



REGULAR BOARD MEETING AGENDA
BOARD OF DIRECTORS MEETING
MALAGA COUNTY WATER DISTRICT
ALTERNATE MEETING ROOM
3582 SOUTH WINERY AVENUE
FRESNO, CALIFORNIA 93725
Tuesday, April 28, 2023 at 6:00PM

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in a District Board Meeting, please contact the District Office at 559-485-7353 at least 48 hours prior to the meeting, to ensure that reasonable arrangements can be made to provide accessibility to the meeting.

Please submit all written correspondence for the Board of Directors by 12:00 pm the Friday prior to the meeting. Please deliver or mail to the District Clerk.

1. Call to Order:

2. Roll Call: President Charles Garabedian, Jr.; Vice President Salvador Cerrillo; Director Irma Castaneda; Director Frank Cerrillo, Jr.; Director Carlos Tovar, Jr.

3. Certification: Certification was made that the Board Meeting Agenda was posted 72 hours in advance of the meeting.

4. Consent Agenda. The items listed below in the Consent Agenda are routine in nature and are usually approved by a single vote. Prior to any action by the Board of Directors, any Board member may remove an item from the consent agenda for further discussion. Items removed from the Consent Agenda may be heard immediately following approval of the Consent Agenda or set aside for discussion and action after Regular Business.

a. Minutes of the Regular Board Meeting of August 8, 2023.

b. Minutes of the Special Board Meeting of August 14, 2023.

Recommended action: To approve the Consent Agenda as presented or amended.

Motion by: _____; **Second by:** _____

5. Old Business:

a. **Audit.** Continued discussion from the previous meeting. Review and discussion of the audit report for fiscal year 2021-2022.

Recommended action: to approve Audit 2021-2022 as presented or amended.

Motion by: _____; **Second by:** _____

6. New Business:

a. **CDBG 2024-2025; Public Comments.** To hear any public comments or suggestions to be considered for the CDBG 2024-2025 funding application. The Community Development Block Grant (CDBG) is a federal grant program administered by Fresno County to address housing and community development needs of low- and moderate-income persons. Types of eligible projects include public works improvements such as

water, sewer, streets and drainage, fire protection facilities and equipment, solid waste facilities, libraries, and community centers.

For public discussion and potential action.

- b. **CDBG 2024-2025; Project Proposal.** Project applications for CDBG Projects in FY 2024-25 are due to Fresno County Planning by August 31, 2023. Staff recommends that the district submit a project proposal to make improvements at the Wastewater Treatment Facility (WWTF) in order to maintain critical operations. The improvements will include replacement of one of the three wastewater screw pumps. District staff has been able to make repairs to the other two pumps to keep them in service, but the third pump has reached its useful life and is in need of replacement.

The scope of work includes removal of the existing pump, purchase and installation of the new pump, and all associated work. The estimated cost of the project is \$300,000, which is the maximum grant amount.

Recommended action: To approve the submission of an application for the WWTF Screw Pump Replacement Project for CDBG 2024-25 funding and designate the Interim General Manager as signing authority for the project.

Motion by: _____, **Second by:** _____

- c. **Resolution 08-22-2023.** A resolution authorizing and approving the continued operations of the district and making appropriations for fiscal year 2023-2024 in accordance with the budget adoption for fiscal year 2022-2023.

Recommended action: To approve Resolution No. 08-22-2023 as presented or amended.

Motion by: _____, **Second by:** _____

- d. **IT Support Proposals.** The district received proposals from BCT, PC Solutions and UNITY for IT services. Unity IT proposal is up to \$1,680.00. PC Solutions' proposal of up to \$2,938.00 and BCT's proposal of \$2,500.00. Each proposal offers different details contributing to the price. The district's current IT provider is PC Solutions.

Recommended action: To select the best provider that will provide district needs.

Motion by: _____, **Second by:** _____

7. Incorporation Reports:

8. Recreation Reports:

9. Engineer Reports:

- a. District Engineer Report.
- b. CDBG Engineer Report: report during new business.

10. General Manager's Report:

- a. Board of Supervisors letter.

11. President's Report:

12. Vice President's Report:

13. Director's Reports:

14. Legal Counsel Report:

15. Communications:

- a. Written Communications:

b. Public Comment: *The Public may address the Malaga County Water District Board on item(s) of interest within the jurisdiction of the Board, not appearing on the agenda. The Board will listen to comments presented; however, in compliance with the Brown Act, the Board cannot take action on items that are not on the agenda. The public should address the Board on agenda items at the time they are addressed by the Board. All speakers are requested to wait until recognized by the Board President. All Comments will be limited to three (3) minutes or less per individual/group per item per meeting, with a fifteen (15) minutes maximum.*

16. Closed Session:

- a. Potential Litigation (Gov't Code 54956.9(d)(2).).

17. Adjournment:

Motion by: _____, **Second by:** _____

Certification of Posting

I, Norma Melendez, District Clerk of the Malaga County Water District, do hereby certify that the foregoing agenda for the Regular Meeting of the Board of Directors of August 22, 2023 was posted for public view on the front window of the MCWD office at 3580 S. Frank Street, Fresno Ca 93725, at 5:00P.M. On 08/18/2023.

Norma Melendez, District Clerk



REGULAR BOARD MEETING MINUTES

BOARD OF DIRECTORS
ALTERNATE MEETING ROOM
3582 SOUTH WINERY AVENUE
FRESNO, CALIFORNIA 93725
Tuesday, August 8, 2023 at 6:30PM

item 4.a.

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in a District Board Meeting, please contact the District Office at 559-485-7353 at least 48 hours prior to the meeting, to ensure that reasonable arrangements can be made to provide accessibility to the meeting.

❖ *For future items, please submit all written correspondence for the Board of Directors by 12:00 pm the Friday prior to the meeting. Please deliver or mail to the District Clerk.*

1. Call to Order: 6:30pm

2. Roll Call: President Charles Garabedian, Jr.; Vice President Salvador Cerrillo; Director Irma Castaneda; Director Frank Cerrillo, Jr.; Director Carlos Tovar, Jr.

All present.

Also present: Norma Melendez, Moises Ortiz, Michael Slater.

3. Certification: Certification was made that the Board Meeting Agenda was posted 72 hours in advance of the meeting.

4. Consent Agenda. The items listed below in the Consent Agenda are routine in nature and are usually approved by a single vote. Prior to any action by the Board of Directors, any Board member may remove an item from the consent agenda for further discussion. Items removed from the Consent Agenda may be heard immediately following approval of the Consent Agenda or set aside for discussion and action after Regular Business.

- a. Minutes of the Regular Board Meeting of July 24, 2023.
- b. Minutes of the Special Board Meeting of July 31, 2023.

Recommended action: To approve the Consent Agenda as presented or amended.

Motion by Vice President Cerrillo; Second by Director Castaneda and by a 5-0 vote to approve the consent agenda as presented.

5. Old Business:

- a. **Audit.** Continued discussion from the previous meeting. Review and discussion of the audit report for fiscal year 2021-2022.

Recommended action: to approve Audit 2021-2022 as presented or amended.

Item tabled to the next regular board meeting of August 22, 2023 to review 2022 refinance.

- b. **Parking Lot Project.** Continued discussion from the previous meeting. Asphalt Technology, Inc. made repairs necessary to fully complete the project. An invoice was submitted for \$203,857.00.

Recommended action: to approve payment to Asphalt Technology.

Motion by Vice President Cerrillo; Second by Director Tovar, Jr. and by a 5-0 vote approve payment to Asphalt Technology for #203,857.00.

6. New Business:

- a. **Pool Fees.** Minimum wage has increased. With this increase, pool rental fee for lifeguards must be modified to cover payroll costs. Currently, the lifeguard fee is \$14.00, and the California minimum wage rate is \$15.50.

Recommended action: to modify the pool rental lifeguard fee to \$15.50.

Motion by Vice President Cerrillo; Second by Director Cerrillo, jr. and by a 5-0 vote to modify the pool rental lifeguard fee to reflect \$15.50 hourly wage.

- b. **Soccer Park Agreement.** SAM Soccer League has expressed interest in using the park facilities for soccer practice and games. The league has been on a trial run to observe the type of presence it generates. They came to an agreement that the youth of Malaga may be able to enter the league free of charge. A draft agreement is presented for review.

Recommended action: to review and discuss agreement. For potential action.

Board consent is that a contract needs to be signed as soon as possible, therefore Director Tovar, Jr. and Vice President Cerrillo will meet with the General Manager to review the agenda. Both Directors will have the authority to approve with amendment or agreement of contract and authorize the General Manager to sign on behalf of the District.

7. Sheriff Report: Presented by CSO, Elaine Montoya.

This item was moved at the top of the agenda as the presenter was in a time constraint. The CSO reported crime that occurred between the months of June to early August.

8. Incorporation Reports: None for this meeting.

9. Recreation Reports:

Director Castaneda reported a good turn-out for the 50's Dance. The next recreation meeting is scheduled for Wednesday, August 16.

Director Cerrillo, Jr. raised some concerns with park operations.

10. Engineer Reports:

- a. District Engineer Report.
 - i. **Well 3A & Tank Project Results.**
- b. CDBG Engineer Report:
 - i. **CDBG Funding Application Cycle 2024-2025.** A public hearing will be held at the next regular board meeting of August 22.

11. General Manager's Report:

- a. Employee retention credit.

12. President's Report: None for this meeting.

13. Vice President's Report: None for this meeting.

14. Director's Reports: None for this meeting.

15. Legal Counsel Report:

16. Communications:

a. Written Communications: **none for this meeting.**

b. Public Comment: *The Public may address the Malaga County Water District Board on item(s) of interest within the jurisdiction of the Board, not appearing on the agenda. The Board will listen to comments presented; however, in compliance with the Brown Act, the Board cannot take action on items that are not on the agenda. The public should address the Board on agenda items at the time they are addressed by the Board. All speakers are requested to wait until recognized by the Board President. All Comments will be limited to three (3) minutes or less per individual/group per item per meeting, with a fifteen (15) minutes maximum.*

17. Closed Session: none for this meeting.

18. Adjournment:

Motion by Vice President Cerrillo, Second by Director Cerrillo, Jr. and by a 5-0 vote to adjourn the meeting at 7:39pm.

Certification of Posting

I, Norma Melendez, District Clerk of the Malaga County Water District, do hereby certify that the foregoing minutes for the Regular Meeting of the Board of Directors of August 8, 2023, was posted for public view on the front window of the MCWD office at 3580 S. Frank Street, Fresno Ca 93725, on 08/23/2023.

Norma Melendez District Clerk



**SPECIAL BOARD MEETING MINUTES
SOLID WASTE WORKSHOP
BOARD OF DIRECTORS MEETING
AT THE ALTERNATE MEETING ROOM
3582 SOUTH WINERY AVENUE
FRESNO, CALIFORNIA 93725
Monday, August 14, 2023 at 6:00PM**

item 4.b.

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in a District Board Meeting, please contact the District Office at 559-485-7353 at least 48 hours prior to the meeting, to ensure that reasonable arrangements can be made to provide accessibility to the meeting.

- ❖ Public comments are limited to three (3) minutes or less per individual per item, with a fifteen (15) minute maximum per group per item and will be heard during the communication portion of the agenda.

1. Call to Order: 6:04pm

2. Roll Call: President Charles Garabedian, Jr.; Vice President Salvador Cerrillo; Director Irma Castaneda; Director Frank Cerrillo, Jr.; Director Carlos Tovar, Jr.

All present.

Also present: Moises Ortiz and Michael Slater

3. Certification: Certification was made that the Board Meeting Agenda was posted 24 hours in advance of the meeting.

4. Old Business: *None for this meeting.*

5. New Business: *None for this meeting.*

6. Communications:

- a. Written Communications: *None for this meeting.*
- b. Public Comment:

7. Closed Session: 6:05pm

- a. Potential Litigation (Gov't Code 54956.9(d)(2).)

No reportable action.

8. Adjournment:

Motion by Director Cerrillo, Jr., Second by Director Tovar, Jr. and by a 5-0 vote to adjourn the meeting at 6:26pm.

Certification of Posting

I, Norma Melendez, District Clerk of the Malaga County Water District, do hereby certify that the foregoing minutes for the Special Board Meeting of the Board of Directors of August 14, 2023 was posted for public view on the front window of the MCWD office at 3580 S. Frank Street, Fresno Ca 93725, on 08/23/2023.

