BAY AREA CLEAN WATER AGENCIES

Basic Financial Statements
For the Years Ended June 30, 2026 and 2025

This Page Left Intentionally Blank

BAY AREA CLEAN WATER AGENCIES

Basic Financial Statements
For the Years Ended June 30, 2026 and 2025

Table of Contents

Page

Independent Auditor's Report 1

Management's Discussion and Analysis 5

Basic Financial Statements

Statements of Net Position 8

Statements of Revenues, Expenses and Changes in Net Position 9

Statements of Cash Flows 10

Notes to Basic Financial Statements 11

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 17

This Page Left Intentionally Blank

MAZE & ASSOCIATES

INDEPENDENT AUDITOR'S REPORT

To Board of Directors
Bay Area Clean Water Agencies
Oakland, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of the Bay Area Clean Water Agencies (BACWA) as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise BACWA's basic financial statements as listed in the Table of Contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of BACWA as of June 30, 2026, and the respective changes in financial position, and cash flows thereof 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, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Standards for California Special Districts. 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 BACWA 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 BACWA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Accounting Corporation
3478 Buskirk Avenue, Suite 217
Pleasant Hill, CA 94523

T 925.228.2800
E maze@mazeassociates.com
W mazeassociates.com

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 opinions. 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, *Government Auditing Standards*, and the State Controller's Minimum Audit Standards for California Special Districts, 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, *Government Auditing Standards*, and the State Controller's Minimum Audit Standards for California Special Districts, 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 BACWA'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 BACWA'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 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2026, on our consideration of BACWA'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 BACWA'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 BACWA's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

The financial statements of BACWA as of for the year ended June 30, 2025, were audited by other auditors whose report has been furnished to us, dated November 10, 2025, expressed an unmodified opinion on those statements.

Maze + Associates

Pleasant Hill, California
September 24, 2026

This Page Left Intentionally Blank

BAY AREA CLEAN WATER AGENCIES

Management's Discussion and Analysis
For the Years Ended June 30, 2026 and 2025

This section presents management's analysis of the Bay Area Clean Water Agencies (BACWA) financial condition and activities as of and for the years ended June 30, 2026 and 2025. Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to BACWA's basic financial statements. The MD&A represents management's examination and analysis of BACWA's financial condition and performance.

This information should be read in conjunction with the audited financial statements that follow this section. The information in the MD&A is presented under the following headings:

- Overview of the Basic Financial Statements
- Financial Summary
- Detailed Analyses
- Currently Known Facts, Decisions, or Conditions
- Request for Information

Overview of the Basic Financial Statements

The Bay Area Clean Water Agencies (BACWA) is a local government agency created by a joint powers agreement in 1984. Our membership includes local clean water agencies that provide sanitary sewer services to the more than seven million people living in the nine county San Francisco Bay Area. BACWA was founded, and continues, to assist agencies in carrying out mutually beneficial projects, and to facilitate the development of scientific, economic and other information about the San Francisco Bay environment and the agencies that work to protect it and public health.

BACWA is governed by a five-person Executive Board comprised of one representative from each of the joint powers agreement signatory agencies: Central Contra Costa Sanitary District, East Bay Dischargers Authority, East Bay Municipal Utility District, the City and County of San Francisco, and the City of San Jose. BACWA members contribute funds to cover operating expenses based on an annual work plan and budget, in accordance with sections 9 and 10 of BACWA's Joint Powers Agreement. There are thirteen associate members and forty-seven affiliate members that contribute a minimum of $10,079 and $2,018 annually, respectively.

For additional information, please see the notes to the basic financial statements.

The financial statements include *statements of net position*, *statements of revenues, expenses, and changes in net position, statements of cash flows,* and *notes to the financial statements.* The report also contains other required supplementary information in addition to the basic financial statements.

BACWA's financial statements include:

The *Statements of Net Position* present information on BACWA's assets and liabilities, with the difference between the two reported as net position. It provides information about the nature and number of resources and obligations at year-end.

