ADMINISTRATIVE POLICIES AND PROCEDURES

SENIOR CANYON MUTUAL WATER COMPANY
OJAI, CALIFORNIA

August 21, 2026

Updated to reflect actions of the Board of Directors through its August 21, 2026 meeting

ADMINISTRATIVE POLICIES AND PROCEDURES

1. PROCUREMENT OF GOODS AND SERVICES

1.1. GENERAL. The policy set forth in this document establishes standards and guidelines of the Senior Canyon Mutual Water Company ("Senior Canyon") for the procurement of supplies, equipment, construction, and services to ensure that they are obtained as economically as possible through an open and competitive process, and that contracts are managed with good administrative practices and sound business judgment.

1.2. CODE OF CONDUCT IN PROCUREMENT. A Code of Conduct shall govern the performance, behavior and actions of the Organization, including officers, directors, employees, or agents who are engaged in any aspect of procurement, including – but not limited to – purchasing goods and services; awarding contracts; or the administration and supervision of contracts.

1.2.1. No employee, officer, director, or agent of Senior Canyon shall participate in the selection, award or administration of a bid or contract if a conflict of interest is real or apparent to a reasonable person.

1.2.2. Conflicts of interest may arise when any employee, officer, director, or agent of Senior Canyon has a financial, family or any other beneficial interest in the vendor firm selected or considered for an award.

1.2.3. No employee, officer, director, or agent of Senior Canyon shall do business with, award contracts to, or show favoritism toward a member of his/her immediate family, spouse's family or to any company, vendor or concern who either employs or has any relationship to a family member; or award a contract or bid which violates the spirit or intent of Federal, State and local procurement laws and policies established to maximize free and open competition among qualified vendors.

1.2.4. Senior Canyon's employees, officers, directors, or agents shall neither solicit nor accept gratuities, gifts, consulting fees, trips, or favors having a monetary value totaling more than $500 in a calendar year from a vendor, potential vendor, or from the family or employees of a vendor, potential vendor or bidder; or from any party to a sub-agreement or ancillary contract.

1.2.5. As permitted by law, rule, policy or regulation, Senior Canyon may pursue appropriate legal, administrative or disciplinary action against an employee, officer, director, vendor or vendor's agent who is alleged to have committed, has been convicted of or pleaded no contest to a procurement related infraction. If said person has been convicted, disciplined or pleaded no contest to a procurement violation, said person shall be removed from any further responsibility or involvement with grants management, procurement actions or bids, consistent with State or Federal policy.

1.3. SOLICITATION AND COMPETITION. With limited exceptions, all procurement transactions will be conducted to provide – to the maximum extent possible – free and open competition among suppliers.

1.3.1. General. The solicitation process must begin with an analysis of the need for the procurement, to avoid the purchase of unnecessary items (this may include an examination of lease versus purchase alternatives). The purchaser must then identify and clearly specify standards for the goods or services desired, and seek competitive offers where possible to obtain the best possible quality at the best possible price.

1.3.2. Some form of cost or price analysis shall be made and documented in the procurement files in connection with every procurement action. Price analysis may be accomplished in various ways, including the comparison of price quotations submitted and market prices, together with discounts.

1.3.3. Bids must be sought for goods and services exceeding $10,000.

1.3.4. For procurements that exceed $100,000, open competition through a written request for competitive bids process will be utilized. Requests for bids will be written and advertised in a way that does not restrict competition. The request for bids shall contain a clear and accurate description of the technical requirements for the material, product or service to be procured; all requirements which offerors must fulfill; and all other factors to be used in evaluating bids or proposals.

1.3.5. Where state or federal funding is provided and if required as a condition of that funding, procurement will follow applicable provisions of the California Public Contract Code or the Federal Acquisition Regulation.

1.3.6. Whenever possible, Senior Canyon will engage in affirmative efforts to utilize Disadvantaged Business Enterprises (DBE) and Small Businesses, as well as to utilize locally-owned businesses.