Norma Melendez, District Clerk

item 5.a.



MALAGA COUNTY WATER DISTRICT

**INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
JUNE 30, 2022**

draft

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**MALAGA COUNTY WATER DISTRICT
BOARD OF DIRECTORS AND ADMINISTRATION
JUNE 30, 2022**

Board of Directors

Charles E. Garabedian Jr.	President
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Salvador Cerrillo Jr.	Vice-President
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Irma Castaneda	Director
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Frank A. Cerrillo, Jr.	Director
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Carlos Tovar, Jr.	Director
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Administration

Moises Ortiz	General Manager
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Norma Melendez	Clerk
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Malaga County Water District

Opinion

We have audited the accompanying financial statements of the business-type activities and each major fund of the Malaga County Water District (District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's 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 respective financial position of the business-type activities and each major fund of the District as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with 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. 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 Malaga County Water District and to meet our other ethical responsibilities, in accordance with the 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 audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 Malaga County Water District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 generally accepted auditing standards 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.

In performing an audit in accordance with generally accepted auditing standards and *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 Malaga County Water 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 Malaga County Water 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 on page 4-7 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Management has omitted the budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 17, 2023, on our consideration of Malaga County Water 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 the effectiveness of Malaga County Water District's 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 Malaga County Water District's internal control over financial reporting and compliance.

Jaribu W. Nelson, CPA

Clovis, California

July 17, 2023

MALAGA COUNTY WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2022

As management of Malaga County Water District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with information that is included within the financial statements.

Financial Highlights

- Assets of the District exceeded its liabilities as of June 30, 2022, by \$7,154,941. Of this amount, unrestricted net position of \$826,363 may be used to meet the District's ongoing obligations to customers and creditors. As of June 30, 2021, assets exceeded liabilities by \$7,931,065 with unrestricted net position equaling \$1,307,035.
- Total net position decreased by \$605,463 for the year ended June 30, 2022. For the year ended June 30, 2021, total net position decreased by \$129,182.
- During the current year, the District's fixed assets increased by a net of \$108,187. This increase was mostly attributable to the purchase of improvements to the water system and parks and recreation assets less depreciation. Depreciation expense, the ratable amortization of the cost of fixed assets, amounted to \$430,176 for the current year. Prior year depreciation was \$380,449.
- Total debt decreased by a net of \$170,305 during the current year. The decrease was mostly attributable to the debt service payments. During the prior year, total debt increased by a net of \$225,029. This was mostly attributable to the acquisition of a loan to finance improvements to safe water drinking.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Malaga County Water District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and liabilities, with the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expense are reported in this statement for some items that will only result in cash flow in future fiscal periods.

MALAGA COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
YEAR ENDED JUNE 30, 2022

Financial Highlights (continued)

Both of the government-wide financial statements distinguish functions of the District that are principally proprietary in nature (business-type activities) which are functions that are intended to recover all or a significant portion of their costs through user fees and charges. The District has no governmental activities.

The government-wide financial statements include only the District itself. The District has no component units.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and proprietary funds. The District has no governmental funds and four proprietary funds, the Water Fund, the Waste Disposal Fund, the Recreation Fund, and the Solid Waste.

Proprietary funds. Proprietary funds are used to account for essentially the same functions reported as business-type activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of June 30, 2022, the District's assets exceeded liabilities by \$7,154,941. A significant portion of the District's net position (83 percent) reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. Capital assets are used to provide services to customers and they are not available for future spending.

In addition, the District has \$397,091 in net position (two percent) that is restricted to make improvements to water facilities and parks and recreation assets.

The following represent summaries of the District's net position and changes in net position for the current and prior years:

MALAGA COUNTY WATER DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
YEAR ENDED JUNE 30, 2022

Malaga County Water District's Net Position

	Business-Type Activities	Total	Prior Year Total
ASSETS			
Current assets	\$ 2,508,956	\$ 2,508,956	\$ 1,870,192
Other assets	8,677,373	8,677,373	9,143,130
Total assets	11,186,329	11,186,329	11,013,322
LIABILITIES			
Current liabilities	1,682,593	1,682,593	563,157
Deferred liabilities	2,348,795	2,348,795	2,519,100
Total liabilities	4,031,388	4,031,388	3,082,257
NET POSITION			
Net investment in capital assets, net of related debt	5,931,487	5,931,487	6,083,171
Restricted	397,091	397,091	540,859
Unrestricted	826,363	826,363	1,307,035
Total net position	\$ 7,154,941	\$ 7,154,941	\$ 7,931,065

Malaga County Water District's Changes in Net Position

	Business-Type Activities	Current Year Total	Prior Year Total (as restated)
REVENUE			
Program revenue			
Charges for services	\$ 3,111,463	\$ 3,111,463	\$ 3,143,493
Other	102,949	102,949	90,224
Total Revenues	3,214,412	3,214,412	3,233,717
EXPENSE			
Waste disposal utility activities	1,949,299	1,949,299	1,643,970
Water utility activities	1,438,009	1,438,009	1,388,990
Solid waste activities	499,231	499,231	457,333
Community recreation activities	665,709	665,709	322,000
Total Expenses	4,552,248	4,552,248	3,812,293
Net operating income/(loss)	(1,337,836)	(1,337,836)	(578,576)
Net nonoperating revenue/(expense)	732,373	732,373	449,394
Increase/(decrease) in net position	(605,463)	(605,463)	(129,182)
Net position, beginning of year	7,931,065	7,931,065	8,060,247
Net position, end of year	\$ 7,325,602	\$ 7,325,602	\$ 7,931,065

MALAGA COUNTY WATER DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

YEAR ENDED JUNE 30, 2022

Business-type activities. Business-type activities decreased the District's net position by \$605,463, accounting for 100 percent of the total decrease in net position.

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Proprietary Funds. The purpose of the District's proprietary fund financial statements is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2022, the District's proprietary funds reported a combined ending fund balance of \$7,154,941, an decrease of \$605,463, and a restatement of beginning net position totaling \$170,661. Of the entire ending fund balance, \$826,363 is unrestricted and is available for spending at the District's discretion.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its business-type activities as of June 30, 2022 amounted to \$8,280,282 (net of allowance for depreciation). This investment in capital assets includes land, building, improvements, construction in progress and equipment.

Additional information on the District's capital assets can be found in note three.

Debt administration. The District's long-term debt totaled \$2,348,795 as of June 30, 2022. Of this total amount, \$176,967 is due and payable during the year ending June 30, 2022. The remainder, referred to as deferred liabilities, is due and payable over the next 21 years.

Additional information on the District's long-term debt can be found in notes four and five.

Economic Factors and Next Year's Budgets and Rates

The budget for the year ending June 30, 2023, projects a surplus of \$192,525. Revenue is anticipated to decrease by \$38,098 compared to 2021/2022, while expenses are expected to decrease by \$13,401. Charges for services are anticipated to decrease by \$17,347, while non-operating revenue is expected to increase by \$24,811. Salaries, wages and employee benefits are expected to decrease by \$53,203 and services and supplies are anticipated to decrease by \$39,802 compared to 2021/2022.

User rates are not expected to increase during the year ending June 30, 2023.

Requests for Information

This financial report is designed to provide a general overview of Malaga County Water District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the General Manager, Malaga County Water District, 3580 South Frank Street, Fresno, California 93725.

MALAGA COUNTY WATER DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2022

ASSETS

Cash and investments	\$ 2,151,823
Accounts receivable	277,533
Prepays	<u>79,600</u>
Total current assets	<u>2,508,956</u>

OTHER ASSETS

Restricted assets - cash	397,091
Capital assets, net of allowance for depreciation	<u>8,280,282</u>
Total other assets	<u>8,677,373</u>
Total assets	<u><u>11,186,329</u></u>

LIABILITIES

Accounts payable and accrued expense	1,640,527
Customer deposits payable	<u>42,066</u>
Total current liabilities	<u>1,682,593</u>

NONCURRENT LIABILITIES

Due within one year	176,967
Due in more than one year	<u>2,171,828</u>
Total Noncurrent liabilities	<u>2,348,795</u>

NET POSITION

Net investment in capital assets, net of related debt	5,931,487
Restricted	397,091
Unrestricted	<u>826,363</u>
Total net position	<u>7,154,941</u>
Total Liabilities and Net Position	<u><u>\$ 11,186,329</u></u>

MALAGA COUNTY WATER DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

BUSINESS-TYPE ACTIVITIES

Operating revenue		
Charges for services		\$ 3,111,463
Other		<u>102,949</u>
 Total operating revenues		 3,214,412
 Operating expense		
Waste disposal utility activities	\$ 1,949,299	
Water utility activities	1,438,009	
Solid waste activities	499,231	
Community recreation activities	<u>665,709</u>	
 Total operating expense		 <u>4,552,248</u>
 Net operating income/(loss)		 (1,337,836)
 Net nonoperating revenue/(expense)		 <u>732,373</u>
 Change in net position		 (605,463)
 Net position, beginning of year		 <u>7,760,404</u>
 Net position, end of year		 <u>\$ 7,154,941</u>

MALAGA COUNTY WATER DISTRICT
COMPARATIVE STATEMENT OF NET POSITION
PROPRIETARY FUNDS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	Business-Type Activities - Enterprise Funds					
	2022					2021
	Water	Waste Disposal	Recreation	Solid Waste	Total	Total
ASSETS						
Current assets						
Cash and cash equivalents	\$ 1,105,792	\$ 621,130	\$ 366,232	\$ 58,669	\$ 2,151,823	\$ 1,477,622
Accounts receivable	90,406	185,365	1,762	-	277,533	304,365
Prepaid expense	11,003	12,829	2,518	53,250	79,600	88,205
Total current assets	1,207,201	819,324	370,512	111,919	2,508,956	1,870,192
Other assets						
Restricted cash and investments	-	-	397,091	-	397,091	540,859
Advances to other activities	3,720,896	-	-	-	3,720,896	3,720,560
Capital assets, net of accumulated depreciation	3,601,353	3,352,612	1,326,317	-	8,280,282	8,602,271
Total non-current assets	7,322,249	3,352,612	1,723,408	-	12,398,269	12,863,690
Total assets	8,529,450	4,171,936	2,093,920	111,919	14,907,225	14,733,882
LIABILITIES						
Current liabilities						
Accounts payable and accrued expenses	244,279	1,286,852	110,099	-	1,641,230	521,121
Customer deposits payable	3,714	20,127	18,225	-	42,066	42,066
Current portion of long-term debt	104,807	12,660	59,500	-	176,967	170,306
Total current liabilities	352,800	1,319,639	187,824	-	1,860,263	733,493
Other liabilities						
Advances from other activities	-	1,098,542	2,621,651	-	3,720,193	3,720,530
Non-current liabilities						
Notes payable, less current portion	957,874	441,954	772,000	-	2,171,828	2,348,794
Total liabilities	1,310,674	2,860,135	3,581,475	-	7,752,284	6,802,817
NET POSITION						
Net investment in capital assets	2,538,672	2,897,998	494,817	-	5,931,487	6,083,171
Nonspendable	2,561,166	-	-	-	2,561,166	2,561,166
Restricted	-	-	397,091	-	397,091	540,859
Unrestricted / (deficit)	2,118,938	(1,586,197)	(2,379,463)	111,919	(1,734,803)	(1,254,131)
Total net position	\$ 7,218,776	\$ 1,311,801	\$ (1,487,555)	\$ 111,919	\$ 7,154,941	\$ 7,931,065