The Statements of Revenues, Expenses, and Changes in Net Position present the results of BACWA's operations over the course of the fiscal year and information as to how the net position changed during the year.

The Statements of Cash Flows present changes in cash and cash equivalents resulting from operational and investing activities. This statement summarizes the annual flow of cash receipts and cash payments, without consideration of the timing of the event giving rise to the obligation or receipt.

The *Notes to the Basic Financial Statements* provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 11 to 15 of this report.

Financial Summary

Table 1 summarizes net position at June 30, 2026 and 2025, and Table 2 summarizes revenues, expenses and changes in net position for the years ended June 30, 2026 and 2025. Both tables also include changes from the prior year.

Table 1
Summary of Net Position
June 30, 2026 and 2025

	2026	2025	Variance
Current assets	$ 3,159,128	$ 3,481,418	$ (322,290)
Current liabilities	408,302	173,313	234,989
Net position:			
Unrestricted	2,750,826	3,308,105	(557,279)
Total net position	$ 2,750,826	$ 3,308,105	$ (557,279)

Table 2
Summary of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2026 and 2025

	2026	2025	Variance
Operating revenues	$ 3,907,179	$ 3,836,659	$ 70,520
Operating expenses	(4,641,832)	(4,035,903)	(605,929)
Net operating income/(loss)	(734,653)	(199,244)	(535,409)
Other nonoperating revenues	177,374	227,286	(49,912)
Change in net position	$ (557,279)	$ 28,042	$ (585,321)

Detailed Analyses

In the current fiscal year, BACWA had total operating revenues of 3.9 million and total operating expenses of $4.6 million. The change in net position decreased from $28,042 in the previous fiscal year to ($557,279) in the current fiscal year. BACWA's total net position decreased from $3,308,105 to $2,750,826 during the current fiscal year.

The major components of BACWA's results of operations in the current fiscal year were:

- Current assets decreased by $322,290 primarily due to a decrease in cash and cash equivalents. This is constant with BACWA's fiscal year 2026 budget which projected expenses to eclipse revenues in a bid to draw down reserves.

- Current liabilities increased by $234,989 due to an increase in accounts payable. This increase was due to a large invoice received at year end associated with BACWA's Regional Nutrient Compliance Support program.

- Operating revenues increased by $70,520 primarily due to an increase in other receipts. Increase is primarily due to an increase in billed revenue for BACWAs Nutrient Surcharge program.

- Operating expenses increased by $605,929 primarily due to an increase in professional services. This increase is primarily due to increases in programs such as the Regional Nutrient Compliance Support program and the CASA air toxics program. This is constant with BACWA's strategy in fiscal year 2026 to draw down reserves

- Other non-operating revenues for the years ended June 30, 2026 and 2025 consisted of interest income. The decrease of $49,912 is due to a decrease in interest rates.

Currently Known Facts, Decisions, or Conditions

BACWA is aware of three developments that will have either an impact on the Agency's financial position or a significant impact on next year's results. Many of these expected events were built into the upcoming budget for long-term planning:

- As of June 30, 2026, BACWA is in negotiations with the U.S. Environmental Protection Agency (EPA) which could provide funding to BACWA, and additional passthrough funds for member agency subawards.

- In fiscal year 2027, BACWA will establish a new project of special benefit to pass through funds for Bay Area Air District Engineering Program Management support.

- In fiscal year 2028, BACWA plans to increase affiliate and associate annual dues as well as to increase BACWA's Regional Nutrient Compliance Support program surcharge.

Request for Information

This financial report is designed to provide viewers with a general overview of the Bay Area Clean Water Agencies' finances and demonstrate BACWA's accountability for the assets and liabilities it manages. If you have any questions about this report, or need additional information, please contact: the BACWA Treasurer, Phoebe Grow, PO Box 24055, MS 809, Oakland, California 94623.

