evaluate the adequacy of~~consider the internal control system in designing audit procedures, will not express an opinion on the effectiveness of internal control, and will communicate in writing material weaknesses and significant deficiencies in accordance with AU-C 265 and Government Auditing Standards, and ~~and, where weaknesses are noted,~~ make appropriate recommendations for improvements. A management letter will be submitted by the auditing firm if ~~material weaknesses~~other deficiencies or matters are noted or if otherwise deemed appropriate. The auditor will ~~be required to make an immediate written report of all irregularities, fraud and illegal acts, of which they become aware,~~communicate fraud, noncompliance with provisions of laws, regulations, contracts and grant agreements, and abuse, as required by AU-C 240, AU-C 250 and Government Auditing Standards, in writing and on a timely basis, to the Board President (on behalf of the Board of Directors, as those charged with governance) and General Manager, unless management is suspected of involvement, in which case the communication will be made to the Board President and Finance Committee.	An audit under AU-C 315 and 330 requires the auditor to obtain an understanding of internal control, not to evaluate its "adequacy"; a separate opinion on internal control is a different engagement (AU-C 940) that is not requested or priced. "Material weaknesses" is only the highest tier of deficiency. AU-C 265 requires written communication of significant deficiencies too, and other deficiencies go in the management letter. AU-C 240 and 250 require the auditor to obtain sufficient evidence before concluding that fraud or noncompliance has occurred, and to communicate with the level of management and governance not involved. A blanket duty to report "immediately" anything "of which they become aware" could require the firm to report unverified allegations, and would conflict with the standards where the General Manager is the subject.
PART B – STANDARD PROFESSIONAL SERVICES AGREEMENT				
5	**Agreement – Preamble, Recitals 2–4, and Paragraph 18.14 (Notices)** *Party description; notices* **C – Clarification**	*"… and CONSULTANT NAME, a California corporation organized and operating in the State of California …" Recitals 2–4 contain bracketed placeholders. 18.14: notices effective "when personally served, transmitted by facsimile machine, or sent certified mail …"*	… and ~~CONSULTANT NAME, a California corporation~~Vasquez + Company LLP, a California limited liability partnership organized and operating in the State of California, 655 North Central Avenue, Suite 1550, Glendale, California 91203 … Recitals: "The District requires the services of an independent certified public accounting firm to audit the District's basic financial statements and, when required, to perform a Single Audit, for the fiscal years ending June 30, 2027, 2028, and 2029, with options for fiscal years 2030 and 2031." 18.14: … when personally served, ~~transmitted by facsimile machine,~~ sent certified mail, return receipt requested, or sent by electronic mail with confirmation of receipt …	Vasquez is a limited liability partnership, not a corporation. The recitals are placeholders and must be completed so that the Agreement describes an independent audit, which frames the professional-standards provisions below. Facsimile notice is obsolete; e-mail with confirmation of receipt gives a clear record.

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6	**Agreement ¶1 (Services to Be Performed) and ¶2 (Correction of Defective Work)** *District review and approval; defective work* **A – Independence (Essential)**	*¶1: "All work performed by CONSULTANT shall be subject to review and approval by the District. The District shall have no obligation to approve any work found defective by the District, in its sole discretion." ¶2: "CONSULTANT agrees to correct all labor or materials found defective by the District at its sole cost and expense. All work found defective by the District shall be corrected in the time specified by the District by written notice …"*	¶1: All deliverables ~~work~~ performed by CONSULTANT shall be subject to review ~~and approval~~ by the District for conformity with Exhibit A. ~~The District shall have no obligation to approve any work found defective by the District, in its sole discretion.~~ Notwithstanding anything in this Agreement, the nature, timing, and extent of audit procedures, the evaluation of audit evidence, and the form and content of CONSULTANT's opinions, findings, and required communications are matters of CONSULTANT's professional judgment under applicable professional standards and are not subject to approval or direction by the District. ¶2: CONSULTANT agrees to correct at its sole cost and expense any services that were not performed in accordance with the professional standards in Paragraph 6, as reasonably demonstrated in writing, ~~all labor or materials found defective by the District at its sole cost and expense. All work found defective by the District shall be corrected~~ in the time reasonably specified by the District by written notice … A difference of professional opinion regarding CONSULTANT's judgments, findings, or conclusions shall not, by itself, constitute defective work.	Audit judgment. Under AU-C 300, 330 and 700 and Government Auditing Standards, the auditor alone decides the procedures performed and the content of the report. Giving the audited entity the right to approve "all work" and to declare it "defective" in its "sole discretion" creates an undue-influence threat to independence under the GAGAS conceptual framework (GAGAS 3.30) and ET 1.210.010. Read with ¶4 (payment only for approved work), the District could withhold payment because it disagrees with a finding. What the District keeps. The redline keeps the District's right to review deliverables against Exhibit A and requires the firm to correct genuine deficiencies at its own cost. "Labor or materials" is construction language and does not fit an audit.
7	**Agreement ¶3 (Price for Work) and ¶9 (Time for Completion)** *Not-to-exceed price; term; option years* **B – Commercial terms; C – Clarification (Requested)**	*¶3: "… for a total price not to exceed $XX,XXX. No increase in this price shall be allowed without the express written consent of the District. The District shall have no obligation to grant this consent and may deny consent to any price increase, in its sole discretion." ¶9: "… CONSULTANT agrees to complete all work and services required by this agreement by no later than DATE. The breach of this paragraph shall constitute a material breach …"*	¶3: … for a total price not to exceed the annual all-inclusive maximum prices for each fiscal year set forth in Exhibit A, and, in years in which a Single Audit is required, the Single Audit fee set forth in Exhibit A ~~$XX,XXX~~. No increase in this price shall be allowed without the express written consent of the District. The parties shall negotiate in good faith an equitable adjustment for a significant change in scope not reasonably foreseeable at the time of the proposal, including additional major programs, a new debt issuance, a change in the reporting entity, implementation of a new GASB standard requiring restatement, or a material deterioration in the condition of the records. ~~The District shall have no obligation to grant this consent and may deny consent to any price increase, in its sole discretion.~~ ¶9: … by no later than the dates set forth in Exhibit A for each fiscal year, with final services for the fiscal year ending June 30, 2029 (or 2031 if the options are exercised) completed upon issuance of the related reports, including any Single Audit reporting package. ~~DATE~~ These dates assume delivery of the adjusted trial balance by September 10 and of the other records	The RFP calls for three fiscal years plus two options, priced separately by year with a separate Single Audit fee. A single not-to-exceed amount and a single completion date do not match that structure. A fixed price for five years needs a narrow, objective mechanism for scope changes outside the firm's control. The listed triggers are each verifiable, and the District's written consent is still required. The RFP schedule gives only 20 days between delivery of the trial balance (September 10) and the draft statements (September 30). Making the completion date a material term without tying it to timely delivery of records would make the firm liable for delays it cannot control.

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			described in the RFP by the agreed dates; any delay in those deliveries extends the completion date by a corresponding period. …	
8	**Agreement ¶6 (Standard of Care)** *"Highest degree of skill"; strict compliance* **A – Professional standards (Essential)**	*"… CONSULTANT agrees to use the highest degree of skill and expertise ordinarily exercised, under similar circumstances, by a [INSERT CONSULTANT TYPE] with expertise in [EXPERTISE] … CONSULTANT agrees to perform all work … at all times in strict accordance with all applicable federal, state, and local laws and regulations which apply to the labor or materials being provided."*	… CONSULTANT agrees to use the ~~highest~~ degree of skill and care ~~expertise~~ ordinarily exercised, under similar circumstances, by ~~a [INSERT CONSULTANT TYPE] with expertise in [EXPERTISE]~~independent certified public accountants licensed in California performing audits of governmental entities, and to perform the audits in accordance with the professional standards identified in Exhibit A. An audit performed in accordance with those standards is designed to obtain reasonable, not absolute, assurance and is not a guarantee of the accuracy of the financial statements or that fraud, error, or noncompliance will be detected. … CONSULTANT agrees to perform all work … ~~at all times in strict accordance~~in compliance with all applicable federal, state, and local laws and regulations applicable to CONSULTANT's performance of the services ~~which apply to the labor or materials being provided~~.	"Highest degree of skill" sets a standard above the professional standard of care. It creates a contractual warranty that professional liability insurance does not cover, because policies exclude liability assumed by contract beyond the ordinary standard. Under AU-C 200, an audit provides reasonable, not absolute, assurance. Stating that in the Agreement prevents the standard of care from being read as a guarantee of the financial statements, and it also protects the District by tying the benchmark to objective professional standards and peer review.
9	**Agreement ¶10 (District Termination Right)** *Seven-day termination; payment; ownership of "writings"; auditor withdrawal* **A – Law and professional standards (Essential)**	*"The District shall have the express right to terminate this Agreement at any time without cause by giving seven (7) consecutive days advance written notice … CONSULTANT shall be paid only for work and services performed and approved by the District … All plans, maps, drawings, reports, designs, or other writings of any type or nature prepared by CONSULTANT as a result of this Agreement shall become and remain the sole property of the District … All labor, supplies, work and materials … shall become and remain the sole property of the District."*	… without cause by giving ~~seven (7)~~thirty (30) consecutive days advance written notice, consistent with page 10 of the RFP … CONSULTANT shall be paid ~~only~~ for all work and services performed and expenses incurred through the effective date of termination, including work in progress measured by hours incurred at the rates in Exhibit A ~~and approved by the District~~ … ~~All plans, maps, drawings, reports, designs, or other writings of any type or nature prepared by CONSULTANT as a result of this Agreement shall become and remain the sole property of the District.~~All final reports and other deliverables described in Exhibit A shall become and remain the property of the District. CONSULTANT's audit documentation (working papers), methodologies, and software remain CONSULTANT's property in accordance with Business and Professions Code section 5037 and Exception 7. … ~~All labor, supplies, work and materials provided by CONSULTANT in conjunction with this Agreement shall become and remain the sole property of the District.~~ CONSULTANT may terminate this Agreement, or withdraw from an engagement, on thirty (30) days' written notice, or immediately where continued performance would violate law or professional standards, impair CONSULTANT's independence, or	Notice period. The RFP (page 10) gives the District the right to cancel between audit years "with a 30-day written notice." The Agreement's seven-day right conflicts with it. A seven-day termination right held only by the audited entity, together with payment only for "approved" work, is also an intimidation threat under GAGAS 3.30. Ownership. As written, ¶10 transfers to the District every "writing of any type" prepared by the firm, which includes audit documentation. That conflicts with Business and Professions Code section 5037, AU-C 230, the seven-year retention required by 16 CCR 68.3, peer review access, and 2 CFR 200.517, and with the RFP itself, which says the firm retains its working papers. The District owns every report and deliverable it pays for. Withdrawal. Auditing standards require withdrawal in some circumstances (AU-C 210, 705; GAGAS independence

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			where a scope limitation imposed by the District cannot be resolved; CONSULTANT shall be paid for services performed through termination. Termination does not prevent communications required by professional standards.	impairment), and the Agreement contains no auditor termination right.
10	**Agreement ¶13 (Breach) and ¶14 (District Remedies for Breach)** *Every breach material; specific performance; withholding; 1% interest* **B – Risk allocation (Requested)**	*¶13: "The breach of any term or provision of this Agreement by CONSULTANT shall constitute a material breach …" ¶14.2: CONSULTANT "expressly waives the right to contest the right of the District to seek specific performance …" ¶14.4: "The District shall be entitled to withhold such amounts as the District determines are appropriate, in its sole discretion …" "… amounts paid by the District shall earn interest at the rate of one percent (1%) per month …"*	¶13: The breach of any material term or provision of this Agreement by CONSULTANT that is not cured within fifteen (15) days after written notice describing the breach (or, if the breach cannot reasonably be cured in that time, that CONSULTANT does not begin to cure within that time and diligently pursue) shall constitute a material breach … ¶14.2: ~~… and expressly waives the right to contest the right of the District to seek specific performance in any subsequent action or proceeding …~~ ¶14.4: The District shall be entitled to withhold such amounts as are reasonably attributable to the services not performed in accordance with this Agreement, after written notice to CONSULTANT ~~the District determines are appropriate, in its sole discretion~~ … amounts reasonably paid by the District to correct services not performed in accordance with this Agreement shall ~~earn interest at the rate of one percent (1%) per month~~be reimbursed by CONSULTANT within thirty (30) days of an invoice with supporting documentation …	Treating any breach, however minor, as material, with no notice or cure, gives the District an immediate termination and damages right for trivial matters such as a late invoice detail. Specific performance of an audit is not appropriate: a court cannot compel an auditor to issue a particular report, and an auditor whose independence is impaired must withdraw. Waiving the right to contest it is unnecessary. Withholding "in its sole discretion" is an undue-influence threat in an audit relationship (Exception 11). An interest charge of 12% a year is a penalty, and the District receives no matching obligation for late payment. Reimbursement of actual costs makes the District whole.
11	**Agreement ¶15.1 (Liability Insurance)** *Coverage forms written for contractors; deductible* **C – Clarification; B – Commercial terms**	*"… providing $1,000,000 of coverage per occurrence and $2,000,000 minimum aggregate … A. General Liability: … 3. Explosion and Collapse Hazard; 4. Underground Hazard; 5. Projects/Completed Operations Hazard … B. Auto Liability: … Owned … The deductible amount shall not exceed $5,000.00 …"*	… Commercial general liability coverage on ISO form CG 00 01 or its equivalent, which includes premises-operations, products-completed operations, contractual liability (insured contract), personal and advertising injury, and broad form property damage, shall satisfy the general liability requirements. Explosion, collapse, and underground hazard coverage are not applicable to the professional audit services under this Agreement. … B. Auto Liability: … Hired and non-owned automobile liability shall satisfy this requirement if CONSULTANT owns no automobiles. … The deductible amount shall not exceed $5,000.00 for general and automobile liability …	Vasquez accepts the $1,000,000 per occurrence and $2,000,000 aggregate limits. The schedule lists contractor coverages (explosion, collapse, underground hazards) that are not offered as separate items on a professional firm's policy and have no relationship to an audit; the standard ISO CG 00 01 form provides equivalent premises and completed-operations coverage. The firm does not own vehicles used for the engagement; staff travel in personal or rented vehicles. Hired and non-owned coverage is the applicable form. The $5,000 deductible is accepted for general and auto liability; see Exception 18 for professional liability.

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12	**Agreement ¶15.3 (Professional Liability Insurance)** *Per-claim basis; firm-wide deductible* **B – Commercial terms (Requested)**	*"… professional liability insurance with an insurance provider licensed to do business in the State of California, providing $1,000,000 of coverage per occurrence and $2,000,000 minimum aggregate. This insurance shall have a deductible not to exceed $5,000."*	… professional liability insurance with an insurance provider authorized or eligible as a surplus lines insurer ~~licensed~~ to do business in the State of California, providing $1,000,000 of coverage per ~~occurrence~~claim and $2,000,000 minimum aggregate, written on a claims-made basis with a retroactive date no later than the effective date of this Agreement, and maintained, or with an extended reporting period, for at least three (3) years after completion of the services. ~~This insurance shall have a deductible not to exceed $5,000.~~CONSULTANT shall disclose its professional liability deductible to the District upon request and shall be solely responsible for its payment.	Professional liability for CPA firms is written on a claims-made, per-claim basis; "per occurrence" professional liability is not available. The added tail requirement protects the District after the engagement ends. The policy is written firm-wide, with a deductible set for the whole firm. A carrier will not reduce it for one client, and a $5,000 deductible is far below market for a firm of our size. The District is fully protected because the firm pays the deductible. CPA professional liability is frequently placed with rated surplus lines carriers; the A:VI A.M. Best requirement in ¶15.4 is accepted.
13	**Agreement ¶15.4 (ACORD Certificate and Additional Insured Endorsements)** *Additional insureds; endorsement form; waiver of subrogation; primary* **C – Clarification; B – Commercial terms**	*"Additional Insured Endorsements must be provided for the Liability Insurance … with the Olivenhain Municipal Water District (District), the District's Engineer/Architect, the District's Representatives, Consultants, and each of the District's Directors, Officers, Agents, and Employees named as additional insurers. The insurance must include a Waiver of Subrogation and must be Primary and non-Contributory. The additional insured endorsements must be provided on Form CG 20 10 10 01. …"*	… Additional Insured Endorsements must be provided for the general and automobile Liability Insurance … with the Olivenhain Municipal Water District (District), ~~the District's Engineer/Architect, the District's Representatives, Consultants,~~ and each of the District's Directors, Officers, Agents, and Employees named as additional ~~insurers~~insureds. The general and automobile liability insurance must include a Waiver of Subrogation and must be Primary and non-Contributory. The additional insured endorsements ~~must be provided on Form CG 20 10 10 01~~may be provided on Form CG 20 10, CG 20 26, or a blanket additional insured endorsement providing equivalent coverage. These requirements do not apply to Workers' Compensation (other than the waiver of subrogation) or Professional Liability insurance. …	The District and its directors, officers, agents and employees will be additional insureds on general and auto liability. The District's "Engineer/Architect" and other "Consultants" are construction-project parties with no role in an audit, and extending coverage to unrelated third parties erodes limits shared by the firm's clients. CG 20 10 10 01 is a contractor form for ongoing operations; professional firms commonly carry CG 20 26 or blanket endorsements that apply wherever a written contract requires them. Additional insured status, primary/non-contributory wording and subrogation waivers are not available on professional liability forms. "Additional insurers" is presumably a typographical error for "additional insureds."
14	**Agreement ¶17 (Indemnity)** *Duty to defend; independent counsel; payment within 30 days; burden of proof*	*"… to the extent arising out of, pertaining to, or relating to the willful misconduct, recklessness, or negligence of CONSULTANT … In the event that any administrative proceeding, litigation or arbitration is instituted naming the District … the District and such other*	… ~~hold harmless, indemnify, and defend~~indemnify and hold harmless the District … to the extent ~~arising out of, pertaining to, or relating to~~caused by the willful misconduct, recklessness, or negligence of CONSULTANT … In the event that any administrative proceeding, litigation or arbitration is instituted naming the District … as a result of a claim covered by this	Vasquez accepts the fault-based standard ("willful misconduct, recklessness, or negligence"), which the District has already adopted from Civil Code section 2782.8. Section 2782.8 governs design professionals and is cited by analogy only.

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	B – Risk allocation (Essential)	*indemnified parties shall be entitled to appoint their own independent counsel …, and CONSULTANT agrees to pay all reasonable attorneys fees, expert fees and costs, and litigation costs associated with this defense within thirty (30) days of any billing; provided however, that the CONSULTANT's obligation shall be limited as provided by Civil Code Section 2782.8 to the extent that the CONSULTANT establishes its proportionate percentage of fault by stipulation … or a final adjudicatory determination."*	Paragraph, the District … shall be entitled to appoint their own independent counsel …, and CONSULTANT agrees to reimburse the District for its ~~pay all~~ reasonable attorneys fees, expert fees and costs, and litigation costs associated with this defense in proportion to CONSULTANT's percentage of fault as established by stipulation of the parties or final adjudicatory determination, within thirty (30) days of such determination ~~any billing; provided however, that the CONSULTANT's obligation shall be limited as provided by Civil Code Section 2782.8 to the extent that the CONSULTANT establishes its proportionate percentage of fault by stipulation of all the parties to the proceeding or a final adjudicatory determination~~. CONSULTANT shall have no obligation under this Paragraph to the extent a claim arises from the negligence or willful misconduct of the District, or from false or misleading information or representations knowingly provided to CONSULTANT by District management.	The defense clause undoes that standard. Requiring the firm to pay the District's chosen counsel within 30 days of each bill, before any finding of fault, is an immediate duty to defend (Civil Code section 2778; Crawford v. Weather Shield (2008) 44 Cal.4th 541). Professional liability policies exclude defense obligations assumed by contract, so this would be paid from firm capital. It also puts the burden on the firm to prove its own share of fault. The redline lets the District keep its own counsel and be reimbursed for the firm's proportionate share. The management-misrepresentation carve-out reflects the auditor's reliance on written representations (AU-C 580); AICPA ET 1.228.020 permits it without impairing independence.
15	**Agreement – new ¶19 (Professional Standards, Engagement Letter, and Responsibilities of the Parties)** *Engagement letter; management responsibilities; independence* **A – Professional standards (Essential)**	*No provision. The Agreement is a general consultant template and does not address the conditions auditing standards require before an audit is accepted.*	{+19.1 The terms of each annual audit shall be confirmed in an engagement letter as required by AU-C 210. The engagement letter shall be consistent with this Agreement and shall control only as to the matters professional standards require it to address; this Agreement controls as to commercial terms. 19.2 District management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP; for the design, implementation, and maintenance of internal control, including internal control over compliance with federal award requirements; for compliance with laws, regulations, contracts, and grant agreements; for the schedule of expenditures of federal awards; for providing complete and accurate records, unrestricted access to personnel, and written representations; and for the corrective action plan and summary schedule of prior audit findings. 19.3 Nothing in this Agreement authorizes the District to direct the nature, timing, or extent of audit procedures or to determine CONSULTANT's findings, opinions, or required communications, and acceptance of and payment for the services shall not be conditioned on any particular audit outcome.+}	AU-C 210 requires the auditor to obtain management's agreement to these responsibilities before accepting an audit; if management does not agree, the auditor may not accept the engagement. 2 CFR 200.508 sets the auditee responsibilities for a Single Audit. 19.3 states once the independence principle that Exceptions 9, 11, 15 and 16 apply paragraph by paragraph. These responsibilities already exist under professional standards; recording them avoids conflict between the Agreement and the annual engagement letter.