MALAGA COUNTY WATER DISTRICT
COMPARATIVE STATEMENT OF REVENUE, EXPENSE, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	Business-Type Activities - Enterprise Funds					
	2022					2021
	Water	Waste Disposal	Recreation	Solid Waste	Total	Total
Operating Revenue						
Charges for services	\$ 1,270,193	\$ 1,286,064	\$ 23,718	\$ 531,488	\$ 3,111,463	\$ 3,143,493
Other	34,487	57,362	10,355	745	102,949	90,224
Total operating revenue	1,304,680	1,343,426	34,073	532,233	3,214,412	3,233,717
Operating Expense						
Salaries and wages	307,986	539,065	105,149	-	952,200	849,682
Employee benefits	239,821	302,105	36,755	-	578,681	412,440
Refuse collection and disposal	5,660	8,394	3,646	499,231	516,931	474,381
Depreciation	146,260	219,390	64,526	-	430,176	380,449
Utilities	220,711	171,469	73,026	-	465,206	436,738
Professional services	119,249	165,498	-	-	284,747	221,299
Repairs and maintenance	58,360	94,200	181,220	-	333,780	209,573
Board of directors	22,271	21,410	-	-	43,681	210,087
Contract services	22,814	24,453	10,919	-	58,186	67,265
Insurance	61,639	84,666	42,928	-	189,233	116,175
Supplies and small tools	22,889	87,310	83,958	-	194,157	79,157
Dues and memberships	50,109	46,493	754	-	97,356	76,545
Other	77,657	10,830	5,692	-	94,179	76,889
Telephone	13,604	30,869	8,641	-	53,114	47,657
Testing	6,401	32,379	-	-	38,780	36,158
Travel, meetings and education	17,022	11,239	3,037	-	31,298	3,928
Fuel and oil	12,489	14,336	1,161	-	27,986	20,311
Bank charges	3,853	1,216	934	-	6,003	7,267
Office supplies and postage	7,757	10,438	170	-	18,365	13,231
Rents and leases	1,547	14,026	8,330	-	23,903	8,133
Education and training	2,113	1,619	690	-	4,422	3,015
Total operating expense	1,420,212	1,891,405	631,536	499,231	4,442,384	3,750,380
Net operating income/(loss)	(115,532)	(547,979)	(597,463)	33,002	(1,227,972)	(516,663)
Nonoperating Revenues/(Expenses)						
Grant revenue	67,869	-	-	-	67,869	-
Taxes and assessments	-	-	373,426	-	373,426	387,539
Other	97,213	(32,437)	124,305	95,725	284,806	54,276
Interest and use of property	3,153	701	2,418	-	6,272	7,579
Interest expense	(17,797)	(57,894)	(34,173)	-	(109,864)	(61,913)
Net nonoperating revenues/(expenses)	150,438	(89,630)	465,976	95,725	622,509	387,481
Other Financing Sources/(Uses)						
Transfers in	-	-	-	-	-	34,127
Transfers out	-	-	-	-	-	(34,127)
Net other financing sources / (uses)	-	-	-	-	-	-
Change in net position	34,906	(637,609)	(131,487)	128,727	(605,463)	(129,182)
Net Position - beginning of year	7,226,536	2,050,953	(1,329,616)	(16,808)	7,931,065	8,060,247
Prior Period Adjustment	(42,666)	(101,543)	(26,452)	-	(170,661)	
Net Position - beginning of year (restated)	7,183,870	1,949,410	(1,356,068)	(16,808)	7,760,404	
Net Position, End of Year	\$ 7,218,776	\$ 1,311,801	\$ (1,487,555)	\$ 111,919	\$ 7,154,941	\$ 7,931,065

The accompanying notes are an integral part of the financial statements.

MALAGA COUNTY WATER DISTRICT
COMPARATIVE STATEMENT OF CASH FLOW
PROPRIETARY FUNDS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	Business-Type Activities - Enterprise Funds					2021 Total
	Water	Waset Disposal	Recreation	Solid Waste	Total	
Operating Activities						
Received from customers	\$ 1,302,764	\$ 1,372,174	\$ 34,073	\$ 532,233	\$ 3,241,244	\$ 3,233,717
Payments to suppliers	(610,409)	273,159	(445,564)	(499,231)	(1,282,045)	(2,001,969)
Payments to employees	(590,473)	(942,713)	(168,356)	-	(1,701,542)	(1,262,122)
Net cash provided by (used in) operating activities	<u>101,882</u>	<u>702,620</u>	<u>(579,847)</u>	<u>33,002</u>	<u>257,657</u>	<u>(30,374)</u>
Non-capital Financing Activities						
Advances (to)/from other funds	(336)	(337)	-	-	(673)	(30)
Property taxes and other nonoperating revenue	<u>97,213</u>	<u>(32,437)</u>	<u>497,731</u>	<u>95,725</u>	<u>658,232</u>	<u>441,815</u>
Net cash provided by (used in) noncapital financing activities	<u>96,877</u>	<u>(32,774)</u>	<u>497,731</u>	<u>95,725</u>	<u>657,559</u>	<u>441,785</u>
Capital and Related Financing Activities						
Grant revenue	67,869	-	-	-	67,869	-
Proceeds from construction loan	-	-	-	-	-	-
Principal paid on notes payable	(77,700)	(35,105)	(57,500)	-	(170,305)	(225,031)
Interest paid on notes payable	(17,797)	(57,894)	(34,173)	(70,568)	(180,432)	(61,913)
Disposition of capital assets	-	-	-	-	-	-
Transfers in / (out)	-	-	-	-	-	-
Purchase of capital assets	<u>(24,075)</u>	<u>(24,075)</u>	<u>(60,037)</u>	<u>-</u>	<u>(108,187)</u>	<u>(158,584)</u>
Net cash provided (used) in capital and related financing activities	<u>(51,703)</u>	<u>(117,074)</u>	<u>(151,710)</u>	<u>(70,568)</u>	<u>(391,055)</u>	<u>(445,528)</u>
Investing Activities						
Interest and use of property	<u>3,153</u>	<u>701</u>	<u>2,418</u>	<u>-</u>	<u>6,272</u>	<u>24,987</u>
Net Increase / (Decrease) in Cash	<u>150,209</u>	<u>553,473</u>	<u>(231,408)</u>	<u>58,159</u>	<u>530,433</u>	<u>(9,130)</u>
Cash and Investments						
Beginning of year	<u>955,583</u>	<u>67,657</u>	<u>994,731</u>	<u>510</u>	<u>2,018,481</u>	<u>2,027,611</u>
End of year	<u>\$ 1,105,792</u>	<u>\$ 621,130</u>	<u>\$ 763,323</u>	<u>\$ 58,669</u>	<u>\$ 2,548,914</u>	<u>\$ 2,018,481</u>

MALAGA COUNTY WATER DISTRICT
COMPARATIVE STATEMENT OF CASH FLOW
PROPRIETARY FUNDS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	Business-Type Activities - Enterprise Funds					
	2022					2021
	Water	Waste Disposal	Recreation	Solid Waste	Total	Total
Reconciliation of Operating Income (Loss)						
to Net Cash Provided By/(Used) for Operating Activities						
Operating income (loss)	\$ (115,532)	\$ (547,979)	\$ (597,463)	\$ 33,002	\$ (1,227,972)	\$ (516,663)
Adjustments to reconcile operating income (loss)						
to net cash provided (used) by operating activities:						
Depreciation	146,260	219,390	64,526	-	430,176	380,449
Changes in assets and liabilities:						
(Increase) Decrease in accounts receivable	(1,916)	28,748	-	-	26,832	-
(Increase) Decrease in prepaid expense	17,021	30,872	13,962	-	61,855	53,385
Increase (Decrease) in accounts payable and accrued expense	56,049	971,589	(60,872)	-	966,766	55,489
(Increase) Decrease in deposits	-	-	-	-	-	(3,034)
Net Cash Provided/(Used) by Operating Activities	<u>\$ 101,882</u>	<u>\$ 702,620</u>	<u>\$ (579,847)</u>	<u>\$ 33,002</u>	<u>\$ 257,657</u>	<u>\$ (30,374)</u>
Summary of cash balances, end of year						
Cash and cash equivalents	1,105,792	621,130	366,232	58,669	2,151,823	1,477,622
Restricted cash	-	-	397,091	-	397,091	540,859
	<u>\$ 1,105,792</u>	<u>\$ 621,130</u>	<u>\$ 763,323</u>	<u>\$ 58,669</u>	<u>\$ 2,548,914</u>	<u>\$ 2,018,481</u>

MALAGA COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

Note 1: Summary of Significant Accounting Policies

Malaga County Water District is a California special district that was created as a result of a State of California statute. The District was organized to provide and maintain sewer and water operations in the community of Malaga, County of Fresno, State of California. The District is governed by a board of directors. As the District is a governmental unit, it is exempt from federal and California taxes on income.

The accounting and reporting policies of the District conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Government Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units*, and by the Financial Accounting Standards Board (when applicable).

Financial Reporting Entity

As required by generally accepted accounting principles, these general purpose financial statements present the District in conformance with GASB Statement No. 14, "The Financial Reporting Entity." Under Statement No. 14, component units are organizations that are included in the District's reporting entity because of the significance of their operational or financial relationships with the District. The District has no component units.

Government-Wide and Fund Financial Statements

The government-wide financial statements, which are the statement of net position and the statement of activities, report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District has no governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or activity are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenue include charges to customers, grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds financial statements. Revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of the timing of related cash flow. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenue when all eligibility requirements imposed by the provider have been met.

MALAGA COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

Note 1: Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

The financial statements of the District are prepared in accordance with generally accepted accounting principles. The District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with the GASB pronouncements. The District's reporting entity does not apply FASB pronouncements of APB opinions issued after November 30, 1989.

Proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when liabilities are incurred, regardless of the timing of related cash flow.

The District reports the following major proprietary funds:

The Sewer, Water and Recreation Funds are the District's only operating funds. The Recreation Fund accounts for community recreation activities and the Sewer and Water Funds account for the sewer and water systems operations in the community of Malaga, County of Fresno, State of California. The District also provides solid waste disposal services to residential housing within the immediate residential area of the community of Malaga by contracting with a third party vendor for the provision of that service.

Amounts reported as program revenue include charges to customers for goods and services, operating grants and contributions and capital grants and contributions.

Assets, Liabilities and Net Position or Equity

1. Cash and Investments

Investments are reported at fair value. Cash represents cash on hand, in banks and on deposit in the treasury of the County of Fresno and the State of California Local Agency Investment Fund. Investments made from pooled cash consist primarily of short-term investments.

2. Property, Plant and Equipment

Capital assets, which include property, plant and equipment are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of three years. All material fixed assets are valued at historical cost. Donated fixed assets are valued at their estimated fair value on the date donated. When an asset is disposed of, cost and related accumulated depreciation is removed and any gain or loss arising from its disposal is credited or charged to operations.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

MALAGA COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

Note 1: Summary of Significant Accounting Policies (continued)

Assets, Liabilities and Net Position or Equity (continued)

Depreciation is recorded by using the straight-line method. The book value of each asset is reduced by equal amounts over its estimated useful life as follows:

	Estimated Useful Life in Years
Buildings and improvements	20 – 40
Equipment	10 – 20

3. Net Position

Net position comprise the various net earnings from operating income, nonoperating revenue and expense and capital contributions. Net position is classified in the following three components:

Nonspendable – Amounts that are not in spendable form (such as inventory) or are required either legally or contractually to be maintained intact. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested capital assets, net of related debt.

Invested in capital assets, net of related debt – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvements of those assets.

Restricted – This component of net position consists of 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 do not meet the definition of restricted or invested in capital assets, net of related debt.

Budgets and Budgetary Accounting

The District established a budget for its governmental fund for the year ended June 30, 2022. The budget is adopted on a basis consistent with generally accepted accounting principles (GAAP).

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Statement Reclassifications

Certain reclassifications may have been made in the prior year's amounts to conform with current year financial statement presentation.

MALAGA COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

Note 2: Cash and Investments

The District's deposits as of June 30, 2022, were entirely covered by federal depository insurance or otherwise collateralized. The Government Code of the State of California requires California financial institutions to secure District deposits by pledging government securities as collateral.

The following is an analysis of cash as of June 30, 2022:

	Bank Balance Category *			Carrying Amount
	1	2	3	
Cash on hand	\$ 42,635	\$ -	\$ -	\$ 42,635
Cash in bank	1,462,122	511,285	-	1,973,407
Fresno County Treasury	-	28,997	-	28,997
Local Agency Investment Fund	-	503,875	-	503,875
Total cash and investments	<u>\$1,504,757</u>	<u>\$1,044,157</u>	<u>\$ -</u>	<u>\$2,548,914</u>

* These categories are as follows:

Category 1: Cash on hand or insured by the Federal Deposit Insurance Corporation or collateralized with securities held by the District or by its agents in the District's name.

Category 2: Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

Category 3: Uncollateralized.

Restricted assets consists of cash deposits from loan proceeds to be used only for capital asset acquisition.