BAY AREA CLEAN WATER AGENCIES
Statements of Net Position
June 30, 2026 and June 30, 2025

	2026	2025
ASSETS		
Cash and cash equivalents (Note 2)	$ 525,062	$ 952,713
Investments (Note 2)	2,609,302	2,501,890
Accounts receivable	-	201
Accrued interest receivable	24,764	26,614
Total assets	3,159,128	3,481,418
LIABILITIES		
Accounts payable	408,302	173,313
Total liabilities	408,302	173,313
NET POSITION (Note 1B)		
Unrestricted	2,750,826	3,308,105
Total net position	$ 2,750,826	$ 3,308,105

See accompanying notes to financial statements

BAY AREA CLEAN WATER AGENCIES
Statements of Revenue, Expense,
And Changes in Net Position
For Years Ended June 30, 2026 and June 30, 2025

	2026	2025
Operating income:		
Member contributions	$ 1,935,061	$ 2,022,354
Other receipts	1,972,118	1,814,305
Total operating revenue	3,907,179	3,836,659
Operating expense:		
Professional services	(4,133,964)	(3,519,311)
General and administrative	(507,868)	(516,592)
Total operating expense	(4,641,832)	(4,035,903)
Operating Income (loss)	(734,653)	(199,244)
Other nonoperating revenue:		
Interest income	177,374	227,286
Changes in net position	(557,279)	28,042
Total net position - beginning	3,308,105	3,280,063
Total net position - ending	$ 2,750,826	$ 3,308,105

See accompanying notes to financial statements

BAY AREA CLEAN WATER AGENCIES
Statements of Cash Flows
For Years Ended June 30, 2026 and June 30, 2025

	2026	2025
Cash flows from operating activities:		
Cash received from member contributions	$ 1,935,262	$ 2,023,952
Cash received from other receipts	1,972,118	1,814,305
Cash paid for supplies and services	(4,406,843)	(3,996,509)
Net cash provided (used) by operating activities	(499,463)	(158,252)
Cash flows provided by investing activities:		
Interest received on investments	179,224	226,617
Net increase (decrease) in cash and equivalents, and investments	(320,239)	68,365
Cash and equivalents, and investments at beginning of period	3,454,603	3,386,238
Cash and equivalents, and investments at end of period	$ 3,134,364	$ 3,454,603
Reconciliation of cash and cash equivalents, and investments to amounts reported on the statement of net position		
Cash and cash equivalents	$ 525,062	$ 952,713
Investments	2,609,302	2,501,890
Cash and equivalents, and investments at end of period	$ 3,134,364	$ 3,454,603
Reconciliation of net operating income (loss) to net cash provided (used) by operating activities:		
Operating income	$ (734,653)	$ (199,244)
Adjustments to reconcile operating loss to cash flows from operating activities:		
Changes in operating assets and liabilities:		
Accounts receivable and other receivables	201	1,598
Accounts payable	234,989	39,394
Net cash flow (used) by operating activities	$ (499,463)	$ (158,252)

See accompanying notes to financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Reporting Entity

The Bay Area Clean Water Agencies (BACWA) is a local government agency created by a joint powers agreement in 1984. Our membership includes local clean water agencies that provide sanitary sewer services to the more than seven million people living in the nine county San Francisco Bay Area. BACWA was founded, and continues, to assist agencies in carrying out mutually beneficial projects, and to facilitate the development of scientific, economic and other information about the San Francisco Bay environment and the agencies that work to protect it and public health.

BACWA is governed by a five-person Executive Board comprised of one representative from each of the joint powers agreement signatory agencies: Central Contra Costa Sanitary District, East Bay Dischargers Authority, East Bay Municipal Utility District, the City and County of San Francisco, and the City of San Jose. BACWA members contribute funds to cover operating expenses based on an annual work plan and budget, in accordance with sections 9 and 10 of BACWA's Joint Powers Agreement. There are thirteen associate members and forty-seven affiliate members that contribute a minimum of $10,079 and $2,018 annually, respectively.

