REQUEST FOR PROPOSAL

PROFESSIONAL AUDITING SERVICES

For the Fiscal Years Ended June 30, 2027 through June 30, 2029

Proposal Issue Date

November 9, 2026

Proposal Submittal Due Date

December 2, 2026

THREE VALLEYS MUNICIPAL WATER DISTRICT
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Three Valleys Municipal Water District
Request for Proposal
Professional Auditing Services
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I. INTRODUCTION

A. General Information

The Three Valleys Municipal Water District (District) is requesting proposals from qualified certified public accounting firms to perform an annual financial statement audit and prepare the District's Annual Comprehensive Financial Report (ACFR). This request is for the three (3) fiscal years beginning with the fiscal year ending June 30, 2027, with the option, at the sole discretion of the District, to extend the contract for up to two (2) additional one-year terms. There is no express or implied obligation for the District to reimburse proposing firms for any expenses incurred in preparing proposals in response to this request. Materials submitted by proposers are subject to public inspection under the California Public Records Act (Government Code Sec. 7920.000 et seq.), unless exempt.

The District is looking for a committed and qualified firm that has demonstrated experience with governmental audits in the water industry.

An Audit Proposal Review Committee will evaluate the proposals submitted. During the evaluation process, the District reserves the right, where it may serve the District's best interest, to request additional information or clarification from proposers, or to allow corrections of errors or omissions. At the District's discretion, firms submitting proposals may be requested to make an oral presentation as part of the evaluation process.

The District reserves the right to retain all proposals submitted. Submission of a proposal indicates 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 formal arrangements between the District and the firm selected.

The proposer may modify or amend its proposal only if the District receives the amendment prior to the deadline stated herein for receiving proposals.

Proposals may be considered non-responsive if they are conditional, incomplete, or if they contain alterations of form, additions not called for, or other irregularities that may constitute a material change to the proposal.

No subcontracting or joint venture arrangements will be allowed for this audit engagement.

Any unauthorized contact with any other official or employee in connection with this RFP is prohibited and shall be grounds for disqualification of the proposer.

The Audit Proposal Review Committee will evaluate the proposals received and forward its recommendation to the District's Board of Directors for consideration. It is anticipated that the Board of Directors will select an auditing firm and authorize contract negotiations at its scheduled meeting on January 6, 2027. Following Board authorization, the District expects to complete contract negotiations and execute an agreement with the selected firm no later than January 20, 2027.

B. Term of Engagement

It is the intent of the District to contract for the service presented herein for a term of three (3) years. The District reserves the right to extend the term of this contract for two (2) additional one-year terms subject to the satisfactory negotiation of terms, including a price acceptable to both the District and the selected firm, satisfactory performance by the selected firm, and the annual availability of an appropriation.

II. BACKGROUND

The District is a special district formed by public election in 1950 and is the primary source of supplemental water for the Pomona, Walnut and East San Gabriel Valleys. The District is governed by a Board of Directors elected by the registered voters residing within the District's boundaries. The Board has a combined 84 years of experience with the District; this stability provides a tremendous benefit to the District. The General Manager has over 8 years with the District and has vast experience in the water industry.

The District is one of 26 member agencies of the Metropolitan Water District of Southern California (MWD) that is authorized to deliver wholesale water supplies from the Colorado River and Northern California. The region served by the District spans over 133 square miles and serves 12 retail member agencies that in turn serve a population of over 500,000.

The District's operations consist of a conventional surface water treatment plant, a state-certified laboratory, four groundwater production wells, five hydroelectric generators, residual solids removal, groundwater recharge pipelines, pump stations, and transmission pipelines. Approximately fifty-two percent of the District's water sales are wholesaled out of MWD's Weymouth Treatment Plant in La Verne. The remaining forty-eight percent is treated and sold out of the District's Miramar Treatment Plant in Claremont. The District has water storage accounts with Six Basins (stored: 2,327 AF; capacity 3,500 AF), Main San Gabriel Basin (stored: 185 AF; capacity 40,000 AF), and Chino Basin (stored: 1,390 AF).