Note 3: Property, Plant and Equipment

The following is an analysis of the District's capital assets as of June 30, 2022:

	Beginning Balance	Additions/ Completions	Disposals/ Adjustments	Ending Balance
Land*	\$ 299,264	\$ -	\$ -	\$ 299,264
Water system	8,228,829	-	-	8,228,829
Sewer system	7,388,123	-	-	7,388,123
Buildings	1,169,276	-	-	1,169,276
Construction in progress*	713,110	60,037	-	773,147
Park development	1,055,306	-	-	1,055,306
Equipment	<u>615,072</u>	<u>48,150</u>	<u>-</u>	<u>663,222</u>
Total	19,468,980	108,187	-	19,577,167
Allowance for depreciation	<u>(10,866,709)</u>	<u>(430,176)</u>	<u>-</u>	<u>(11,296,885)</u>
	<u>8,602,271</u>	<u>(321,989)</u>	<u>-</u>	<u>8,280,282</u>

* Not currently being depreciated.

MALAGA COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

Note 4: Noncurrent Liabilities

The following is a summary of deferred liabilities (long-term debt) for the year ended June 30, 2022:

	Beginning Balance	Additions	Deletions	Ending Balance	Classification	
					Due Within One Year	Due After One Year
Note payable						
Water and sewer systems improvements	\$ 889,805	\$ -	\$ (75,756)	\$ 814,049	\$ 79,475	\$ 734,574
Parks and recreation improvements	889,000	-	(57,500)	831,500	59,500	772,000
Wastewater treatment plant improvements	347,974	-	(23,038)	324,936	23,980	300,956
Safe drinking water	<u>392,322</u>	<u>-</u>	<u>(14,012)</u>	<u>378,310</u>	<u>14,012</u>	<u>364,298</u>
Total long-term debt	<u>\$ 2,519,101</u>	<u>\$ -</u>	<u>\$ (170,306)</u>	<u>\$ 2,348,795</u>	<u>\$ 176,967</u>	<u>\$ 2,171,828</u>

Note 5: Note Payables

Water and Sewer Systems Improvements

This debt was incurred to finance the construction of water well number eight and improvements to the sewer system. The total amount of the debt was \$1,500,000 and provides for interest at the rate of 4.85 percent per annum. Semi-annual payments of principal and interest began January 2011, and continue until paid. Full repayment of the loan is scheduled to occur in July 2030. The Water Fund finances this debt to the extent of 80 percent of the payments due and the Waste Disposal Fund finances 20 percent of the payments. Interest paid on this loan for the year ended June 30, 2022, was \$42,248.

Future payments of the bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 79,475	\$ 38,529	\$ 118,004
2024	83,376	34,628	118,004
2025	87,469	30,535	118,004
2026	91,763	26,241	118,004
2027 - 2031	471,966	59,053	531,019
	<u>\$ 814,049</u>	<u>\$ 188,986</u>	<u>\$ 1,003,035</u>

MALAGA COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

Note 5: Note Payables (continued)

Wastewater Treatment Plant Improvements

This debt was incurred to finance the construction of wastewater treatment plant improvements. The total amount of the debt was \$502,500 and provides for interest at the rate of 4.05 percent per annum. Semi-annual payments of principal and interest began December 2018, and continue until paid. Full repayment of the loan is scheduled to occur in June 2033. The Waste Disposal Fund finances this debt to the extent of 100 percent of the payments. Interest paid on this loan for the year ended June 30, 2022, was \$13,862.

Future payments of the bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 23,980	\$ 12,920	\$ 36,900
2024	24,961	11,939	36,900
2025	25,982	10,917	36,899
2026	27,045	9,855	36,900
2027 - 2031	152,757	31,743	184,500
2032 - 2035	70,211	3,590	73,801
	<u>\$ 324,936</u>	<u>\$ 80,964</u>	<u>\$ 405,900</u>

Parks and Recreation Improvements

This debt was incurred to finance improvements to parks and recreation department assets. The total amount of the debt was \$1,026,500 and provides for interest at the rate of 3.690 percent per annum. Semi-annual payments of principal and interest began June 2019, and continue until paid. Full repayment of the loan is scheduled to occur in December 2033. The Parks and Recreation Fund finances this debt. Interest paid on this for the year ended June 30, 2022, was \$32,278.

Future payments of the bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 59,500	\$ 30,138	\$ 89,638
2024	61,500	27,924	89,424
2025	63,500	25,636	89,136
2026	66,000	23,275	89,275
2027 - 2031	451,500	77,601	529,101
2032 - 2035	129,500	4,806	134,306
	<u>\$ 831,500</u>	<u>\$ 189,380</u>	<u>\$ 1,020,880</u>

MALAGA COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

Note 5: Note Payables (continued)

Safe Drinking Water

This debt was incurred to finance water meters for safe drinking water. The total amount of the debt was \$403,417 and provides for interest at the rate of 0 percent per annum. Semi-annual payments of principal began January 2021, and continue until paid. Full repayment of the loan is scheduled to occur in January 2049. The Water Fund finances this debt. Interest paid on this for the year ended June 30, 2022, was \$0.

Future payments of the bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 14,012	\$ -	\$ 14,012
2024	14,012	-	14,012
2025	14,012	-	14,012
2026	14,012	-	14,012
2027 - 2031	70,058	-	70,058
2032 - 2036	70,058	-	70,058
Thereafter	182,146	-	182,146
	<u>\$ 378,310</u>	<u>\$ -</u>	<u>\$ 378,310</u>

Note 6: Restricted Assets – Cash

As of June 30, 2022, \$397,091 in cash is restricted for the improvements to the wastewater treatment plant and parks and recreation assets. This amount is not available for spending for other purposes. The improvements to the wastewater treatment plant and the parks and recreation assets should be made during the year ending June 30, 2022.

Note 7: Pension Plan

All full-time employees are participants in the District's Money Purchase Retirement Benefit Plan after twelve consecutive months of employment. Total payroll for the year ended June 30, 2022 was \$849,682 with covered payroll equaling \$813,908. The pensions cost to the District is 10 percent of the participants' compensation. Required and accrued contributions to the plan for the year ended June 30, 2022 were \$79,428.

MALAGA COUNTY WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

Note 8: Restatement

The following prior period adjustments were made to correct the beginning net position balances:

	<u>Water</u>	<u>Sewer</u>	<u>Recreation</u>	<u>Solid Waste</u>	<u>Total</u>
Beginning net position	\$7,226,536	\$2,050,953	\$(1,329,616)	\$ (16,808)	\$7,931,065
Prior period adjustment - to record pension plan payments	<u>(42,666)</u>	<u>(101,543)</u>	<u>(26,452)</u>	<u>-</u>	<u>(170,661)</u>
Beginning net position, as restated	<u>\$7,183,870</u>	<u>\$1,949,410</u>	<u>\$(1,356,068)</u>	<u>\$ (16,808)</u>	<u>\$7,760,404</u>

Note 9: Subsequent Events

In compliance with accounting standards, subsequent events were evaluated through July 17, 2023, which is the date the financial statements were available to be issued. Management has determined that no events require disclosure in accordance with the accounting standards subsequent to June 30, 2022.

MALAGA COUNTY WATER DISTRICT
COMBINING STATEMENT OF REVENUE AND EXPENSE
WASTE DISPOSAL FUND
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	Business-Type Activities - Waste Disposal Fund				
	2022				2021
	Sewer	Pretreatment	Solid Waste	Total	Total
OPERATING REVENUE					
Charges for services	\$ 1,286,064	\$ 153,863	\$ 531,488	\$ 1,971,415	\$ 1,811,107
Other	<u>57,362</u>	<u>21,358</u>	<u>745</u>	<u>79,465</u>	<u>75,138</u>
Total operating revenue	<u>1,343,426</u>	<u>175,221</u>	<u>532,233</u>	<u>2,050,880</u>	<u>1,886,245</u>
OPERATING EXPENSE					
Salaries and wages	539,065	91,662	-	630,727	558,272
Employee benefits	302,105	34,214	-	336,319	230,450
Refuse collection and disposal	8,394	-	499,230	507,624	463,911
Depreciation	219,390	-	-	219,390	194,029
Utilities	171,469	-	-	171,469	157,955
Professional services	165,498	17,493	-	182,991	110,475
Repairs and maintenance	94,200	8,369	-	102,569	111,917
Board of directors	21,410	-	-	21,410	105,029
Contract services	24,453	4,437	-	28,890	38,061
Insurance	84,666	11,040	-	95,706	52,586
Supplies and small tools	87,310	-	-	87,310	37,377
Dues and memberships	46,493	1,063	-	47,556	46,017
Other	10,830	2,921	-	13,751	54,961
Telephone	30,869	4,648	-	35,517	28,486
Testing	32,379	3,684	-	36,063	27,162
Travel, meetings and education	11,239	351	-	11,590	1,279
Fuel and oil	14,336	2,553	-	16,889	9,879
Bank charges	1,216	106	-	1,322	3,396
Office supplies and postage	10,438	2,123	-	12,561	8,048
Rents and leases	14,026	248	-	14,274	4,306
Education and training	<u>1,619</u>	<u>279</u>	<u>-</u>	<u>1,898</u>	<u>1,670</u>
Total operating expense	<u>1,891,405</u>	<u>185,191</u>	<u>499,230</u>	<u>2,575,826</u>	<u>2,245,266</u>
Net operating income	(547,979)	(9,970)	33,003	(524,946)	(359,021)
Nonoperating revenue/(expense)					
Grant revenue	-	-	-	-	-
Taxes and assessments	-	-	-	-	7,653
Other	(32,437)	(37,482)	95,725	25,806	4,808
Interest and use of property	701	-	-	701	2,110
Interest expense	<u>(57,894)</u>	<u>-</u>	<u>-</u>	<u>(57,894)</u>	<u>(36,786)</u>
Net nonoperating revenue/(expense)	<u>(89,630)</u>	<u>(37,482)</u>	<u>95,725</u>	<u>(31,387)</u>	<u>(22,215)</u>
Change in net position	\$ (637,609)	\$ (47,452)	\$ 128,728	\$ (556,333)	\$ (381,236)

The accompanying notes are an integral part of the financial statements.



**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***

To the Board of Directors
Malaga County Water District

We have audited, in accordance with 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 governmental activities, the business-type activities and each major fund of the Malaga County Water District (District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated July 17, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Malaga County Water District's internal control over financial reporting (internal control) to determine the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did identify any deficiencies in internal control that we consider to be material weaknesses. These findings are identified as finding 22-01.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Malaga County Water 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.

Jaribu W. Nelson, CPA

July 17, 2023

MALAGA COUNTY WATER DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2022

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:

Unmodified

Internal control over financial reporting:

- | | | | | |
|---|-------------------------------------|-----|-------------------------------------|-----|
| • Material weaknesses identified? | <input type="checkbox"/> | Yes | <input checked="" type="checkbox"/> | No |
| • Significant deficiency(ies) identified? | <input checked="" type="checkbox"/> | Yes | <input type="checkbox"/> | Yes |

Non-compliance material to financial statements noted?

<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/>	No
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SECTION II – FINANCIAL STATEMENT FINDINGS

There was one (1) financial statement finding to be reported in accordance with *Generally Accepted Government Auditing Standards (GAGAS)*. See Finding 2022-01

SECTION III – FEDERAL AWARDS FINDINGS

There are no federal award findings in accordance with *GAGAS* and the Compliance Supplement.

MALAGA COUNTY WATER DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2022

FINANCIAL STATEMENT FINDINGS

Finding 2022-01

Improve the preparation of the financial statements

Criteria:

Internal controls should be in place which will provide assurance that the financial statements along with preparation of the notes to the financial statements and supplementary information, are prepared accurately on a timely basis at year-end.

Condition:

During the course of performing our audit procedures, we noted that many proposed adjusting journal entries were to reclassify amounts to their proper account. We noted the pension plan has been unfunded for the prior 2 years and current year of this financial statement.

Cause:

Management did not perform its closing procedures to ensure all ledger account balances were properly classified to the appropriate fund on a timely basis at year-end. The in-house bookkeeper failed to timely make payments on the pension plan.

Effect:

There is a risk that a material financial statement may exist and not be prevented or detected by the District's system of internal control. The total dollar effect of the amounts not recorded totaled \$246,647.

Recommendation:

We recommend that the review of all year-end account balances include an accounting professional to validate the accuracy of all accounts. We recommend that the District make payment arrangements to bring the plan into compliance.

District Response:

The District will work with external CPA to provide accurate and timely financial reporting to minimize the misstatements that could occur. The District is currently engaging an external CPA to complete the current year financial statements in a more timely manner.