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16	**Agreement – new ¶20 (Confidentiality and Required Disclosures)** *Confidential information; legally required disclosures* **A – Law and professional standards (Requested)**	*No provision. The Agreement has no confidentiality clause and no exceptions for disclosures required of an auditor.*	20. CONSULTANT shall keep confidential all non-public District information obtained in performing the services and shall use it only for this engagement, except for disclosures (a) required by law, regulation, subpoena, or court order; (b) required by professional standards, including communications that Government Auditing Standards require to be made to parties outside the District; (c) of the Single Audit reporting package and Data Collection Form to the Federal Audit Clearinghouse under 2 CFR 200.512; (d) to peer reviewers, the California Board of Accountancy, successor auditors under AU-C 510, and federal or state oversight agencies; and (e) to CONSULTANT's legal counsel and professional liability insurers under obligations of confidentiality. CONSULTANT may identify the District as a client, without use of its logo, in proposals and as required for peer review and licensing.	The District operates critical water and wastewater infrastructure, and a confidentiality clause protects its data; the firm already owes confidentiality under ET 1.700.001 and Business and Professions Code section 5037(b). The listed exceptions are disclosures an auditor is legally or professionally required to make. Without them, any future confidentiality term added by the District could put the firm in breach for meeting its obligations. Client identification is needed because public RFPs, including this one, require firms to list references.
17	**Agreement ¶18.6 (Assignment), ¶18.7 (Binding Effect), and ¶18.13 (Time of Essence)** *Successor firm; alliance membership; time of essence* **C – Clarification**	*18.6: "CONSULTANT shall not be entitled to assign or transfer all or any portion of its rights or obligations … The District shall have no obligation to give its consent … and may deny any requested assignment, in its sole discretion." 18.13: "The parties agree that time is of the essence as to all matters specified in this Agreement …"*	18.6: … The admission, retirement, or withdrawal of partners in the ordinary course of business, and CONSULTANT's membership in associations of independent accounting firms, shall not constitute an assignment. CONSULTANT may assign this Agreement to a successor to all or substantially all of its audit practice upon written notice to the District, subject to the District's right to terminate under Paragraph 10. 18.13: The parties agree that time is of the essence as to all deliverable dates in Exhibit A, subject to the District's timely delivery of records as provided in Paragraph 9 ~~matters specified in this Agreement~~ …	Partners join and leave a limited liability partnership in the ordinary course; that is not an assignment. Vasquez is a member of Aprio Alliance, a national association of independent firms; members remain separate legal entities. The District keeps full control through its termination right if it does not wish to continue with a successor firm. Time of the essence for "all matters" makes every administrative step a material term. Tying it to the deliverable dates, conditioned on timely records, keeps the District's deadlines enforceable.

4. Technical and Legal References

- AICPA Statements on Auditing Standards: AU-C 200, 210, 220, 230, 240, 250, 265, 300, 315, 330, 510, 580, 700, 705, 720, 730, and 940.
- AICPA Statement on Quality Management Standards No. 1; AICPA Code of Professional Conduct ET 1.210.010 (conceptual framework for independence), 1.228.020 (indemnification), 1.230.010 (unpaid fees), 1.295 (nonattest services), and 1.700.001 (confidential client information).
- U.S. Government Accountability Office, Government Auditing Standards, 2024 Revision (GAO-24-106786): Chapter 3 (independence conceptual framework, nonaudit services), Chapter 5 (quality management and peer review), and Chapter 6 (financial audits).
- 2 CFR Part 200, Subpart F, as revised in 2024: sections 200.501, 200.508, 200.512, 200.514, and 200.517.
- California Business and Professions Code sections 5037 and 5097; California Code of Regulations, title 16, section 68.3; California Civil Code sections 2778 and 2782.8 (cited by analogy only); Crawford v. Weather Shield Mfg., Inc. (2008) 44 Cal.4th 541.

This attachment presents Vasquez's professional-standards and business position for purposes of the RFP. It is not a legal opinion.

5. Closing Statement

Vasquez is committed to serving the Olivenhain Municipal Water District with the professionalism, objectivity, and independence its audits require. The proposed modifications keep every protection the District needs: all required insurance coverages and limits, indemnity for Vasquez's own negligence, ownership of all reports and deliverables, access to audit documentation for the District, successor auditors and oversight agencies, the 20 hours of no-cost consultation, control of deliverables and deadlines, and the right to terminate. They also allow the audits to be performed in full compliance with the standards the District's stakeholders rely on. We welcome the opportunity to discuss alternative language that achieves the same objectives.

Respectfully submitted,

VASQUEZ + COMPANY LLP



Roger A. Martinez, CPA
Partner, Audit Practice Leader
655 North Central Avenue, Suite 1550, Glendale, California 91203

Olivenhain Municipal Water District

TECHNICAL PROPOSAL

For Professional Auditing Services for the Olivenhain Municipal Water District
For fiscal years ending June 30, 2027 through 2029, with the option of extending for two (2) additional years ending June 30, 2030 and 2031.

October 19, 2026

Contact Person:

Ahmed Badawi, CPA
Badawi & Associates
Certified Public Accountants
5901 Christie Avenue, Suite 307
Emeryville, CA 94608
Phone: (510) 768-8244
Fax: (510) 768-8249
E-mail: abadawi@b-acpa.com

BADAWI & ASSOCIATES
Certified Public Accountants

Olivenhain Municipal Water District

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BADAWI & ASSOCIATES
Certified Public Accountants

October 19, 2026

Leo Mendez
Finance Manager
Olivenhain Municipal Water District
1966 Olivenhain Road
Encinitas, CA 92024

Dear Leo Mendez:

Badawi & Associates (B&A), Certified Public Accountants (the "Firm") is pleased to have the opportunity to respond to your request for a proposal to provide external audit services and to submit its qualifications to perform an independent audit of the financial statements of the Olivenhain Municipal Water District (the "District") for the fiscal years ending June 30, 2027 through 2029, with the option of extending for two (2) additional years ending June 30, 2030 and 2031. The objective of our audits is to issue opinions regarding the fairness of presentation of the financial position of the District in accordance with generally accepted accounting principles. These audits are to be performed in accordance with the standards set forth for financial audits in the Government Accountability Office's (GAO) Government Auditing Standards, with the *Minimum Audit Requirements and Reporting Guidelines for California Special Districts* as required by the State Controller's Office and with Generally Accepted Auditing Standards (GAAS), as well as any other applicable federal, state, local or programmatic audit requirements.

We will also perform the following as part of our engagement:

- Monte Vista Irrigation Company Audit
- Single Audit (if required)

We will also apply limited audit procedures to Management's Discussion and Analysis (MD&A) and required supplementary information. In addition, we will prepare the management letter containing comments and recommendations regarding our review and evaluation of the systems of internal control and accounting procedures.

This proposal will highlight the background of the partners and staff assigned to the engagement, summarize our experience in the governmental area, and describe our approach to auditing the District.

This proposal demonstrates our ability to render the quality examination and to perform the necessary accounting and auditing services requested by the District on a timely basis.

As a partner of the Firm, I will be the primary contact for negotiation of the contract. Additionally, I have been authorized to legally bind the Firm. You may contact me at the following address and phone number:

Ahmed Badawi, CPA
Badawi & Associates
Certified Public Accountants
5901 Christie Avenue, Suite 307
Emeryville, CA 94608
Telephone: (510)768-8244
E-mail: abadawi@b-acpa.com

We are committed to performing the required work, completing the audit, and issuing the necessary auditors' reports.

We believe we are the best qualified to perform the audit because our audit staff includes individuals well versed in municipal auditing and reporting requirements. We have performed auditing and consulting engagements for numerous special districts and cities throughout California. We will be responsive to the needs of the District, we understand the District's operational environment, and pledge to you our complete commitment to providing a quality product that meets the District's requirements.

The approach to the audit has been designed to meet the audit requirements of the District with the least disruption to the District's office operations. The foundation of the audit approach is based on communication coupled with a strong knowledge of District operations and detailed planning at the initial stages of the audit. Open communication lines with all parties of the Engagement Team and District Management and staff throughout the engagement eliminate "surprises". Initial planning and proper assignment of duties to experienced personnel provide for an effective and efficient audit process. Consequently, inefficiencies and disruptions are kept to a minimum. In addition, we perform almost half of the audit tasks during the interim phase to minimize any unforeseen delays during the year-end phase and to ensure a smooth and timely audit process.

The Firm maintains liability insurance coverage for professional liability, Workers' Compensation, Comprehensive General Liability and Auto as part of our comprehensive insurance policy.

The Firm is an Equal Opportunity employer and complies with all Federal and State hiring requirements. The Firm also supports Affirmative Action philosophies and works hard to provide disadvantaged groups with opportunities for self enhancement.

This proposal is a firm and irrevocable offer until April 30, 2027.

We are confident that you will find our organization offers the required expertise, technical knowledge, and business understanding to perform an audit of the District. Our past experience provides us with a thorough understanding of the needs and requirements of the District, as well as the technical knowledge to perform such services in accordance with the accounting and auditing guidelines as published by the various authoritative entities.

We welcome your inquiries and look forward to further discussions with you.

Sincerely,

Ahmed Badawi
Partner
Badawi & Associates
Certified Public Accountants

Firm Qualifications and Experience

Independence

The Firm is independent of the Olivenhain Municipal Water District as defined by the GAO's Standards for Audit of Governmental Organizations, Programs, Activities and Functions, and the AICPA and California State Society of Certified Public Accountants as promulgated in various auditing and professional standards.

Insurance

The Firm maintains professional liability insurance and other coverage as part of our comprehensive insurance policy. Upon selection as District's independent auditor, the Firm and our insurance provider will provide a certificate of insurance to District which shows the minimum requirements identified by District have been met.

License to Practice in California

The Firm and all key professional staff assigned to District's audit are properly licensed to practice as Certified Public Accountants in the State of California and comply with GAO Government Auditing Standards.

The Firm is registered with the California State Board of Accountancy. Its State number is 6823.

The Firm has met all required State and local laws, rules, and regulations.

Conflict of Interest

The Firm has no conflicts of interest in connection with providing the services described in this proposal. The Firm does not have any financial, business, or other professional relationships with the District or any member of District staff.

Firm Qualifications

Badawi & Associates was founded by Mr. Ahmed Badawi. Mr. Badawi has over 25 years of experience working with state and local government. Prior to founding B&A, Mr. Badawi was a partner with several local and national firms, where he headed their government practice in Northern California. Mr. Badawi founded Badawi & Associates to serve the fast-paced needs of California's local governments. The goal is to build a proactive, client-focused culture from the ground up and to eliminate the entrenched bureaucratic culture and intrinsic limitations of the big audit firms.

Located in Emeryville, CA, the Firm serves a variety of municipalities throughout California. Names and phone numbers of several of our current and past clients and other references are provided for your inquiries. We encourage you to contact these individuals to obtain information on the quality of the audit and the ability of the audit staff.

Our Emeryville office will be the Engagement Office assigned to the District.

In addition to specific district financial statements, the Firm members have also audited numerous redevelopment agencies, public financing authorities, hospitals, housing authorities, transportation authorities, special districts, water districts, OCJP grants, self-insurance pools, joint power authorities and has also performed numerous compliance audits in accordance with the Single Audit Act, childcare regulations, TOT regulations, AQMD regulations, franchise requirements, RDA compliance, and other special projects. Additionally, the Firm has significant experience in bond offerings, post closure landfill costs, and recent changes to redevelopment agency reporting requirements

The Engagement Partner assigned to the District is Mr. Ahmed Badawi. Mr. Badawi has over 25 years of government audit and accounting experience. He is a member of various governmental committees, has actively participated in the development of accounting and audit guidelines for the governmental sector, and is an instructor for the California Society of Municipal Finance Officers.

The professional staffs assigned to the Engagement are qualified and experienced. Each individual of the Engagement Team has several years of experience and has conducted or participated in numerous municipal audits of various sizes. Their understanding of governmental operations and the various authoritative guidelines will provide the where-with-all to perform the audit in an efficient and effective manner with minimal disruption to the District's finance department.

Technical Approach

The approach to the audit has been designed to meet the audit requirements of various agencies with the least disruption to the District's operations. The foundation of the audit approach is based on communication coupled with a strong knowledge of District operations and detailed planning at the initial stages of the audit. Open communication lines with all parties of the Engagement Team and District Management and staff throughout the engagement eliminate "surprises". Initial planning and proper assignment of duties to experienced personnel provide for an effective and efficient audit process. Consequently, inefficiencies, disruptions, and lack of understanding are kept to a minimum.

The audit approach will consist of four phases:

1. **Initial Planning Meeting:**
   The Engagement Partner and Manager will meet with District Management to discuss the audit approach, identify specific needs of District Management, and familiarize themselves with District policies and practices.

2. **Interim:**
   The Engagement Team members including the Engagement Team Partner will perform the internal control reviews, test transactions, and identify potential audit issues that need to be addressed, perform limited confirmation procedures, and develop a clear understanding between the Engagement Team and District Management of the year-end audit responsibilities and assignments. **In addition, we strive to complete many of the year-end audit tasks during the interim phase to ensure a smoother audit process. We will work with the District on providing a list of those tasks that we will target to complete during interim and work with the District on how to complete them to minimize the amount of effort and time needed at year-end which in turn will assist the District in meeting its goal of issuing the report by the desired deadline.**

3. **Year end:**
   The Engagement Team members including the Engagement Team Partner will conduct validation procedures on general ledger account balances, complete confirmation procedures, perform analytical procedures on revenue and expenditures, perform search for unrecorded liabilities, complete compliance work on Federal Assistance, and wrap up audit field work.

4. **Reporting:**
   Auditor's reports for all District reporting entities and compliance requirements will be finalized along with the Management Letter comments. The Partner and Manager will be available to make presentations to the Board and/or designated bodies.

Firm Experience

The Firm is located in Emeryville, and provides a full range of accounting services to governmental agencies throughout California, including audit, tax and accounting. The Firm's professional staff members provide the financial background and specific experience to meet the District's operational needs. Additionally, this situation provides the District with an auditing firm that has depth in capabilities to address any financial issue the District may need assistance with, and the quality audit approach that you expect.

Our Emeryville office will be the Engagement Office assigned to the District.

Firm policy requires that the Engagement Partner, during the first year of the engagement, be actively involved in the daily fieldwork. This means to the District that Mr. Badawi will actually be on-site during the audit coordinating the audit process, supervising the audit staff, gaining a hands-on understanding of District processes, and benefiting the District with his broad municipal experience. We have found that this effort benefits the District and the Firm through developing a thorough knowledge of the District's practices and issues and establishing a close working relationship with the District's Management. Additionally, continuity of audit personnel is assured because of the hands on involvement of the Partner.

We are committed to providing appropriate and related experience, personal involvement, and a broad business perspective to produce a quality end product within the time frames required.

The Firm provides financial and compliance auditing services to governmental agencies throughout California. We are a governmental agency auditing firm and our professional staff members have been performing these services for many years. As a result, we have performed financial and compliance audits on most, if not all, types of governmental agencies and operations including:

- Cities
- Redevelopment Agencies
- Financing Authorities
- Housing Authorities
- Special Districts
- Water Districts
- Waste Management Authorities and Operations
- Pension Plans
- Child Care Operations
- Joint Power Authorities
- Investment Activities
- Landfills
- Enterprise Funds
- Airports
- Transportation Operations
- Federal and State Grants

Additional Activities

We offer a full range of accounting and finance services to the governmental sector. These services include:

- Financial audits
- Compliance audits
- Tax advice
- Development of financial and accounting policies and procedures
- Investment review and compliance evaluation
- Operational reviews
- Technical guidance on existing and upcoming accounting issues
- Training seminars
- Pension/profit-sharing plans
- Performance audits
- Business consulting

Consequently, Firm personnel are well qualified to perform the services expected by the District.

Client Training Seminar

The Firm hosts an annual update on recent technical accounting and finance issues affecting the governmental area. This all-day session reviews new and anticipated pronouncements from GASB, discusses future issues under consideration by GASB, reviews accounting treatment of various transactions where issues may arise, and provides a general overview of state and federal compliance issues. All of our clients are invited to attend, free of charge. The one-day session qualifies for CPE under the rules of the State Board of Accountancy and is held in the Bay Area.

GASB 68 Firm Developed Tools and Assistance

The Firm has developed tools to assist our clients with preparation of GASB 68 journal entries for the CalPERS' Cost Sharing Plans (for which individualized actuarial valuations are no longer prepared) and the CalPERS' Agent Multiple Employer Plans. In addition to providing our clients with these tools and instructions on how to use them, we are available to answer any questions on how to prepare and complete the GASB 68 journal entries.

Flowcharting Documentation

As part of our risk assessment procedures, we prepare flowcharts for documenting our understanding of the District's significant accounting and financial processes. Flowcharts are updated annually for any changes in the District's processes and copies can be provided upon request for the District's internal use. Flowcharted processes may include:

- Financial Reporting, Closing, and Manual Journal Entries
- Cash Receipts, Billing, and Accounts Receivable/Revenues
- Cash Disbursements, Purchasing, and Accounts Payable/Expenditures
- Payroll and Human Resources

Quality Control Review

According to Government Auditing Standards, firms who perform audits under the Yellow Book are required to have a peer review once every three years. We received a report with a rating of pass with no deficiencies which we attached for your review.



Report on the Firm's System of Quality Control

BADAWI & ASSOCIATES
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 Badawi & Associates (the firm) in effect for the year ended February 28, 2025. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a system review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported on in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing and complying with a system of quality control to provide the firm with reasonable assurance of performing and reporting in conformity with the requirements of applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported on in conformity with the requirements of applicable professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of and compliance with the firm's system of quality control based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act.

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

CPAmerica
Member Crowe Global

Peer Review Report
Page 2 of 2

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Badawi & Associates in effect for the year ended February 28, 2025, 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*. Badawi & Associates has received a peer review rating of *pass*.

GYL LLP

Ontario, California
July 24, 2025

The Firm has policies and procedures to ensure it hires only qualified people, that it properly supervises them and provides professional training, that it advances them to responsibilities they are capable of handling, and that it provides them with necessary technical resources. All members of the Firm are very familiar with the stringent quality control standards established by the AICPA.

The Firm is a member of the AICPA Government Audit Quality Center.

The Firm is a member of the AICPA Private Companies Practice Section.

Federal or State Desk Reviews

The Firm has had no negative federal or state reviews in the past three (3) years.

Disciplinary Action

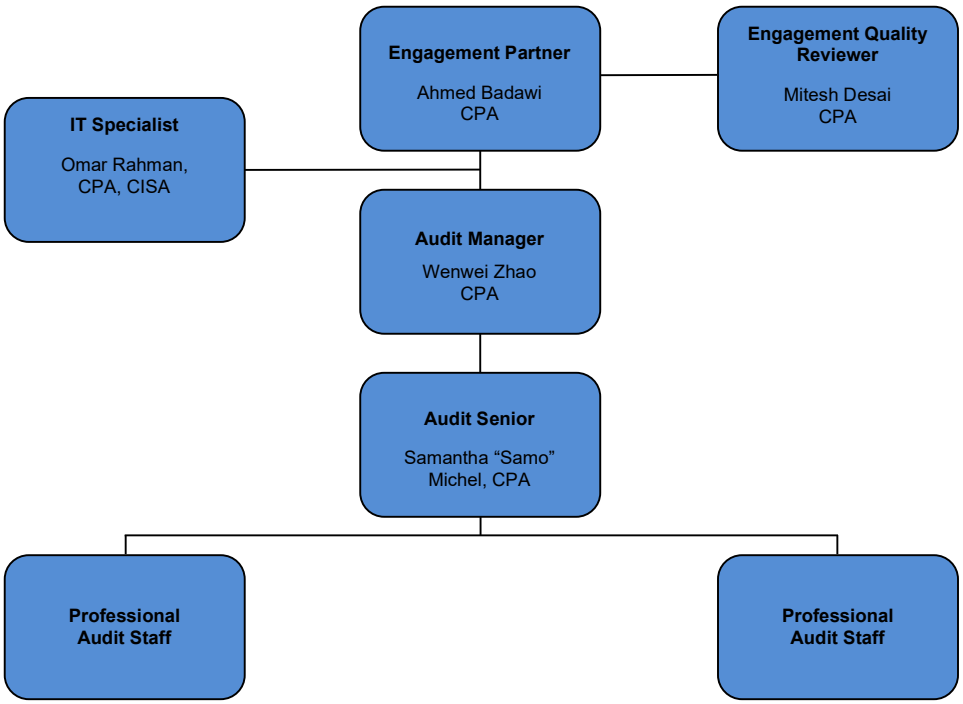
There has not been any state or federal disciplinary actions taken or pending against the Firm nor any findings to report.

Litigations

The Firm has not experienced any lawsuits or legal actions that have been resolved or are currently pending in the prior five years.

Partner, Supervisory, and Staff Qualifications and Experiences

The Engagement Team will normally consist of seven individuals who provide a broad business perspective and significant experience in governmental auditing. This team will provide access to a wide range of technical capabilities which will provide the District with not only the technical support necessary to perform the audit, but also the broad business background to interpret findings and observations to offer effective solutions to issues, and the personal involvement of the Engagement and Compliance Partners of the Firm.



The Engagement Team will be led by Ahmed Badawi, CPA. Mr. Badawi's background includes over twenty-five years of municipal auditing experience. Mr. Badawi is a member of the Government Accounting and Auditing Committee of the California Society of Certified Public Accountants. He has participated in the audits of numerous city, county and special district governments, as well as non-profit entities. His diversified background offers the technical qualities required of the governmental and non-profit areas and the necessary wherewithal to properly evaluate the entire accounting process, develop opportunities to improve the accounting process, and to offer practical business recommendations.

The second member of the Engagement Team will be Wenwei Zhao, CPA. Ms. Zhao's background includes ten years of accounting and auditing experience. She has participated in the audits of numerous governmental entities and assisted in their efforts to publish their financial statements in compliance with various regulations and is a volunteer member of the GFOA Special Review Committee. Ms. Zhao will be the Audit Manager of this engagement.