BACWA has the following special programs in the fiscal year 2026. Each special program's revenues and expenses are tracked separately from BACWA's other revenues and expenses.

- *The Clean Bay Collaborative (CBC)* is a program to develop and fund regional projects that benefit participants. Revenues come from contributions from program participants and expenditures are determined by the BACWA principals.

- *Water/Wastewater Operator Training (WOT)* was a program formed with Solano County Community College to provide water operators with educational training to help them understand the standard environmental rules and regulations related to water and wastewater. Revenues are provided by participating agencies and expenditures determined by those agencies. BACWA continues its educational relationship with Solano Community College.

- *Bay Area Biosolids Coalition (BABC)* became a Special Benefits Program in fiscal year 2020, where the participants establish their budget and associated revenue needs. BABC is a regional collaboration between San Francisco Bay Area wastewater agencies that are working to develop sub-regional projects with a primary focus on beneficial use of biosolids.

- *Bay Area Chemical Consortium (BACC)* became a Special Benefits Program in fiscal year 2020. BACC is an administrative program governed by BACWA and supported by the BACWA ED and AED. BACC solicits chemical bid information from more than 60 member agencies, then arranges a group bid. BACC participant agencies are invoiced for BACWA labor and other expenses related to bid administration at the end of each fiscal year.

- *CASA Air Toxics (CASA Pooled Emission Study AB 617)* program established a statewide annual reporting of emissions data to improve understanding of sources contributing to adverse health risks or other impacts at local, regional, and statewide levels. The California Association of Sanitation Agencies (CASA) negotiated a phased compliance, such that wastewater utilities must perform a "two-step process" to determine shortlist of compounds and factors: 1. Scan air space of unit processes to determine detectable compounds; and 2. Quantify emissions of detectable compounds to determine potential risk. CASA is leading a pooled emissions study to comply with the regulation and has set the fees for participation. BACWA is collecting fees from its members who have opted into the program and is directly passing those fees through to CASA to support the pooled emissions study.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Accounting and Presentation

The accompanying financial statements report the financial position of BACWA in accordance with accounting standards generally accepted in the United States of America. As BACWA is exclusively comprised of governmental entities, the preparation of its financial statements is governed by the pronouncements of the Governmental Accounting Standards Board (GASB).

BACWA as a proprietary enterprise is accounted for on a flow of economic resources measurement focus using the accrual basis of accounting. Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements.

BACWA distinguishes *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing deliverable goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for BACWA include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Statement of Net Position – The statement of net position is designed to display the financial position of BACWA. BACWA's fund equity is reported as net position, which is the excess of all the agency's assets and deferred outflows over all its liabilities and deferred inflows. Net position is divided into three captions under GASB Statement 34. As of June 30, 2026 and 2025, BACWA reported the following classification of net position:

- *Unrestricted* describes the portion of Net Position which is not restricted to use.

Statement of Revenues, Expenses, and Changes in Net Position – The statement of revenues, expenses, and changes in net position is the operating statement for proprietary funds. Revenues are reported by major source. This statement distinguishes between operating and non-operating revenues and expenses and presents a separate subtotal for operating revenues, operating expenses, and operating income. When both restricted and unrestricted resources are available for use, it is BACWA's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

D. Cash and Cash Equivalents

BACWA considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

E. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. BACWA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Allocation of Costs

In accordance with the adopted work plan and approved budget for the year ended June 30, 2026, all costs incurred by BACWA for general overhead and for programs with general benefit are shared by BACWA members consistent with the terms of the Joint Powers Agreement establishing the agency, between each of the original signatory members.

Costs incurred for programs of special benefit are allocated in direct proportion to the benefits received as approved by BACWA's Executive Board.