MALAGA COUNTY WATER DISTRICT

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2021

Finding 2021-01

Improve the preparation of the financial statements

Recommendation:

We recommend that the review of all year-end account balances include an accounting professional to validate the accuracy of all accounts.

Status:

Partially implemented, the District was able to procure an accounting professional. However, transactions were being presented inaccurately in the Recreation Fund and the Solid Waste Fund.

RESOLUTION NO. 8-22-2023

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE
MALAGA COUNTY WATER DISTRICT AUTHORIZING AND APPROVING THE
CONTINUED OPERATIONS OF THE DISTRICT AND MAKING APPROPRIATIONS
FOR FISCAL YEAR 2023-2024 IN ACCORDANCE WITH THE BUDGET ADOPTION
FOR FISCAL YEAR 2022-2023.**

WHEREAS, the Malaga County Water District is required to adopt a proforma budget every fiscal year; and

WHEREAS, due to an update to the District's accounting procedures and processes, the fiscal year 2023-2024, budget has been delayed; and

WHEREAS, the General Manager, in conjunction with the District's Auditor and Accountant estimate that revenue available for the 2023-2024 fiscal year will be at or above the levels of revenues anticipated for and actually received/expended during the 2022-2023 fiscal year; and

WHEREAS, the District's best estimate of the level of expenditures and revenues that will actually be experienced in fiscal year 2023-2024, is the same as those anticipated by the budget adopted for the 2022-2023, fiscal year; and

WHEREAS, because District staff need additional time to complete the update of the District's accounting processes and procedures, the 2023-2024 fiscal year budget has not yet been completed and it is anticipated that it will be completed prior to October 1, 2023.

**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF
THE MALAGA COUNTY WATER DISTRICT AS FOLLOWS:**

1. That the foregoing recitals are true and correct and incorporated by this reference herein as though fully set forth at this point.

2. The budget approved by the Board of Directors for fiscal year 2022-2023 is hereby adopted as the budget for fiscal year 2023-2024, temporarily, until such time as the budget for fiscal year 2023-2024, has been completed, at which time the Board of Directors will amend this Resolution and/or adopt the budget for the fiscal year 2023-2024.

3. Expenditures are authorized to be made and are hereby appropriated as provided for by the 2022-2023 fiscal year budget which, by this Resolution, is temporarily adopted as the budget for the Malaga County Water District for the 2023-2024 fiscal year. Expenditures not contemplated or authorized by the 2022-2023 fiscal year budget must be specifically authorized by the Board of Directors which, in that authorization, must identify the revenues necessary to fund those expenditures over and above the level of expenditures for which funds are available as set forth in the 2022-2023 fiscal year budget.

Passed and adopted by the Board of Directors of the Malaga County Water District at their meeting held on this 22nd day of August, 2023, by the following vote:

AYES:

NOES:

ABSENT:

Charles Garabedian, Jr., President
Malaga County Water District

ATTEST:

Moises Ortiz, MPA, General Manager-
Secretary of the Board of Directors
Malaga County Water District

item 6.d.

Summary of Services

Unity IT

Hourly Support Block	\$1,145.00
Flat Rate Unlimited Support	\$1,680.00

PC Solutions

HaaS= Hardware as a Service

Renewal without (HaaS)	\$1,939
Renewal with (HaaS)	\$2,938

BCT

Managed Support (Platinum Edition)	\$2,500
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CTs

Computer Technology Solutions, Inc.

"Simply Working Together"
powered by Xobee Networks

item 6.d. A

Project Proposal : Managed Support (Platinum Edition)

Prepared for : Malaga County Water District MAIN

Delivered on : August 11, 2023

Prepared by : Eric Rawn

SCOPE OF WORK

This Full Unlimited Managed Support Agreement includes all proactive, reactive and maintenance support for your organization's technology during business hours.

Our Managed IT Support Services are designed to support growing companies by offering a One Stop Shop IT Support Service at an affordable cost while maintaining a reliable, stable IT environment. We also recommend Monthly, Quarterly or Bi-Annually Technology Meetings to ensure we are all on the same page with technology services with your organization.

Services Provided include Desktop and Server Monitoring, Backup Monitoring/Support, Day to Day End User Support, Preventative Maintenance, Security Monitoring and Remediation, in addition to all items described below in the proposal. New Projects are quoted and billed separately as requested or needed, after business hours support requested by the client are billed separately as emergency support - general maintenance performed outside of normal business hours are included in your Managed Support Agreement. New Projects are classified as anything new that has not been accounted for during this proposal creation and identified and documented below.

SEPARATE NEW OR FUTURE PROJECTS INCLUDED IN THIS AGREEMENT:

(NONE)

Additional services available includes web services development or cabling services, which are billed at \$140 per hour, based on the project or scope of work if needed.

Managed Support (Platinum Edition)

Managed IT Support









Image	Qty/Hrs.	Description	Price	Total
	14	Xobee 360 Managed Support (desktop) includes Support 8x5 <ul style="list-style-type: none">- Unlimited Live Help Desk Support- Unlimited Onsite Support (when required)- Full IT Management- User Provisioning- Desktop Software Patches and Updates- Anti-Virus Management- Desktop / Laptop Patching- Virtual CIO Quarterly Meetings- Rapid Response Priority	\$125.00 / Month	\$1,750.00 / Month
	3	BCT 360 Managed Support (server) includes Support 8x5 <ul style="list-style-type: none">- Unlimited Live Help Desk Support- Unlimited Onsite Support (when required)- Full IT Management- User Provisioning- Server Software Patches and Updates- Anti-Virus Management- Desktop / Laptop Patching- Office 365 Management- Virtual CIO Quarterly Meetings- Rapid Response Priority	\$250.00 / Month	\$750.00 / Month

Image	Qty/Hrs.	Description	Price	Total
	1	12-month Agreement This Agreement will be applicable for 12 months from the start of service and auto renew annually.	\$0.00 / Month	\$0.00 / Month

Security and Backup

Image	Qty/Hrs.	Description	Price	Total
	1	Remote Offsite Daily Backup Service (Unlimited Edition)	\$150.00	\$0.00
	3	Cyber360 Monitoring (per location)	\$50.00	\$0.00
	14	BCT 360 Cyber Security User Subscription	\$2.50	\$0.00
	14	Sophos Desktop Anti-Virus Bundle (Endpoint + Intercept)	\$5.83	\$0.00
	3	Sophos Server Anti-Virus Bundle (Endpoint + Intercept)	\$15.00	\$0.00

Total tax : \$0
Total one-time cost : \$0
Total monthly recurring cost : \$2,500.00
Total annual recurring cost : \$0

Malaga County Water District MAIN, Costs may not include shipping or taxes (local, state, federal). Any additional time and/or materials not defined in this proposal will be considered for billing. A 50% deposit may be due upon approval. I agree to the terms and conditions defined in this document and verify that I am an authorized representative of Malaga County Water District MAIN.

☐ I have read and understand the [Client Master Agreement \(click here to view\)](#).

Clear

Malaga County Water District MAIN

Client Name

08/18/2023

Signature

Name

Title

Approve

* By signing this quote/contract, you attest and consent that you are duly authorized to enter into a contract on behalf of Malaga County Water District MAIN, hereinafter referred to as "Client" with Xobee Networks, Inc., a California Corporation, hereinafter referred to as "Xobee". By signing this quote/contract, you attest that have read and agree to any and all terms and conditions specified on the "General Terms and Conditions" document contained at <https://www.xobee.com/general-terms-and-conditions> including but not limited to the "Privacy Policy" specified at <https://www.xobee.com/privacy-policy/> and the "Acceptable Use Policy" at <https://www.xobee.com/AUP>. Client will utilize Xobee's Service Desk during the hours outlined herein, for remote administration, support

and problem resolution on Services covered under this quote/contract. Unless stated, costs do not include shipping or taxes (local, state, federal or otherwise). Additional goods or services not specified in this quote/contract will be formally agreed upon by Xobee and the Client before any supplemental services or goods are rendered. Any additional services that are billed on a recurring basis not specified in this quote/contract added shall result in an adjustment to the Client's recurring charges.

Mutual Cooperation

We agree to use our best efforts to fulfill and exceed your expectations on the deliverables listed above. You agree to aid us in doing so by making available to us necessary information, assets and access pertaining to your project and to cooperate with us in expediting the work. Excessive delays in communication and/or deliverables caused by you void our requirement to meet our projected timeline defined in this contract.

Client Master Agreement

All communications necessary for the work defined in this project are covered by the budget you're agreeing to. We understand that our clients often have quick questions – we typically don't charge to answer those if they require less than fifteen (15) minutes in length. However, we're experts in our industry and you're paying us for that expert knowledge, so any communication that requires us to provide consultation or perform research, whether it be for actual requests or for hypothetical changes, will incur our hourly labor rate billed in fifteen (15) minute increments with no minimum. A more detailed breakdown of our billing policies can be found in our Client Master Agreement. Projects that go dormant for longer than forty-five (45) days will incur a fee to resume work at the discretion of CTS, Inc.

Terms of Payment

BILLING SCHEDULE

It's important for us to ensure a positive working relationship and to keep the project moving forward. For us to guarantee this, you agree to the following payment schedule.

CTS, Inc. will invoice Malaga County Water District MAIN for fifty per cent (50%) of the initial fees at point of this signed contract agreement which will act as the deposit. The remaining 50% will be billed at the end of the project timeline prior to deployment.

Cancellation of Plans

You have the right to modify, reject, cancel or stop any and all plans or work in process. However, you agree to reimburse us for all costs and expenses we incurred prior to your change in instructions, and which relate to non-cancelable commitments, and to defend, indemnify and hold us harmless for any liability related to such action. We agree to use our best efforts to minimize such costs and expenses.

Responsibility of CTS, Inc. and Malaga County Water District MAIN

CTS, Inc.'s RESPONSIBILITY FOR RELEASES

We shall obtain releases, licenses, permits or other authorization to use testimonials, copyrighted materials, photographs, art work or any other property or rights belonging to third parties obtained by us for use in performing services for you (if applicable).

MALAGA COUNTY WATER DISTRICT MAIN'S RESPONSIBILITIES FOR RELEASES

You guarantee that all elements of text, images, or other artwork you provide are either owned by you, or that you have permission to use them.

Then when your final payment has cleared, copyright will be automatically assigned as follows:

You'll own the visual elements that we create for this project. We'll give you source files and finished files and you should keep them somewhere safe as we're not required to keep a copy. You own all elements of text, images and data you provided, unless someone else owns them.

We'll own the unique combination of these elements that constitutes a complete design and we'll license that to you, exclusively and in perpetuity for this project only, unless we agree otherwise. We can provide a separate estimate for that.

MALAGA COUNTY WATER DISTRICT MAIN'S RESPONSIBILITY FOR ACCURACY

You shall be responsible for the accuracy, completeness and propriety of information concerning your products and services which you furnish to us verbally or in writing regarding the performance of this Agreement.

Confidentiality

CTS, Inc. acknowledges its responsibility, both during and after the term of its appointment, to use all reasonable efforts to preserve the confidentiality of any proprietary or confidential information or data developed by CTS, Inc. on behalf of Malaga County Water District MAIN or disclosed by Malaga County Water District MAIN to CTS, Inc.

Terms of Termination

PERIOD OF AGREEMENT AND NOTICE OF TERMINATION

This Agreement shall become effective as of and shall continue until terminated by either party upon not less than 60 days' notice in writing given by either party to the other.

Any hardware, equipment, licenses, software or other items which are included as part of a recurring service, must be returned upon termination of service, including items which are loaned as part of the service, including but not limited to, VoIP telephone handsets, replacement desktops under a virtual desktop service, cloud service licenses or other items which have not actually been paid for besides the service fee.

Termination for Cause

Either party to this Agreement may terminate the Agreement if the other party defaults in the performance of any of its material duties and obligations and the default is not cured within thirty (30) days of the receipt of notice of said default, or if the default is not reasonably curable within said period of time, unless the defaulting party commences cure within said period of time and diligently proceeds to cure the default.

In addition, either party may immediately terminate this Agreement by giving written notice to the other party if the other party is insolvent or has a petition brought by or against it under the insolvency laws of any jurisdiction, if the other party makes an assignment for the benefit of creditors, if a trustee, or similar agent is appointed with respect to any property or business of the other party, or in the case of the Client, if the Client materially breaches its obligations to make payment pursuant to this Agreement.