1.3.7. Exceptions. Senior Canyon may waive competitive procurement for the following:

- Contracts for miscellaneous services, such as telephone, power, and water, where rates or prices are fixed by legislation or by federal, state, county or municipal regulations.
- Contracts deemed to be for an emergency where a sudden, unexpected occurrence requires immediate action to prevent or mitigate the loss or substantial impairment of life, health, property, or essential public services.
- If competitive procurement could not produce an advantage, or it is impracticable to obtain what is required subject to the competitive procurement provisions because of the unique, exploratory, or experimental nature of the work.

- If, within six months previous to the date of execution of a proposed contract, advertising or posting for identical articles, or articles of the same general character, has failed to secure responsive proposals.
- Contracts for purchase of used equipment not exceeding $2,500.
- Contracts with any governmental agency.
- Contracts for insurance or for services of a professional, artistic, scientific, or technical character.
- Change orders.
- Purchases of airline ticketing, lodging, automobile rental reservations, and miscellaneous travel-related services consistent with applicable U.S. General Services Administration published per diem rates, unless otherwise approved by the Board.

1.3.8. A designated product, material, thing, or service by a specific brand or trade name may be exclusively procured for any of the following purposes:

- If the articles wanted are patented, copyrighted, or otherwise unique.
- In order that a field test or experiment may be made to determine the designated product's suitability for future use.
- For replacement parts or components.

1.4. SELECTION.

1.4.1. Price should be one of the factors in the evaluation of responses, but Senior Canyon is not required to take the lowest price if other factors are important to the decision.

1.4.2. There should be an objective method for selection, and any factors for evaluation and selection should be listed in the procurement documents.

1.4.3. Awards shall be made to the bidder or offeror whose bid is responsive to the solicitation and is most advantageous to Senior Canyon (price, quality and other factors considered).

1.4.4. A bid may be rejected when it is in Senior Canyon’s interest to do so.

1.4.5. Documentation. At a minimum, procurement records must clearly show how Senior Canyon:

- Executed price sampling for small purchases;
- Selected the method of procurement and the type of contract to be used, including justification for exemption from competitive procurement if applicable;
- Determined which bids or proposals to accept and which to reject; and

- Determined the basis for the contract cost or price.

1.5. AWARD.

1.5.1. By Board. If the amount payable or expected to be paid by Senior Canyon under the terms of the contract is in excess of $10,000, the contract shall be executed only upon prior approval of the Board, provided that the Board may authorize an officer or employee to negotiate and execute a specific contract or set of contracts for a specific matter without prior approval of the Board.

1.5.2. By Manager. If the amount payable or expected to be paid by Senior Canyon under the terms of the contract is $25,000 or less, the contract may be executed by the President or Manager. The President or Manager may delegate signature authority to an employee for a specific contract or set of contracts. For contracts over $25,000 for projects or programs that the Board has previously approved, the contract may be executed by the President or Manager after approval by one Board member.

1.5.3. Contract Administration. Senior Canyon shall provide an overall system of contract administration to ensure proper oversight and management of procurement actions

1.5.4. Senior Canyon's contract administration system shall ensure that:

- The method of procurement is documented and records maintained for five years after final payment is made;
- All activities are carried out and costs are incurred in compliance with applicable requirements; and
- Before payment is made, services performed are adequate and consistent with the contract scope of services.

1.5.5. Contract Manager. A contract manager shall be designated and shall be responsible for evaluating contractor performance and documenting, as appropriate, whether contractors have met the terms, conditions and specifications of the contract. This may include progress inspections, interim products, inspection of goods delivered, and other such methods that provide assurance that the goods or services purchased are being delivered within the scope of the contract.

2. INTERNAL CONTROLS

2.1. GENERAL. These internal control policies are to ensure that Senior Canyon's operations run efficiently, effectively, and in compliance with applicable laws and regulations. These policies, including segregation of duties and independent oversight, are to provide reasonable assurance that shareholders' assets are being protected and that Senior Canyon's financial data and reports are accurate.

