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GOVERNANCE LETTER

To the Board of Directors
San Luis & Delta-Mendota Water Authority
Los Banos, California

We have audited the financial statements of the San Luis & Delta-Mendota Water Authority (the Authority) for the year ended February 28, 2023. Professional standards require that we provide you with the information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated February 27, 2023 and to a member of the Board of Directors during the audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the financial statements. The Authority did not implement any new accounting standards during the year and the application of existing policies was not changed during the year. We noted no transaction entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were lives used to depreciate capital assets, water conveyance fees charged to members, the computation of receivables and unearned revenue, the computation of payables, especially project use energy, joint facility use fee payables and pump rewind project payables, qualifying expenses incurred under grants, and computation of the emergency reserve fund reported as restricted net position. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements were the disclosures related to the Revenue Bonds, Series 2021A, Revenue Refunding Bonds, Series 2021B and the sources of repayment in Note 7, disclosure of the rewind project financing in Note 7, the emergency reserve fund disclosed in Note 8, retirement benefits reported in Note 10, commitments and contingencies in Note 11 and subsequent events in Note 14. The financial statement disclosures are neutral, consistent, and clear.

Note 1 of the financial statements discusses the impact of the final accounting for water year 2021 and the interim final billing for water year 2022 on the financial statements as of February 28, 2023 that resulted in a large additional billing.

Note 15 of the financial statements discusses the restatement of 2022 amounts as a result of additional costs related to the Units 1 and 4 rewind project being identified, which resulted in an increase in net position of $1,639,000. This footnote also discusses the change in approach for classifying extraordinary O&M funds from unrestricted to restricted. This change results in a negative unrestricted net position of $4,213,932 and $3,948,624 for the years ended February 28, 2023 and 2022, respectively.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit. However, the volume of adjustments and closing entries posted and compressed timeline were difficulties encountered in completing the audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. We posted 31 adjustments and closing entries during the audit. Entries were made to accrue receivables and payables, adjust unearned revenue and revenue, adjust, record DHCCP debt transactions, and various reclassifications for reporting purposes.

The attached schedule summarizes an uncorrected misstatement of the financial statements. Management has determined that its effects are immaterial to the financial statements taken as a whole. The uncorrected misstatement or the matters underlying it could potentially cause future period financial statements to be materially misstated, even though, in our judgment, the uncorrected misstatement is immaterial to the financial statements under audit.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October XX, 2025.

Management Consultations with Other Independent Accountants

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

Issues Discussed Prior to Retention of Independent Auditors

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

Other Matters

We applied certain limited procedures to management's discussion and analysis, which is required supplementary information (RSI) that supplements our financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on the supplementary information listed in the table of contents of the financial statements related to the Authority's retirement plans, which accompany the financial statements, but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the use of the Board of Directors and management of the Authority and is not intended to be and should not be used by anyone other than these specified parties.

________, 2025

SAN LUIS AND DELTA-MENDOTA WATER AUTHORITY
SUMMARY OF UNADJUSTED AUDIT DIFFERENCES
YEAR ENDED FEBRUARY 28, 2023

Description (Nature) of Audit Difference	Financial Statements Effect - Amount of Overstatement (Understatement) of: Total Assets	Total Liabilities	Equity	Net Income (Loss)
Engineering costs related to Unit 3 Rewind incurred in 2023 and recorded in 2024		$ (59,160)	$ 59,160	$ 59,160
Long-term lease liability not accrued under GASB 87	$ (250,900)	(259,689)	8,789	8,789
Net Unadjusted Audit Differences - This Year	(250,900)	(318,849)	67,949	67,949
Financial Statement Captions	123,461,512	(86,937,136)	(36,524,376)	(23,683,358)
Net Audit Differences as % of F/S Captions	-0.20%	0.37%	-0.19%	-0.29%