The District's accounting records are maintained on the accrual basis, and the accounting policies and procedures conform to generally accepted accounting principles. The District utilizes Caselle Connect modules for accounts payable, accounts receivable, fixed assets, general ledger, payroll, and project accounting. The District has 26 authorized full-time positions and the District's operating budget for the 2026-2027 fiscal year is approximately $95 million. The District accounts for its business-type operations in a single enterprise fund and maintains a separate fiduciary fund to account for assets held in trust for Other Postemployment Benefits (OPEB), in accordance with accounting principles generally accepted in the United States of America.

The District's primary source of revenue is water sales. Other major revenue sources include property taxes, standby charges and other assessments, hydroelectric generation, and investment income. Other revenue sources may include federal and state grants, which vary from year to year. The District has never been required to issue a single audit in accordance with the applicable Single Audit requirements under 2 CFR Part 200, Subpart F.

For more information, please visit our website at www.threevalleys.com

III. NATURE OF SERVICES REQUIRED

A. General

The District desires an audit of the basic financial statements included in the District's Annual Comprehensive Financial Report (ACFR) in accordance with Generally Accepted Auditing Standards (GAAS) 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, and the State Controller's Minimum Audit Requirements for California Special Districts.

B. Scope of Work

1. The District desires an audit of the basic financial statements included in its Annual Comprehensive Financial Report (ACFR) and an opinion on their fair presentation in conformity with generally accepted accounting principles (GAAP).

2. The auditor shall prepare the District's ACFR, including the basic financial statements, accompanying notes, required supplementary information, and other applicable sections, using information provided by the District.

3. The District has obtained the "Certificate of Achievement for Excellence in Financial Reporting" award from the Government Finance Officers Association of the United States and Canada for nineteen consecutive years. It is expected that the auditor will assist in preparation of the District's ACFR to continue to meet the requirements of the program.

4. The auditor should also be familiar with the Single Audit Act and the requirements set forth in the Single Audit Act, as amended, and the applicable requirements of 2 CFR Part 200, Subpart F. The auditing firm will determine if a single audit is required. If a single audit is required, the auditing firm will review the District's expenditures of federal awards and the program requirements.

5. Optional Service: The auditor may provide, as an optional service, preparation of the District's annual Financial Transactions Report (FTR) in accordance with the California State Controller's Office reporting requirements. If included, the completed report shall be provided to the District sufficiently in advance of the applicable filing deadline to allow adequate time for District review, approval, and timely submission.

6. The auditor shall evaluate the District's internal controls as part of the financial statement audit and issue the required report on internal control over financial reporting and compliance in accordance with Government Auditing Standards. The auditor shall communicate any identified

significant deficiencies, material weaknesses, audit findings, and other matters required by applicable auditing standards, along with recommendations for improvement, as appropriate.

7. The auditor will communicate immediately and in writing all irregularities and illegal acts, or indications of illegal acts, of which the auditor becomes aware, to the appropriate level of management and/or Board of Directors.

8. The partner in charge of the audit shall be available to attend at least one (1) Board meeting to present and discuss the results of the audit and the ACFR to the Board of Directors.

9. The audit firm will provide general consultation as required, during the year, on financial and reporting matters.

10. The auditor shall retain, at the auditor's expense, the working papers for a minimum of five (5) years unless the firm is notified in writing by the District of the need to extend the retention period. In addition, the firm shall 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.

IV. TIME REQUIREMENTS

A. Proposal Calendar

Request For Proposal Issued	November 9, 2026
Deadline For Submission Of Questions	November 18, 2026
District Response to Questions	November 23, 2026
Deadline For Proposal Submission	December 2, 2026
District Review	December 3-8, 2026
Interviews (if applicable)	December 9-10, 2026
Board Selection and Authorization	January 6, 2027
Contract Execution	January 20, 2027

B. Schedule for the Audit

1. The auditor shall provide the District with an audit plan plus a list of schedules and other work requested for the interim audit by mid-April. Audit planning, documentation of systems, internal controls, and compliance and transaction testing should be completed during the interim stage. It is expected the interim audit would take place in April or May.