2.2. CASH DISBURSEMENT CONTROLS.

2.2.1. Invoice Review. Invoices should be reviewed by the Manager or other individual with knowledge of related charges prior to being entered into the general ledger by the Billing and Accounts Manager. The check signer should review the related invoices for approval when reviewing and signing checks.

2.2.2. Reimbursements. Employee reimbursements and company credit card charges should be reviewed by an employee's superior. The President or Manager's reimbursements or company credit card charges should be reviewed monthly by another Board Officer. This review can be performed after payment to speed up processing if it has already been reviewed by the Billing and Accounts Manager upon entering the expense into the general ledger.

2.2.3. Review Payroll Reports. Payroll reports should be reviewed by the Manager for gross pay compared to approved wage rates and reasonableness of any overtime and deductions.

2.2.4. Segregation of Duties. The Billing and Accounts Manager shall not be the authorized signer on Senior Canyon's checking account, investment accounts, or line of credit. Voids and refunds shall be approved and documented by someone other than the person who made them.

2.2.5. Check Signing Authority. The Manager is authorized to sign all checks. The Board may authorize additional and/or back-up check signers, who may be Board members. The Manager shall ensure that the signature cards on file at Senior Canyon's bank reflect the currently authorized check signers.

2.3. BILLING AND COLLECTING CONTROLS.

2.3.1. Billing invoices shall be independently reviewed by the Manager or designee for accuracy. The same reviewer shall periodically review the bills as sent out to verify that there has been no unauthorized interception or alteration of billing invoices.

2.3.2. Billing disputes shall be handled by the Manager or other staff who are independent of receivables record keeping.

2.3.3. Restrictive endorsements shall be made on incoming checks.

2.3.4. Accounts shall be routinely reviewed for delinquency and prompt action shall be taken to recover the charges on a timely basis, including assessment of penalties and fees as provided in Senior Canyon's Rates and Charges.

2.3.5. Only the Manager or the Board shall approve write-offs or reductions of receivables.

2.3.6. Accounts Receivable. The Manager, or a Board Officer, shall undertake a periodic review of accounts receivable balances.

2.4. MONTH END CLOSING AND FINANCIAL REPORTING.

2.4.1. Review of Monthly Statements. The review of monthly bank reconciliations and statements should be performed by the Manager or someone other than the Billing and Accounts Manager.

2.4.2. Month-End Close Checklist. A month-end close checklist shall list all month-end controls such as account reconciliations, financial statement preparation, review of manual journal entries, the check register, and payroll reports. The list should contain two columns for preparer and reviewer signoff. Each task shall be initialed and dated by the reviewer and preparer. The reviewer shall be the Manager or a Board Officer.

2.4.3. Review Monthly Financial Sheets to Statements. Monthly financial reports, including the balance sheet and budget, to actual statement of activities shall be reviewed by the Manager or a Board Officer.

3. RECORDS RETENTION AND DESTRUCTION

3.1. GENERAL. These policies cover all records regardless of physical form or characteristics which have been made or received by Senior Canyon in the course of doing business. These policies cover all records, regardless of physical form, contain guidelines for how long certain records should be kept and how records should be destroyed.

3.1.1. Purpose of Policies. These policies provide for the systematic review, retention and destruction of records received or created by Senior Canyon in connection with the transaction of business. These policies are designed to ensure compliance with federal and state laws and regulations, to eliminate accidental or innocent destruction of records and to facilitate Senior Canyon's operations by promoting efficiency and freeing up valuable storage space.

3.1.2. Records Covered. These policies apply to all records in any form, including electronic documents. A record is any material that contains information about Senior Canyon's plans, results, policies or performance. Anything that can be represented with words or numbers is a business record for purposes of these policies.

3.1.3. Except as otherwise provided, electronic documents must be retained as if they were paper documents. Therefore, any electronic files, including information received on line, that fall into one of the document types on the schedule and are not separately identified (e.g., text messages) must be maintained for the appropriate amount of time.

3.1.4. Record Retention. Senior Canyon follows the document retention procedures outlined below. Documents that are not listed, but are substantially similar to those listed in the schedule will be retained for the appropriate length of time.