The third member of the Engagement Team will be Samantha "Samo" Michel, CPA. Ms. Michel's background includes seven years of accounting and auditing experience. She has participated in the audits of numerous governmental entities and assisted in their efforts to publish their financial statements in compliance with various regulations. Ms. Michel will be the Audit Senior of this engagement.

The fourth member of the Engagement Team will be Omar Rahman, CPA, CISA. Mr. Rahman has over ten years of experience in the field of Information Technology (IT) audit and risk management at the senior and executive management level. He has worked extensively with government agencies, private organizations, and public companies, providing external and internal audit services in support of financial statement audits. Mr. Rahman will serve as the I.T. Specialist of this engagement.

The fifth member of the Engagement Team will be Mitesh Desai, CPA. Mr. Desai's background includes eighteen years of experience in municipal auditing. Mr. Desai has participated in the audits of numerous governmental agencies, assisted in their efforts to publish their Annual Comprehensive Financial Reports in compliance with GASB 34, and a volunteer member of the GFOA Special Review Committee. Mr. Desai is responsible for conducting in-house trainings for staff auditors and is credentialed with the Advanced Single Audit Certificate offered by the AICPA. He will serve as the Engagement Quality Reviewer.

Each member of the Engagement Team participates in continuing education programs offered by the AICPA and California State Society of Certified Public Accountants, and each has met the continuing education requirements for municipalities. In addition, the firm offers at least 60 hours of in-house CPE annually focused mainly on municipal audits.

Professional Development:

The Firm maintains a comprehensive training program targeted at appropriate professional staff levels. It utilizes in-house developed educational programs, AICPA and California CPA Foundation educational programs, and on-the-job training.
The Firm's annual training schedule which officially begins in April for all professional staff and administrative staff includes comprehensive in-house training sessions on such topics as:

- Review of principles of accounting and financial reporting for state and local governments
- Review of governmental fund types and account groups
- Review of newly issued generally accepted auditing standards and GAO auditing standards
- Review of Internal Control evaluation approaches including COSO principles
- Updates on recent governmental accounting and reporting guidelines
- Review of Single Audit requirements and approaches
- Review of financial audit approaches
- Overview of audit and internal control work paper techniques
- Review of GASB reporting requirements
- Review of current issues facing the governmental community

During the year, professional staff members are sent to various educational sessions sponsored by the AICPA and California State Society of CPAs, as considered appropriate for the level and need of the individual. These classes include, among others:

- Governmental Financial Reporting Standards and Practices
- Yellow Book: Government Auditing Standards
- Financial Accounting Standards: Comprehensive Review
- Single Audit
- Governmental Auditing & Accounting Update
- Governmental Accounting Principles
- Comprehensive Review of Generally Accepted Auditing Standards

The result of the Firm's training program is the production of a highly educated and competent municipal audit group capable of performing an efficient and effective audit for the District.

The Team members will continue their professional development efforts.

Staff Retention and Continuity:

The Firm's policy on providing service to our clients includes a commitment to maintaining continuity of audit personnel. We cannot guarantee that our staff will remain with the Firm. However, to encourage our staff to remain with us, we pay competitive wage rates; offer promotional opportunities; provide state-of-the-art equipment and excellent working conditions; and offer various benefits, such as retirement plans, medical plans, profit sharing programs, educational benefits, and other such benefits. Additionally, we will guarantee that any staff member assigned to this engagement will return to the District in subsequent years if he or she is still with the Firm. We can also guarantee that the partner will be involved in future years. Continuity of audit staff is of prime concern to us and because of the hands-on involvement of the partner; we can assure you that future years' audits will be conducted in an efficient and effective manner with qualified and experienced professionals.

The Firm is an Equal Opportunity employer and complies with all Federal and State hiring requirements. The Firm also supports Affirmative Action philosophies and works hard to provide disadvantaged groups with opportunities for self enhancement.

Resumes of each member of the Engagement Team follow.

Ahmed Badawi, Certified Public Accountant – Engagement Partner

Length of Career

- Over twenty-five years of experience in municipal auditing and accounting
- Certified Public Accountant for the State of California

Professional Experience

- Has performed numerous financial audits, Single Audits, Transportation Development Act audits, housing audits, electrical utility audits, RDA audits, PFA audits, and Trust Fund audits, and has prepared numerous Annual Comprehensive Financial Reports
- Partial listing of clients served:

	Services Provided					
	Financial Audit	Single Audit	Water Enterprise	RDA Audit	PFA Audit	Other
Special Districts and Other:						
Alameda County Water District	x		x			x
Elk Grove Water District	x		x			
Marin Municipal Water District	x		x			x
Victorville Water District	x		x			
El Dorado Irrigation District	x	x	x			
Solano County Water Agency	x					
Castro Valley Sanitary District	x					
West County Wastewater District	x					x
Aptos/La Selva Fire Protection District	x					
Central County Fire District	x					
Coastside Fire Protection District	x					x
Cosumnes Community Services District	x					x
East Bay Regional Park District	x	x				x
Sanitary District No. 5	x					
South Bayside System Authority	x					x
Union Sanitary District	x					
Cities:						
Antioch	x	x	x		x	x
Atwater	x	x	x			
Azusa	x	x	x			x
Chino	x	x	x			x
Folsom	x	x	x		x	x
Millbrae	x		x			x
Oakdale	x	x	x	x		x
Petaluma	x	x	x			x
Redwood City	x	x	x			x
San Bruno	x	x	x	x		x
San Luis Obispo	x	x	x			x
Turlock	x	x	x	x	x	x
Yuba City	x	x	x			x
Victorville	x	x	x	x		x

Education

- BS Degree in Accounting from the University of Alexandria, Egypt

Professional Activities

- Member, CALCPA Government Accounting and Auditing Committee
- Member, American Institute of Certified Public Accountants
- Member, California Society of Certified Public Accountants
- Member, Government Finance Officers Association
- Member, California Society of Municipal Finance Officers

Continuing Education

- Has met the current CPE educational requirements to perform audits on governmental agencies

Wenwei Zhao, Certified Public Accountant – Professional Audit Manager

Length of Career

- Ten years of experience in municipal auditing
- Certified Public Accountant for the State of California

Professional Experience

- Has performed numerous financial audits, Single Audits, RDA audits, PFA audits, Transportation Development Act audits, and housing audits
- Partial listing of clients served:

	Services Provided					
	Financial Audit	Single Audit	Water Enterprise	RDA Audit	PFA Audit	Other
Special Districts and Other:						
Elk Grove Water District	x		x			
Marin Municipal Water District	x		x			
Victorville Water District	x		x			
Contra Costa County Child Care	x					x
Cosumnes Services District	x					
Hayward Area Recreation and Park District	x					
Resource Conservation District of Santa Cruz County	x					
San Mateo County Mosquito and Vector Control District	x					
Union Sanitary District	x	x				x
Cities:						
Berkeley	x	x		x		x
Crescent City	x	x	x			x
East Palo Alto	x	x	x			
Folsom	x	x	x		x	x
Larkspur	x					
Menlo Park	x		x	x		x
Millbrae	x		x			
Newark	x	x		x		x
Oakdale	x		x			x
Pomona	x	x	x	x	x	x
Redwood City	x	x	x			
Richmond	x	x	x	x	x	x
San Luis Obispo	x	x	x			
San Mateo	x	x	x			
Town of Los Gatos	x					
Town of Yountville	x		x			
Union City	x	x	x			x
Waterford	x					
Yuba City	x	x	x			x
Victorville	x	x	x			x

Education

- Master of Accounting from University of Pittsburgh, PA

Professional Activities

- Volunteer Member, GFOA Special Review Committee

Continuing Education

- Various municipal accounting courses offered by the California Society of CPAs and local universities including:
  - Governmental Financial Reporting Standards and Practices
  - Yellow Book: Government Auditing Standards
  - Municipal Accounting
  - Single Audit
- Has met the current CPE educational requirements to perform audits on governmental agencies

Samantha "Samo" Michel, Certified Public Accountant – Professional Audit Senior

Length of Career

- Seven years of experience in municipal auditing
- Three seasons of experience in personal tax preparation
- Certified Public Accountant for the State of California

Professional Experience

- Has participated in several financial audits, Single Audits, RDA audits, PFA audits, Transportation Development audits, and housing audits

	Services Provided					
	Financial Audit	Single Audit	Water Enterprise	TDA Audit	PFA Audit	Other
Special Districts and Other:						
Florin Resource Conservation District/Elk Grove Water District	x		x			
Victorville Water District			x			
El Dorado Irrigation District	x		x			x
Alameda County Waste Management Authority (StopWaste)	x					
Central County Fire Department	x					x
Hayward Area Recreation and Park District	x	x				
Port of San Luis Harbor	x					
Amador County Transportation Commission	x	x				x
San Mateo Consolidated Fire District	x					
Cities/Towns:						
Antioch	x	x	x	x	x	x
Barstow	x					
Berkeley	x	x		x		x
Buena Park	x	x	x	x		x
Crescent City	x	x	x			x
East Palo Alto	x	x	x			x
El Cerrito	x	x			x	
Folsom	x	x	x		x	x
Guadalupe	x	x	x			x
Los Gatos	x					
Millbrae	x	x	x			x
Menlo Park	x	x	x			x
Petaluma	x	x	x	x		x
Pismo Beach	x		x	x		
Richmond	x	x		x	x	x
San Bruno	x	x	x	x		x
San Carlos	x	x		x		x
San Luis Obispo	x	x	x	x		x
San Mateo	x	x				x
Sausalito	x					x
Union City	x	x	x	x		x
Waterford	x					x
Yuba City	x	x	x			x

Education

- BS, University of Washington, Seattle, WA
- Accounting, Foothill College, Los Altos Hills, CA

Professional Activities

- Member, California Society of Certified Public Accountants
- Member, Forensic Services Section, California Society of Certified Public Accountants

Continuing Education

- Various municipal accounting courses offered by the California Society of CPAs and local universities including:
  - Governmental Financial Reporting Standards and Practices
  - Yellow Book: Government Auditing Standards
  - Municipal Accounting
  - Single Audit
- Has met the current CPE educational requirements to perform audits on governmental agencies

Omar Rahman, Certified Public Accountant, Certified Information System Auditor – Information Technology Specialist

Length of Career

- Over ten years of experience auditing information technology (IT) processes and controls
- Certified Public Accountant for the State of California
- Certified Information System Auditor

Areas of Expertise

- IT risk consulting and audit services for governmental entities, private/public companies, nonprofits, and professional service organizations
- External and internal IT audit services in support of financial statement audits
- Technical guidance/support on IT risks and controls in relation to SOX 404a and SOX 404b compliance, NIST 800-53/171a, Cyber Security Framework, HIPAA Technical Safeguards, CCPA/GDPR compliance, COBIT 2019 Framework
- Managed entire life cycle of IT internal and external audit engagements from planning research, audit program development, fieldwork and reporting
- Assess risks related to IT processes/assets and corresponding applications/tools
- IT control testing over business automated controls, general IT controls, and cyber security controls as well as IT substantive testing over information systems.

Partial list of governmental clients served:

- City of Berkeley
- City of Chino
- City of Dinuba
- City of Dublin
- City of Healdsburg
- City of Jurupa Valley
- City of Lathrop
- City of Laverne
- City of Lemon Grove
- City of Ontario
- City of Mountain View
- City of Pomona
- City of Richmond
- City of San Carlos
- City of Sausalito
- City of San Luis Obispo
- City of Foster City
- City of Victorville
- Sacramento Metropolitan Fire District
- Sacramento Employment and Training Agency
- Union Sanitary District

Presentations

- November 2017 - Institute of Internal Auditors - General IT Controls for Internal Audit
- December 2018 - Institute of Internal Auditors - SDLC Process and Audit/Risk Considerations
- February 2019 - IT Audit for Business Process Professionals
- May 2019 - IT Internal Audit Emerging Technologies: Data Analytics
- September 2019 - Information Systems Audit and Control Association

Education

- B.S. Degree in Economics, University of California, Los Angeles, CA.

Professional Activities

- Certified Public Accountant - California
- Certified Public Accountant - Ohio
- Certified Information System Auditor

Mitesh Desai, Certified Public Accountant – Engagement Quality Reviewer

Length of Career

- Eighteen years of experience in municipal auditing
- Certified Public Accountant for the State of California

Professional Experience

- Has participated in several financial audits, Single Audits, RDA audits, PFA audits, Transportation Development Act audits, and housing audits

	Services Provided					
	Financial Audit	Single Audit	Gann Limit	RDA Audit	Enterprise Fund	Other
Special Districts and Other:						
Florin Resource Conservation District/Elk Grove Water District	x				x	
Alameda County Waste Management Authority (StopWaste)	x					
Central County Fire Department	x					x
Central Fire Protection District of Santa Cruz County	x					
County of Contra Costa Community Services Bureau Child Development Program	x					x
Hayward Area Recreation and Park District	x	x				
Monterey Bay Unified Air Pollution Control District	x					
Port of San Luis Harbor						
Resource Conservation District of Santa Cruz County	x					
Santa Cruz Regional 9-1-1	x					
Alameda County Water District	x				x	x
Aptos/La Selva Fire Protection District	x					
Castro Valley Sanitary District	x				x	
Cosumnes Community Services District	x					x
East Bay Regional Park District	x	x				x
Marin Municipal Water District	x					x
Menlo Park Child Care	x				x	
Sanitary District No. 5	x				x	
West County Wastewater District	x					x
Cities/Towns:						
Antioch	x	x	x	x	x	x
Azusa	x	x	x	x	x	x
Berkeley	x	x	x	x	x	x
Dublin	x	x	x			x
Foster City	x	x	x	x	x	x
Lemon Grove	x	x	x	x		x
Millbrae	x	x	x	x	x	x
Oakdale	x	x	x	x	x	x
Sebastopol	x		x	x	x	x
Solvang	x	x	x		x	x
Union City	x	x	x	x	x	x
Waterford	x		x	x	x	x
Yuba City	x	x	x	x	x	x
Albany	x		x			
Counties:						
Santa Cruz County	x	x	x	x	x	x
Contra Costa County	x	x	x	x	x	x
County of Lassen	x	x			x	x

Education

- BS Degree in Business Economics with an emphasis in Accounting from University of California, Santa Barbara

Professional Activities

- Member, American Institute of Certified Public Accountants
- Member, California Society of Certified Public Accountants
- Volunteer Member, GFOA Special Review Committee

Continuing Education

- Various municipal accounting courses offered by the California Society of CPAs and local universities including:
  - Governmental Financial Reporting Standards and Practices
  - Yellow Book: Government Auditing Standards
  - Municipal Accounting
  - Single Audit
- Has met the current CPE educational requirements to perform audits on governmental agencies

Similar Engagements with Other Governmental Entities

The table below is a partial listing of special district engagements (in order of audit hours):

Special District	Client Since	Hours	Engagement Partner	Principal Contact	Annual Comprehensive Financial Report	GFOA Award	Single Audit	Enterprise Funds
Sacramento Metropolitan Fire District	2023	519	Ahmed Badawi	Ronald Empedrad Controller (916) 859-4510 empedrad.ronald@metrofire.ca.gov	Yes	Yes	X	
County of Contra Costa Community Services Bureau Child Development Program	2013	505	Mitesh Desai	Alexandra Heinitz Department Fiscal Officer (925) 608-4948 aheinitz@ehsd.cccounty.us	No	N/A		
El Dorado Irrigation District	2024	403	Ahmed Badawi	Penny Buchman Finance Director (530) 642-4139 pbuchman@eid.org	Yes	Yes	X	X
Union Sanitary District	2023	362	Ahmed Badawi	Mark Carlson, CPA CFO/Business Services Manager (510) 477-7510 markc@unionsanitary.ca.gov	Yes	Yes		X
Florin Resource Conservation District/ Elk Grove Water District	2015	350	Ahmed Badawi	Patrick Lee Finance Manager / Treasurer (916) 685-3556 plee@egwd.org	Yes	Yes		X
Hayward Area Recreation and Park District	2017	350	Mitesh Desai	Rekha Nayar Finance Director (510) 881-6707 nayr@haywardrec.org	Yes	N/A	X	
San Ramon Valley Fire Protection District	2021	285	Ahmed Badawi	Davina Hatfield Chief Financial Officer (925) 838-6668 dhatfield@srvfire.ca.gov	Yes	Yes	X	
Alameda County Waste Management Authority (StopWaste)	2018	212	Mitesh Desai	Jennifer Luong Finance Services Manager (510) 891-6500 jluong@stopwaste.org	Yes	Yes		
Ross Valley Fire Department	2021	190	Ahmed Badawi	Jeff Zuba Finance & Admin. Services Director (262) 989-2208 jzuba@townofsananselmo.org	No	N/A		
Southern Marin Fire Protection District	2020	160	Ahmed Badawi	Karen Scalabrini (707) 217-8646 kscalibrini@smfd.org	No	N/A		
Central County Fire Department	2012	150	Mitesh Desai	Jan Cooke Finance Director (650) 375-7408 jcooke@hillsborough.net	Yes	Yes		
Central Fire Protection District of Santa Cruz County	2018	150	Mitesh Desai	Nancy Dannhauser Finance Director (831) 479-6842 nancy.dannhauser@centralfiresc.org	No	N/A		
Victorville Valley Water District	2024	129	Ahmed Badawi	Carmen Cun Finance Director/City Treasurer (760) 955-3170 ccun@victorvilleca.gov	No	N/A		X
Marin Wildfire Prevention Authority	2021	106	Ahmed Badawi	Karen Scalabrini (707) 217-8646 kscalibrini@smfd.org	No	N/A		

The table below and on the following page lists city engagements that encompassed issuing an Annual Comprehensive Financial Report (resulting in a GFOA award), audit of enterprise activities, or encompassed performance of a Single Audit.

* Indicates cities with population over 50,000

** Indicates cities with governmental revenues over $100 million and population over 50,000

	City	Client Since	Hours	Engagement Partner	Principal Contact	Annual Comprehensive Financial Report	GFOA Award	RDA/Successor Agency	Single Audit	TDA	Water Fund	Sewer Fund	SCO Report	Housing Authority	Enterprise Funds	Pension Trust Fund
**	Richmond	2020	2,338	Ahmed Badawi	Jerry Chak Accounting Manager (510) 620-6569 jerry_chak@ci.richmond.ca.us	X		X	X	X		X	X	X	X	X
**	Berkeley	2008	1,505	Mitesh Desai	Henry Oyekanmi Finance Director (510) 981-7300 hoyekanmi@ci.berkeley.ca.us	X	X	X	X	X		X			X	X
**	Victorville	2024	950	Ahmed Badawi	Carmen Cun Finance Director/City Treasurer (760) 955-3170 ccun@victorvilleca.gov	X		X	X		X	X			X	
	San Carlos	2023	865	Ahmed Badawi	Paul Harris Financial Services Manager (650) 802-4217 pharris@cityofsancarlos.org	X	X	X	X	X		X	X		X	
**	Folsom	2019	786	Mitesh Desai	Stacey Tamagni Finance Director (916) 461-6712 stamagni@folsom.ca.us	X	X	X	X		X	X			X	
**	Pomona	2023	756	Ahmed Badawi	Andrew Mowbray Finance Director/City Treasurer (909) 620-2353 Andrew.mowbray@pomonaca.gov	X	X	X	X		X	X	X		X	
**	Mountain View	2024	741	Ahmed Badawi	Derek Rampone Finance & Administrative Services Director (650) 903-6316 derek.rampone@mountainview.gov	X	X		X	X	X	X	X		X	
*	Petaluma	2019	691	Mitesh Desai	Corey Garberolio Assistant Finance Director (707) 778-4357 cgarbero@cityofpetaluma.org	X	X	X	X	X	X	X	X		X	
	La Verne	2023	691	Ahmed Badawi	Christy Lopez Finance Director (909) 596-8752 clopez@cityoflaverne.org	X		X			X	X			X	
	Pittsburg	2024	683	Ahmed Badawi	Elena Adair Finance Director (925) 252-4848 eadair@pittsburgca.gov	X	X	X	X	X	X	X	X	X	X	
*	San Luis Obispo	2019	638	Mitesh Desai	Emily Jackson Finance Director (805) 781-7125 ejackson@slocity.org	X	X		X	X	X	X				

	City	Client Since	Hours	Engagement Partner	Principal Contact	Annual Comprehensive Financial Report	GFOA Award	RDA/Successor Agency	Single Audit	TDA	Water Fund	Sewer Fund	SCO Report	Housing Authority	Enterprise Funds	Pension Trust Fund
	Chino	2023	621	Ahmed Badawi	Kim Sao Director of Finance/City Treasurer (909) 334-3354 ksao@cityofchino.org	X	X		X		X	X			X	
	Lafayette	2020	586	Mitesh Desai	Tim Przybyla Finance Manager (925) 299-3213 tprzybyla@ci.lafayette.ca.us	X	X	X					X		X	
	Lathrop	2023	585	Ahmed Badawi	Cari James Finance Director (209) 941-7320 cjames@ci.lathrop.ca.us	X			X		X	X	X		X	X
	Sausalito	2023	559	Ahmed Badawi	Angeline Loeffler Finance Director (415) 289-4150 aloeffler@sausalito.gov							X	X		X	
	Pacifica	2024	559	Ahmed Badawi	Lucy Xie Deputy Finance Director (650) 738-7392 lxie@pacifica.gov	X	X		X			X			X	
	Dinuba	2023	556	Ahmed Badawi	Karina Solis Administrative Services Director (559) 591-5900 ksolis@dinuba.ca.gov	X	X	X	X		X	X	X		X	
	Millbrae	2015	550	Mitesh Desai	Mike Sung Finance Director (650) 259-2433 msung@ci.millbrae.ca.us	X	X	X	X		X	X			X	
**	Dublin	2018	546	Mitesh Desai	Jay Baksa Finance Director (925) 833-6648 Jay.Baksa@dublin.ca.gov	X	X		X	X			X			
	Azusa	2017	540	Mitesh Desai	Talika Johnson Administrative Services Director (626) 812-5202 tjohnson@AzusaCa.Gov	X	X	X	X		X	X			X	
	Foster City	2023	540	Ahmed Badawi	Waqas Hassan Assistant Finance Director (650) 286-3204 whassan@fostercity.org	X	X	X	X		X	X			X	
	Jurupa Valley	2023	498	Ahmed Badawi	Susan Paragas Finance Director (951) 332-6464 sparagas@jurupavalley.org	X		X								
	Glendora	2022	487	Ahmed Badawi	Kyle Johnson Finance Director (626) 914-8245 kjohnson@cityofglendora.org	X	X	X	X		X		X	X	X	
	San Bruno	2022	486	Ahmed Badawi	Nick Pegueros Chief Financial Officer (650) 616-7054 NPegueros@sanbruno.ca.gov	X	X		X	X	X	X	X		X	