2. The auditor shall provide the District with a list of schedules and other work requested for year-end fieldwork at the end of the interim audit. The District expects to have all records ready for the year-end audit by the end of August.

3. The auditor shall complete fieldwork and provide drafts of the financial statements and required communication letters in time to allow for discussion of the ACFR at the Board meeting the third Wednesday of November.

4. An entrance conference and an exit conference shall be held on dates mutually agreed upon by the awarded audit firm and the District.

C. Report Preparation

The auditing firm shall submit a draft of the ACFR to management no later than the first week of November. The auditor is also responsible for preparation of the independent auditor's report on the financial statements, the Single Audit Reports (if required), the Audit Communication Letter, the Management Letter, and the Special District Financial Transactions Report (optional).

Final ACFR, Single Audit and required letters will be presented by the auditor and District staff to the Board of Directors no later than the third Wednesday of November at the regularly scheduled Board Meeting to meet the submission deadline of the GFOA (December 31).

V. ASSISTANCE PROVIDED TO THE AUDITOR

The Finance Department staff and responsible management personnel will be available during the audit to assist the firm by providing access and direction to information, documentation, and explanations for all inquiries. The preparation of confirmations will be the responsibility of the District with templates provided by the auditors.

The District will provide the auditors with reasonable and secure workspace, phone, wireless internet, copy and fax machine access, if necessary.

VI. PROPOSAL REQUIREMENTS

A. General Requirements

1. Proposal Questions

   Inquiries concerning this request for proposal shall be received by email and directed to Brittany Aguilar, Finance Manager BAguilar@tvmwd.com, November 18, 2026, by 5:00 p.m. Pacific Standard Time.

2. Packaging

   Proposals must be received by e-mail to Brittany Aguilar, Finance Manager BAguilar@tvmwd.com, December 2, 2026, by 5:00 p.m. Pacific Standard Time.

   The District is under no obligation to return submitted proposals and will not be responsible for submittals that are delinquent, lost, mismarked, or sent to an address other than that given, or sent by mail or courier service.

   Any unauthorized contact with another official or employee in connection with this RFP is prohibited and shall be grounds for disqualification of the firm.

   Proposals shall be signed by an authorized representative and shall be as thorough and detailed as possible so that the District may properly evaluate the auditor's capabilities to provide the required services.

Submission of a proposal constitutes acceptance by the firm of the conditions contained in this request for proposals unless clearly and specifically noted in the proposal submitted and confirmed in the contract between the District and the firm selected.

3. Submission of Proposal

The following material in the prescribed format outlined below **is required to be received no later than 5:00 p.m. Pacific Standard Time, December 2, 2026, for a proposing firm to be considered:**

a. Title Page
   i. The RFP subject,
   ii. The proposing firm's name,
   iii. Contact person's name, address, telephone number, and email address. If the firm has more than one office, state which office will be responsible for providing services to the District, and
   iv. The date of the submission.

b. Table of Contents
   i. Identification of material submitted, by section and page number,
   ii. Where appropriate, cross reference to section and page number of the RFP.

c. Transmittal Letter
   i. General introduction stating the proposer's understanding of the services to be provided,
   ii. The proposer's commitment to perform the work within the specified time period,
   iii. A statement explaining why the firm believes it is best qualified to perform the engagement in terms of audit ability for water districts,
   iv. A statement of how long the firm has been in business and how many financial audits were performed by the firm for local governments (preferably water districts), during the past five (5) years.
   v. A statement that the proposal is a firm and irrevocable offer for a period of not less than 180 days,
   vi. The name(s) of person(s) authorized to represent the proposer, title, address, telephone number, email address, and
   vii. Signature by an individual authorized to bind the proposing entity.

B. Technical Proposal

1. General Requirements

The purpose of the Technical Proposal is to demonstrate the qualifications, competence and capacity of the firms seeking to undertake professional audit services for the District in conformity with the requirements of this request for proposal. As such, the substance of proposals will carry more weight than their form or manner of presentation. The Technical Proposal should demonstrate the qualifications of the firm and of the particular management

and staff to be assigned to this engagement. It should also specify an audit approach that will meet the RFP requirements.