3.1.5. Permanent Retention. Permanent records are records required by law to be permanently retained and which are ineligible for destruction at any time for any reason. These records are necessary for the continuity of business and the protection of the rights and interests of the organization and of individuals. These include records such as organizational documents (Articles of Incorporation and Bylaws), Board minutes and policies, federal and state tax exempt status and independent audits.

3.1.6. Litigation Hold. No record, whether or not referenced, may be destroyed if in any way the records refer to, concern, arise out of or in any other way are involved in pending or threatened litigation.

3.1.7. NON-PERMANENT RETENTION. Certain records are not required by law or by Senior Canyon policy to be permanently retained and may be destroyed after the passage of certain years or upon the passing of events as defined by these policies.

3.2. RECORD RETENTION: The following table indicates the minimum retention requirements for all documents, written and electronic, and is provided as guidance. ***Note that many Senior Canyon documents within these categories may be of historical***

significance and these documents shall be permanently retained regardless of the timeframes set forth below.

Type of Document	Minimum Requirements
Corporate Records:	
• Annual reports to Secretary of State	Permanent
• Articles of Incorporation	Permanent
• By-laws	Permanent
Accounting and Corporate Tax Records:	
• Annual audits and financial statements	Permanent
• Depreciation schedules	Permanent
• Fixed asset records	Permanent
• IRS application for tax-exempt status	Permanent
• IRS determination letters	Permanent
• IRS tax returns	Permanent
• State tax determination letters	Permanent
• Business expense records	7 years
• IRS 1099s	7 years
• Journal entries	7 years
• Invoices	7 years
• Petty cash vouchers:	3 years
• Cash receipts:	3 years
• Credit card receipts:	3 years
Board of Directors:	
• Board and Shareholder meeting agendas and attachments	Permanent
• Board and Shareholder meeting minutes	Permanent
• Board adopted policies, procedures, rules, regulations	Permanent
• Board resolutions and other documentation of actions	Permanent
Bank Records:	

Type of Document	**Minimum Requirements**
• Check registers	Permanent
• Checks (for important payments and purchases)	Permanent
• Bank deposit slips:	7 years
• Bank statements and reconciliation	7 years
• Electronic fund transfer documents	7 years
Contracts:	
• Contracts, construction documents, and related documents for capital improvements	Permanent
• Contacts and service agreements (general)	7 years after expiration/completion
• Bids/proposals and bid/proposal evaluations	7 years after expiration/completion
• Request for bids/proposals	7 years after expiration/completion
• Grant applications	5 years
Correspondence	
• Correspondence (general)	3 years
• Email, not otherwise archived (i.e., in inbox or deleted folders)	90 days
• Text messages	90 days
Employment Records:	
• Employee records	Permanent
• Employment and termination agreements	Permanent
• Retirement and pension plan documents	Permanent
• Records relating to promotion, demotion or discharge	7 years after termination
• Accident reports and Worker's Compensation records	5 years after termination of claim
• Salary schedules	5 years

Type of Document	Minimum Requirements
• Employment applications	3 years
• I-9 forms	3 years after termination
• Time cards	2 years
Payroll and Employment Tax Records	
• Payroll registers state unemployment tax records	Permanent
• Earnings records:	7 years
• Garnishment records:	7 years
• Payroll tax returns	7 years
• W-2 statements	7 years
Engineering and Environmental	
• Design drawings and mapping	Permanent
• Engineering and technical studies and reports	Greater of 7 years or life of project
• Environmental studies and reports, site surveys	Greater of 7 years or life of project
Permits and Regulatory Compliance:	
• Permits required by state or federal agencies	Permanent
• Compliance reporting	Permanent
• Notices and correspondence to/from permitting agencies	Permanent
• Water quality analyses and reports	12 years
• OSHA documents, safety reports	7 years
Legal:	
• Legal opinions	Permanent
• Water rights documents	Permanent
• Copyright, trademark registrations	Permanent
• Insurance policies	Permanent
• Litigation, case files	7 years from close of matter
Real Estate:	