	City	Client Since	Hours	Engagement Partner	Principal Contact	Annual Comprehensive Financial Report	GFOA Award	RDA/Successor Agency	Single Audit	TDA	Water Fund	Sewer Fund	SCO Report	Housing Authority	Enterprise Funds	Pension Trust Fund
	Healdsburg	2023	452	Ahmed Badawi	Katie Edgar Finance Director (707) 431-3184 kedgar@healdsburg.gov			X	X		X	X	X		X	
*	Yuba City	2017	450	Mitesh Desai	Diona Pope Finance Director (530) 822-4615 dpope@yubacity.net	X	X	X	X		X	X	X		X	
	Larkspur	2019	437	Mitesh Desai	Emilia Gabriele Administrative Services Director (415) 927-5016 Finance@cityoflarkspur.org				X					X	X	
	Wasco	2021	428	Ahmed Badawi	Rocio Mosqueda Accounting Manager (661) 758-7234 romosqueda@cityofwasco.org	X		X	X	X	X	X	X			
	Piedmont	2024	400	Ahmed Badawi	Kiran Bawa Finance Director (510) 420-3045 kbawa@piedmont.ca.gov					X			X		X	
	Pismo Beach	2022	389	Ahmed Badawi	Vanessa Garris Finance Manager (805) 773-7085 VGarris@pismobeach.org	X	X				X	X		X	X	
	Atwater	2021	380	Ahmed Badawi	Anna Nicholas Finance Director (209) 357-6310 anicholas@atwater.org			X	X		X	X	X	X		
	Orinda	2024	378	Ahmed Badawi	Douglas Alessio Assist. City Manager/Admin. Serv. Dir. (925) 253-4220 DAlessio@cityoforinda.org	X	X		X	X			X			
	Lemon Grove	2022	377	Ahmed Badawi	Stacey Tang Finance Director (619) 825-3803 stang@lemongrove.ca.gov	X		X	X				X			
	Scotts Valley	2019	311	Mitesh Desai	Stephanie Hill Administrative Services Director (831) 440-5614 shill@scottsvalley.org	X	X	X					X		X	
	Waterford	2018	311	Mitesh Desai	Tina Envia Finance Manager (209) 874-2328 Ext: 104 tenvia@cityofwaterford.org			X			X	X			X	
	Solvang	2019	308	Mitesh Desai	Wendy Berry Administrative Services Director (805) 688-5575 x 205 wendyb@cityofsolvang.com	X	X		X		X	X	X		X	
	Guadalupe	2017	303	Mitesh Desai	Janice Davis Finance Director (805) 356-3895 Jdavis@ci.guadalupe.ca.us			X	X		X	X			X	

	City	Client Since	Hours	Engagement Partner	Principal Contact	Annual Comprehensive Financial Report	GFOA Award	RDA/Successor Agency	Single Audit	TDA	Water Fund	Sewer Fund	SCO Report	Housing Authority	Enterprise Funds	Pension Trust Fund
	Crescent City	2014	227	Ahmed Badawi	Linda Leaver Finance Director (707) 464-7483 x224 lleaver@crescentcity.org			X	X		X	X		X	X	

Understanding of Services to be Provided

The District desires an audit of the financial records for the District and an expression of an opinion in accordance with generally accepted accounting principles on the fairness of presentation of financial statements for the fiscal years ending June 30, 2027 through 2029, with the option of extending for two (2) additional years ending June 30, 2030 and 2031.

The Firm will:

- Express an opinion on the fair presentation of its basic financial statements in conformity with generally accepted accounting principles in the United States of America
- Express an "in-relation-to" opinion on the fair presentation of any supplementary information in conformity with generally accepted accounting principles. The Firm will provide an “in-relation-to” report on the supporting schedules contained in the Annual Comprehensive Financial Report based on the auditing procedures applied during the audit of the basic financial statements and schedules
- Express an opinion on the fair presentation of the schedule of expenditures of federal awards in relation to the basic financial statements (if required)
- Perform limited procedures on supplementary information required by the Government Accounting Standards Board
- Issue the following reports, following the completion of the audit of the fiscal year’s financial statements:
  - Independent Auditor’s Report on Financial Statements
  - Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statement Performed in Accordance with *Government Auditing Standards*
  - Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance required by the Uniform Guidance
  - Schedule of Findings and Questioned Costs
  - Auditor’s Communication with Those Charged with Governance
- Provide special assistance to the District as needed
- Retain all working papers and reports at the audit firm’s expense for a minimum of 7 years. In addition, make working papers available to the District and/or any government agency as appropriate

Should any conditions be discovered requiring corrective action, the Firm will provide a detailed description of the findings and recommended actions as to their resolution.

The Firm will submit a report to the District’s Board and management detailing auditor’s responsibility under generally accepted auditing standards, significant accounting policies, management judgments and accounting statements, significant audit adjustments, other information in documents containing audited financial statements, disagreements with management, management consultations with other accountants, major issues discussed with management prior to retention, difficulties encountered during the audit, and any significant deficiencies or material weaknesses found during the audit. Non-material instances of noncompliance will be reported in a separate management letter, if appropriate, along with any other observations or recommendations determined to be informative to District Management.

The Firm will be available to provide advice and counsel regarding significant matters during the year. The Firm’s Partner and Staff welcome the opportunity to make presentations to the Board and will be ready to respond to questions from the Board and any other interested parties.

Specific Audit Approach

Objectives of Our Services

The basic objective of our audit of the District is to conduct an examination of the financial statements in accordance with generally accepted auditing standards and to express our opinion on the fairness of presentation of such financial statements in conformity with generally accepted accounting principles.

Additionally, we believe that another real value of our audit lies in meeting other objectives at no additional cost. The following are other objectives of our services that have important benefits to the District:

- To offer substantive observations and recommendations relating to accounting and operating control policies and procedures
- To identify opportunities for operating efficiencies and isolate candidate activities for cost reduction opportunities
- To perform a professional audit in an efficient and effective way to minimize disruption to the office operations
- To offer ongoing advisory services to assist in the running of the operation and implementation of improved operating procedures

The engagement will be conducted within the framework of the Firm's quality control program which includes the use of audit programs, careful planning, use of computerized audit software and internal control evaluation and documentation software, and objective review procedures. On-site staff will use Firm supplied portable computers and printers.

Audit Approach

The specific audit approach has been designed to efficiently and effectively address the audit requirements of the District, to perform the audit of the District's financial records in a timely manner with minimal disruptions to office operations, and to meet the District's timeline.

The audit will be conducted in accordance with:

1) Generally accepted auditing standards established by the AICPA
2) The standards contained in Government Auditing Standards issued by the GAO
3) Provisions of the Single Audit Act and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)
4) Requirements issued by the California State Controller's office
5) Other requirements as required

We will conduct the necessary audit steps to perform:

- Planning of the engagement
- Evaluation of the existing internal control environment to determine degree of risk of material misstatement
- Determination of degree of compliance with laws, regulations, grant provisions, and District approved policies
- Assessment of potential fraudulent issues
- Validation of account balances
- Verification of reasonableness of management estimates

Technical Approach

We use an industry specific audit approach tailored to governmental entities. Our governmental audit approach addresses the special risks and circumstances of local governments. As a result, the audit is conducted efficiently and effectively with minimal disruption to your staff.

The core of our governmental technical audit approach can be summarized as follows:

1. **Planning, Understanding and Communication:**
   Based on our previous audit experience, using the budget, organizational charts, manuals and other financial information systems and our knowledge of how governments work, we will obtain an insight to the specific concerns and sensitivities of the District. Our understanding is updated continuously through our year-round contact and communication efforts. We will agree on common audit objectives and expectations with management before audit work begins and, throughout the audit, will meet regularly with management to discuss audit issues and to gather feedback.

2. **In-Depth Review of Systems and Controls:**
   We have developed diagnostic reviews which enable us to evaluate your systems and controls, and to provide management with constructive feedback. Combined with our knowledge of the District and understanding and experience with the District's accounting software, our control review will form the basis of our audit risk assessment. We will utilize the COSO approach in our evaluation of the District's internal processes to identify potential control deficiencies. In future years, we will update our understanding through similar procedures.

3. **Risk-Based Customized Testing Program:**
   Our audit approach is tailored to governmental applications. We will use audit programs specifically designed to address the operational environment of governmental entities. Our approach will identify potential control risks and the opportunities for risk of material misstatements and fraud. We will evaluate the various risk assessments and identify the potential risks relating to the:

   - Balance Sheets / Statement of Net Position
   - Statement of Revenues and Expenditures / Statement of Activities
   - Presentation
   - Disclosure

   Our audit procedures will then be developed to address these risk areas.

4. **Expanded Interim Fieldwork:**
   Timeliness and audit efficiency is enhanced by performing extensive interim work. Partners, managers and senior staff work with District staff to identify and resolve potential audit issues early. Accordingly, the amount of audit work to perform at year end is minimized. Because our audit staff is familiar with the operations before year-end fieldwork begins, disruption of accounting staff is minimized

5. **Smooth Transition:**
   Our testing program focuses on audit risks identified by our understanding of the District's operations. We will work with the accounting staff to identify the most effective ways to address our objectives. Communication between the members of the audit engagement team and District staff will be fluid and continuous.

6. **Sample Size and Sampling Techniques:**
   Our audit approach will include sampling activities. Population size and the level of assurance to be derived from a particular test will dictate the sample size. We use sampling in our audit approach to compliment skilled judgment and knowledge of the particular situation. Our sample size will range normally from 25 to 60 items.

7. **Automated Systems:**
We will evaluate controls over the IT functions to assess control risk. We intend to test controls for purposes of reliance. Our review procedures will evaluate controls over:

- Security Management
- Logical and Physical Access
- Configuration Management
- Segregation of Duties
- Contingency Planning

In addition, we will review controls over:

- Input, processing, output, master data
- Application interface
- Data management system interface

Our information Technology Specialists will evaluate the IT operating control environment.

8. **Analytical Procedures:**
We use analytical procedures in several aspects of our audit. Extensive knowledge and industry background are required for effective analytics, and our staff possesses the appropriate experience and knowledge for the District to benefit from these procedures.

9. **Approach to be Taken in Determining Laws and Regulations Subject to Audit Test Work:**
We continuously refer to specific regulations, compliance supplements, state guidelines and contracts currently in force. We perform the procedures required related to laws and regulations, using inquiries, observations and sampling techniques. Some of the laws and regulations that we believe may be applicable to the District are the requirements of the California Public Utilities Commission, Single Audit Act and other applicable laws and regulations, including the California Government Code, provisions of applicable Grant guidelines, requirements of local measures, etc.

10. **Report Format:**
We will meet with District Management to review report formats. Any report format changes will be made in conjunction with approval from the District's management.

11. **Work Plans:**
The detailed work plans will be designed to efficiently and effectively address the audit requirements of the District in accordance with generally accepted auditing standards, to perform the audit of the District's financial records in a timely manner with minimal disruptions to office operations, and to meet the District's timeline.

12. **Adjusting Journal Entries:**
We will discuss and explain proposed audit adjusting entries with the District's designated Finance Department personnel prior to recording. Audit adjusting entries will be provided in a format showing the lowest level of posting detail needed for data entry on the District's general ledger system.

13. Listing of Schedules and Tables (anticipated to be prepared by the District):

Based on preliminary inquiries made with management and District staff and review of documents, we will tailor a list of schedules, tables, and other reconciliations required for the audit. We will take into account as much as possible reconciliations already prepared by the District for day-to-day operations and reporting, as well as any reports that are system generated to limit the need for additional District staff hours.

The following is a listing of significant reconciliations and schedules that we would normally expect the District to provide to us in assisting us in conducting our fieldwork.

- Trial Balance
- Annual Comprehensive Financial Report Account Rollup Schedule
- Budget-to-Actual Reports
- Bank Reconciliations
- Listing of Manually Prepared Journal Entries
- Summary of Investments held by the District
- Capital Asset Schedules
- Long Term Debt Schedules
- Debt amortization Schedules and Calculations of Deferred Amounts
- Calculations of any Debt Covenants Amounts or Percentages
- Schedule of Leases
- Analysis of Deferred Outflows of Resources and Deferred Inflows of Resources
- Reconciliation of Receivables to Subsidiary Ledgers
- Calculations for Estimate of Allowance for Uncollectible Accounts
- Loans Receivable Schedules
- Reconciliation of Significant Revenue Accounts
- Fee Schedules
- Compensated Absences Schedules and Copies of Related Policies
- Claims Payable Schedules
- Pension Rollforward and Supporting Schedules
- Supporting Schedules for the District's Significant Cost Allocations
- Interfund Transaction Schedules

Use of Technology in the Audit

The Firm maintains a variety of specialized software packages during the audit that enable us to perform an efficient, thorough, and timely audit and keeping time demands on District staff to a minimum.

Trial Balance Management and Financial Statement Preparation

Axcess Engagement allows us to import and manage multiple years of trial balance data including budgetary information, create multiple account groupings, generate reports, post journal entries proposed during the audit (including GASB 34 conversion entries), and link information directly to the financial statements. This gives us the ability to:

- Generate immediate trend and other comparative analysis of trial balance and budget data prior to the start of the audit. This allows us to identify potential issues and make inquiries early in the audit
- Link the financial statements and footnotes prior to the start of the audit allowing us to have majority of the financial statements (including budgetary comparison schedules and other supplementary information) prepared at the time the trial balance is uploaded
- Audit adjustments or District adjustments provided during the audit are automatically reflected in the financial statements

Audit Request Management and Document Exchange

Teamwork Project Management ("Teamwork") is a secure, cloud-based collaboration platform that our Firm now uses to manage the "Prepared by Client (PBC) List" that streamlines the process of requesting, receiving, and keeping track of documents. Teamwork helps to facilitate the engagement through seamless collaboration between the Firm and our clients. By utilizing Teamwork, the District can do all of the following in one secure virtual environment:

- Attach files of any type to document requests
- Easily track the status of document requests
- Access templates and documents from us that require completion
- Have multiple District staff get involved and assist in the audit process
- Participate in a dialog for questions and notes

We have found that the use of the PBC List in Teamwork has helped our clients be always informed as to the status of their audit, and not be surprised with new requests or follow up on outstanding requests previously provided.

Audit Reporting Phase Management

Teamwork is also used by our Firm to manage the reporting phase of the audit, including timeline, key milestones, draft reviews, and final deliverables. With Teamwork, the entire reporting process and related communications are organized within one centralized project space. Using Teamwork, the District can:

- View the reporting timeline and track upcoming due dates and milestones
- Easily see which items are pending, under review, or completed.
- Access and review draft versions of reports in a single location
- Receive notifications when new drafts or updated versions are uploaded
- Participate in proof and review workflows for report approvals prior to final issuance.

We have found that managing the reporting phase of the audit using Teamwork has helped our clients always be informed as to the status of their reports and deliverables.

Computer Aided Audit Tools (CAATs)

The Firm's data analytics software enables our Engagement Team to perform more than 150 Computer Aided Audit Tools (or "CAATs"). CCH Teammate Analytics gives us the ability to perform advanced data analysis and increase efficiency. By utilizing this software, we can:

- Immediately visualize and analyze 100% of account populations with graphs, charts and statistics to identify anomalies
- Make fewer sample selections that are targeted to problematic areas
- Quickly analyze transactional data for:
  - Duplicate records
  - Missing transactions
  - Transaction sequence
  - Unusual items
- Compare excel worksheets for changes or differences
- Generate immediate testing samples
- Perform regression analysis
- Filter and extract data from District reports

Audit Planning, Risk Assessment, and Audit Programs

Our firm utilizes CCH Knowledge Coach, which is an expert system that adapts and customizes our audit approach specifically based on the District's structure, operating environment, specific transactions, and identified risks or matters to be addressed in the audit. The software is frequently updated for new industry trends and audit requirements. Included in the software is a continuous diagnosis of audit forms that identifies missing information, procedures, or any conflicts that need to be addressed prior to issuance of the audit report. We have found that this audit tool greatly benefits our audit clients in the following ways:

- Removal of standardized audit steps and procedures that do not add value to the audit
- Targeted audit procedures focusing on risks and accounts specific to the District's operations
- Audit is always performed in accordance with audit standards especially the risk assessment standards
- Maximizing audit efficiency having less District staff time dedicated to gathering information or responding to inquiries by focusing on material issues
- Automatic self-diagnostics ensure no audit steps are missed, guaranteeing a quality audit

Research Tools

We maintain multiple research software packages that are always kept up to date to ensure compliance with accounting and auditing standards, and are also a resources for us to provide guidance to our clients. In addition to accounting and audit literature, we have access to interactive disclosure checklists that include sample footnote disclosures and financial statements.

Audit Schedule

2027 Period	Audit Tasks
March	***- Planning and Administration***

- Review and obtain copies of key work papers of prior audit firm
- Entrance conference with District Management to discuss audit approach, timing, assistance, and issues
- Review and evaluate the District's accounting and financial reporting. Prepare an overall memo of recommendations, potential issues, and suggestions for improvements
- Prepare overall memo to District confirming audit procedures, timing, and assistance
- Prepare detailed audit work plan and audit programs, audit budget and staffing schedule, and list of schedules to be prepared by District staff, and provide it to District Management
- Send the PBC List to the District that will include all request items considered to be necessary for the audit

May - June ***- Internal Control Evaluation***

- Meeting with General Manager
- Attending Board of District meetings.
- Meeting with off-site locations (if any)
- Meeting with key Finance Division personnel
- Obtain and document understanding of key internal control systems through walk-throughs, interviews of staff, and review of supporting documentation
  - General ledger system
  - Budgeting system
  - Revenue, accounts receivable, and cash collections Purchasing, expenditures, accounts payable, and cash disbursements
  - Payroll
  - Federal Financial Assistance
  - Other systems
- Identify control risks
- Evaluate IT control environment
- Perform testing of the internal control system and evaluate the effectiveness of the District's systems. Select large dollar and random samples of transactions in key operating systems. Sample size to meet required level for determined degree of risk. Review supporting documentation of selected transactions, evaluate adequacy of support and approvals, and conclude on degree of adherence to accuracy and compliance with District policies
- Conduct fraud assessment procedures
- Assess degree of risk for material misstatement
- Provide to the District's management a memo concerning management letter points and identify issues, if any
- Interim exit conference with District Management

2027 Period	Audit Tasks
May - June	***- Other Tasks***

- Review minutes of Board meetings and other key committees.
- Perform preliminary substantive procedures, which would include tests of:
  - Vendor and contractor payments
  - Payroll expense
  - Pension testing
  - Capital asset acquisitions
  - Journal entries
  - Retrospective review of accounting estimates
- Financial statement database management and other setup, in addition to drafting of all necessary report templates
- Coordinate with District staff and prepare of all appropriate confirmation requests including:
  - Bank accounts
  - Investment pool accounts
  - Accounts receivable
  - Federal grants
  - Revenue from governmental agencies
  - Bond and other debts
  - Pension plan
  - Attorney letters
  - Others, as required

August - September

- Final Fieldwork

- Entrance conference with District Management
- Follow-up on all outstanding confirmations
- Verify and validate account balances by reviewing supporting documentation including invoices, vouchers, board resolutions, minutes, and other documents, as required
- Perform analytical review of revenue and expenditures. Determine reason for material differences between budget and actual
- Perform a search for unrecorded liabilities by reviewing disbursements subsequent to June 30, testing terms of contractual obligations, and interviewing District staff
- Perform review of subsequent events by discussions with District Management and update all minutes of District Board and key committees
- Exit conference with District Management

- Single Audit Compliance

- Entrance conference with District Management
- Obtain Federal Financial Assistance Schedule
- Determine grants to be considered as major programs including clusters
- Perform audit tests of major grant programs and compliance with Federal Law and Regulations
- Review grant documents, select sufficient number of transactions to test for compliance of Federal Requirements
- Coordinate Single Audit efforts with the Financial Audit efforts
- Communicate findings to District Management
- Other Compliance

2027 Period	Audit Tasks
September - October	***- Audit Reports*** ▶ Review preliminary drafts of financial statements ▶ Prepare other reports as required ▶ Provide drafts of reports to District Management for review
October - November	***- Provide revised final drafts of all required reports to the District*** ***- Final Audit Reports and Financial Statements delivered*** ***- Audit Presentation to the Finance Committee***
December	***- Audit Presentation to the Board of Directors***

Note: the proposed audit schedule above can be adjusted by mutual agreement to best meet the timeline desired by the District.