Payment for Non-Cancelable Materials

Any non-cancelable materials, services, etc., we have properly committed ourselves to purchase for your account, (either specifically or as part of a plan such as modules, photography and/or external services) shall be paid for by you, in accordance with the provisions of this Agreement. We agree to use our best efforts to minimize such liabilities immediately upon written notification from you. We will provide written proof, upon request of Malaga County Water District MAIN, that any such materials and services, are non-cancelable.

Materials Unpaid For

If upon termination there exist any materials furnished by us or any services performed by us for which you have not paid us in full, until such time as you have paid us in full you agree not to use any such materials, in whole or in part, or the product of such services.

Transfer of Materials

Upon termination of this agreement, provided that there is no outstanding indebtedness then owing by Malaga County Water District MAIN to CTS, Inc., CTS, Inc. shall transfer, assign and make available to Malaga County Water District MAIN all property and materials in its possession or control belonging to Malaga County Water District MAIN. Malaga County Water District MAIN agrees to pay for all costs associated with the transfer of materials.

Approve

Proposal Prepared for: Malaga County Water District

Submitted: August 18, 2023

August 18, 2023

item 6.d. B

Malaga County Water District
Moises Ortiz
3580 S Frank Ave
Fresno, CA 93725
mortiz@malagacwd.org

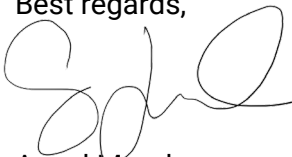
Dear Moises,

We are grateful for the opportunity to submit our proposal for services and for the trust you have placed in PC Solutions since 2018. We value being included in your request for proposals.

As your incumbent service provider, we have had the privilege of working with you and supporting the Malaga County Water District staff. This experience has given us unique insight into your network needs, enabling us to present a comprehensive proposal that is tailored to your business. Additionally, with this unique advantage, we would like to offer a thorough review of the proposals submitted by our competitors as part of this RFP, ensuring that your best interests are represented and prioritized.

We are excited to continue and strengthen our successful working partnership as your managed services provider.

Best regards,



Angel Morales
PC Solutions, Sales Executive
angel.morales@gopcsolutions.com
559-825-3216



Proposal Prepared for: Malaga County Water District

Submitted: August 18, 2023

About Us

Introduction:

PC Solutions has provided information technology solutions to the SMB market since 2004. We specialize in educating you in the options available to ease your business' concerns in the 21st century. Our professional scope ranges from architecting, designing, and supporting networks and data cabling solutions to engineering and implementing telecommunications systems as well as local and wide area networking solutions.

PC Solutions network and technical engineers' combined experience allow us the ability to successfully provide and support custom solutions for our valued clients. Our relationships with partners, such as Sophos, Microsoft, HP Enterprise, Veeam, and Synology have allowed us the ability to design, scale and implement effective infrastructure solutions for our diverse client base.

By coordinating and managing all your technical solutions, vendors and proactively managing your network, you will see the benefits of the ability to completely focus on running your business.

PC Solutions is uniquely qualified to provide IT projects and ongoing service support for Malaga County Water District. We sincerely appreciate the opportunity to present this proposal.

PC Solutions Awards and Recognition

- Voted "Best Technology Company" by The Business Journal - 2019, 2020, 2021.
- Master Managed Service Provider
- Clovis Chamber of Commerce Member
- Tribal Gaming License

Certifications

- Microsoft Networking Infrastructure Competency
- Microsoft Authorized Educational Reseller
- State of California Small Business Certified
- Hubbell Certified
- ICC Certified
- Criminal Justice Information Services Security Awareness Certification
- Sophos Platinum Partner
- Veeam Certified
- VMWare Certified
- CompTIA Certified

Community Involvement

- Clovis Chamber of Commerce Community Events - Ambassador
- Clovis Leadership Summit Sponsor
- Clovis Annual Haunted Trail Organizer



Proposal Prepared for: Malaga County Water District

Submitted: August 18, 2023

Current Facility Concerns & Solution Summary

General:

Malaga County Water District currently operates at four (4) locations.

Site Address / Alias	Address
Admin Building	3580 S Frank Ave Fresno, CA 93725
Recreation Building	3582 S Winery Ave Fresno, CA 93725
Water Shop	33 E Central, Fresno CA
Water Treatment Plant	3749 S Maple Ave Fresno, CA 93725

As the incumbent managed services provider, we have the unique opportunity to submit the following proposal based on active monitoring and security protocols in place in addition to current and past projects along with actual service tickets received. Our engineering team conducted a comprehensive evaluation of the Local Network, connecting PC's, laptops, servers, and other networked devices. The network was inspected to validate existing configurations and current operation status.

Servers:

Malaga County Water District currently has one (1) physical server and (3) virtual servers ~4.4 years old. PC Solutions is not recommending a replacement of this hardware at this time. However, warranty support for this hardware is due for replacement by end of 1st quarter of 2024.

Workstations:

The Malaga County Water District office is currently operating with (12) connected workstations as of the date of this proposal submission.

PC Solutions will support these existing PC's as is. Our best-practice recommendation is to replace workstations around the 3-year mark. Your (12) connected workstations are an average of 5.2 years. Slow workstations are estimated to drop productivity by 2.75% (13 minutes per day, or 5.5 days per year). The problem is exacerbated with server equipment, which can dramatically affect a large number of users in parallel. As a result, the 1-year ROI for replacement of old systems is often 5X to 10X.

The table below provides an idea of a sample replacement budget spread over four quarters for these overdue devices.

Due/Soon	Q1	Q2	Q3	Q4	Total
Standard Workstations (~\$1,600/ea)	3	3	3	3	12
Budget Amount*	\$4,800	\$4,800	\$4,800	\$4,800	\$19,200

**For budgetary purposes, Formal quote required for final cost. Hardware Leasing Options Available*



Proposal Prepared for: Malaga County Water District

Submitted: August 18, 2023

Hardware Leasing Options (HaaS):

PC Solutions does have equipment leasing options available to ensure that your network and connected devices are performing optimally. We included a lease option to the service agreement renewal.

Security:

By combining desktop protection with gateway protection, you will receive the highest level of security possible, and will be protected from not only external attacks, but against those that start from within the network as well. With both inbound and outbound e-mail protection and a system that enforces your internal policies and compliance with relevant regulations, you will be protected from any intrusions or attacks and will be provided content filtering.

Backup & Disaster Recovery:

The current BDR backup appliances onsite as well as the offsite Synology backups will provide automated backups to the servers and offsite backups to a secure data center to protect against total site disasters. The BDR backup solution offers server virtualization, which will eliminate down time due to total server loss. The BDR will duplicate the downed server on a virtual machine within the BDR unit until it can be physically replaced or restored. This solution includes (1TB) Off-Site Back-up.

Network Backbone:

The network backbone for Malaga County Water District consists of (3) 48 port POE managed switches and (2) Ubiquity point to point access points and (3) Sophos firewall appliances. PC Solutions will not be replacing any of the current network hardware as part of this proposal.

Phones & Internet:

PC Solutions currently manages Malaga County Water District's Business VoIP phones and is not recommending adjustments to this service at this time.



Proposal Prepared for: Malaga County Water District

Submitted: August 18, 2023

A Complete Managed Service Offering

Upon completion of the project scope, PC Solutions will configure Malaga County Water District's network and all connected servers, routers, switches, PCs, and peripherals to allow us the ability to proactively manage and maintain the network environment. The core components that comprise our proactive managed services package include:

All Bases Covered

- ☒ Unlimited Remote Assistance
(Section 3: Standard Business Hours)
- ☒ Onsite Services as Needed*
*(*Section 3 & 9: Standard Business Hours/Travel & Lodging)*
- ☒ Replacement Parts
- ☒ 24x7x365 Helpdesk
- ☒ Smartphone Support

Taking Initiative with Your Network

- ☒ Application Updates
- ☒ SPAM Control
- ☒ Email Archiving & Email Continuity
- ☒ Critical Monitoring 24x7x365
- ☒ VoIP Adds, Changes, or Modifications
- ☒ Managed IT / Warranty Asset Tracking
- ☒ Managed Software Licensing Tracking
- ☒ Managed Domain Name Services

Backup and Disaster Recovery

- ☒ Automated Server Backup
- ☒ Same Day Virtualization
- ☒ Data is Secure in Three Places
- ☒ Automatic Nightly Offsite Transfer
- ☒ Backup Verification and Reporting
- ☒ 24x7 Monitoring for Backup Failure

Security Management

- ☒ Content Filtering & Reporting
- ☒ Intrusion Prevention
- ☒ Spyware, Botnets, and Phishing Protection
- ☒ Vulnerability Scanning
- ☒ Endpoint Detection & Response
- ☒ Server Detection & Response
- ☒ Email Encryption/Security
- ☒ Multi-factor Authentication
- ☒ Staff Education and Awareness Training
- ☒ Dark Web Monitoring
- ☒ VPN – Secure access for remote users

Professional Services

- ☒ Technology Consulting
- ☒ Technology Solution Engineering
- ☒ Annual Telco Services Audit
- ☒ Proof of Concept Lab Testing
- ☐ Training Facilities
- ☒ Loaner Equipment
- ☒ Technology Business Reviews

Hassle Free Vendor Management

- ☒ Manage Technology Relationships
- ☒ Third Party Escalation Support
- ☒ Single Point-Of-Contact for Vendor Issue



Proposal Prepared for: Malaga County Water District

Submitted: August 18, 2023

Covered Equipment and Licensing Under Agreement		
<i>Description of Equipment and License:</i>	Client Provided	PC Solutions Provided
Managed Desktops/Laptops	21	0
Managed Servers:	1-Physical 3- Virtual	0
Managed Firewalls:	3	0
Managed Backup:	3	0
Managed Wireless Access Points:	2	0
Network Switch	3	0
Mobile Devices	0	0
Desktop Phone Handsets	0	10
Exchange Only	0	0
M365 Business Standard	0	0
M365 Business Premium	0	21
Email Encryption	0	21
Mobile Device Management	0	0
Managed Anti-SPAM	0	21
Managed Anti-Virus	0	21
Email Backup	0	1
Website Domain Monitoring	0	0
Cameras	0	0
Network Video Recorder	0	0

Proposal Prepared for: Malaga County Water District

Submitted: August 18, 2023

Summary of Support & Requirements

Support:

PC Solutions' technical support center answers service calls 24 hours a day, 7 days a week. Our help desk is staffed with experienced technicians 24x7x365. Our managed service agreement clients also benefit from remote support, whereby our technicians utilize remote access tools to connect to your office systems, allowing the ability to diagnose hardware and software failures via dedicated Internet connections. All our service agreement clients receive priority service.

Exclusions:

This proposal does not include replacement of, or parts required for repairs on printers, screens, or peripherals, (PDAs, point of sale scanners, digital cameras, smartphones, or any other specialized accessory), unless this equipment was originally provided under this agreement or a pre-existing agreement. All labor required for installation and/or repair of the above devices is covered under this agreement. Consumables such as printer maintenance kits, toner, ink, batteries, paper, etc. are not included or covered under this service agreement and will be invoiced separately.

Vendor Management

PC Solutions should be your first point of contact with vendor issues. We will work and open service requests on your behalf with your vendors when necessary.

As such, this also includes a review of proposals submitted by these vendors or competitors as part of this RFP to ensure the proposals are in your best interest.

Vendor	Service
Comcast Business	Internet Service
PC Solutions	Telephony

Proposal Prepared for: Malaga County Water District

Submitted: August 18, 2023

Response and Resolution Times

RESPONSE AND RESOLUTION TIME			
The following table shows the targets of response and resolution times for each priority level.			
REPORTED TROUBLE	PRIORITY	RESPONSE TIME (IN BUSINESS HRS.)	RESOLVED (IN BUSINESS HRS.)
Service not available (Critical Priority) (All users and functions unavailable.)	1	Within 30 Minutes	4 Hours
Significant degradation of service (High Priority) (Large number of users or Business Critical Functions affected.)	2	Within 2 Hours	8 Hours
Limited degradation of service (Medium Priority) (Limited number of users or functions affected, Business Process can continue.)	3	Within 4 Hours	16 Hours
Small service degradation (Low Priority) (Business Process can continue, one user affected.)	4	Within 8 Hours	40 Hours

Service Agreement Costs

Renewal without (HaaS)

The renewal rate of \$1,939 a month or \$11.27/hour* for 36 months considers the following adjustments to your existing agreement.