Type of Document	Minimum Requirements
• Appraisals	Permanent
• Deeds, mortgages, and bills of sale	Permanent
• Easements	Permanent
• Leases, licenses	7 years after expiration
Water Operations and Billing:	
• Shareholder service requests and responses	Permanent
• Chemical delivery reports	10 years
• Violation/non-compliance notices to shareholders	10 years
• Daily log books	5 years
• Meter readings	2 years
• Bills and billing notices	2 years
• Shareholder payments	2 years

3.3. EMERGENCY PLANNING. Senior Canyon's records will be stored in a safe, secure and accessible manner. All documents and financial files that are essential to keeping Senior Canyon operating in an emergency will be duplicated or backed up at least every month and maintained off site. All other documents and financial files will be duplicated or backed up periodically as identified by the Manager or other person as designated by the Manager and maintained off-site.

4. RECORDS ACCESS AND CONFIDENTIALITY

4.1. PURPOSE.

4.1.1. Senior Canyon maintains records necessary for the operation of the Company and for compliance with applicable law. The Company recognizes that certain corporate records are subject to inspection by directors, shareholders, or other persons as provided by the Company's Bylaws or applicable law. At the same time, the Company has a fiduciary and legal duty to safeguard confidential information entrusted to it by its shareholders, customers, employees, and others.

4.1.2. The purpose of this policy is to establish procedures that reconcile these responsibilities and ensure that requests for records are handled in a consistent, lawful, and orderly manner.

4.2. CONFIDENTIAL INFORMATION. Confidential information includes, but is not limited to:

- Shareholder and customer account records, billing records, payment histories, water usage information, contact information, and other personally identifiable information;
- Employee personnel files, payroll records, medical information, background investigations, disciplinary records, and benefit information;
- Passwords, security credentials, computer system information, cybersecurity documentation, and access codes;
- Banking information, account numbers, investment information, and other financial information not contained in publicly distributed financial reports;
- Attorney-client privileged communications, attorney work product, pending litigation materials, and documents prepared in anticipation of litigation;
- Information whose disclosure is prohibited or restricted by federal or California law; and
- Any other information designated by the Board or Manager as confidential because disclosure would be contrary to the interests of the Company or its shareholders.

4.3. REQUESTS FOR INSPECTION OR COPIES OF RECORDS.

4.3.1. All requests for inspection of Company records or for copies of Company records shall be submitted to the Manager. If the request is made to another employee, officer, or director, it shall be promptly forwarded to the Manager.

4.3.2. The Manager shall review each request and determine, in consultation with legal counsel when appropriate, whether the requested records are subject to inspection under the Company's Bylaws or applicable law, whether confidential information must be withheld or redacted, and whether Board authorization is appropriate before disclosure.

4.3.3. No employee shall permit inspection of or provide copies of Company records unless authorized by the Manager or the Board of Directors.

4.4. INSPECTION RIGHTS.

4.4.1. Nothing in this policy is intended to limit any inspection rights provided by the Company's Bylaws or applicable law. However, inspection rights shall be administered in a manner that protects confidential information, attorney-client privileged communications, trade secrets, cybersecurity information, and other information that is exempt from disclosure or whose disclosure would violate the Company's legal obligations.

4.4.2. Where only a portion of a record is confidential, the Company may redact confidential information and provide the remainder of the record.

4.5. DIRECTORS. Nothing in this policy limits the rights of directors to access Company records necessary to perform their fiduciary duties. Directors receiving confidential information shall maintain its confidentiality and shall not disclose such information except as authorized by the Board or as required by law.

4.6. PROTECTION OF CONFIDENTIAL INFORMATION.

4.6.1. All directors, officers, employees, consultants, and agents of the Company shall protect confidential information from unauthorized access, disclosure, or use and shall use such information only for legitimate Company purposes.

4.6.2. Unauthorized disclosure of confidential information may result in disciplinary action, removal from office where authorized by law or the Bylaws, termination of employment or contract, and any other remedies available under applicable law.