Estimated Hours by Audit Phase

Position	Planning	Interim Fieldwork	Year End Fieldwork	Reporting	Total
Partner	4	5	11	3	23
Audit Manager	3	14	12	5	34
Audit Senior	1	15	29	8	53
Professional Audit Staff	-	31	58	8	97
IT Specialist	-	5	-	-	5
Administrative Assistant	3	1	5	5	14
Total	11	71	115	29	226

Discussion of Relevant Accounting Issues

Identification of Anticipated Potential Audit Problems

We do not anticipate that there will be any audit problems at the District. However, the following are some areas that we will carefully investigate and monitor during our audit procedures:

- Financial Reporting:
  - Review and evaluate that the District's Annual Comprehensive Financial Report is in compliance with current reporting and disclosures requirements issued by the GASB and GFOA
  - Review the Annual Comprehensive Financial Report for financial reporting conformance awards issued by CSMFO and GFOA
  - Review and evaluate degree of compliance with the various GASBs in effect.
  - Review degree of compliance with infrastructure obligations and regulatory provisions
- Internal Control Structure:
  - Review and evaluate the District's internal control functions and ascertain compliance with proper internal control philosophies
  - Review computer system processes and controls and evaluate adequacy of the control environment

Several new GASB pronouncements will become effective over the time period of this proposal. As such, specific attention will be provided to determine the proper implementation of these new pronouncements. A list of known new pronouncements with implementation dates that fall within this proposal period are as follows:

2027

- Statement 105 – Subsequent Events

Comprehensive Cost Bid

Schedule of Professional Fees

Description	2027 Hours	2026-27	2027-28	2028-29	Optional Year 2029-30	Optional Year 2030-31
Financial Statements Audit	195	$ 31,815	$ 32,769	$ 33,752	$ 34,765	$ 35,808
Single Audit	31	5,075	5,227	5,384	5,546	5,712
Total	226	$36,890	$37,996	$39,136	$40,311	$41,520

Position	2026-27		2027-28		2028-29		Optional Year 2029-30		Optional Year 2030-31	
	Hours	Rates	Hours	Rates	Hours	Rates	Hours	Rates	Hours	Rates
Partner	23	$ 350	22	$ 360	21	$ 370	21	$380	21	$390
Audit Manager	34	250	31	260	30	270	30	280	30	290
Audit Senior	53	200	52	205	51	210	51	215	51	220
Professional Audit Staff	97	150	88	155	86	160	86	165	86	170
IT Specialists	5	250	5	260	5	270	5	280	5	290
Administrative Assistant	14	125	13	130	12	135	12	140	12	145
Total Hours	226		211		205		205		205	
Total Cost	$	44,700	$	43,270	$	43,310	$	44,615	$	45,920
Discount		(7,810)		(5,274)		(4,174)		(4,304)		(4,400)
Total not to exceed fees	$	36,890	$	37,996	$	39,136	$	40,311	$	41,520

Note: The above is an all-inclusive maximum price, including services, out-of-pocket expenses, meals, lodging, transportation, printing, and other costs.

Manner of Payment:

Each Engagement Team member maintains detailed time sheets describing work performed, date of work, and amount of time spent on each task for the Engagement. The Firm will bill the District after completion of each phase of the audit and bill the District up to a maximum of 90%. The remaining 10% of the proposal amount will not be due until all final reports are delivered and accepted by the District. The District can anticipate three billings as follows:

Work Performed	% of Proposal Amount
For interim work	45%
For year-end work	45%
At presentation and acceptance of final reports	10%
Total	100%

Rates for Additional Professional Services:

Any services outside the scope of our engagement will be promptly identified before the services are rendered. Upon mutual agreement, the out-of-scope services will be separately billed at our standard hourly rates. While it can be difficult to simply state hourly rates, as often times the needs of the client and the specific tasks directly impact the billing rates for our services, we want to provide the following information regarding our published billing rates:

Position	Hourly Rate
Partner	$ 350
EQR	350
Manager	250
Senior	200
Staff	150
I.T.	250
Admin.	125

Our Standard Hourly Rates are adjusted annually by 3% for Cost of Living and Inflation Adjustments

Conclusion

A client relationship with the District will be of great value to our Firm and we welcome the opportunity to develop a long-term relationship with the District. We are committed to:

- Rendering the highest standard of service
- Developing a long-term working relationship dedicated to meeting the needs of the District
- Assisting the District in operational issues
- Producing a quality end-product

We have the technical qualifications and experience to provide the level of service desired and expected by the District and stand ready to provide our knowledge and experience for the benefit of your organization.

We would like to express our appreciation to the District and to its Staff for allowing us the opportunity to submit a proposal to perform professional auditing services. We are available, at your convenience, to discuss any aspects of our proposal.

Thank you for allowing us to present our Firm to you.

****

Appendix

References

1) Florin Resource Conservation District/ Elk Grove Water District
   - Scope of Work: Annual Comprehensive Financial Report, State Controller's Report
   - Date of Service: Fiscal years ended June 30, 2015 - Present
   - Engagement Partner: Ahmed Badawi (2015 – 2019), Mitesh Desai (2020 - Present)
   - Address: 9257 Elk Grove Boulevard, Elk Grove, CA 95624
   - Principal Contact:
     Mr. Patrick Lee
     Finance Manager / Treasurer
     (916) 685-3556
     plee@egwd.org

2) Victorville Water District (City of Victorville)
   - Scope of Work: Annual Financial Report
   - Date of Service: Fiscal years ended June 30, 2024 - Present
   - Engagement Partner: Ahmed Badawi
   - Address: 14343 Civic Drive, Victorville, CA 92393
   - Principal Contact:
     Ms. Carmen Cun
     Finance Director/City Treasurer
     (760) 955-3170
     ccun@victorvilleca.gov

3) El Dorado Irrigation District
   - Scope of Work: Annual Comprehensive Financial Report, Single Audit, Gann Limit
   - Date of Service: Fiscal years ended December 31, 2024 - Present
   - Engagement Partner: Ahmed Badawi
   - Address: 2890 Mosquito Road, Placerville, CA 95667
   - Principal Contact:
     Ms. Penny Buchman
     Finance Director
     (530) 642-4139
     pbuchman@eid.org

4) City of Folsom
   - Scope of Work: Annual Comprehensive Financial Report (including Water Enterprise Fund), Single Audit, Gann Limit, Folsom Successor Agency Report, Public Financing Authority Report, Folsom Ranch Financing Authority Report
   - Date of Service: Fiscal years ended June 30, 2019 - Present
   - Engagement Partner: Ahmed Badawi (2019 – 2024), Mitesh Desai (2025 – Present)
   - Address: 50 Natoma Street, Folsom, California 95630
   - Principal Contact:
     Ms. Stacey Tamagni
     Finance Director
     (916) 461-6712
     stamagni@folsom.ca.us

5) Union Sanitary District
   - Scope of Work: Annual Comprehensive Financial Report, State Controller's Reports
   - Date of Service: Fiscal years ended June 30, 2023 - Present
   - Engagement Partner: Ahmed Badawi
   - Address: 5072 Benson Road, Union City, CA 94587
   - Principal Contact:
     Mr. Mark Carlson, CPA
     CFO/Business Services Manager
     (510) 477-7510
     markc@unionsanitary.ca.gov

RFP Attachment Form

Olivenhain Municipal Water District
Request for Proposals for Professional Auditing Services

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.*

*Note: we have included our requested changes to the District's Standard Professional Service Agreement on the page that follows.

Firm Badawi & Associates

Ahmed Badawi, President 10/19/2026
Authorized Representative/Date

Attachment: OMWD Standard Professional Service Agreement

Exceptions to the Contract

With regard to the sample contract, we would like to edit the below paragraph as follows:

10. District Termination Right. The District shall have the express right to terminate this Agreement at any time without cause by giving seven (7) consecutive days advance written notice to CONSULTANT. This Agreement shall be automatically terminated without further action of any party upon expiration of the seven (7) day period. Promptly upon receipt of any termination notice from the District, CONSULTANT shall cease all further work and services, except as otherwise expressly directed by the District in the written termination notice. In the event the District exercises its termination right, CONSULTANT shall be paid only for work and services performed and approved by the District to the date this Agreement terminates. The District shall have the express right to withhold any payment otherwise due CONSULTANT to correct any labor or materials determined to be defective by the District at the time of termination. Unless such property is proprietary in nature, all plans, maps, drawings, reports, designs, or other writings of any type or nature prepared by CONSULTANT as a result of this Agreement shall become and remain the sole property of the District. All such writings shall be provided to the District not later than seven (7) consecutive days after termination of this Agreement for any reason. All labor, supplies, work and materials provided by CONSULTANT in conjunction with this Agreement shall become and remain the sole property of the District.

OLIVENHAIN
Municipal Water District

Agenda Item 12

Memo

Date:	November 10th, 2026
To:	Finance Committee
From:	Leo Mendez, Finance Manager
Via:	Kimberly Thorner, General Manager
Subject:	**INVESTMENT MANAGEMENT SERVICES REQUEST FOR PROPOSALS (VERBAL REPORT)**

Per the direction of the Finance Committee and the Board, staff has issued a Request for Proposals (RFP) for investment management and advisory services. Responses are due December 18th. Staff will provide a verbal update on the RFP process. A copy of the RFP is attached.

Prepared by: August Trees, Financial Analyst I
Leo Mendez, Finance Manager
Reviewed by: Leo Mendez, Finance Manager
Approved by: Kimberly A. Thorner, General Manager

Attachments:

Attachment 1 : Request for Proposals for Investment Management & Advisory Services

REQUEST FOR PROPOSALS

INVESTMENT MANAGEMENT AND ADVISORY SERVICES

DUE DATE: December 18, 2026 – 4:00 p.m.

Olivenhain Municipal Water
District 1966 Olivenhain Road
Encinitas, CA 92024
760-753-6466

I. Introduction

Olivenhain Municipal Water District ("The District") is soliciting proposals from qualified firms for the provision of potential investment management and advisory services under a non-discretionary agreement to help manage the District's investment portfolio for a three-year trial period for years ending June 30, 2027, 2028, and 2029. Investment practices and procedures must comply with California state law and the District's written investment policy.

II. Background

The District is a governmental corporation governed by a publicly elected five-member Board of Directors. The District's Board of Directors delegate management responsibility of the day-to-day operations of the District to an appointed General Manager. The District currently has a total of 96 full-time employees for potable and recycled water and wastewater (sewer) operations.

The District has a standing Finance Committee, which provides input and guidance on financial matters. The Finance Committee meets at least quarterly and is comprised of the Board Treasurer, a Board Member, the General Manager, and the Finance Manager. The Finance Committee reviews financial matters that require Board action before they are presented to the full board.

The District's service area is approximately 48 square miles. This service area lies within the northern region of San Diego County and includes portions of incorporated areas such as Encinitas, Carlsbad, San Diego, Solana Beach, San Marcos and large portions of unincorporated areas such as 4S Ranch, Rancho Cielo, Rancho Santa Fe, Elfin Forest, and Santa Fe Valley. The total estimated population served by the District is 86,000.

The District's Finance Manager currently manages the day-to-day investment allocation, with a total valuation of around $93.8 million across all deposits and investments. The District follows California Code and the approved investment policy to make investment decisions with the priorities being Safety, Liquidity, and Performance, in line with California Code requirements.

The District reviews the safety, liquidity and returns of its investment portfolio compared to current legal requirements for public agency investments with the Finance Committee.

The District seeks a non-discretionary agreement with an investment management firm to manage an initial portfolio of about $30–40 million, emphasizing safety, liquidity, and performance while collaborating with staff to ensure investments align with the District's

best interests. The remainder of District investable assets will remain in highly liquid investment vehicles such as CAMP, LAIF, and Money Market accounts. The selected investment manager will collaborate with District staff to recommend and refine the District's investment strategy, prioritizing safety, liquidity, and returns, respectively.

III. Scope of Work

The proposed scope of work is outlined below. The firm selected will be required to provide the following services:

A. Investment of Funds:

The firm must effectively communicate any upcoming maturities and invest the District's funds as approved by the Finance Manager, provide comprehensive portfolio management, and adhere to the guidelines set by the approved Investment Policy, the District's cash flow needs, and staff direction. Comprehensive portfolio management must include establishing an appropriate performance benchmark, assisting the District with maturity analysis, providing consistent credit analysis of investment instruments in the portfolio, evaluating market risk and developing strategies to withstand market fluctuation, remaining in compliance with the District's approved investment policy and California Code, and effectively collaborating with District staff under the non-discretionary agreement.

B. Written and Oral Reports:

The firm must provide a written report on a monthly and quarterly basis demonstrating the portfolio performance including investment holdings, compliance with the Investment Policy and California Code, and all portfolio decisions within the respective period must be supported by an effective strategy. The firm must also be able to provide oral reports and/or presentations to the Finance Committee and on occasion, to the Board of Directors, to establish continuous and transparent communication. These reports must include the following:

1. Summary of Portfolio Holdings. A summary and detailed listing of all securities held at the end of the month categorized by type of security, maturity, and institution, including those assets managed by District staff.

2. Investment Performance Report. For the portion of the District's portfolio managed by the investment manager, provide the following monthly data: yield (dollar value and rate), realized and unrealized gains/losses, and total return (dollar value and rate).

3. Maturity/Duration Indicators. The monthly report should include average maturity statistics for the purpose of monitoring cash flow and determining interest rate risk.

4. Average Credit Quality. The monthly report should include average credit quality to both monitor compliance within California government code as well as overall safety of the District's invested assets.

5. Transaction Summary. A collection of completed transactions during the month.

6. Benchmark Performance Comparison. The monthly report should include a comparison between the District's portfolio performance and an appropriate benchmark that will be determined jointly by District staff and the investment management firm.

C. Evaluation of Investment Policy:

The firm must annually assist in the review of the District's Investment Policy. The proposed changes will be created in collaboration with staff prior to submission to the Committee and Board of Directors. Initially reviewing the District's Investment Policy will include adding language to allow investment management and advisory services, deciding on an appropriate performance benchmark, and increasing the scope of allowable investment instruments to both uphold the safety standards of the District's portfolio while allowing for more diversified investment strategies.

IV. Proposal Response Format and Requirements

An electronic copy of the proposal must be received **no later than 4:00 p.m. PST Friday, December 18, 2026**, sent to:

Leo Mendez, Finance Manager (lmendez@olivenhain.com)

The Consultant is responsible for preparing an effective, clear, and concise proposal. To be considered for selection, vendors must submit a complete response to this Request for Proposal that includes the following mandatory information and/or requirements in the following format. Responses must be in the same order as the questions presented, stating acceptance of, modifications or additions to, or a statement of the inability to provide, said service. Failure to provide any of the information requested below may be cause for the proposal to be rejected.

1. Request For Proposal cover letter introducing the Firm and the individual who will be the primary contact person.

2. Firm Background and Organization

a. Describe the organization, date founded, and ownership of your firm. Has your firm experienced a material change in organizational structure, ownership or management during the past three years and, if so, please describe.

b. Does your firm use soft-dollar arrangements? If so, describe the benefits received, associated costs to clients, and safeguards to ensure best execution.

c. Describe the firm's primary sources of revenue and indicate the percentage and total dollar amounts of total revenue attributed to retail and institutional clients.

d. Is your firm registered with the U.S. Securities and Exchange Commission as an investment adviser under the Investment Advisors Act of 1940, as amended? If so, provide your SEC registration number and current Form ADV.

e. Describe any SEC, FINRA, or regulatory censure or litigation involving your firm or its employees within the past three years.

f. Did you, or will you, pay a finder's fee to any third party for business related to this account? Specify the recipients of any fee.

g. Outline the errors and omissions (professional liability) and fidelity bond coverage your firm carries. Provide a valid, current Certificate of Insurance.

h. Identify the types of accounts primarily sought by your firm.

i. If you are hired, will your firm serve as a fiduciary in your role as an investment adviser to the District while providing the investment management services we are seeking? If no, describe your objections or limitations.

j. How do you verify compliance with the District's investment policy and applicable law before and after each trade? Describe how exceptions, credit downgrades, and violations are reported and resolved.

k. Describe your proposed custody arrangements and authority to access the District's account. Who may authorize withdrawals or transfers, and how are securities settled?

l. Describe how you obtain and document competitive pricing and evaluate execution quality. Disclose any trading through affiliated brokers.

m. Disclose any compensation or business relationships that could influence your investment recommendations, included affiliated investment products.

3. Experience

   a. Describe your firm's experience in managing fixed income portfolios for public funds and governmental entities.

   b. What is your firm's experience in developing policies and portfolio management guidelines for government portfolios?

   c. How is your firm compensated for the services it provides? Does your firm act as a broker/dealer, or receive any other form of additional compensation (including soft dollars) for the client transactions aside from the direct fee paid by clients?

   d. Provide the number and types of accounts, total asset value, and composition of portfolios currently being managed by your firm.

4. Personnel

   a. Identify and provide background information on the key person or personnel who take the most active role(s) in the administration and management of the firm.

   b. Identify the investment professionals (portfolio managers, analysts, and researchers) employed by your firm, by classification, and specify the average number of accounts handled by portfolio managers. Are there any established limits on accounts or assets under management?

   c. Provide resumes and biographical information on key investment professionals that will be directly involved in the decision-making process for the portfolio. Include the number of years at your firm, total years of experience, professional licenses and designations. Include the number of accounts managed and any limits on this.

   d. Describe your firm's training and educational efforts to keep portfolio managers informed of developments relevant to government investment managers.

   e. Has there been any turnover of professional staff in the firm in the last three years who were assigned to public sector clients?

5. Assets Under Management

   a. Summarize your institutional investment assets under management by category as shown below for your latest reporting period:

	Governmental	Non-Governmental
Operating/Bond Funds	$	$
Pension Funds	$	$
Foundations/Endowments	$	$
Equity Funds	$	$
Other (specify)	$	$
Total	$	$

b. Summarize your assets under management (institutional only) over the past five years and average assets per client.

c. Provide relevant performance statistics on a comparable portfolio and compare with appropriate benchmarks for the last one, three, five, ten-year periods and/or since inception. Note whether these performance statistics are reported based on GIPS (Global Investment Performance Standards) formerly known as AIMR (Association for Investment Management and Research).

d. How many accounts have you gained in the last 12 months? How many accounts have been lost in the last 12 months and why?

6. Investment Management Approach and Discipline

a. Briefly describe your firm's investment management philosophy, including your approach to managing governmental portfolios.

b. How frequently do you formulate and review fixed income strategy? How is that carried out and who is involved?

c. What are the primary strategies for adding value to portfolios (e.g., market timing, credit research, trading)?

d. How are portfolios managed (e.g. by team, individual manager)? What is the back-up when the manager is away?

e. What oversight is provided to portfolio managers?

f. Describe your firm's in-house technical and research capabilities. Are outside sources used by the firm on a regular basis? Describe your credit review process.

g. What percentage of your research is conducted in-house? Describe your research capability.

h. What technical analysis (if any) do you use?

i. What role does interest-rate forecasting play in your portfolio management strategy?

j. Describe your approach to investing (1) cash balances that fluctuate with operating and capital needs and (2) stable balances available for long-term investment. Explain how you determine liquidity reserves and appropriate investment maturities for each.

k. Describe the ongoing daily investment procedures proposed for the District, including procedures for trades, security choice, controls, etc., and how you will provide liquidity.

l. How frequently do you recommend meeting with District staff and the Finance Committee, and which members of your team would attend each type of meeting?

m. Describe your implementation plan, anticipated transition costs (if any), and assistance provided upon termination. Identify any termination fees or restrictions (if any).

7. Reporting

   a. Describe the investment accounting and reporting system used by your firm.

   b. Describe the frequency and format of reports that you would provide to the District. Attach a sample.

   c. What performance benchmarks would you suggest for this portfolio? Provide recommendations regarding performance benchmarks for a portfolio similar to that of the District. What experience has the firm had in developing benchmarks for public operating portfolios?

8. Fees

   a. Provide a complete fee schedule for this account, including management fees, minimum fees, and any additional charges. Explain how fees are calculated, which assets or balances are subject to fees, the billing frequency, and whether fees are billed in advance or in arrears.

   b. What additional expenses not covered through the fee structure will be expected to implement your investment advisory services?

9. References

   List the name, address, telephone number, and email of references from **at least three (3)** current clients similar in size and scope to the District. Include a brief description of the work provided for each reference. California water districts or local governments are

preferred. You may offer more than three recent similar projects if desired. The references should include the start date of the project and the date of completion for each project.

10. Value-Added Services
    - **a.** What distinguishes your firm's services from those of other public-sector investment advisers? Explain how these differences would benefit the District.
    - **b.** Provide an example of an improvement your firm introduced for a public agency client, including the problem addressed and measurable benefits achieved.
    - **c.** Based on the information provided in this RFP, identify opportunities to strengthen the agency's investment program and explain how you would implement them.

11. Other
    - **a.** Provide any contract language your firm requests or requires to be included in a contract for this service.
    - **b.** Describe your firm's business continuity plan, how often it is updated, and what assistance would be available to the government.

12. The signature of an authorized individual to bind the firm.

    The proposal must be a firm offer good for a one hundred eighty (180) day period beginning on December 18, 2026.

13. Submit proposal via email.

14. By submitting a proposal, the Contractor is verifying they have the following insurance coverage:

- Workers' Compensation
- Commercial General Liability
  - Personal injury & property damage liability
  - Contractual liability,
  - Independent contractor's liability
  - Automobile liability insurance
    - Minimum combined liability limits of One Million Dollars ($1,000,000) per occurrence, and a maximum deductible of Five Thousand Dollars ($5,000) per occurrence
  - District will be named as Additional Insured with all the appropriate endorsements
- Professional Liability

V. Evaluation of Proposals

The following represent the principal selection criteria, which will be considered during the evaluation process:

1. Firms Qualifications, Experience, and References: Experience in performing work of a closely similar nature and size; experience working with public agencies; strength, stability, experience, and technical competence; assessment by client references.

2. Qualifications and Experience of Personnel and Staffing: Qualifications and experience of proposed personnel for requested services.

3. Work Plan: Depth of Consultants understanding of District requirements; overall quality and logic of work plan.

4. Quality and Responsiveness of the Proposal: Completeness of response in accordance with the RFP instructions.

5. Rates and Fees: Overall cost-effectiveness of the proposal

VI. Selection Process

Proposals submitted will be evaluated by OMWD management to determine the top three candidates based on merits and proposals. The top three firms will be brought before the District's Finance Committee (Committee), comprised of Treasurer, Board member, and staff appointed by General Manager for questions.