- 14 M365 Licenses changed from Business Standard to Premium
- 7 M365 Licenses changed from Business Basic to Premium
- Upgrade Sophos Endpoint Anti-Virus protection to XDR
- Upgrade Sophos Server Anti-Virus protection to XDR
- Includes Flex Firewall Licensing renewal for your three firewalls XG135's
- Includes Onsite Labor and Unlimited Remote Support

*Hourly Rate = Monthly recurring / 172 hours a week

Renewal with (HaaS) Hardware as a Service

The renewal rate of \$2,938 a month or \$17.08/hour* for 36 months considers the above option with 12 new standard leased workstations.





Managed IT Service Proposal

Prepared for:

Malaga County Water District

Moises Ortiz
mortiz@malagacwd.org

August 10, 2023

Malaga County Water District
 Moises Ortiz
 3580 S. Frank Street
 Fresno, CA 93725
 mortiz@malagacwd.org

Dear Moises,

Thank you for the opportunity to provide a proposal for managed IT services. Since 2004, Unity IT has been serving the technology needs of central valley businesses and we look forward to assisting you! The proposal below has 2 packages for IT support known as Elevate and Encompass. Plans can be adjusted according to your preference and do not require long-term contracts.

The Elevate bundle is our entry-level proactive IT support plan. The Elevate package includes the following services:

- System Monitoring
- Windows Patch Management
- Data Protection Management and Monitoring
- Hourly IT Support Block (5 Hours Minimum)

Encompass is our unlimited support plan. Under the Encompass plan, we become your outsourced IT department. Encompass includes all items in the Elevate plan and the following additional services:

- Unlimited IT Support (No Hourly Charges)
- After-Hours & Holiday Coverage
- Service Level Agreement
- Security Management
- Scheduled Audits
- Asset Management
- Software Updates
- Single Point of Contact for 3rd Party Vendors
- Project Management
- Consulting
- Travel & Mileage

Should you have any questions or need clarification, please contact me at any time.



Kip Haroldsen
 President
 Unity IT

Elevate and Encompass Program Comparison

The table below outlines the services that are included with each IT support bundle.

	Elevate	Encompass
Performance & Availability Monitoring Unity IT's proactive monitoring systems operate 24 x 7 x 365, collecting and evaluating availability and performance statistics from servers and other critical networking components.	✓	✓
Data Backup Management Complete data backup job monitoring for critical systems ensuring your systems are always protected.	✓	✓
Automated Windows Updates Through our monitoring agent, we will automate Windows updates. Updates are approved by our technicians, scheduled for download and installation, and systems are rebooted after-hours when needed.	✓	✓
Hourly IT Support Services	✓	
Unlimited IT Support Services		✓
After-Hours Emergency Support		✓
Help Desk Direct access to our technicians and engineers by phone and email.	Hourly	✓
System Administration User, folder, email, application, printer and hardware administration.	Hourly	✓
Regularly Scheduled Visits Our service technicians will come to your office on a scheduled basis for installs, moves, physical system checks, and support requests that cannot be handled remotely.		✓
System Replacements IT Service for replacing systems (hardware purchased separately)	Hourly	✓
Service Level Agreement / Guaranteed Response Time Support issues will be addressed within 1 hour during business hours, and within 2 hours outside of regular business hours.		✓
3rd Party Vendor Support - Single Point of Contact Unity IT provides a single point of contact for all IT-related matters. If the problem involves a 3rd party vendor, such as an Internet Service Provider or software developer, we handle the ticket from start to finish so our customers can dedicate their time to business productivity.		✓
Major Software Upgrades	Hourly	✓
Weekly Reporting Scheduled reporting that includes service metrics, ticket statistics, and device summaries.		✓
Scheduled Security Audits		✓
Project Management	Hourly	✓
Asset / License Management Inventory of monitored systems, including software licenses. This allows an organization to accurately track assets and plan for replacements.		✓

	Elevate	Encompass
Periodic Review Meetings Periodic review meetings are held with the customer to review reports, identify meaningful trends, and discuss priorities and concerns.		✓
Customer Portal Access Realtime access to ticket status, invoices and quotes.		✓
Travel / Mileage	Hourly	✓

Unity IT
 2565 Alluvial Ave STE 132
 Clovis, CA 93611
 United States

 T: 559-297-1007

Quote #	300686 v2
Date	August 10, 2023
Expires	September 9, 2023
Contact	Kip Haroldsen

Prepared for Malaga County Water District
 Moises Ortiz
 3580 S. Frank Street
 Fresno, CA 93725
 United States

 T: (559)485-7353
 E: mortiz@malagacwd.org

ACCEPT QUOTE

Managed IT Services Proposal

☐ Elevate - Hourly Support Block, System Monitoring, Updates *Single Select*

Monthly Fees

Category	Item	Qty	Price	Total
Services / Elevate	Elevate - Server Monitoring Server Monitoring Plan	3	\$20.00	\$60.00 [†]
Services / Elevate	Elevate - Windows Patch Management (Server) Windows Patch Management Service (Server)	3	\$5.00	\$15.00 [†]
Services / Elevate	Elevate - Desktop Maint Elevate Windows Desktop Maintenance Service <ul style="list-style-type: none"> • System Monitoring • Automated Windows Patching • Disk Management Service 	14	\$20.00	\$280.00 [†]
Services / Elevate	Elevate - Network Device Monitoring Monitoring of Internet gateway, firewall, switches and wireless access points.	8	\$5.00	\$40.00 [†]
Services / Elevate	Hourly Block (5 Hours) Block Rate IT Support Service - Onsite and remote support - Unused hours carry over for 180 days.	5	\$150.00	\$750.00 [†]

** Recurring fees billed monthly with 0 upfront payment(s).*

Monthly Subtotal \$1,145.00

☐ Encompass - Flat Rate Unlimited Support *Single Select*

Monthly Fees

Category	Item	Qty	Price	Total
Services / Encompass	Encompass - Managed Server Server Management Support Plan	3	\$0.00	\$0.00 [†]
Services / Encompass	Encompass - Managed Workstation Workstation Management Plan	14	\$120.00	\$1,680.00 [†]
Services / Encompass	Encompass - Managed Network Device Managed Network Device	8	\$0.00	\$0.00 [†]
				<i>* Recurring fees billed monthly with 0 upfront payment(s).</i>
Monthly Subtotal				\$1,680.00

Recommended Subscriptions

Monthly Fees

Category	Item	Qty	Price	Total
Endpoint Protection	<input type="checkbox"/> Sophos Central Intercept X Advanced for Server <i>Optional</i> Antivirus / ransomware protection for server.	3	\$11.00	Not Selected
Endpoint Protection	<input type="checkbox"/> Sophos Central Intercept X Advanced for Workstation <i>Optional</i> Antivirus / ransomware protection for workstations.	14	\$7.00	Not Selected
Firewall	<input type="checkbox"/> Sophos XG 135 EnterpriseGuard Plus <i>Optional</i> Sophos XG 135 (firewall) EnterpriseGuard Plus Subscription Network Protection, Web Protection, and Sandstorm	1	\$92.55	Not Selected
Data Protection	<input type="checkbox"/> Data Protection - Virtual Server - Unlimited Storage <i>Optional</i> Data Protection for virtual servers. Local and cloud backups, unlimited storage.	2	\$100.00	Not Selected

** Recurring fees billed monthly with 0 upfront payment(s).*

Monthly Subtotal \$0.00

Summary

[†] Non-taxable item

Please contact us if you have any questions.

Total Monthly **\$0.00 USD**

ACCEPT QUOTE

Terms and Conditions

MASTER SERVICE AGREEMENT

GENERAL TERMS

This MASTER SERVICE AGREEMENT (the "Agreement") is entered into as of August 10, 2023 (Effective Date) between UNITY IT LLC, a Managed Services Provider ("MSP") and Malaga County Water District ("Customer").

1. SCOPE OF AGREEMENT. This Agreement serves as a master agreement and applies to Customer's and its Affiliates' purchases from MSP, or any of its Affiliates, of services ("Services"), as well as licenses for software, hardware, support and maintenance services, and/or subscription services (collectively, "Product"). For purposes of this Agreement, "Affiliate" means any entity that, directly or indirectly through one or more intermediaries, controls or is controlled by or under common control with Customer or MSP, as the case may be. No Product or Services will be provided under this Agreement alone, but may require the execution of a written or electronic order form, or other mutually acceptable order documentation (including, without limitation, Statements of Work for Products and Services as further described below) (each, an "Order"), which contains terms relating to this Agreement, each of which must be executed by both parties and, upon such execution, is deemed incorporated in this Agreement for all purposes. The parties hereby further agree that the parties may execute multiple Orders and Statements of Work under this Agreement. In the event of any conflict between the terms of the Statement of Work and those of this Agreement, the terms of the Statement of Work will prevail.

2. Term and Termination. This Agreement will begin on the Effective Date and will continue until terminated by either party. MSP may: (a) terminate a specific Order if Customer fails to pay any applicable fees due for that Order within 30 days after receipt of written notice from MSP of non-payment; and/or (b) terminate this Agreement or an Order if Customer commits any other material breach of this Agreement and fails to cure such breach within thirty (30) days after receipt of written notice from MSP. Upon any termination of the right to use a Product, Customer will immediately uninstall (if the Product is software) and cease to use the terminated Product and, upon MSP's written request, immediately return such Product to MSP, together with all related documentation, and copies thereof. Upon written request of MSP, Customer will promptly certify in writing to MSP that all copies of the Product have been returned, and that any copies not returned have been destroyed. If an Order for Services is terminated, Customer will promptly pay MSP for Services rendered, and expenses incurred through the termination date. MSP may terminate any license granted for a Deliverable (as defined below) if (i) Customer does not pay MSP for that Deliverable in accordance with this Agreement, or (ii) if Customer materially breaches any part of Section 4 of this Agreement.

3. Payment AND DELIVERY. Customer will pay MSP all fees due upon receipt of an invoice specifying the amounts due ("Fees"). All Fees payable under this Agreement are exclusive of sales, use, VAT, customs duties, excise, and any other applicable transaction taxes, which Customer will pay (excluding taxes based upon the net income of MSP). If payment is not received on or before any invoice due date, interest shall begin to accrue and be payable at the lesser of the maximum rate permitted under applicable law or at the rate of one and one-half percent (1.5%) per month from the date due until paid in full. Customer shall pay all expenses, including actual attorneys' fees, incurred by MSP or its representatives in enforcing its rights under this Agreement, provided that MSP is successful on the merits. Customer's obligation to pay undisputed amounts due for Services and MSP's right to all such amounts are absolute and unconditional. Customer is not entitled to setoff of such amounts. All Product is FOB shipping point. All Fees will be detailed in an Order. Unless otherwise stated in a Statement of Work, Customer agrees to pay or reimburse MSP for all actual, necessary, and reasonable expenses incurred by MSP in performance of such Statement of Work, which are capable of verification by receipt. MSP will submit invoices to Customer for such fees and expenses either upon completion of the Services, or at stated intervals, in accordance with the applicable Statement of Work.

4. Proprietary Rights and Confidentiality.

4.1. Proprietary Rights. MSP, or its Affiliates or licensors, retains all right, title and interest in any and all intellectual property, informational, industrial property and moral rights in the Product, and copies thereof. MSP neither grants nor otherwise transfers any rights of ownership in the Product to Customer. The Product is protected by applicable copyright and trade secrets laws, and other forms of intellectual property, informational and industrial property protection.

4.2. Product. Customer may only use and disclose Product in accordance with the terms of this Agreement and applicable Order. MSP reserves all rights in and to the Product not expressly granted in this Agreement. Customer may not disassemble or reverse engineer any software Product, or decompile or otherwise attempt to derive any software Product's source code from executable code, except to the extent expressly permitted by applicable law despite this limitation, or provide a third party with the results of any functional evaluation, or benchmarking or performance tests on the Products, without MSP's prior written approval. Except as expressly authorized in this Agreement or an Order, Customer may not (a) distribute the Product to any third party (whether by rental, lease, sublicense or other transfer), or (b) operate the Product in an outsourcing or service provider business to process the data of third parties. Additional usage restrictions may apply to certain third-party files or programs embedded in the Product - applicable installation instructions or release notes will contain the relevant details.