The Technical Proposal should address all the points outlined in the request for proposal, excluding cost information, which shall be provided separately under Section VI.C. The proposal should be prepared simply and economically, providing a straightforward, concise description of the proposer's capabilities to satisfy the requirements of the request for proposal.

2. Independence

   The audit firm must affirm its independence from the District in accordance with applicable AICPA professional ethics requirements and Government Auditing Standards.

   The firm should also list and describe the firm's professional relationships involving the District, its staff or Board of Directors, for the past five (5) years, together with a statement explaining why such relationships do not constitute a conflict of interest relative to performing the proposed audit.

   The proposer shall describe how it will maintain auditor independence when providing financial statement and ACFR preparation services, including applicable safeguards under Government Auditing Standards.

3. License to Practice in California

   An affirmative statement should be included that the firm and all assigned key professional staff are properly licensed to practice in California.

4. Firm Qualifications and Experience

   The proposer should state the size of the firm, the size of the firm's government audit staff, the location of the office from which the work on this engagement is to be performed and the number and nature of the professional staff to be employed in this engagement. A general description of the firm's experience, specifically with audits of local governments (preferably water districts) must be included.

   The firm must submit a copy of the report on its most recent external quality control (peer) review, with a statement whether the quality control review included a review of specific government engagements.

   The firm shall also provide information on the circumstances and status of any disciplinary action taken or pending against the firm during the past three (3) years with any regulatory or professional organizations.

5. Partner, Supervisory and Staff Qualifications and Experience

   Identify the principal supervisory and management staff, including engagement partners, managers, other supervisors and specialists who would be assigned to the engagement. Indicate

whether each such person is registered or licensed to practice as a certified public accountant in California.

Provide information on the government auditing experience of each person, including information on relevant continuing professional education for the past three (3) years and membership in professional organizations relevant to the performance of this audit.

Provide as much information as possible regarding the number, qualifications, experience and training, including relevant continuing professional education, of the specific staff to be assigned to this engagement. Indicate how the quality of staff over the term of the agreement will be assured.

Engagement partners, managers, other supervisory staff and specialists may be changed if those personnel leave the firm, are promoted or are assigned to another office. These personnel may be changed for other reasons with the express prior written permission of the District. However, in either case, the District retains the right to approve or reject replacements.

The "in-charge" must have at least two (2) years of recent auditing experience and must be knowledgeable of the Single Audit requirements under 2 CFR Part 200, Subpart F.

Other audit personnel may be changed at the discretion of the proposer provided that replacements have substantially the same or better qualifications or experience.

6. 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 – 5) performed in the last five (5) years that are similar to the engagement described in the request for proposal. These engagements should be ranked on the basis of total staff hours. Information provided about these engagements should include scope of work, date, engagement partners, total hours, and the name and telephone number of the principal client contact.

7. Specific Audit Approach

   The proposal should set forth a work plan, including an explanation of the audit methodology to be followed, to perform the services required in Section III of this request for proposal.

   Proposers must provide the following information related to their audit approach:

   a. Proposed segmentation of the audit work.

   b. Level of staff and number of hours to be assigned to each proposed segment of the engagement.

   c. Sample sizes and the extent to which statistical sampling is to be used on the engagement.

   d. Type and extent of use of software in the engagement.

   e. Type and extent of analytical procedures to be used in the engagement.

f. Approach to be taken to gain and document an understanding of the District's internal control structure.

g. Approach to be taken in determining laws, regulations, contracts and grants subject to audit test work.

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

8. 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 any special assistance that will be requested from the District.

9. Insurance

Proposer shall demonstrate its ability to maintain such insurance as will protect it from claims under Workers' Compensation laws, and such liability insurance as will protect against claims for damages for bodily injury, including death, and damages to property in accordance with the terms of the Agreement.

The proposing firm must be willing and able to obtain an errors and omissions insurance policy providing a prudent amount of coverage for the willful or negligent acts of the firm and its officers, employees and agents.

Proposer shall maintain evidence of coverage in an updated form during the term of the Agreement.