The District reserves the right to retain all proposals submitted and use any idea in a proposal regardless of whether that proposal is selected.

The District reserves the right to negotiate the terms and conditions of any resulting contract.

The final selection will be recommended by the Finance Committee to the Full Board. Selection by the Committee will be based on the firm's qualifications, experience, investment strategy approach, and bid as outlined above. Please note that the lowest bid will not be the sole deciding factor in the final selection. The Committee's recommended investment advisory firm will be presented at the regular monthly Board of Directors meeting for consideration and approval.

Ultimately, the Board retains full discretion regarding the appointment of an external firm and reserves the right to keep investment management in-house with District staff.

Pending the Board's direction, it is anticipated that a firm will be selected by approximately February 26, 2027. Following notification of the firm selected, it is expected that a contract will be executed by approximately March 31, 2027.

Submission of a proposal constitutes acceptance by the firm of the conditions contained in this Request for Proposal unless clearly and specifically noted in the proposal submitted and confirmed in the contract between the District and the firm selected.

The District reserves the right to reject any and all proposals. The District also reserves the right to cancel the contract, due to unsatisfactory performance of investment management services with a 30-day written notice. The District may extend the contract an additional two years, at any time, upon agreeable terms with the successful bidder.

For additional information and inquiries, contact:

Leo Mendez
Finance Manager
Olivenhain Municipal Water District
1966 Olivenhain Road
Encinitas, California 92024
lmendez@olivenhain.com
760.632.4652

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

_____

Authorized Representative/Date

Attachments:

OMWD Standard Professional Service Agreement

OMWD Investment Policy

OMWD Investment Report as of June 30, 2026

ATTACHMENT 1

STANDARD PROFESSIONAL SERVICES AGREEMENT

FOR THE OLIVENHAIN MUNICIPAL WATER DISTRICT

This Agreement is entered into by and between the Olivenhain Municipal Water District, a Municipal Water District organized and operating pursuant to Water Code Sections 71000 *et seq*. (hereinafter the District) and CONSULTANT NAME, a California corporation organized and operating in the State of California (hereinafter "CONSULTANT").

R-E-C-I-T-A-L-S

1. The District is a public agency organized and operating pursuant to Water Code Sections 71000 *et seq*., which provides water, recycled water, and sewer service within certain areas of Northern San Diego County.

2. The District requires the services of an [TYPE OF COMPANY] to provide [SERVICES] with in the District boundaries.

3. CONSULTANT is an [TYPE OF COMPANY] licensed to do business in the State of California with [EXPERTISE]

4. The District desires to retain CONSULTANT to provide [SERVICES TO BE PROVIDED].

C-O-V-E-N-A-N-T-S

1. Services to Be Performed. CONSULTANT agrees to perform [SERVICES TO BE PERFOMED AND PROJECT NAME]. The services to be provided by CONSULTANT are more

particularly described in the Scope and Cost Proposal attached hereto as Exhibit "A" and incorporated herein by reference. All work performed by CONSULTANT shall be subject to review and approval by the District. The District shall have no obligation to approve any work found defective by the District, in its sole discretion.

2. Correction of Defective Work. CONSULTANT agrees to correct all labor or materials found defective by the District at its sole cost and expense. All work found defective by the District shall be corrected in the time specified by the District by written notice to CONSULTANT.

3. Price for Work. CONSULTANT agrees to perform all work described in Exhibit "A" for a total price not to exceed $XX,XXX. No increase in this price shall be allowed without the express written consent of the District. The District shall have no obligation to grant this consent and may deny consent to any price increase, in its sole discretion.

4. Payment for Work. CONSULTANT shall bill the District monthly for all labor provided during the previous month. Progress payments will be made based on hours of work performed. All billings shall include a complete description of all work completed during the previous month, including hours and costs of each person performing the work and shall also include a detailed description of progress to date on each task of work described in Exhibit "A". All bills shall be subject to review and approval by the District. Invoices approved by the District will be paid on a monthly basis thirty (30) days after the invoice has been approved by the District. The District shall have no obligation to pay for any work not expressly approved by the District. The District's approval shall not be unreasonably withheld. CONSULTANT shall provide the District with any additional information requested by the District from time to time to support any item contained on an invoice no later than seven (7) days after a written request for this information from the District.

5. Extra Work. The District may request additional work or services from CONSULTANT from time to time, as the District shall determine, in its sole discretion. CONSULTANT shall not commence any extra work without a written change order expressly approved by the District, in writing. Work performed by CONSULTANT without an approved change order signed by the District will not be paid for by the District. In the event the District determines that additional work is justified, the parties shall agree on the additional work to be performed and the price to be paid for this additional work prior to commencement of any additional work by CONSULTANT. It is understood by the parties that CONSULTANT shall not be entitled to any payment for extra work unless the District determines that it desires extra work to be performed and a written change order has been executed by the parties.

Attached as Exhibit "B" is the Request for Additional Work Form required by the District for all requests for additional work or task transfers.

6. Standard of Care. In performing all work and services required by this Agreement, CONSULTANT agrees to use the highest degree of skill and expertise ordinarily exercised, under similar circumstances, by a [INSERT CONSULTANT TYPE] with expertise in [EXPERTISE] and the other services described in the Scope and Cost Proposal attached as Exhibit "A". As a material term of this Agreement, CONSULTANT warrants and represents that it has secured all licenses required by federal or California law to perform all work and services required by this Agreement. CONSULTANT agrees to perform all work required by this Agreement at all times in strict accordance with all applicable federal, state, and local laws and regulations which apply to the labor or materials being provided.

7. Work Performance Standards. CONSULTANT agrees to perform all work and services required by this Agreement in a manner which complies with all federal and state health and safety standards and in a manner which avoids damage or injury to any real or

personal property of any person or entity, including any real or personal property of the District. CONSULTANT agrees to perform the work at all times in a manner which avoids the creation of any trespass or private or public nuisance during conduct of the work.

8. Liability for Work of Agents, Independent Contractors, and Subcontractors. CONSULTANT shall be solely liable and responsible for all labor and materials provided by any director, officer, agent, employee, subcontractor, supplier, or independent contractor hired or retained by CONSULTANT to perform any work or to provide any materials or supplies. The District shall have no liability whatsoever for any work or services performed or any materials or supplies provided by CONSULTANT or its directors, officers, agents, employees, subcontractors, suppliers, or independent contractors.

9. Time for Completion of Services. As a material term of this Agreement, CONSULTANT agrees to complete all work and services required by this agreement by no later than DATE. The breach of this paragraph shall constitute a material breach of this Agreement.

10. District Termination Right. The District shall have the express right to terminate this Agreement at any time without cause by giving seven (7) consecutive days advance written notice to CONSULTANT. This Agreement shall be automatically terminated without further action of any party upon expiration of the seven (7) day period. Promptly upon receipt of any termination notice from the District, CONSULTANT shall cease all further work and services, except as otherwise expressly directed by the District in the written termination notice. In the event the District exercises its termination right, CONSULTANT shall be paid only for work and services performed and approved by the District to the date this Agreement terminates. The District shall have the express right to withhold any payment otherwise due CONSULTANT to correct any labor or materials determined to be defective by

the District at the time of termination. All plans, maps, drawings, reports, designs, or other writings of any type or nature prepared by CONSULTANT as a result of this Agreement shall become and remain the sole property of the District. All such writings shall be provided to the District not later than seven (7) consecutive days after termination of this Agreement for any reason. All labor, supplies, work and materials provided by CONSULTANT in conjunction with this Agreement shall become and remain the sole property of the District.

11. Independent Contractor. As a material term of this Agreement, it is expressly agreed between the parties that CONSULTANT is performing all work and services for the District pursuant to this Agreement as an independent contractor and not as an agent or employee of the District. The parties further agree and acknowledge that the District expects CONSULTANT to make its own independent determination of the means and methods to perform all work required by this Agreement, and will not be directed as to any of these means or methods by the District.

12. Conflicts of Interest Prohibited. As a material term of this Agreement, CONSULTANT shall not in any way attempt to use its position to influence any decision of the District in which it knows, or has reason to know, its has a financial interest other than the compensation provided in this agreement. As a material term of this Agreement, CONSULTANT warrants and represents that it does not, to the best of its knowledge, have any economic interests which would conflict with any of its duties under this Agreement. CONSULTANT agrees not to secure any economic interest during the performance of this Agreement which conflicts with its duties to the District under this Agreement.

13. Breach. The breach of any term or provision of this Agreement by CONSULTANT shall constitute a material breach of this Agreement.

14. District Remedies for Breach. In the event CONSULTANT breaches any term, covenant, or condition of this Agreement or fails to perform any work or services required by this Agreement, the District shall be entitled to elect all or any of the following remedies at its sole option:

14.1 Unilateral Termination. Unilaterally terminate this Agreement by written notice to CONSULTANT. Upon election of this remedy by the District, Paragraph 10 governing District Termination Right shall apply; or

14.2 Specific Enforcement. Enforce any provision of this Agreement by specific performance. If this remedy is elected by the District, CONSULTANT agrees that specific performance is appropriate and reasonable given the unique and special services being performed by CONSULTANT and expressly waives the right to contest the right of the District to seek specific performance in any subsequent action or proceeding between the parties; or

14.3 File suit against CONSULTANT for damages arising from breach of this Agreement. In the event the District elects this remedy, it shall be entitled to recover all damages authorized by law; and/or

14.4 The District shall be entitled to withhold such amounts as the District determines are appropriate, in its sole discretion, to complete the work or services required by this Agreement, or to correct any labor or materials resulting from CONSULTANT's negligence.

In the event the District is required to pay any sum or amount to complete any labor or materials services required by this Agreement, or to correct any labor or materials resulting from CONSULTANT's negligence, amounts paid by the District shall earn interest at the rate of one percent (1%) per month from the date of payment until the District is repaid in full.

15. Insurance. At all times during the term of this Agreement, CONSULTANT must maintain a commercial liability insurance policy, workers' compensation insurance, and professional liability insurance in strict accordance with all terms of this paragraph. The insurance required by this paragraph shall be provided as follows:

15.1 Liability Insurance. Following execution of this Agreement, and prior to commencement of any work, CONSULTANT shall provide the District with proof of liability insurance coverage with an insurance company licensed to do business in the State of California and acceptable to the District, providing $1,000,000 of coverage per occurrence and $2,000,000 minimum aggregate. The liability insurance coverage shall include each of the following types of insurance:

A. General Liability:

1. Comprehensive Form
2. Premises-Operations
3. Explosion and Collapse Hazard
4. Underground Hazard
5. Projects/Completed Operations Hazard
6. Contractual Insurance
7. Broad form Property Damage, Including Completed Operations
8. Independent Contractors
9. Personal Liability

B. Auto Liability:

1. Comprehensive Form

2. Owned

3. Hired

The policy shall include contractual coverage sufficiently broad to insure the matters set forth in the section entitled "Indemnity" in this Agreement. The deductible amount shall not exceed $5,000.00. Also included in such insurance shall be a "cross-liability" or "severability of interest" clause.

15.2 Workers' Compensation Insurance. Following execution of this Agreement and prior to commencement of any work, CONSULTANT shall submit proof of insurance showing they have obtained, for the period of the agreement, full workers' compensation insurance coverage for no less than the statutory limits covering all persons whom CONSULTANT employs or may employ in carrying out the work under this agreement.

15.3 Professional Liability Insurance. Following execution of this Agreement, and prior to commencement of any work, CONSULTANT shall provide the District with proof of professional liability insurance with an insurance provider licensed to do business in the State of California, providing $1,000,000 of coverage per occurrence and $2,000,000 minimum aggregate. This insurance shall have a deductible not to exceed $5,000.

15.4 ACORD Certificate of Liability Insurance and Additional Insured Endorsements. All insurance required by Paragraph 15.1, 15.2, and 15.3 of this agreement shall be submitted on an ACORD Certificate of Liability Insurance. Insurers must be authorized to do business and have an agent for service of process in the State of California and have an 'A' financial strength rating and a financial size rating of at least Class VI in

accordance with the most current A.M. Best's Rating Guide. Additional Insured Endorsements must be provided for the Liability Insurance called out in Paragraph 15.1 with the **Olivenhain Municipal Water District (District), the District's Engineer/Architect, the District's Representatives, Consultants, and each of the District's Directors, Officers, Agents, and Employees** named as additional insurers. The insurance must include a Waiver of Subrogation and must be Primary and non-Contributory. The additional insured endorsements must be provided on Form CG 20 10 10 01. The insurance certificate and endorsements shall be cancelable with notice delivered to the District in accordance with the policy provisions.

16. Job Site Safety. CONSULTANT shall be solely liable and responsible for complying with all federal, state and local laws, rules and regulations pertaining to job safety for all agents, employees, subcontractors, suppliers, and independent contractors retained by CONSULTANT to perform any work or services or to provide any materials required by this Agreement.

17. Indemnity. As a material term of this Agreement, CONSULTANT agrees to hold harmless, indemnify, and defend the District and its directors, officers, employees, agents, and representatives from and against any and all demands, liability, claims, suits, actions, damages, costs, fees, expenses, fines, and penalties, of whatever type or nature, including, but not limited to, reasonable attorney fees, to the extent arising out of, pertaining to, or relating to the willful misconduct, recklessness, or negligence of CONSULTANT, including its directors, officers, employees, agents, subcontractors, sub-consultants, suppliers, independent contractors, or other persons and entities employed or utilized by

CONSULTANT in the performance of this Agreement. In the event that any administrative proceeding, litigation or arbitration is instituted naming the District or any other indemnified parties as a defendant, the District and such other indemnified parties shall be entitled to appoint their own independent counsel to represent them, and CONSULTANT agrees to pay

all reasonable attorneys fees, expert fees and costs, and litigation costs associated with this defense within thirty (30) days of any billing; provided however, that the CONSULTANT's obligation shall be limited as provided by Civil Code Section 2782.8 to the extent that the CONSULTANT establishes its proportionate percentage of fault by stipulation of all the parties to the proceeding or a final adjudicatory determination.

18. Miscellaneous Provisions.

18.1 California Law Governs. This Agreement shall by governed by California law.

18.2 Jurisdiction and Venue. In the event of any legal or equitable proceeding to enforce or interpret the terms and conditions of this Agreement, the parties agree that jurisdiction and venue shall lie only in the federal or state courts in or nearest to the North County Judicial District, County of San Diego, State of California.

18.3 Modification. This Agreement may not be altered in whole or in part except by a written modification approved by the Board of Directors of the District and executed by all the parties to this Agreement.

18.4 Attorneys' Fees. In the event any arbitration, action or proceeding is initiated to challenge, invalidate, enforce or interpret any of the terms of this Agreement, the prevailing party shall be entitled to all attorneys' fees, all expert fees and costs, and all litigation fees, costs, and expenses in addition to any other relief granted by law. This provision shall apply to the entire Agreement.

18.5 Entire Agreement. This Agreement, together with all exhibits attached hereto, contains all representations and the entire understanding between the parties with respect to the subject matter of this Agreement. Any prior correspondence, memoranda, or agreements, whether or not such correspondence, memoranda or agreements are in

conflict with this Agreement, are intended to be replaced in total by this Agreement and its exhibits. CONSULTANT warrants and represents that no District

representative has made any oral representations or oral agreements not contained in this Agreement. CONSULTANT further warrants and represents that CONSULTANT has not relied upon any oral statements or promises made by any District representative or agent in executing this Agreement. The parties mutually declare that this Agreement and its exhibits constitute a final, complete and integrated agreement between the parties.

18.6 Prohibition on Assignment. CONSULTANT shall not be entitled to assign or transfer all or any portion of its rights or obligations in this Agreement without obtaining the express prior written consent of the District. The District shall have no obligation to give its consent to any assignment and may deny any requested assignment, in its sole discretion.

18.7 Binding Effect. This Agreement shall inure to the benefit of and be binding upon the parties and on their respective purchasers, successors, heirs and assigns.

18.8 Unenforceable Provisions. The terms, conditions, and covenants of this Agreement shall be construed whenever possible as consistent with all applicable laws and regulations. To the extent that any provision of this Agreement, as so interpreted, is held to violate any applicable law or regulation, the remaining provisions shall nevertheless be carried into full force and effect and remain enforceable.

18.9 Representation of Capacity to Contract. Each party to this Agreement represents and warrants that he or she has the authority to execute this Agreement on behalf of the entity represented by that individual. This representation is a material term of this Agreement.

18.10 Opportunity to be Represented by Independent Counsel. Each of the parties to this Agreement warrants and represents that it has been advised to consult independent counsel of its own choosing and has had a reasonable opportunity to do so prior to executing this Agreement.

18.11 No Waiver. The failure of either party to enforce any term, covenant or condition of this Agreement on the date it is to be performed shall not be construed as a waiver of that party's right to enforce this, or any other, term, covenant, or condition of this Agreement at any later date or as a waiver of any term, covenant, or condition of this Agreement. No waiver shall occur unless the waiver is expressly stated in writing and signed by the person for the party having the authority to expressly waive the benefit

or provision, in writing. No oral waivers shall be effective against either party.

18.12 No Joint Venture and No Third Party Beneficiaries. Nothing in this Agreement is intended to create a joint venture, partnership or common enterprise relationship of any kind between the District and CONSULTANT. No third parties shall be construed as beneficiaries of any term, covenant or provision of this Agreement.

18.13 Time of Essence. The parties agree that time is of the essence as to all matters specified in this Agreement. The parties mutually declare that this is a material term of this Agreement.

18.14 Notices. All letters, statements, or notices required pursuant to this Agreement shall be deemed effective upon receipt when personally served, transmitted by facsimile machine, or sent certified mail, return receipt requested, to the following addresses or facsimile numbers:

To: "CONSULTANT"

FULL NAME

Attn:

ADDRESS

CITY, STATE, ZIP

Fax No. :(XXX) XXX-XXXX

To: “District”

Olivenhain Municipal Water District

Attn: General Manager

1966 Olivenhain Road

Encinitas, California 92024

18.15 Effective Date. The effective date of this Agreement executed in counterparts in Olivenhain, California, within the North County Judicial District, County of San Diego, State of California, is _____, 20XX.

Dated: _____, 20XX Olivenhain Municipal Water District,
a public agency

By:_____
Kimberly A. Thorner
General Manager

Dated: _____, 20XX CONSULTANT

By:_____

Title:_____

ATTACHMENT 2

OLIVENHAIN
Municipal Water District

Annual Statement of Investment Policy
Calendar Year 2026

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INVESTMENT POLICY

I. INTRODUCTION

The purpose of this document is to identify policies and procedures that shall govern the investment of all District funds. The ultimate goal of this policy is to enhance the economic status of the District while protecting its funds. These policies shall be followed by the Treasurer in making all investment decisions on behalf of the District.

The Board of Directors of the District has delegated authority to invest funds on behalf of the District to its Treasurer for one (1) year. The Treasurer is required to provide a monthly report of all District investments to the Board. The Treasurer's authority to make investments for the District under this policy is limited to a one (1) year term expiring on December 31, 2026. This authority may be renewed annually at the discretion of the Board of Directors of the District.

This investment policy is intended to guide the Treasurer in the investment of all District funds. These investment policies have four primary goals:

1. To ensure that all District investments comply with federal, state, and local laws governing the investment of all District funds;

2. To recognize that the primary objective of all District investments is to safeguard the principal invested;

3. To recognize that the second objective of all District investments is to meet the liquidity needs of the District; and

4. To maximize the return on all District investments keeping in mind that safeguarding the principal and providing liquidity are more important objectives than the return obtained.

II. SCOPE

This investment policy shall cover all funds and investment activities under the direct authority of the District, except for the employee's retirement and deferred compensation funds, checking and payroll accounts, and debt service construction and reserve funds held by trustee in accordance with the District's bond documents.

III. OBJECTIVES

A. Safety. It is the primary duty and responsibility of the Treasurer to protect and preserve the principal of all District funds and investments. Prior to investing any District funds, the investment shall be evaluated by the Treasurer to ensure that capital losses are avoided whether from institution default, broker-dealer default, or erosion of the market value of the securities. The Treasurer shall evaluate, or cause a qualified professional to evaluate, each potential investment of District funds to verify that the issuer is financially strong and there is adequate security as collateral for each investment sufficient to protect the principal being invested. The Treasurer shall diversify District investments so as to reduce the exposure to principal loss.

B. Liquidity. An adequate percentage of all District investments shall be maintained at all times in liquid short-term securities which can be converted to cash if necessary to meet the District's financial obligations. The Treasurer should consider the District's liquidity needs over the next year in determining the amount that should be maintained in short term instruments. Since all future cash requirements of the District cannot be anticipated, the Treasurer shall, at all times, invest a portion of all District investments in liquid short-term securities that are readily tradable so as to meet the ongoing liquidity needs of the District. These short-term securities shall be selected in a manner that minimizes market risk and provides for the anticipated needs of the District over the next year.

C. Return on Investments. The Treasurer should invest all District funds in investments that maximize the return for the District keeping in mind that safeguarding the principal and providing liquidity are more important objectives than the return obtained. All investment decisions made by the Treasurer shall be, first, to ensure protection of the principal of all District funds and investments, second, to provide adequate liquidity for the District's future needs, and third, to maximize return where possible without jeopardizing the principal or creating liquidity problems for the District.

D. Market-Average Rate of Return. The investment portfolio shall be designed to attain a market-average rate of return throughout economic cycles, taking into account the District's risk and liquidity constraints, the cash flow characteristics of the portfolio, State laws limiting District investments, and ordinances or resolutions that restrict investments. To determine if the District is attaining its return

objectives, the Treasurer will periodically review the portfolio's performance against an appropriate benchmark(s).

E. Diversification. The investment portfolio shall be diversified to avoid incurring unreasonable and avoidable risks regarding specific security types or individual financial institutions. The amount invested by the Treasurer in a particular security at any time shall not exceed the limitations contained in Section VII of this Investment Policy.