BACC, WOT and BABC have their own budgets, and their expenditures are funded from their own separate revenues. BACC maintains a legal reserve fund in which revenue is collected from its members and is held separately from other BACWA funds.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

NOTE 2 - CASH AND INVESTMENTS

A. Composition

BACWA's cash and cash equivalents at June 30 consisted of the following deposits and investments held by EBMUD on the BACWA's behalf:

	2026	2025
Demand deposits with banks	$ 525,062	$ 952,713
Local Agency Investment Fund	2,609,302	2,501,890
Total cash and cash equivalents	$ 3,134,364	$ 3,454,603

B. Collateralization of Cash and Cash Equivalents

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of BACWA's cash on deposit or first trust deed mortgage notes with a value of 150% of BACWA's cash on deposit as collateral for these deposits. Under California Law this collateral is held in an investment pool by an independent financial institution in BACWA's name and places BACWA ahead of general creditors of the institution pledging the collateral. BACWA has waived collateral requirements for the portion of deposits covered by federal deposit insurance.

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

BACWA's investments are carried at fair value, as required by generally accepted accounting principles. BACWA adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

C. Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As an external investment pool, the Local Agency Investment Fund was not rated as of June 30, 2026 and 2025.

D. Fair Value Hierarchy

BACWA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The California Local Agency Investment Fund is exempt from classification for fair value hierarchy.

E. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Normally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. BACWA generally manages its interest rate risk by purchasing a combination of short-term and long-term investments and holding investments to maturity. BACWA's only investment is in the California Local Agency Investment Fund which can be withdrawn at any time usually within a day.

F. Local Agency Investment Fund (LAIF)

BACWA is a participant in the Local Agency Investment Fund (LAIF), which is regulated by California Government Code §16429 under the oversight of the Treasurer of the State of California. The value of the pool shares in LAIF is determined on an amortized cost basis, which is different from the fair value of its position in the pool. BACWA's investments with LAIF at June 30, 2026 and 2025 included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments included the following:

- Structured Notes are debt securities (other than asset-backed securities) whose cash-flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

- Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets, such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2026 and 2025, BACWA had investments of $2,609,302 and $2,501,890, respectively, invested in LAIF, which had invested 3.47% and 3.81% of the pooled investment funds in Structured Notes and Asset-Backed Securities.

NOTE 3 – RELATED PARTY TRANSACTION

As BACWA does not have any employees, EBMUD provides BACWA with ongoing treasury, accounting, and auditing pass-through costs, which are reimbursed by BACWA and the related organizations on no less than a quarterly basis. Total reimbursements for the year ended June 30, 2026 and 2025, were $45,302 and $41,605 respectively, and are primarily reflected in the general and administrative expenditures on the Statement of Revenues, Expenditures, and Changes in Net Position.

NOTE 4 – RISK MANAGEMENT

BACWA's liability and property risks are insured by commercial insurance carriers. Selected insurance coverage includes:

Coverage	Policy Limit
Bodily injury	$ 5,000,000
Property damage	5,000,000
Personal injury	5,000,000
Non-owned and hired automobile liability	5,000,000
Public officials, errors, and omissions	5,000,000
Fire damage liability	1,000,000
Employment practices liability	2,000,000
Security and privacy liability	10,000,000

Any liability BACWA may have for uninsured claims are limited to general liability claims. However, BACWA has experienced no losses from such claims during the preceding three years and it therefore believes there is no liability for claims incurred but not reported.

This Page Left Intentionally Blank

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
Bay Area Clean Water Agencies
Oakland, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Bay Area Clean Water Agencies (BACWA), as of and for the year ended June 30, 2026, and have issued our report thereon dated September 24, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered BACWA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of BACWA's internal control. Accordingly, we do not express an opinion on the effectiveness of BACWA'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 BACWA's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether BACWA'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We have also issued a separate Memorandum on Internal Control dated September 24, 2026, which is an integral part of our audit and should be read in conjunction with this report.

Accounting Corporation
3478 Buskirk Avenue, Suite 217
Pleasant Hill, CA 94523

T 925.228.2800
E maze@mazeassociates.com
W mazeassociates.com

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 BACWA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BACWA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Pleasant Hill, California
September 24, 2026