10. Conflict of Interest

Proposer shall identify any actual, apparent, direct or indirect, or potential conflicts of interest that may exist with respect to the firm, management, or employees of the firm or other persons relative to the services to be provided under the Agreement for auditing services to be awarded pursuant to this request for proposal. If a proposer has no conflicts of interest, a statement to that effect shall be included in the proposal.

11. Proprietary Information

All proposals shall become the property of the District once submitted.

C. Cost

1. Total All-Inclusive Maximum Price

The proposal must include all pricing information relative to performing the audit engagement as described in this request for proposal. The total all-inclusive maximum price to be proposed is to contain all direct and indirect costs, including all out-of-pocket expenses. The District requires separate annual pricing for the financial statement audit, Single Audit (if required), and

optional Financial Transactions Report preparation for each of the three (3) initial fiscal years and two (2) optional extension years. The Single Audit fee shall apply only in fiscal years in which a Single Audit is required. The District will not be responsible for costs incurred in preparing and submitting the technical proposal. Such costs should not be included in the proposal.

The following information is required with respect to pricing:

a. Certification that the person signing the proposal is entitled to represent the firm, empowered to submit the proposal, and authorized to sign a contract with the District.

b. A Total All-Inclusive Maximum Price for each fiscal year with a grand total for the three-year period. Pricing should also be included for the option years covering fiscal years 2030 and 2031.

It is expected that general, overhead, and administrative costs are included in the hourly rate for labor. Proposals submitted will be held to the total cost given in the response quote. It will be assumed that all contingencies and/or anticipated escalations are included. No additional funds will be paid above and beyond the original quote given by the selected proposer.

2. Professional Billing Rates and Anticipated Hours by Staff Classification

The proposal should include a schedule of professional fees and expenses that supports the Total All-Inclusive Maximum Price.

3. Rates for Additional Professional Services

If it should become necessary for the District to request the auditor to perform additional services to either supplement the services requested in this request for proposal or to perform additional work as a result of the specific recommendations included in any report issued on this engagement, then 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 item 2 above.

4. Manner of Payment

Progress payments will be made based on work completed during the course of the engagement, in accordance with the firm's total all-inclusive maximum price. Interim billing shall cover a period of not less than one (1) calendar month.

VII. EVALUATION PROCEDURES

A. Audit Proposal Review Committee

Proposals submitted will be reviewed by members of the Audit Proposal Review Committee.

B. Evaluation Criteria

The Audit Proposal Review Committee will evaluate and consider the following factors to select the most qualified proposers:

- Quality and Completeness of the Proposal
- Proposer Experience, Qualifications, Minimum Requirements and References
- Professional Qualifications of Key Personnel and Engagement Team Profile
- Audit Approach, Timing and Procedures
- Fee Proposal – note that cost will not be the primary factor in the selection of an audit firm.

C. Oral Presentations

During the evaluation process, the Audit Proposal Review Committee will select only the most qualified firms, based on the criteria above, to participate in oral presentations. Such presentations will provide firms with an opportunity to answer any questions the Audit Proposal Review Committee may have on a firm's proposal. Not all firms may be selected to make such presentations.

D. Final Selection

The Audit Proposal Review Committee will forward a recommendation to the Board of Directors for consideration and appropriate action and notify the recommended firm of its intent to seek Board authorization by December 16, 2026. The Board of Directors is anticipated to consider the recommendation and authorize contract negotiations on January 6, 2027. The District expects to execute an agreement by January 20, 2027. The District reserves the right to negotiate the terms and conditions of the contract with the selected firm.

E. Right to Reject Proposals

Submission of a proposal indicates acceptance by the firm of the conditions 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 without prejudice to reject any or all proposals.

The District also reserves the right to waive any informality or technical defect in a proposal and to accept or reject, in whole or in part, any or all proposals and to advertise for new proposals, as best serves the interests of the District.

Finally, the District reserves the right to make such investigations as it deems necessary to determine the ability of the proposer to perform the work and the proposer shall furnish the District all such information and data for this purpose as the District may request. The District reserves the right to reject any proposal if the evidence submitted by, or investigation of such proposer, fails to satisfy the District that such proposer is properly qualified to carry out the obligation of the contract and to complete the work contemplated herein.