F. Prudence. The District adheres to the guidance provided by the "Prudent Investor Rule" California Government Code (Sec. 53600.3), which obligates a fiduciary to insure that investment decisions be made with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.

The Treasurer and all other individuals assigned to manage the District's investment portfolio, acting within the intent and scope of the investment policy and other written procedures and exercising due diligence, shall be relieved of personal responsibility and liability for an individual security's credit risk or market price changes, provided deviations from expectations are reported monthly and appropriate action is taken to control adverse developments.

G. Public Trust: All participants in the investment process shall act as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to review and evaluation by the Board. The overall program shall be designed and managed with a degree of professionalism that is worthy of the public trust. In a diversified portfolio it must be recognized that occasional measured losses are inevitable, and these losses must be considered within the context of the overall portfolio's investment return, provided that adequate diversification has been obtained.

H. Risk Tolerance. The District recognizes that investment risks can result from issuer defaults, market price changes or various technical complications leading to temporary illiquidity. Portfolio diversification is employed as a way to control risk. The Treasurer is expected to display prudence in diversifying the District's investments as a way to minimize default risk. No individual investment transaction shall

be undertaken by the Treasurer which jeopardizes the total capital position of the overall portfolio or which exceeds the investment limitations contained in Section VII of this policy. The Treasurer shall periodically establish guidelines and strategies to control risks of default, market price changes and illiquidity.

Risk will also be managed by subscribing to a portfolio management philosophy that helps to control market and interest rate risk by investing to ensure required liquidity and appropriate term. This philosophy also prohibits trading losses (for speculative purposes) unless there is a sudden need for liquidity and the need cannot be satisfied by any other means. Loss of principal will only be acceptable if economic gain can be conclusively demonstrated.

Controlling and managing risk is the foremost portfolio management objective. The District strives to maintain an efficient portfolio by providing for the lowest level of risk for a given level of return. This acceptable level of return has been quantified as a return that is equal to an appropriate benchmark(s) based on the weighted average of the District's portfolio depending on investments and maturities. In addition to these general policy considerations, the following specific policies will be strictly observed:

1. All book-entry transactions will be executed on a delivery-versus-payment basis.

2. A competitive bid process, when practical, will be used to place all investment purchases and to minimize investment costs.

IV. DELEGATION OF AUTHORITY

The investment of District money is delegated to the Treasurer by the Board of Directors for one year ending December 31, 2026. The Treasurer may delegate the day-to-day operations of investing to his/her designee(s), but not the responsibility for the overall investment program.

V. REPORTING

Although it is no longer required for the Treasurer of a local agency to annually render a statement of investment policy to the legislative body and submit a quarterly investment report to the legislative body (Government Code Section 53646 (b)), the District Treasurer and General Manager shall submit a monthly investment report to the Board of Directors. This report shall include: type of investment, issuer, date of maturity, the par and dollar amount invested on all securities, the total amount of all investments and monies held by the District, a

description of any District funds being held or managed by other persons or entities, the coupon and current yield of all securities, a statement that there are or are not sufficient funds to meet the District's obligations for the next six (6) months, and accrued interest receivable. The monthly statement shall also indicate the District's anticipated liquidity needs for the next six (6) months, the ability of the District's investments to meet these anticipated liquidity needs, and a monthly list of transactions, which is required under Government Code 53607 whenever investment authority is delegated by the Board. Additional items listed will also include average weighted average days to maturity, maturity date, purchase date, percentage distribution to each type of investment, and a statement indicating compliance or noncompliance of all District investments with this Statement of Investment Policy. An investment's term or remaining maturity shall be measured from the settlement date to final maturity rather than the commonly interpreted trade date. Furthermore, the forward settlement date of an investment cannot exceed 45 days from the time of investment. All investments not complying with this investment policy shall be called to the attention of the Board during the first monthly meeting after an investment does not comply with this policy.

VI. AUTHORIZED INVESTMENT INSTRUMENTS

The District is governed by the California Government Code, Sections 53600 et seq and 16429.1. For all investment types, the purchase of zero coupon, inverse floaters, range notes, strips, mortgage derived interest-only strips, deep discount treasury bonds, or any security that could result in zero interest accrual if held to maturity is not permitted (Government Code Section 56301.6). Within the context of these limitations, the following investments are authorized:

A. Local Agency Investment Fund: The District may invest in the Local Agency Investment Fund established by the State Treasurer for the benefit of local agencies (Government Code Section 16429.1). The fund must have twenty-four hour liquidity. No more than 50% of the total value of all District investments or $40,000,000 (whichever is lesser) may be invested in Local Agency Investment Fund.

The District may also invest bond proceeds in the Local Agency Investment Fund. Liquidity for bond proceeds, per fund regulations, is thirty calendar day increments from the date of the initial deposit.

B. Treasury Securities: United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest (Government Code Section 53601(b)). These investments are considered the safest possible investment available. There is no maximum portfolio limit. Maximum investment maturities in Treasury Securities shall be restricted to five years.

C. Depository Accounts and Certificates of Deposit: The District may invest in insured or collateralized certificates of deposits, saving accounts, market rate accounts, or other bank deposits insured by commercial banks, savings and loans, state or federal credit union in California (Government Code Section 53630 et seq). A written depository contract is required with all institutions that hold District deposits. Securities placed in a collateral pool must provide coverage for at least 110 percent of all deposits that are placed in the institution. Acceptable pooled collateral is governed by California Government Code Section 53651. Real estate mortgages are not considered acceptable collateral by the District, even though they are permitted in Government Code Section 53651(m). All financial institutions are required to provide the District with a regular statement of pooled collateral. This report will state that they are meeting the 110 percent collateral rule (Government Code Section 53652(a)), a listing of all collateral with location and market value, plus an accountability of the total amount of deposits secured by the pool. Certificates of deposit, shall not exceed 5% per issuer of the value of all District investments at any time.

Deposits, up to the federal deposit limit, are allowable in any institution that insures its deposits with the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Administration (NCUA), regardless of Moody's Investors Service or Standard & Poor's Corporation ratings. The Treasurer, for deposits of up to federal insurance limit may waive collateral requirements. A maximum deposit of up to federal insurance limit may be deposited in any one institution without collateral. No bank shall receive District funds of greater than federal insurance limit if it has a Moody's Investor Service or Standard & Poor's Corporation rating less than "A". Maximum investment maturity will be restricted to three (3) years.

In accordance with section 53638 of the California Government Code, any deposit shall not exceed the shareholder's equity of any depository bank, nor shall the deposit exceed the total net worth of any institution. No deposits shall be made at a state or federal credit union if a member of the Board of Directors or the General Manager or Treasurer serves on the Board of Directors or any committee appointed by the Board of Directors of the credit union.

D. Placement Service Deposit: The District may invest in insured deposit placed with a private sector entity that assists in the placement deposits with eligible financial institutions located in the United States (Government Code Section 53601.8). The full amount of the principal and the interest that may be accrued during the maximum term of each deposit shall at all times be insured by federal deposit insurance. Placement Service Deposit, shall not exceed 5% per issuer of the value of the District's investments at any time. The maximum investment maturity will be restricted to three years.

E. Negotiable Certificates of Deposit: Negotiable certificates of

Deposits issued by a national or a State-chartered or a State or Federal association or by a federally licensed or State-licensed branch of a foreign bank (Government Code Section 53601(i)). Maximum investment maturity is restricted to two years for notes rated “AA-“or higher and five years for “AAA” rated notes. Negotiable Certificates of Deposit, shall not exceed 5% per issuer of the value of all District investments at any time.

F. Commercial Paper: Investment is limited to the highest grade of stand alone or enhanced (“prime”) commercial paper as rated by Moody's Investor Service, Standard & Poor's Corporation, or Fitch Financial Services (A1/P1/F1) issued only by a general corporation that is organized and operating within the United States, and having total assets in excess of $500 million and has debt other than commercial paper that is rated “A” or higher by Moody’s, S&P, or Fitch (Government Code Section 53601(h)). The maximum investment maturity for commercial paper shall be restricted to 270 days. Purchases of commercial paper shall not exceed 20% the total value of all District investments at any time and shall not exceed 5% per issuer of all District investments at any time.

G. Medium Term Notes: Medium term notes are corporate or bank notes with a maximum remaining maturity of 5 years or less. Investment is limited to “AA- “ rated or higher notes, from a nationally recognized rating service like Moody’s Investor Service or Standard and Poor’s Corporation. All such notes shall be solely from corporations organized and operating in the U.S. or banks licensed in the U.S. or any state and operating in the United States. Permissible types of notes include fixed rate and variable rate. Maximum investment maturity is restricted to two years for notes rated “AA-“,or higher and five years for "AAA" rated notes. Medium term notes shall not exceed 5% per issuer of all District investments at any time.

H. Agencies: The District is permitted to invest in federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued and fully guaranteed as to principal and interest by federal agencies or United States government sponsored enterprises (Government Code 53601(f)). Maximum maturity is limited to 5 years. The amount invested in agencies shall not exceed 50% of all District investments at any time.

I. Money Market Funds: Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 and following) (Government Code 53601(l)(2)). Investments are limited to those money market funds that invest in U.S. Treasuries, Federal Agency obligations, and repurchase agreements relating to such obligations. Funds must have the highest ranking or the highest letter and numerical rating by not less than two nationally recognized rating services, or have an investment adviser registered with the Securities and Exchange Commission

with not less than five years' experience managing money market funds with assets under management in excess of $500,000,000. No more than 5% of the value of all District investments shall be invested in any fund and no more than 20% of the value of all District investments may be invested in all money market funds combined. Any fund shares purchased will not include any type of commission.

J. Banker's Acceptances: Bankers' acceptances are bills of exchange or time drafts drawn on and accepted by a commercial bank (Government Code 53601(g)). Purchases of banker's acceptances may not exceed 180 days maturity as per Government Code Section 53601 (g). Maximum portfolio exposure will be limited to 20% of the total value of all District investments at any time and single issuer holdings to no more than 3% per issuer. Banker's acceptances shall not be purchased by the Treasurer without the prior approval of the Board.

K. Repurchase Agreements and Reverse Repurchase Agreements: A Repurchase Agreement is a purchase of securities by the District under an agreement with another party who will repurchase these securities on or before a specified date and for a specified amount and the other party delivers the underlying securities to the District by book entry, physical delivery, or by third-party custodial account. A Reverse Repurchase Agreement means a sale of securities by the District under an agreement where the District will repurchase the securities on or before a specified date. While Repurchase Agreements and Reverse Repurchase Agreements are permitted by state law (Government Code 53601(j)), the Treasurer shall not purchase any securities under a Repurchase Agreement or a Reverse Repurchase Agreement unless it has first been approved by the Board of Directors of the District. State law prohibits Repurchase Agreements unless the underlying value of the securities covering the Repurchase Agreement are valued at least 102% or greater of the funds borrowed against those securities and this value must be adjusted no less than quarterly. Collateral for repurchase agreements is limited to obligations of the United States government and its agencies. Reverse Repurchase Agreements are only permitted by state law where the security being sold by the District has been owned and fully paid for by the District for a minimum of thirty (30) days prior to sale, The agreement may not exceed a term of 90 days unless the agreement includes a provision guaranteeing a minimum earning or spread for the entire period between the sale of a security and the final maturity date.

The amount invested repurchase agreements shall not exceed 20% of all District investments at any time. The amount invested in reverse repurchase agreements shall not exceed 10% of the base value of the District's portfolio at any time.

L. Local Government Investment Pool: Shares of beneficial interest issued by a joint powers authority organized pursuant to Government Code

Section 6509.7 that invests in the securities and obligations authorized in the Government Code(Government Code 53601(p)). Investments are limited to pools that are rated “AA” or better. Local Government Investment Pools shall not exceed 30% of the value of all District investments at any time. The District shall conduct a thorough investigation of any pool prior to making an investment, and on a continual basis thereafter. Best efforts will be made to acquire the following information:

1. A description of eligible investment securities, and a written statement of investment policy and objectives.
2. A description of interest calculations and how it is distributed, and how gains and losses are treated.
3. A description of how the securities are safeguarded (including the settlement processes), and how often the securities are priced and the program audited.
4. A description of who may invest in the program, how often, what size deposit and withdrawal are allowed.
5. A schedule for receiving statements and portfolio listings.
6. Are reserves, retained earnings, etc. utilized by the pool/fund?
7. A fee schedule, and when and how is it assessed.
8. Is the pool/fund eligible for bond proceeds and/or will it accept such proceeds?

M. Municipal Bonds: The Treasurer is authorized to invest in registered treasury notes or bonds of any of the 50 United States payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency or authority of any of the 50 United States. Such securities must have ratings from at least two of three ratings as follows: “A1” by Moody’s Investors Service, or “A+" by Standard & Poor’s, or “A+" by Fitch Ratings; or as otherwise approved by the Board; or

Registered general obligation treasury notes or bonds of any of the 50 United States. Such securities must have ratings from two of three rating agencies as follows: at least “A3” by Moody’s Investors Service, or “A-" by Standard & Poor’s, or “A-" by Fitch Ratings; or as otherwise approved by the Board; or

Adjustable rate registered treasury notes or bonds of any of the 50 United States, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency or authority of any of the 50 United States. Such securities must have ratings from at least two of three rating agencies as follows: “P-1” by Moody’s Investors Service, or “A-1+" by Standard & Poor’s, or “F-1+" by Fitch Ratings; or as otherwise approved by the Board; or.

Adjustable rate notes or bonds warrants, or other evidences of indebtedness of any local agency within the State of California with a minimum rating of either "P-1" by Moody's Investors Service, or "A-1+" by Standard & Poor's, or "F-1+" by Fitch Ratings, including bonds, notes, warrants, or other evidences of indebtedness payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by either the local agency, a department, board, agency, or authority of the local agency, or of any local agency within this state; or.

Taxable or tax-exempt bonds, notes, warrants, or other evidences of indebtedness of any local agency within the State of California with a minimum rating of either "A1" by Moody's Investors Service, or "A+" by Standard & Poor's, or "A+" by Fitch Ratings (the minimum rating shall apply to the local agency, irrespective of any credit enhancement), including bonds, notes, warrants, or other evidences of indebtedness payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by either the local agency, a department, board, agency, or authority of the local agency, or of any local agency within this state.

The amount invested in municipal securities shall not exceed 5% per issuer of all District investments at any time.

N. Permitted Investments Without Board Approval: The Treasurer is authorized to invest District funds in federally insured or collateralized depository accounts, the Local Agency Investment Fund, the California Asset Management Pool (CAMP), treasury securities, negotiable certificates of deposit, commercial paper, medium term notes, agencies and money market funds meeting all requirements of this investment policy for the particular investment being purchased without prior Board approval. All other investments such as banker's acceptances, Repurchase Agreements, Reverse Repurchase Agreements, and investments in the San Diego County Investment Pool shall only occur with prior approval of the Board. The Treasurer shall ensure that all investments made on behalf of the District meet all of the minimum requirements contained in this Investment Policy.

VII. PORTFOLIO LIMITATIONS

Following is a listing of potential authorized investments with corresponding limitations on the amount of the District's portfolio that may be invested in each authorized investment at any given time:

Investment Type	Maximum Maturity Remaining	Maximum % of Portfolio	% or $ Limit per Issuer	Minimum Rating Category
Local Agency Investment Fund	N/A	50%	$40,000,000	None
Treasury Securities	5 years	None	None	None
Certificates of Deposit	3 years	30% all CDs and Placement Deposits	5% or FDIC Limit for any institution that insures its deposits with FDIC	Minimum rating of A if investment is greater than FDIC limit
Placement Service Deposits	3 years	30% all CDs and Placement Deposits	5% and/or FDIC Limit	None
Negotiable Certificates of Deposit	2 years (AA- or greater) 5 years (AAA)	30% all CDs and Placement Deposits	5%	AA- if 2 years AAA if 5 years
Commercial Paper	270 days	20%	5%	A1/P1/F1
Medium Term Notes	2 years (AA- or greater) 5 years (AAA)	30%	5%	AA- if 2 years AAA if 5 years
Agencies	5 years	50%	None	None
Depository Accounts, Money Market Funds	None	20%	5% in any money market fund	None
Bankers Acceptances	180 days	20%	3% per issuer with prior approval of the Board	None
Repurchase Agreements	90 days	20%	With the prior approval of the Board	None

Reverse Repurchase Agreements	90 days	10%	With the prior approval of the Board	None
Local Government Investments Pools (such as CAMP)	None	30%	None	AA
Municipal Bonds	N/A	30%	5%	A1/A+

The weighted average days to maturity of the total portfolio shall not exceed the liquidity requirements of the District for the next six months based upon on-going staff analyses.

VIII. REVIEW OF INVESTMENT PORTFOLIO

At least once each quarter, a sub-committee of the Board shall meet with the General Manager or his/her designee to review the District's portfolio and provide guidance for future investments. All transactions will be reviewed by the Treasurer on a regular basis to assure compliance with this Statement of Investment Policy and a monthly report shall be provided to the Board on all District investments.

In the event a security held by the District is subject to a rating change that brings it below the minimum credit ratings specified by the Policy, the Treasurer shall notify the Board at the next regularly scheduled Board meeting along with the Treasurer's recommended course of action. The course of action to be followed will be decided on a case-by-case basis by the Board, considering such factors as the reason for the rate drop, prognosis for recovery or further rate drops, and the market price of the security.

In the event that the percentage limits attributable to each security type are violated due to a temporary imbalance in the portfolio, the Treasurer will make a determination as to the appropriate course of action. The appropriate course of action may be to liquidate securities to rebalance the portfolio or to hold the securities to maturity in order to avoid a market loss. Portfolio percentages are in place to ensure diversification of the investment portfolio and as such a small temporary imbalance would not violate this basic tenet. When a portfolio percentage is exceeded the Treasurer will report the violation in the Treasurers Report at the next regularly scheduled Board meeting, with detail of the strategy determined to address the imbalance, for Board ratification. However, the

Treasurer shall meet the portfolio percentages required by this investment policy at the end of each month, unless waived by the Board.

IX. BOND PROCEEDS, BOND RESERVE FUNDS AND BOND SERVICE FUNDS

Investment of bond proceeds and amounts held in bond reserve and service funds are to be made in accordance with the related bond indentures.

X. INTERNAL CONTROLS

Internal controls shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation of third parties, unanticipated changes in financial markets or imprudent action by employees and officers of the District. Controls deemed most important include: control of collusion; separation of duties and administrative controls; custodial safekeeping; clear delegation of authority; management review and approval of investment transactions; specific limitations regarding securities losses and remedial action; written confirmation of telephone transactions; minimizing the number of authorized investment officials; documentation of transactions and strategies; and code of ethic standards.

Existing procedures require all wire transfers initiated by the Finance Department be reconfirmed by the appropriate financial institution. In addition, the District's signatory resolution specifies authorized signers and number of required signatures for different disbursement transactions. Proper documentation obtained from confirmation and cash disbursement wire transfers is required for each investment transaction. Timely bank reconciliations are conducted to ensure proper handling of all transactions.

The investment portfolio and all related transactions are reviewed and balanced to appropriate general ledger accounts by the Finance Department on a monthly basis. A listing of all investment transactions is provided on a monthly basis to the Board of Directors for their approval. Current policy also requires that the Treasurer's approval be obtained for the purchase or sale of securities other than transfers to/from investment pools or money market funds.

An independent analysis by an external auditor shall be conducted annually to review internal controls, account activity and compliance with policies and procedures.

XI. QUALIFIED BANKS AND SECURITIES DEALERS

The District shall conduct business only with nationally or state chartered banks, savings and loans or credit unions that are licensed and operating in the United States or a state of the United States, and registered investment securities

dealers. The District's staff will investigate all institutions that wish to conduct business with the District prior to any District investment in the institution. All banks shall have a minimum rating of “A” by Moody’s or Standard and Poor. A list will be maintained by the Finance Manager of approved institutions and security broker/dealers. A bank rating service will be used by staff to verify financial information provided by a financial institution or dealer. Annually, the Treasurer shall transmit a copy of the current Statement of Investment Policy to all approved dealers. The dealer is required to return a signed statement indicating receipt and understanding of the District's Investment Policies. Primary dealers of the Federal Reserve may provide substitute certification language at the discretion of the Treasurer.

XII. ETHICS AND CONFLICTS OF INTEREST

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Additionally, the Treasurer and the Finance Manager are required to annually file applicable financial disclosures as required by the Fair Political Practices Commission (FPPC). All officers and employees involved in the investment of public funds are required to comply with the District’s Conflict of Interest Code. The Treasurer and any District employees or agents evaluating any investment for the District shall disclose any interest owned or held in any institution or investment being considered by the District prior to the investment.

XII. BOARD DISCRETION

The District recognizes that this policy consists of guidelines designed to protect District funds and to provide liquidity for the on-going District operations. The Board of Directors may timely approve, on an individual basis, investments which would otherwise not be in accordance with this policy, in the event of unforeseen circumstances, so long as the investment is permitted by state law.

XIII. SAFEKEEPING AND CUSTODY

To protect against potential losses caused by the collapse of a security dealer, all book-entry securities owned by the District, including repurchase agreement collateral previously approved by the Board, shall be kept in safekeeping with "perfected interest" by a third party bank trust department, acting as agent for the District under the terms of a custody agreement executed by the bank and by the District. All book-entry securities will be received and delivered using standard delivery-versus-payment procedures.

XIV. INTEREST EARNINGS

All monies earned and collected from investments authorized in this policy shall be allocated monthly to various fund accounts based on the cash balance in each fund as a percentage of the entire pooled portfolio.

XV. PROHIBITED INVESTMENTS

The Treasurer shall not invest any funds of the District in inverse floaters, range notes, or mortgage derived interest-only strips at any time. The Treasurer shall not invest any funds of the District in any security that could result in zero interest accrual if held to maturity, except as authorized by Code. (Gov't Code §53601.6).