4.3. Services Deliverables licensed under this Agreement.

(a) License. Subject to the terms of this Agreement, MSP grants Customer a perpetual, non-exclusive, non-transferable license to use and modify all programming, documentation, reports, and any other deliverables provided as part of the Services ("Deliverables") solely for its own

internal use.

(b) Pre-Existing License Agreements. Any software product provided to Customer by MSP as a reseller for a third party, which is licensed to Customer under a separate software license agreement with such third party (such agreement, an "SLA"), will continue to be governed by the SLA. The fulfillment of the Services will not relieve or alter the obligations or responsibilities of either party or of any third party in regards to the software product licensed under the SLA.

(c) Ownership. MSP owns all right, title and interest in the Deliverables, *including* all intellectual property rights embodied therein. Nothing in this Agreement is intended to or will have the effect of vesting in or transferring to Customer rights in MSP's or its affiliates' or its or their suppliers' software, methods, know-how or other intellectual property, regardless of whether such intellectual property was created, used or first reduced to practice or tangible form in the course of performance of the Services, whether solely by MSP or jointly with Customer.

4.4 Mutual Confidentiality. This Section sets out the terms for identification of information which is considered confidential and proprietary by a party (the "Discloser"), and restrictions against use and disclosure of such Confidential Information after disclosure to the other party (the "Recipient").

(a) Definition. The term "Confidential Information" means all proprietary or confidential information that is disclosed to the Recipient by the Discloser, and includes, among other things (i) any and all information relating to products or services provided by a Discloser, its customer-related and financial information, source and executable code, flow charts, drawings, techniques, specifications, development and marketing plans, strategies, forecasts, and sales and marketing materials; (ii) the Product; and (iii) the terms of this Agreement. Confidential Information does not include information that Recipient can show: (A) was rightfully in Recipient's possession without any obligation of confidentiality before receipt from the Discloser; (B) is or becomes a matter of public knowledge through no fault of Recipient; (C) is rightfully received by Recipient from a third party without violation of a duty of confidentiality; or (D) is or was independently developed by or for Recipient.

(b) Disclosure Restrictions. Recipient may not disclose Confidential Information of Discloser to any third party without the prior written consent of Discloser.

(c) Proprietary Legends. Recipient may not remove, obscure, or alter any proprietary legend relating to the Discloser's rights on or from any form of Confidential Information of the Discloser, without the prior written consent of the Discloser, except as expressly authorized in an Order.

5. ALLOCATION OF RISK

5.1. Disclaimer of Damages. EXCEPT FOR VIOLATIONS OF SECTION 4, NEITHER PARTY, NOR ITS AFFILIATES AND LICENSORS, ARE liable to the other party, or its affiliates or licensors, for ANY SPECIAL, indirect, incidental, PUNITIVE or consequential damages ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE PRODUCT (INCLUDING WITHOUT LIMITATION lost profits, lost computer USAGE, AND damage or loss of USE OF data), EVEN IF THAT PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES, and irrespective of the negligence of either party or WHETHER SUCH DAMAGES RESULT FROM A CLAIM ARISING UNDER TORT or CONTRACT law.

5.2. Limitation of Liability. EXCEPT FOR violations of SECTION 4, MSP's LIABILITY FOR DIRECT DAMAGES ARISING OUT OF OR RELATING TO THIS AGREEMENT IS LIMITED TO the GREATER OF THE amount PAID OR PAYABLE by Customer for THE APPLICABLE Product.

5.3. Injunctive Relief. Both parties acknowledge that their violation of Section 4 may cause the other party immediate and irreparable harm. In the event of such breach, the breaching party agrees that the other party may seek, in addition to any and all other remedies available at law, an injunction, specific performance or other appropriate relief.

6. SERVICES-SPECIFIC TERMS.

6.1. All Necessary Rights. If, as part of MSP's performance of Services, MSP is required to use, copy or modify any third party system (hardware, software or other technology) provided or licensed to Customer, then prior to MSP's performance of such Services, Customer will acquire all rights necessary for MSP to perform such Services.

6.2. Limited Warranty. MSP warrants that the Services performed will be of a quality conforming to generally accepted practices that are standard within the software services industry for a period of ninety (90) days from completion of the Services under the applicable Statement of Work. Customer's exclusive remedy and MSP's entire liability under this warranty will be for MSP to re-perform any non-conforming portion of the Services within a reasonable period of time, or if MSP cannot remedy the breach during such time period then refund the portion of the fee attributable to such non-conforming portion of the Services. This warranty will not apply to the extent Customer, its contractors or agents have modified any Deliverable, unless otherwise authorized by MSP in writing. THIS WARRANTY AND CONDITION IS IN LIEU OF ALL OTHER WARRANTIES AND CONDITIONS. THERE ARE NO OTHER EXPRESS OR IMPLIED WARRANTIES OR CONDITIONS, INCLUDING THE IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

6.3. Intellectual Property Indemnity

(a) **Infringement Claims.** If a third party asserts a claim against Customer asserting that the Deliverables and/or MSP's performance of the Services in accordance with the terms of this Agreement violates a patent, trade secret or copyright (an "Intellectual Property Right") owned by that third party ("Infringement Claim"), then MSP will, at its own expense: (a) defend or settle the Infringement Claim; and (b) indemnify Customer for any damages finally awarded against Customer, but only if Customer promptly notifies MSP of any Infringement Claim, MSP retains sole control of the defense of any Infringement Claim and all negotiations for its settlement or compromise, and Customer provides all reasonable assistance requested by MSP. MSP will not be liable for any expenses or settlements incurred by Customer without MSP's prior written consent.

(b) **Remedies.** If an injunction or order is obtained against MSP performing the Services for Customer and/or Customer using the Deliverables by reason of the allegations of infringement, or if in MSP's opinion the Services and/or Deliverables may violate a third party's proprietary rights, then MSP will, at its expense: (a) procure for Customer the right to continue to receive the Services and/or use the Deliverables; (b) modify or replace the Services and/or Deliverables with a compatible, functionally equivalent substitute; or (c) if neither (a) nor (b) are commercially practical, terminate this Agreement and release Customer from its obligation to make future payments for the Services and/or Deliverables. Sections 5.1 and 5.2 contain Customer's exclusive remedies and MSP's sole liability for claims of infringement.

6.4. Independent Contractor. Nothing in this Agreement will be construed to make either party an employer, employee, agent or partner of the other, and this Agreement will not be construed to create rights, express or implied, on behalf of or for the use of any party other than MSP and Customer. All of the Services performed by MSP will be performed as an independent contractor. MSP will perform such Services under the general direction of Customer, but MSP will have sole discretion to determine the manner, method and means of performing such Services subject to the provisions of this Agreement and applicable Statement of Work. Neither party will have any authority to make any contract in the name of or otherwise to bind the other party. MSP will be responsible for and will pay all unemployment, social security and other payroll taxes, and all worker's compensation claims, worker's compensation insurance premiums and other insurance premiums, with respect to MSP and MSP's employees.

6.5. Mutual Non-Solicitation. During the term of this Agreement, and for a period of six (6) months thereafter, neither party will solicit for employment any employees of the other party or its affiliates who, within six (6) months prior to such solicitation: (a) directly performed under this Agreement, (b) had substantial contact with the hiring party in relation to this Agreement, or (c) the hiring party became aware of due to, or derived from information learned through the performance of, this Agreement. For this purpose, "solicitation" does not include contact resulting from indirect means such as public advertisement, placement firm searches or similar means not directed specifically at the employee to which the employee responds on his or her own initiative. Notwithstanding the foregoing, either party may at any time, directly or indirectly, solicit and hire any employee of the other party if such employee did not resign but was terminated by the other party. The parties acknowledge and agree that a breach of this "Non-Solicitation" clause will not give rise to a right of termination of this Agreement; the party not in breach will only have the right to seek and recover direct damages from the breaching party.

6.6. Mutual Indemnity. Each party will indemnify, defend and hold harmless the other party from all claims, liabilities or expenses for physical damage to real property or tangible personal property and bodily injury, including death, to the extent caused by the gross negligence or willful misconduct of the indemnifying party's employees or contractors arising out of this Agreement and while at the Customers premises. The foregoing indemnities are contingent upon the party seeking indemnity giving prompt written notice to the indemnifying party of any claim, demand or action, and cooperating with the indemnifying party in the defense or settlement of any such claim, demand or action.

7. MISCELLANEOUS/OTHER PROVISIONS.

7.1. Severability. Should any provision of this Agreement be invalid, or unenforceable, the remainder of the provisions will remain in effect. In the event of a dispute, the prevailing party in any litigation or arbitration will be entitled to recover its attorneys' fees and cost incurred from the other party.

7.2. Notices. Unless otherwise provided, notices to either party will be in writing to the address indicated above, or as later amended, and deemed effective when received.

7.3. Verification. Upon MSP's written request, Customer will provide MSP with a certification signed by an officer of Customer verifying that Product is being used pursuant to the terms of this Agreement, including without limitation the licensed capacity of the Product. MSP may, at its expense, audit Customer's use of Product to confirm Customer's compliance with this Agreement. Any such audit will be conducted during regular business hours at Customer's facilities and will not unreasonably interfere with Customer's business activities. If an audit reveals that Customer has underpaid Fees to MSP, Customer will pay such underpaid Fees. If the underpaid Fees exceed five percent (5%) of the Fees paid, then Customer will also pay MSP's reasonable costs of conducting the audit.

7.4. Assignment. Customer may not assign this Agreement or any rights granted in this Agreement to any third party, except with the prior written consent of MSP.

7.5. No Waivers. Failure of a party to require performance by the other party under this Agreement will not affect the right of such party to require performance in the future. A waiver by a party of any breach of any term of this Agreement will not be construed as a waiver of any continuing or succeeding breach.

7.6. Force Majeure. Any delay or failure of any party to perform any obligation under this Agreement caused by governmental restrictions, labor disputes, storms or natural disasters, emergency, or other causes beyond the reasonable control of the party, will not be deemed a breach of this Agreement. This provision does not apply to the payment of monies or any breach of Section 4.

7.7. Independent Contractors. The parties are independent contractors of each other, and no partnership or joint venture is intended or created by this Agreement.

7.8. Entire Agreement. This Agreement, together with each Statement of Work and Order, constitutes the entire agreement between Customer and MSP, and supersedes any prior or contemporaneous negotiations or agreements, whether oral or written, concerning this subject matter. This Agreement, and each Statement of Work and Order, may be modified only in a mutually signed writing between Customer and MSP. In the event of a conflict between this Agreement, any Statement of Work or an Order, the terms of the Order will control, followed by the terms of the applicable Statement of Work and then this Agreement.

7.9. Export Controls. Customer will cooperate with MSP as reasonably necessary to permit MSP to comply with the laws and regulations of the United States and all other relevant countries, relating to the control of exports ("Export Laws"). Customer may not import, nor export or re-export directly or indirectly, including via remote access, any part of the Product into or to any country for which a validated license is required for such import, export or re-export under applicable Export Laws, without first obtaining such a validated license.

7.10. Referencing. Customer agrees that MSP and its Affiliates may refer to Customer as a customer of MSP, both internally and in externally published media. Customer also agrees to instruct appropriate personnel within its organization that Customer has agreed to receive and participate in calls, from time to time, with potential customers of MSP who wish to evaluate the technical specifications of Product.

7.11. Dispute Resolution and Governing Law. Any controversy or claim arising out of or relating to THE PRODUCT AND/OR this agreement WILL be subject to arbitration administered by the American Arbitration Association under its commercial arbitration rules. the award and any findings OF THE ARBITRATOR must be filed within THIRTY (30) days of the final arbitration hearing. judgment on ANY award rendered by the arbitrator may be entered in any court having jurisdiction thereof. Nothing contained in this section will limit either party's ability to seek INJUNCTIVE relief in any court. THE PARTIES WILL ARBITRATE DISPUTES IN CONFIDENCE. THIS AGREEMENT will BE GOVERNED BY THE SUBSTANTIVE LAWS OF THE STATE OF CALIFORNIA. the CHOICE OF LAW RULES OF ANY JURISDICTION AND THE UNITED NATIONS CONVENTION ON CONTRACTS FOR THE INTERNATIONAL SALE OF GOODS WILL NOT APPLY.

7.12. Survival. Sections 2, 4, 5, 6 and 7 will survive the termination or expiration of this Agreement. The prevailing party in any litigation or arbitration proceeding is entitled to recover, from the other party, its reasonable attorneys' fees and necessary costs incurred in such proceeding.