XVI. INVESTMENT PURCHASES

Any investments that the Treasurer purchases for the District that are not purchased directly from the issuer shall be purchased either from an institution licensed by the State of California as a broker/dealer or from a member of a federally registered securities exchange, from a national or state-chartered bank, from a savings association or a federal association, or from a brokerage firm designated as a primary government dealer by the Federal Reserve Bank. (Gov't Code §53601.5)

XVII. QUARTERLY REPORTS

At least once each quarter, and within 45 days following the end of the quarter, the District's Finance Officer shall provide an oral report to the Finance Committee, comprised of the District's treasurer and one board member, evaluating the safety of all District investments and advising the committee of any investments of the District that represent a credit risk.

XVIII. TREASURER'S AUTHORITY AND REVIEW OF INVESTMENT POLICY

The Authority of the Treasurer to make investment decisions on behalf of the District shall automatically expire on December 31, 2026 unless renewed or extended by formal action of the Board of Directors of the District. This investment policy shall be presented to the Board of Directors of the District by no later than December 31, 2026 and annually thereafter.

XIX. GLOSSARY OF INVESTMENT TERMS

AGENCIES: Federal agency securities and/or Government Sponsored Enterprises (GSE) which include Federal Home Loan Bank (FHLB), Federal

National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), Federal Farm Credit Bank (FFCB), and Federal Agricultural Mortgage Association (Farmer Mac).

ASKED: The price at which securities are offered by the seller.

BANKERS' ACCEPTANCE: A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

BENCHMARK: A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

BID: The price at which a buyer offers to buy a security.

BROKER: A broker brings buyers and sellers together for a transaction for which the broker receives a commission.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a Certificate. Large-denomination CD's are typically negotiable.

COLLATERAL: Securities, evidence of deposit or other property, which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COUPON: The rate of return at which interest is paid on a bond.

CREDIT RISK: The risk that principal and/or interest on an investment will not be paid in a timely manner due to changes in the condition of the issuer.

CURRENT YIELD: The annual income from an investment divided by the current market value. This measure examines the current price of a bond rather than the face value. Current yield represents the return an investor would expect to earn if the owner purchased the bond and held it for a year. However, current yield is not the actual return an investor receives if he holds a bond until maturity.

DEALER: A dealer acts as a principal in all transactions, buying and selling for his own account.

DELIVERY VERSUS PAYMENT: There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities.

Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

DERIVATIVES: (1) Financial instruments whose return profile is linked to, or derived from, the movement of one or more underlying index or security, and may include a leveraging factor, or (2) financial contracts based upon notional amounts whose value is derived from an underlying index or security (interest rates, foreign exchange rates, equities or commodities).

DISCOUNT: The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

DISCOUNT SECURITIES: Noninterest-bearing money market instruments that are issued a discount and redeemed at maturity for full face value *(e.g., U.S. Treasury Bills.)*

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns.

DURATION: A measure of the sensitivity of the price (the value of principal) of a fixed-income investment to a change in interest rates. Duration is expressed as a number of years. Rising interest rates mean falling bond prices, while declining interest rates mean rising bond prices.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that insures bank deposits, currently up to $250,000 per entity.

FEDERAL FUNDS RATE: The rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

LOCAL AGENCY INVESTMENT POOL (LAIF): A voluntary investment fund open to government entities and certain non-profit organizations in California that is managed by the State Treasurer's Office,

LOCAL GOVERNMENT INVESTMENT POOL (LGIP): The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

MEDIUM TERM NOTES: Corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States.

MONEY MARKET: The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

MUNICIPAL BONDS: Securities issued by state and local agencies to finance capital and operating expenses.

NEGOTIABLE CD: A short-term debt instrument that pays interest and is issued by a bank, savings or federal association, state or federal credit union, or state-licensed branch of foreign bank. Negotiable CDs are traded in a secondary market.

OFFER: The price asked by a seller of securities. (When you are buying securities, you ask for an offer.) See Asked and Bid.

PORTFOLIO: Collection of securities held by an investor.

PRIMARY DEALER: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker-dealers, banks, and a few unregulated firms.

PRUDENT PERSON (PRUDENT INVESTOR) RULE: A standard of responsibility which obligates a fiduciary to insure that investment decisions be made with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency.

RATE OF RETURN: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond the current income return.

REPURCHASE AGREEMENT (REPO): A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security "buyer" in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate him for this.

REVERSE REPURCHASE AGREEMENT (REVERSE REPO): A reverse-repurchase agreement (reverse repo) involves an investor borrowing cash from a financial institution in exchange for securities. The investor agrees to repurchase the securities at a specified date for the same cash value plus an agreed upon interest rate. Although the transaction is similar to a repo, the purpose of entering into a reverse repo is quite different. While a repo is a straightforward investment of public funds, the reverse repo is a borrowing.

SAFEKEEPING: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

SECONDARY MARKET: A market made for the purchase and sale of outstanding issues following the initial distribution.

SECURITIES & EXCHANGE COMMISSION: Agency created by Congress to protect investors in securities transactions by administering securities legislation.

STRUCTURED NOTES: Notes issued by Government Sponsored Enterprises (FHLB, FNMA, FHLMC, etc.) and Corporations, which have imbedded options (e.g., call features, step-up coupons, floating rate coupons, derivative-based returns) into their debt structure. Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the shape of the yield curve.

TREASURY BILLS: A noninterest-bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

TREASURY BONDS: Long-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities of more than 10 years.

TREASURY NOTES: Medium-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities from two to 10 years.

YIELD: The rate of annual income return on an investment, expressed as a percentage. (a) INCOME YIELD is obtained by dividing the current dollar income by the current market price for the security. (b) NET YIELD or YIELD TO MATURITY is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

ATTACHMENT 3

Olivenhain Municipal Water District
MONTHLY CASH AND INVESTMENT SUMMARY
As of June 30, 2026

Active Deposits	**Book Value**
Checking Accounts	$ 971,383
Cash Restricted for Specific Use	578,947
Petty Cash/Disaster Preparedness	1,484
Total Active Deposits	$ 1,551,815

Deposits Not Covered by Investment Policy	
Cash with Fiscal Agents	2,550,374

Investments	**Face Value**	**Market Value**	**Current Yield**	**Book Value**
LAIF	$ 39,478,290	39,564,412	3.82%	$ 39,478,290
CAMP - US Bank	21,947,576	21,947,576	3.77%	21,947,576
Money Market Funds	1,248,869	1,248,869	3.52%	1,248,869
U.S. Agency Securities	27,000,000	26,727,050	4.06%	26,998,300
Total Investments	$ 89,674,735	$ 89,487,906	3.87%	$ 89,673,035

Total - All Deposits/Investments	**$ 93,775,223**

Maturity Analysis of Investments	**Percent**	**Balance**
Demand Deposits	69.9%	$ 62,674,735
Maturity within the next two months	0.0%	-
Maturity within three months and one year	2.2%	2,000,000
Maturity beyond one year	27.9%	24,998,300
Total Investments	**100.0%**	**$ 89,673,035**
Weighted Average Days to Maturity	**428**	

Other Required Disclosures:

Accrued interest receivable as of 06/30/2026 $ 621,904

The above investments are in accordance with the portfolio limitations in the Investment Policy approved by the Board in December 2025.

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

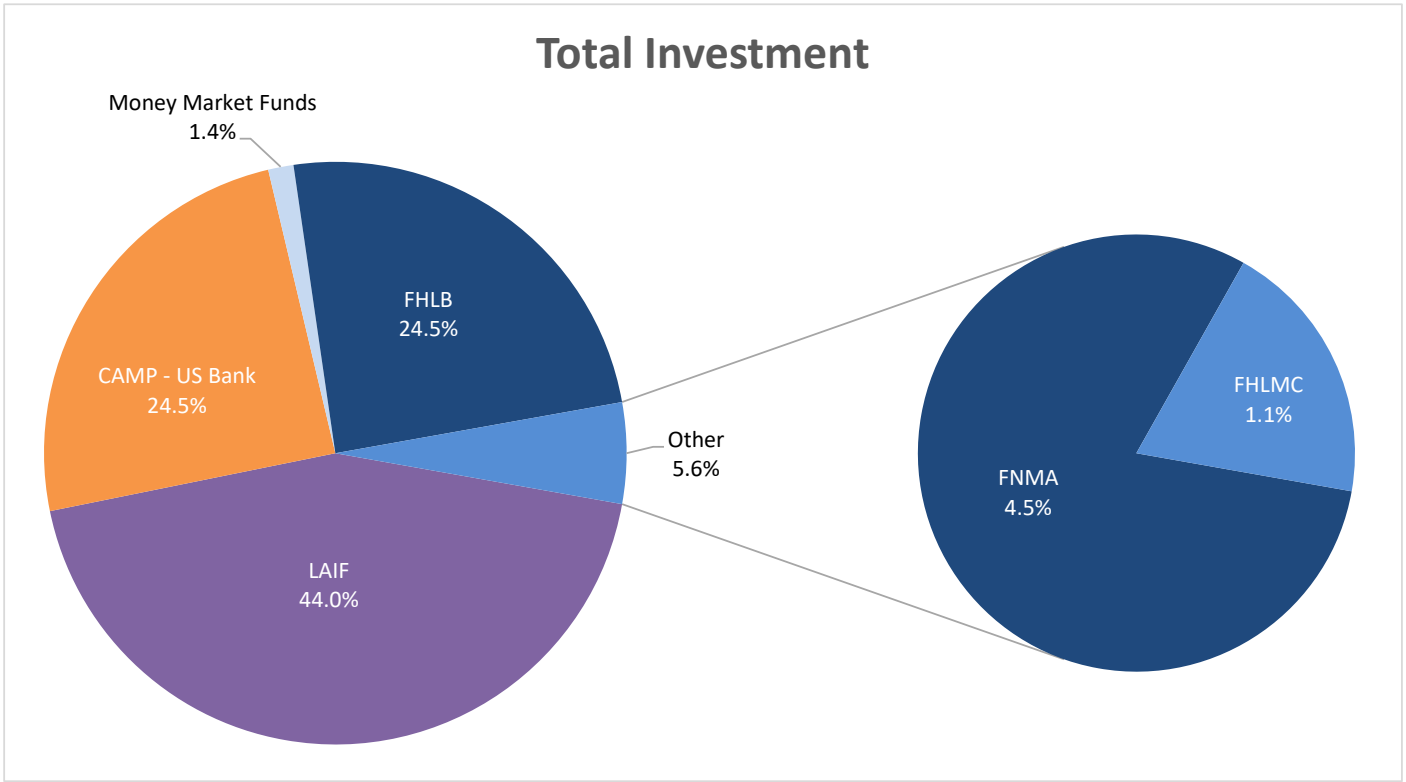
Olivenhain Municipal Water District
PORTFOLIO LIMITATIONS ANALYSIS PER INVESTMENT POLICY
June 30, 2026

		Book Value	Percent	Permitted Percent		In Compliance?
LAIF		$ 39,478,290	44.0%	50.0%	(1)	Yes
CAMP - US Bank		21,947,576	24.5%	30.0%		Yes
Money Market Funds		1,248,869	1.4%	20.0%	(2)	Yes
U.S. Agency Securities		26,998,300	30.1%	50.0%		Yes
FHLB	*Federal Home Loan Bank*	*21,998,300*	*24.5%*			
FNMA	*Fannie Mae*	*4,000,000*	*4.5%*			
FHLMC	*Freddie Mac*	*1,000,000*	*1.1%*			
Total Investments		**$ 89,673,035**	**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.



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

Olivenhain Municipal Water District
MONTHLY INVESTMENTS DETAIL
June 30, 2026

ACTIVE DEPOSIT		Book Value
Checking A/C:	California Bank and Trust for General Purpose	971,383.36
	California Bank and Trust for Specific Purpose	578,947
Petty Cash/Disaster Preparedness		1,484
	Total - Active Deposits	**1,551,815**

DEPOSITS NOT COVERED BY INVESTMENT POLICY	
Cash with Fiscal Agents:	
Union Bank - RAD 96-1 Refunding Bond	938,548
Union Bank - 2015A Refunding Bond	4,642
SRF Loan	1,605,794
Union Bank - 2016A Refunding Bond	1,222
Union Bank - 2021A WW Revenue Bond	94
Union Bank - 2021B Refunding Bond	73
Total Deposits Not Covered by Investment Policy	**2,550,374**

		RATING		DATE				Weighted Average Days to		*Stated*	*Current*			
		Moody's	S&P	Purchase	Maturity	Next Call	Next S-U	Maturity	Call	*Coupon*	*Yield*	Market Value	Face Value	Book Value
INVESTMENTS														
Invest. Pools:	US Bank Calif. Asset Mgmt Prgm (CAMP)				Demand			1			*3.77%*	$ 21,947,576	$ 21,947,576	$ 21,947,576
	State Local Agency Investment Fund (LAIF)				Demand			1			*3.82%*	39,564,412	39,478,290	$ 39,478,290
	First American Government 31846V567				Demand			1			*3.52%*	1,248,061	1,248,061	$ 1,248,061
	CB&T Money Market Account				Demand			1			*1.86%*	808	808	$ 808
U.S. Agency Securities														
3130APAY1	FHLB Callable	Aa1	AA+	10/21/21	10/21/26	07/21/26		114	22	*1.10%*	*1.11%*	991,190	1,000,000	$ 1,000,000
3130APL78	FHLB Callable	Aa1	AA+	10/28/21	10/28/26	07/28/26		121	29	*1.38%*	*1.39%*	991,770	1,000,000	$ 1,000,000
3130B6CG9	FHLB Callable	Aa1	AA+	05/22/25	05/22/29	anytime		1,058	1	*4.38%*	*4.40%*	994,410	1,000,000	$ 998,300
3130B2N43	FHLB Callable	Aa1	AA+	09/10/24	09/10/29	09/10/26		1,169	73	*4.00%*	*4.06%*	986,190	1,000,000	$ 1,000,000
3130B9MN7	FHLB Callable	Aa1	AA+	02/26/26	08/26/30	08/26/26		1,519	58	*4.00%*	*4.08%*	980,240	1,000,000	$ 1,000,000
3134HCNC9	FHLMC Callable	Aa1	AA+	01/09/26	01/09/31	10/09/26		1,655	102	*4.10%*	*4.15%*	988,810	1,000,000	$ 1,000,000
3136GCGV1	FNMA Callable	Aa1	AA+	01/23/26	01/23/31	07/23/26		1,669	24	*4.13%*	*4.17%*	989,880	1,000,000	$ 1,000,000
3130B9DE7	FHLB Callable	Aa1	AA+	02/11/26	02/11/31	02/11/27		1,688	227	*4.02%*	*4.08%*	985,570	1,000,000	$ 1,000,000
3130B9HA1	FHLB Callable	Aa1	AA+	02/26/26	02/26/31	02/26/27		1,703	242	*4.00%*	*4.09%*	1,955,600	2,000,000	$ 2,000,000
3130B9LF5	FHLB Callable	Aa1	AA+	02/26/26	02/26/31	02/26/27		1,703	242	*4.00%*	*4.06%*	1,968,340	2,000,000	$ 2,000,000
3136GCNU5	FNMA Callable	Aa1	AA+	03/04/26	03/04/31	09/04/26		1,709	67	*4.10%*	*4.18%*	979,990	1,000,000	$ 1,000,000
3130B9Q45	FHLB Callable	Aa1	AA+	03/10/26	03/10/31	12/10/26		1,715	164	*4.00%*	*4.06%*	986,330	1,000,000	$ 1,000,000
3130B9W63	FHLB Callable	Aa1	AA+	03/17/26	03/11/31	09/11/26		1,716	74	*4.30%*	*4.32%*	994,620	1,000,000	$ 1,000,000
3130B9VN7	FHLB Callable	Aa1	AA+	03/17/26	03/17/31	03/17/27		1,722	261	*4.13%*	*4.18%*	1,973,120	2,000,000	$ 2,000,000
3130B9RH5	FHLB Callable	Aa1	AA+	03/24/26	03/24/31	07/24/26		1,729	25	*4.25%*	*4.28%*	994,050	1,000,000	$ 1,000,000
3130BA2S5	FHLB Callable	Aa1	AA+	03/30/26	03/25/31	03/25/27		1,730	269	*4.50%*	*4.51%*	997,110	1,000,000	$ 1,000,000
3130BADZ7	FHLB Callable	Aa1	AA+	04/22/26	10/22/29	10/22/26		1,211	115	*4.15%*	*4.16%*	997,000	1,000,000	$ 1,000,000
3130BAE45	FHLB Callable	Aa1	AA+	04/23/26	04/23/31	10/23/26		1,759	116	*4.40%*	*4.44%*	991,480	1,000,000	$ 1,000,000
3130BANF0	FHLB Callable	Aa1	AA+	05/19/26	05/19/31	11/19/26		1,785	143	*4.50%*	*4.51%*	1,993,700	2,000,000	$ 2,000,000
3136GDHU0	FNMA Callable	Aa2	AA+	06/30/26	06/30/31	12/30/26		1,827	184	*4.50%*	*4.51%*	1,993,360	2,000,000	$ 2,000,000
3130BBAB1	FHLB Callable	Aa3	AA+	06/30/26	06/30/31	12/30/26		1,827	184	*4.60%*	*4.62%*	995,430	1,000,000	$ 1,000,000
3130BB4U6	FHLB Callable	Aa4	AA+	06/30/26	06/30/31	12/30/26		1,827	184	*4.79%*	*4.80%*	998,860	1,000,000	$ 1,000,000
								1,544	**144**	***4.02%***	***4.06%***	**$ 26,727,050**	**$ 27,000,000**	**$ 26,998,300**
	Total Investments							**466**		***3.86%***	***3.87%***	**$ 89,487,906**	**$ 89,674,735**	**$ 89,673,035**

TOTAL - ALL DEPOSITS AND INVESTMENTS	$ 93,775,223

Olivenhain Municipal Water District
INVESTMENTS TRANSACTION
June 30, 2026

PURCHASED

DATE					*Stated*	*Current*		
Purchase	**Maturity**	**Call**	**Step-Up**	**Investment Description**	***Coupon***	***Yield***	**Face Value**	**Book Value**
04/22/26	10/22/29	10/22/26		FHLB Callable	*4.150%*	*4.162%*	1,000,000	1,000,000
04/23/26	04/23/31	10/23/26		FHLB Callable	*4.400%*	*4.438%*	1,000,000	1,000,000
05/19/26	05/19/31	11/19/26		FHLB Callable	*4.500%*	*4.514%*	2,000,000	2,000,000
06/30/26	06/30/31	12/30/26		FNMA Callable	*4.500%*	*4.515%*	2,000,000	2,000,000
06/30/26	06/30/31	12/30/26		FHLB Callable	*4.600%*	*4.621%*	1,000,000	1,000,000
06/30/26	06/30/31	12/30/26		FHLB Callable	*4.790%*	*4.795%*	1,000,000	1,000,000

MATURED / REDEEMED / CALLED

DATE					*Stated*	*Current*		
Redemption	**Maturity**	**Call**	**Step-Up**	**Investment Description**	***Coupon***	***Yield***	**Face Value**	**Book Value**
04/14/26	04/14/26	04/14/26	None	FHLB Step-up Callable	*2.250%*	*2.251%*	1,000,000	1,000,000
04/24/26	04/24/29	04/24/26		FHLB Callable	*4.450%*	*4.459%*	1,000,000	1,000,000

Olivenhain Municipal Water District
UNAUDITED CASH POSITION BY FUNDING SOURCES
As of June 30, 2026

Water Funds (Potable & Recycled)		Balance
10050-100	Cash - Petty Cash Fund	1,484
10010-100	Cash - Operating Fund	17,055,047
10030-100	Cash - Capital and Equipment Fund	35,518,143
10040-100	Cash - Rate Stabilization Fund	10,112,424
10080-100	Cash - Pension Stabilization Fund	1,176,179
10060-100	Cash - Deposit Work for Other	1,662,850
14000-500	Restricted Cash - Capacity Fee Fund	9,073,223
Total Water Funds (Potable & Recycled)		**74,599,350**

Wastewater Funds		
10010-110	Wastewater - Operating Fund	1,458,315
10030-110	Wastewater - Capital Replacement Fund	11,543,839
10040-110	Wastewater - Rate Stabilization Fund	2,940,498
10080-110	Cash - Pension Stabilization Fund	103,901
Total Wastewater Funds		**16,046,553**

Non Fiscal Agent Debt Service Cash		
14020-570	Cash non-agent - RAD 96-1	567,746
10070-561	Cash non-agent - Bond 2015A	621
10070-581	Cash non-agent - Bond 2016A	10,580
Total Non Fiscal Agent Debt Service Cash		**578,947**

Debt Service Funds		
14030-510	SRF Loan - Fiscal Agent	1,605,794
14105-570	Redemption fund - RAD 96-1	889,930
14110-570	Reserve fund - RAD 96-1	48,618
14100-561	Redemption fund - Bond 2015A	4,642
14100-581	Redemption fund - Bond 2016A	1,222
14100-521	Redemption fund - Bond 2021A	94
14100-522	Redemption fund - Bond 2021B	73
Total Debt Service Funds		**2,550,374**

TOTAL FUND BALANCES	**93,775,223**

OLIVENHAIN
Municipal Water District

Agenda Item 13

Memo

Date:	November 10th, 2026
To:	Finance Committee
From:	Leo Mendez, Finance Manager
Via:	Kimberly Thorner, General Manager
Subject:	**CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (IBANK) WASTEWATER FINANCING (VERBAL UPDATE)**

Per the direction of the Finance Committee and the Board, staff has submitted an application for a loan to finance wastewater capital improvement projects with the California Infrastructure and Economic Development Bank (IBank). Staff will provide a verbal update on the IBank loan.

Prepared by: August Trees, Financial Analyst I
Leo Mendez, Finance Manager
Reviewed by: Leo Mendez, Finance Manager
Approved by: Kimberly A. Thorner, General Manager